

BANK ONE CORP
 Form 10-Q
 August 12, 2002

BANK ONE CORPORATION
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FIVE QUARTER SUMMARY OF SELECTED FINANCIAL INFORMATION

BANK ONE CORPORATION and Subsidiaries

| | Three Months Ended | | | |
|---|--------------------|----------|-------------|--------------|
| | June 30 | March 31 | December 31 | September 30 |
| (In millions, except ratios and per share data) | 2002 (3) | 2002 (3) | 2001 | 2001 |

INCOME STATEMENT DATA

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| | | | | |
|---|----------|----------|----------|----------|
| Total revenue, net of interest expense | \$ 4,274 | \$ 4,152 | \$ 4,207 | \$ 4,207 |
| Net interest income-- | | | | |
| fully taxable-equivalent ("FTE") basis | 2,078 | 2,235 | 2,273 | 2,273 |
| Noninterest income | 2,232 | 1,952 | 1,972 | 1,972 |
| Provision for credit losses | 607 | 665 | 765 | 765 |
| Noninterest expense | 2,438 | 2,345 | 2,706 | 2,706 |
| Income before cumulative effect of change | | | | |
| in accounting principle | 843 | 787 | 541 | 541 |
| Net income | 843 | 787 | 541 | 541 |

PER COMMON SHARE DATA

| | | | | |
|---|---------|---------|---------|---------|
| Income before cumulative effect of change | | | | |
| in accounting principle: | | | | |
| Basic | \$ 0.72 | \$ 0.67 | \$ 0.46 | \$ 0.46 |
| Diluted | 0.71 | 0.67 | 0.46 | 0.46 |
| Net income: | | | | |
| Basic | \$ 0.72 | \$ 0.67 | \$ 0.46 | \$ 0.46 |
| Diluted | 0.71 | 0.67 | 0.46 | 0.46 |
| Cash dividends declared | 0.21 | 0.21 | 0.21 | 0.21 |
| Book value | 18.37 | 17.81 | 17.33 | 17.33 |

BALANCE SHEET DATA - ENDING BALANCES

| | | | | |
|-----------------------------|-----------|-----------|-----------|-----------|
| Loans: | | | | |
| Managed | \$205,442 | \$209,519 | \$218,102 | \$218,102 |
| Reported | 147,728 | 152,126 | 156,733 | 156,733 |
| Deposits | 157,518 | 158,803 | 167,530 | 167,530 |
| Long-term debt (1) | 43,756 | 44,194 | 43,418 | 43,418 |
| Total assets: | | | | |
| Managed | 306,140 | 297,998 | 306,304 | 306,304 |
| Reported | 270,343 | 262,947 | 268,954 | 268,954 |
| Common stockholders' equity | 21,563 | 20,913 | 20,226 | 20,226 |
| Total stockholders' equity | 21,563 | 20,913 | 20,226 | 20,226 |

CREDIT QUALITY RATIOS

| | | | | |
|--|-------|-------|-------|-------|
| Net charge-offs to average loans-managed (2) | 2.73% | 2.82% | 2.84% | 2.84% |
| Allowance to period end loans | 3.06 | 2.97 | 2.89 | 2.89 |
| Nonperforming assets to related assets | 2.65 | 2.58 | 2.35 | 2.35 |

FINANCIAL PERFORMANCE:

| | | | | |
|---------------------------------|------------|------------|--------|--------|
| Return on average assets | 1.32% | 1.21% | 0.80% | 0.80% |
| Return on average common equity | 15.7 | 15.3 | 10.5 | 10.5 |
| Net interest margin: | | | | |
| Managed | 5.12 | 5.35 | 5.20 | 5.20 |
| Reported | 3.69 | 3.91 | 3.84 | 3.84 |
| Efficiency ratio: | | | | |
| Managed | 47.6 | 46.6 | 53.5 | 53.5 |
| Reported | 56.6 | 56.0 | 63.7 | 63.7 |
| Employees | 73,579 (4) | 73,864 (4) | 73,519 | 73,519 |

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| (In millions, except ratios and per share data) | June 30 2002 (3) | March 31 2002 (3) | December 31 2001 | Sept |
|---|---------------------|----------------------|---------------------|------|
| CAPITAL RATIOS | | | | |
| Risk-based capital: | | | | |
| Tier 1 | 9.4% | 9.0% | 8.6% | |
| Total | 13.0 | 12.7 | 12.2 | |
| Tangible common equity/tangible managed assets | 6.3 | 6.2 | 5.9 | |
| COMMON STOCK DATA | | | | |
| Average shares outstanding: | | | | |
| Basic | 1,174 | 1,170 | 1,166 | |
| Diluted | 1,184 | 1,179 | 1,174 | |
| Stock price, quarter-end | \$ 38.48 | \$ 41.78 | \$ 39.05 | |

- (1) Includes trust preferred capital securities.
- (2) Quarterly results include \$1 million, \$1 million, \$14 million, \$14 million and \$24 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 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) | June 30 2002 (1) | March 31 2002 (1) | December 31 2001 | Three Months Ended (2) |
|---|---------------------|----------------------|---------------------|------------------------|
| Operating income | \$ 803 | \$ 787 | \$ 765 | |
| Operating earnings per share-diluted | \$ 0.68 | \$ 0.67 | \$ 0.65 | |
| Return on average assets | 1.26% | 1.21% | 1.14% | |
| Return on average common equity | 14.9 | 15.3 | 14.9 | |
| Net interest margin: | | | | |
| Managed | 5.12 | 5.35 | 5.20 | |
| Reported | 3.69 | 3.91 | 3.84 | |
| Efficiency ratio: | | | | |
| Managed | 48.9 | 46.6 | 46.5 | |
| Reported | 58.0 | 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 and reversals for all periods and June 30, 2001 excludes the cumulative effect

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of a change in accounting principle.

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SUMMARY OF OPERATING RESULTS

Operating income for BANK ONE CORPORATION and its subsidiaries ("Bank One" or the "Corporation") was \$803 million, or \$0.68 per diluted share, for the second quarter 2002 compared to \$706 million, or \$0.60 per diluted share, in the second quarter 2001, excluding restructuring reversals and the 2001 accounting change. Bank One reported 2002 second quarter net income of \$843 million, or \$0.71 per diluted share, including a \$40 million after tax benefit from reversals of prior restructuring charges. This is compared to reported net income of \$664 million, or \$0.56 per diluted share, including a \$44 million after tax charge for the cumulative effect of an accounting change in the prior year quarter.

For the first half of 2002, operating income totaled \$1.6 billion, or \$1.35 per diluted share, compared to \$1.4 billion, or \$1.18 per diluted share, in the prior year. Reported net income for the first half of 2002 was \$1.6 billion, or \$1.38 per diluted share, compared to \$1.3 billion, or \$1.14 per diluted share, a year ago.

Net interest income of \$2.0 billion in the second quarter 2002 and \$4.2 billion for the six months ended June 30, 2002 remained relatively unchanged when compared to the prior year periods. Decreases resulting from intentional reductions in certain segments of the loan portfolio and a decline in deposits of large commercial customers, were offset by increases in Retail core deposits and the benefit of lower interest rates which reduced the Corporation's funding costs.

Reported noninterest income increased \$441 million in the second quarter and \$786 million in the first six months of 2002 compared to the prior year periods. These increases are primarily due to the addition of the Wachovia credit card business in the third quarter of 2001, the consolidation of Paymentech beginning January 1, 2002, increased annuity and mutual fund sales, growth in the loan syndication and asset-backed finance businesses, and net gains on investment securities. Net investment securities gains were \$97 million, which included a \$261 million gain on sale of the interest in the GE Monogram joint venture, partially offset by net writedowns of \$164 million in the investment securities and principal investments portfolios.

Total noninterest expense increased from the year-ago quarter and six months by \$192 million and \$301 million, respectively. These increases were primarily the result of the consolidations of Paymentech and Anexsys, \$89 million in expenses for terminating and renegotiating certain vendor contracts, increased marketing expenditures, and general costs associated with the Corporation's conversion efforts. Salaries and employee benefits included \$12 million of expense related to adopting the fair value method of accounting for stock-based compensation.

Provision for credit losses was \$607 million for the second quarter and \$1.3 billion for the first six months of 2002, compared to \$540 million and \$1.1 billion for 2001, respectively. Since the fourth quarter of 2001, the Corporation has experienced lower net charge-offs, resulting in a reduction of provision for credit losses in the current quarter. Lower credit card delinquencies also contributed to the recent provision reduction.

BALANCE SHEET ANALYSIS

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The Corporation's loan portfolio was \$147.7 billion at June 30, 2002 compared with \$152.1 billion at March 31, 2002, a decrease of \$4.4 billion. Retail loans totaled \$66.3 billion at June 30, 2002 compared with \$67.6 billion at March 31, 2002, a decrease of \$1.3 billion due to the intentional reduction of certain segments of the auto lease and brokered home equity portfolios. Commercial banking loans totaled \$64.9 billion at June 30, 2002 compared to \$69.0 billion at March 31, 2002, a decrease of \$4.2 billion, or 6%. Managed reductions of \$2.5 billion and \$1.4 billion in commercial and commercial real estate loans, respectively, reflect the conscious management of credit risk in the current economic environment. Credit Card loans totaled \$9.1 billion at June 30, 2002 compared to \$7.4 billion at March 31, 2002, an increase of \$1.7 billion or 23%, reflecting renewed organic growth in the portfolio. During the quarter, 1.28 million accounts were opened, an increase of 36% compared to first quarter 2002.

At June 30, 2002 investment securities totaled \$65.7 billion compared with \$58.7 billion at March 31, 2002. This increase of \$7.0 billion, or 12%, was driven by a \$4.9 billion, or 20% increase in U.S. government agencies, and an increase of \$3.1 billion, or 91%, in other debt securities, primarily asset-backed securities. Partially offsetting these increases was a decrease of \$634 million, or 16% in equity securities and the previously mentioned writedowns in the investment securities and principal investments portfolios which management believes will help reduce the volatility of future earnings.

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Total deposits at June 30, 2002 were \$157.5 billion compared to \$158.8 billion at March 31, 2002 a decrease of \$1.3 billion, or 1%. Demand deposits totaled \$26.8 billion at June 30, 2002 compared to \$29.1 billion at March 31, 2002 a decrease of \$2.3 billion, or 8%. Time deposits totaled \$34.7 billion at June 30, 2002 compared to \$36.2 billion at March 31, 2002, a decrease of \$1.6 billion, or 4%, primarily due to a decrease in lower yielding CDs. This decrease was partially offset by an increase of \$1.2 billion, or 9%, in foreign office deposits.

Other short-term borrowings, which consists primarily of short-term bank notes, totaled \$9.8 billion at June 30, 2002 compared to \$5.5 billion at March 31, 2002 an increase of \$4.3 billion, or 78%. Federal funds purchased and securities sold under repurchase agreements totaled \$16.7 billion at June 30, 2002 compared to \$15.2 billion at March 31, 2002 an increase of \$1.6 billion, or 10%.

BUSINESS SEGMENT RESULTS AND OTHER DATA

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

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

Operating Income (Loss) Average Manag

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| Three Months Ended June 30 | (In millions) | | (In billi |
|--|---------------|---------------|---------------|
| | 2002 | 2001 | 2002 |
| Retail | \$ 348 | \$ 313 | \$ 70 |
| Commercial Banking | 144 | 197 | 94 |
| Credit Card | 296 | 193 | 70 |
| Investment Management | 115 | 83 | 9 |
| Corporate | (100) | (80) | 48 |
| Total business segment operating income, net of tax | \$ 803 | \$ 706 | \$ 291 |

| Six Months Ended June 30 | Operating Income (Loss) (In millions) | | Average Manag (In billi |
|--|--|-----------------|----------------------------|
| | 2002 | 2001 | 2002 |
| Retail | \$ 691 | \$ 654 | \$ 72 |
| Commercial Banking | 287 | 393 | 97 |
| Credit Card | 535 | 341 | 71 |
| Investment Management | 229 | 165 | 8 |
| Corporate | (152) | (168) | 48 |
| Total business segment operating income, net of tax | \$ 1,590 | \$ 1,385 | \$ 296 |

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.

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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 June 30 | | | | Six Months E | |
|----------------------------------|----------------------------|------------|------------|----------|--------------|------------|
| | 2002 | 2001 | Change | | 2002 | 2001 |
| | | | Amount | % | | |
| (Dollars in millions) | | | | | | |
| Net interest income-FTE | \$ 1,203 | \$ 1,219 | \$ (16) | (1)% | \$ 2,458 | \$ 2,511 |
| Banking fees and commissions (1) | 113 | 111 | 2 | 2 | 231 | 233 |
| Credit card revenue (2) | 44 | 41 | 3 | 7 | 84 | 77 |
| Service charges on deposits (3) | 196 | 197 | (1) | (1) | 397 | 388 |
| Trading (4) | (4) | - | (4) | N/M | (5) | - |
| Other income | 7 | 8 | (1) | (13) | 11 | 2 |
| Noninterest income | 356 | 357 | (1) | - | 718 | 711 |

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| | | | | | | |
|---|--------|--------|-------|------|--------|--------|
| Total revenue | 1,559 | 1,576 | (17) | (1) | 3,176 | 3,230 |
| Provision for credit losses | 215 | 200 | 15 | 8 | 482 | 444 |
| Salaries and employee benefits | 358 | 381 | (23) | (6) | 722 | 744 |
| Other expense | 449 | 505 | (56) | (11) | 907 | 1,020 |
| Noninterest expense | 807 | 886 | (79) | (9) | 1,629 | 1,760 |
| Pretax operating income-FTE | 537 | 490 | 47 | 10 | 1,065 | 1,020 |
| Tax expense and FTE adjustment | 189 | 177 | 12 | 7 | 374 | 370 |
| Operating income | \$ 348 | \$ 313 | \$ 35 | 11 | \$ 691 | \$ 650 |
| Restructuring-related charges (reversals), net of tax | (11) | (2) | (9) | N/M | (11) | (10) |
| Net income | \$ 359 | \$ 315 | \$ 44 | 14 | \$ 702 | \$ 650 |

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Retail - continued

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | |
|--|----------------------------|--------|---------|---------|--------------------------|--------|
| | 2002 | 2001 | Change | | 2002 | 2001 |
| | | | Amount | Percent | | |
| FINANCIAL PERFORMANCE: | | | | | | |
| Return on equity (5) | 23% | 21% | 2% | | 22% | 22% |
| Efficiency ratio (5) | 52 | 56 | (4) | | 51 | 55 |
| Headcount--full-time | 32,610 | 35,322 | (2,712) | (8)% | | |
| ENDING BALANCES (in billions): | | | | | | |
| Small business commercial | \$ 10.0 | \$ 9.8 | \$ 0.2 | 2 | | |
| Home equity | 29.7 | 30.3 | (0.6) | (2) | | |
| Vehicles: | | | | | | |
| Loans | 13.6 | 14.1 | (0.5) | (4) | | |
| Leases | 4.7 | 7.3 | (2.6) | (36) | | |
| Other personal | 8.3 | 10.9 | (2.6) | (24) | | |
| Total loans | 66.3 | 72.4 | (6.1) | (8) | | |
| Assets | 69.6 | 76.1 | (6.5) | (9) | | |
| Demand deposits | 26.2 | 24.1 | 2.1 | 9 | | |
| Savings | 37.9 | 33.8 | 4.1 | 12 | | |
| Time | 24.6 | 29.7 | (5.1) | (17) | | |
| Total deposits | 88.7 | 87.6 | 1.1 | 1 | | |
| Equity | 6.2 | 6.2 | - | - | | |
| AVERAGE BALANCES (in billions): | | | | | | |
| Small business commercial | \$ 10.0 | \$ 9.6 | \$ 0.4 | 4 | \$ 10.0 | \$ 9.4 |
| Home equity | 29.8 | 30.5 | (0.7) | (2) | 29.9 | 30.8 |

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| | | | | | | |
|-------------------------------|-------|-------|-------|------|-------|-------|
| Vehicles: | | | | | | |
| Loans | 13.6 | 14.1 | (0.5) | (4) | 13.5 | 14.2 |
| Leases | 5.0 | 7.6 | (2.6) | (34) | 5.4 | 7.9 |
| Other personal | 8.4 | 10.9 | (2.5) | (23) | 9.2 | 11.1 |
| ----- | | | | | | |
| Total loans | 66.8 | 72.7 | (5.9) | (8) | 68.0 | 73.4 |
| Assets | 70.2 | 76.6 | (6.4) | (8) | 71.6 | 77.4 |
| Demand deposits | 25.9 | 23.8 | 2.1 | 9 | 25.5 | 23.8 |
| Savings | 37.8 | 33.5 | 4.3 | 13 | 37.5 | 33.0 |
| Time | 24.9 | 30.6 | (5.7) | (19) | 25.1 | 31.3 |
| ----- | | | | | | |
| Total deposits | 88.6 | 87.9 | 0.7 | 1 | 88.1 | 88.1 |
| Equity | 6.2 | 6.1 | 0.1 | 2 | 6.2 | 6.0 |
| CREDIT QUALITY (in millions): | | | | | | |
| Net charge-offs: | | | | | | |
| Small business commercial | \$ 23 | \$ 17 | \$ 6 | 35 | \$ 37 | \$ 27 |
| Home equity | 102 | 93 | 9 | 10 | 232 | 166 |
| Vehicles: | | | | | | |
| Loans (6) | 42 | 52 | (10) | (19) | 108 | 112 |
| Leases | 15 | 20 | (5) | (26) | 45 | 49 |
| Other personal | 34 | 19 | 15 | 79 | 60 | 53 |
| ----- | | | | | | |
| Total consumer (6) | 193 | 184 | 9 | 5 | 445 | 380 |
| ----- | | | | | | |
| Total net charge-offs (6) | 216 | 201 | 15 | 7 | 482 | 407 |
| ----- | | | | | | |

6

Retail - continued

| | Three Months Ended June 30 | | | | Six |
|---|----------------------------|--------|--------|---------|-------|
| | Change | | | | |
| | 2002 | 2001 | Amount | Percent | 2002 |
| ----- | | | | | |
| CREDIT QUALITY - continued (in millions): | | | | | |
| Net charge-off ratios: | | | | | |
| Small business commercial | 0.92% | 0.71% | 0.21% | | 0.74% |
| Home equity | 1.37 | 1.22 | 0.15 | | 1.55 |
| Vehicles: | | | | | |
| Loans (6) | 1.24 | 1.47 | (0.23) | | 1.60 |
| Leases | 1.20 | 1.07 | 0.13 | | 1.67 |
| Other personal | 1.62 | 0.70 | 0.92 | | 1.30 |
| ----- | | | | | |
| Total consumer (6) | 1.36 | 1.17 | 0.19 | | 1.53 |
| ----- | | | | | |
| Total net charge-offs (6) | 1.29 | 1.11 | 0.18 | | 1.42 |
| Nonperforming assets: | | | | | |
| Small business commercial | \$ 287 | \$ 245 | \$ 42 | 17% | |

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| | | | | |
|---|----------|----------|--------|----------|
| Consumer (7) | 1,062 | 804 | 258 | 32 |
| ----- | | | | |
| Total nonperforming loans | 1,349 | 1,049 | 300 | 29 |
| Other, including | | | | |
| Other Real Estate Owned ("OREO") | 168 | 69 | 99 | N/M |
| ----- | | | | |
| Total nonperforming assets | 1,517 | 1,118 | 399 | 36 |
| Allowance for credit losses | \$ 1,029 | \$ 938 | \$ 91 | 10 |
| Allowance to period-end loans | 1.55% | 1.30% | 0.25% | |
| Allowance to nonperforming loans | 76% | 89% | (13) | |
| Nonperforming assets to related assets | 2.28% | 1.54% | 0.74 | |
| DISTRIBUTION: | | | | |
| Number of banking centers | 1,773 | 1,808 | (35) | (2) |
| Number of ATMs | 4,956 | 5,703 | (747) | (13) |
| Number of on-line customers (in thousands) | 1,269 | 1,035 | 234 | 23 |
| Number of households (in thousands) | 7,102 | 7,499 | (397) | (5) |
| Number of business customers (in thousands) | 488 | 530 | (42) | (8) |
| Number of debit cards issued (in thousands) | 4,492 | 4,378 | 114 | 3 |
| INVESTMENTS: | | | | |
| Investment sales volume (in millions) | \$ 1,451 | \$ 1,141 | \$ 310 | 27 |
| | | | | \$ 2,828 |
| ----- | | | | |

N/M-Not meaningful.

- (1) 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.
- (2) Credit card revenue includes credit card fees, merchant fees and interchange fees.
- (3) Service charges on deposits include service charges on deposits, deficient balance fees, non-sufficient funds/overdraft fees and waived fees.
- (4) Trading includes trading and foreign exchange.
- (5) Ratios are based on operating income.
- (6) Second quarter 2002 and 2001 results include \$1 million and \$24 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.
- (7) Includes consumer balances that are placed on nonaccrual status when the collection of contractual principal or interest becomes 90 days past due.

7

Quarterly Results

Retail had second quarter operating income of \$348 million, up \$35 million, or 11%, from the year-ago quarter, primarily reflecting lower noninterest expense. Operating income was up \$5 million, or 1%, from the first quarter of 2002 due to lower provision and expense, partially offset by the reduction in seasonal revenue from tax refund anticipation lending.

Net interest income declined \$16 million, or 1%, from the year-ago quarter due to the intentional reduction of certain segments of the auto lease and brokered home equity portfolios. Average core deposits increased \$6 billion, or

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11%, driving deposit revenue growth that nearly equaled the decline in loan revenue. Noninterest income was \$356 million, relatively unchanged from the year-ago quarter, reflecting continued strong growth in the sale of mutual funds and annuities offset by lower mortgage origination fees.

Noninterest expense was \$807 million, down \$79 million, or 9%, from the year-ago quarter, driven by lower staffing levels, the absence of goodwill amortization and lower expense due to completed systems conversions.

The provision for credit losses was \$215 million, up \$15 million, or 8%, from the prior year due to increased net charge-offs in other personal and home equity loans. Compared to the first quarter of 2002, provision expense was down \$52 million or 19%, due to lower net charge-offs in virtually all loan portfolios.

Nonperforming assets were \$1.5 billion, up \$399 million, or 36%, from the year-ago quarter, due to increases in home equity loans. Nonperforming assets declined \$44 million, or 3%, from the prior quarter.

Year-to-Date Results

Retail had year to date operating income of \$691 million, up \$37 million, or 6%, from the year ago period largely due to lower noninterest expense.

Net interest income declined \$60 million, or 2%, driven by the intentional reduction of certain segments of the auto lease and broker home equity portfolios. Noninterest income was \$718 million, relatively unchanged from last year.

Noninterest expense declined \$137 million, or 8%, driven by lower staffing levels and the absence of goodwill amortization.

The provision for credit losses was \$482 million, up \$38 million, or 9%, from the prior year due primarily to higher net charge-offs in home equity loans partially offset by the absence of reserve increases. Nonperforming assets were \$1.5 billion, up \$399 million, or 36%, from the year-ago quarter, due to increases in home equity loans.

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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 June 30 | | | | Six Months | |
|------------------------------|----------------------------|--------|----------|-------|------------|-------|
| | | | Change | | | |
| | | | | | | |
| | | | | | | |
| (Dollars in millions) | | | | | | |
| Net interest income-FTE | \$ 598 | \$ 699 | \$ (101) | (14)% | \$ 1,253 | \$ 1, |
| Banking fees and commissions | 224 | 183 | 41 | 22 | 399 | |
| Credit card revenue | 20 | 22 | (2) | (9) | 34 | |

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| | | | | | | |
|---|--------|--------|---------|------|--------|----|
| Service charges on deposits | 173 | 149 | 24 | 16 | 357 | |
| Fiduciary and investment management fees (9) | - | (1) | 1 | N/M | (1) | |
| Investment securities losses | (1) | - | (1) | N/M | (1) | |
| Trading | 81 | 67 | 14 | 21 | 107 | |
| Other income (loss) | (43) | (42) | (1) | (2) | (70) | |
| ----- | | | | | | |
| Noninterest income | 454 | 378 | 76 | 20 | 825 | |
| ----- | | | | | | |
| Total revenue | 1,052 | 1,077 | (25) | (2) | 2,078 | 2, |
| Provision for credit losses | 274 | 240 | 34 | 14 | 555 | |
| Salaries and employee benefits (12) | 261 | 252 | 9 | 4 | 520 | |
| Other expense (12) | 331 | 308 | 23 | 7 | 632 | |
| ----- | | | | | | |
| Noninterest expense | 592 | 560 | 32 | 6 | 1,152 | 1, |
| ----- | | | | | | |
| Pretax operating income-FTE | 186 | 277 | (91) | (33) | 371 | |
| Tax expense and FTE adjustment | 42 | 80 | (38) | (48) | 84 | |
| ----- | | | | | | |
| Operating income | \$ 144 | \$ 197 | \$ (53) | (27) | \$ 287 | \$ |
| Restructuring-related charges (reversals), net of tax | (3) | - | (3) | N/M | (3) | |
| ----- | | | | | | |
| Net income | \$ 147 | \$ 197 | \$ (50) | (25) | \$ 290 | \$ |
| ----- | | | | | | |
| Memo: Revenue by activity (10): | | | | | | |
| Lending-related revenue | 437 | 510 | (73) | (14) | 849 | 1, |
| Global Treasury Services | 399 | 393 | 6 | 2 | 828 | |
| Capital Markets (11) | 196 | 166 | 30 | 18 | 364 | |
| Other | 20 | 8 | 12 | N/M | 37 | |
| ----- | | | | | | |
| FINANCIAL PERFORMANCE: | | | | | | |
| Return on equity (5) | 8% | 11% | (3)% | | 8% | |
| Efficiency ratio (5) | 56 | 52 | 4 | | 55 | |
| Headcount-full-time (12): | | | | | | |
| Corporate Banking (including Capital Markets) | 2,315 | 2,899 | (584) | (20) | | |
| Middle Market | 3,023 | 3,388 | (365) | (11) | | |
| Global Treasury Services | 3,299 | 3,072 | 227 | 7 | | |
| Operations, Technology, and other Administration | 2,270 | 2,201 | 69 | 3 | | |
| ----- | | | | | | |
| Total headcount-full-time | 10,907 | 11,560 | (653) | (6) | | |

9

Commercial Banking - continued

| | Three Months Ended June 30 | | | | Six Months | |
|--------------------------------|----------------------------|---------|-----------|---------|------------|------|
| | 2002 (8) | | 2001 | | 2002 (8) | |
| | 2002 (8) | 2001 | Amount | Percent | 2002 (8) | 2001 |
| ENDING BALANCES (in billions): | | | | | | |
| Loans | \$ 64.9 | \$ 80.2 | \$ (15.3) | (19)% | | |

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| | | | | | | |
|---|----------|----------|-----------|------|---------|---------|
| Assets | 94.3 | 109.4 | (15.1) | (14) | | |
| Demand deposits | 24.2 | 22.1 | 2.1 | 10 | | |
| Savings | 2.8 | 2.9 | (0.1) | (3) | | |
| Time | 8.7 | 8.2 | 0.5 | 6 | | |
| Foreign offices | 8.4 | 9.9 | (1.5) | (15) | | |
| ----- | | | | | | |
| Total deposits | 44.1 | 43.1 | 1.0 | 2 | | |
| Equity | 7.4 | 7.3 | 0.1 | 1 | | |
| AVERAGE BALANCES (in billions): | | | | | | |
| Loans | \$ 67.0 | \$ 82.7 | \$ (15.7) | (19) | \$ 69.1 | \$ 84.9 |
| Assets | 94.4 | 109.7 | (15.3) | (14) | 96.8 | 109.9 |
| Demand deposits | 22.4 | 20.8 | 1.6 | 8 | 22.5 | 20.6 |
| Savings | 2.8 | 2.7 | 0.1 | 4 | 2.9 | 2.7 |
| Time | 9.7 | 6.6 | 3.1 | 47 | 13.5 | 6.3 |
| Foreign offices | 8.3 | 9.5 | (1.2) | (13) | 8.2 | 8.3 |
| ----- | | | | | | |
| Total deposits | 43.2 | 39.6 | 3.6 | 9 | 47.1 | 37.9 |
| Equity | 7.4 | 7.3 | 0.1 | 1 | 7.4 | 7.3 |
| CREDIT QUALITY (in millions): | | | | | | |
| Net Commercial Banking charge-offs | \$ 274 | \$ 239 | \$ 35 | 15 | \$ 555 | \$ 488 |
| Net Commercial Banking charge-off ratio | 1.64% | 1.16% | 0.48% | | 1.61% | 1.15% |
| Nonperforming assets: | | | | | | |
| Commercial Banking | | | | | | |
| nonperforming loans | \$ 2,297 | \$ 1,753 | \$ 544 | 31 | | |
| Other, including OREO | 30 | 18 | 12 | 67 | | |
| ----- | | | | | | |
| Total nonperforming assets | 2,327 | 1,771 | 556 | 31 | | |
| Allowance for credit losses | \$ 3,071 | \$ 3,067 | \$ 4 | - | | |
| Allowance to period-end loans | 4.73% | 3.82% | 0.91% | | | |
| Allowance to nonperforming loans | 134 | 175 | (41) | | | |
| Nonperforming assets to related assets | 3.58 | 2.21 | 1.38 | | | |
| CORPORATE BANKING (in billions): | | | | | | |
| Loans-ending balance | \$ 31.8 | \$ 43.3 | \$ (11.5) | (27) | | |
| -average balance | 33.3 | 45.7 | (12.4) | (27) | 34.7 | 47.8 |
| Deposits-ending balance | \$ 22.9 | \$ 23.1 | \$ (0.2) | (1) | | |
| -average balance | 21.7 | 20.8 | 0.9 | 4 | 25.4 | 19.4 |
| Credit quality (in millions): | | | | | | |
| Net charge-offs | \$ 168 | \$ 155 | \$ 13 | 8 | \$ 331 | \$ 341 |
| Net charge-off ratio | 2.02% | 1.36% | 0.66% | | 1.91% | 1.43% |
| Nonperforming loans | \$ 1,161 | \$ 1,050 | \$ 111 | 11 | | |
| Nonperforming loans to total loans | 3.65% | 2.42% | 1.23% | | | |
| SYNDICATIONS: | | | | | | |
| Lead arranger deals: | | | | | | |
| Volume (in billions) | \$ 18.1 | \$ 12.8 | \$ 5.3 | 41 | \$ 33.0 | \$ 27.3 |
| Number of transactions | 70 | 56 | 14 | 25 | 115 | 105 |
| ----- | | | | | | |

10

Commercial Banking - continued

| | | | | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-------|-----|------|--|----------------------------|---------|--------------------------|-----|
| | | | | Change | | | |
| | | | | | | | |
| 2002 | (8) | 2001 | | Amount | Percent | 2002 | (8) |
| | | | | | | | |
| ----- | | | | | | | |

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SYNDICATIONS - continued

| | | | | |
|------------------------------------|----|----|----|---|
| League table standing-rank | 4 | 4 | - | - |
| League table standing-market share | 5% | 3% | 2% | |

MIDDLE MARKET BANKING (in billions):

| | | | | | | |
|--------------------------|---------|---------|----------|-------|------|------|
| Loans--ending balance | \$ 33.1 | \$ 36.9 | \$ (3.8) | (10)% | | |
| --average balance | 33.7 | 37.0 | (3.3) | (9) | 34.4 | 37.1 |
| Deposits--ending balance | 21.2 | 20.0 | 1.2 | 6 | | |
| --average balance | 21.5 | 18.9 | 2.6 | 14 | 21.7 | 18.5 |

Credit quality (in millions):

| | | | | | | |
|------------------------------------|---------|--------|--------|----|--------|--------|
| Net charge-offs | \$ 106 | \$ 84 | \$ 22 | 26 | \$ 224 | \$ 147 |
| Net charge-off ratio | 1.26% | 0.91% | 0.35% | | 1.30% | 0.79% |
| Nonperforming loans | \$1,136 | \$ 703 | \$ 433 | 62 | | |
| Nonperforming loans to total loans | 3.43% | 1.91% | 1.53% | | | |

For additional footnote detail see page 7.

- (8) Results include the effect of consolidating Anexsys, which had an immaterial impact on revenue and expense and no impact on net income for the three months ended June 30, 2002 or the year to date.
- (9) Fiduciary and investment management fees include asset management fees, personal trust fees, other trust fees and advisory fees.
- (10) Prior periods have been adjusted to conform to the current organization.
- (11) Capital markets includes trading revenues and underwriting, syndicated lending and advisory fees.
- (12) Prior period data has been adjusted for the transfer of the National Retail Lockbox Operations and Cash Vault Services business from Commercial to Corporate.

Quarterly Results

Commercial Banking had second quarter operating income of \$144 million, down \$53 million, or 27%, from the year-ago quarter. Results reflected lower net interest income, a higher provision for credit losses and higher noninterest expense, partially offset by higher noninterest income. Operating income was essentially unchanged from the previous quarter, reflecting higher revenue, offset by higher noninterest expense.

Net interest income of \$598 million declined \$101 million, or 14%, driven by a reduction in average loans of \$15.7 billion, or 19%, from the year-ago quarter. Net interest income declined \$57 million, or 9%, from the previous quarter due to a \$7.9 billion reduction in average deposits (primarily due to several large commercial customer balances that fluctuate quarter to quarter) and a reduction in average loans of \$4.1 billion.

Noninterest income was \$454 million, up \$76 million, or 20%, from the second quarter of 2001. Banking fees and commissions increased \$41 million, or 22%, primarily due to growth in the loan syndication and asset-backed finance businesses. Service charges on deposits increased \$24 million, or 16%, from the year-ago quarter as Global Treasury Services clients shifted their payment method to fees due to the lower value of their compensating deposit balances. Trading revenue increased \$14 million, or 21%, reflecting an increase in the fair value of credit derivatives used to manage credit risk, partially offset by lower fixed income trading. Other income/loss was essentially unchanged from the year-ago quarter, but declined \$16 million from the previous quarter, primarily due to \$20 million of writedowns on loans accounted for as held for sale.

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Noninterest expense was \$592 million, up \$32 million, or 6%, from the year-ago quarter, which included \$18 million from the consolidation of Anexsys in the first quarter of 2002, as well as higher technology expenses.

Corporate Banking net charge-offs were \$168 million, or 2.02% of average loans, up from 1.36% a year-ago and 1.81% in the first quarter. Second quarter net charge-offs included \$36 million of loans sold or initially reclassified to held for sale, compared to \$68 million in the year-ago quarter and \$63 million in the first quarter. Middle Market net charge-offs were \$106 million, or 1.26% of average loans, up from 0.91% in the year-ago quarter and down from 1.34% in the first quarter.

The allowance for credit losses at June 30, 2002, was \$3.1 billion, unchanged from the first quarter, and represented 4.73% of period-end loans. Nonperforming loans at June 30, 2002, were \$2.3 billion, up \$40 million, or 2%, from the first quarter, driven by an increase of \$49 million, or 5%, in Middle Market nonperforming loans.

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Year-to-Date Results

Commercial Banking had year-to-date operating income of \$287 million, down \$106 million, or 27%, from the prior year. Results reflected lower net interest income, a higher provision for credit losses and higher noninterest expense, partially offset by higher noninterest income.

Net interest income was \$1.3 billion, down \$161 million, or 11%, from the prior year, driven by a reduction in average loans of \$15.8 billion, or 19%, primarily in Corporate Banking.

Noninterest income was \$825 million, up \$60 million, or 8%, from the first half of 2001. Banking fees and commissions increased \$53 million, or 15%, primarily due to growth in the asset-backed finance, loan syndication and debt underwriting businesses. Service charges on deposits increased \$76 million, or 27%, as Global Treasury Services clients shifted their payment method to fees due to the lower value of their compensating deposit balances. Trading revenue decreased \$37 million, or 26%, primarily due to lower fixed income and foreign exchange trading. Other income (loss) deteriorated \$22 million, or 46%, primarily due to writedowns in loans held for sale.

Noninterest expense was \$1.2 billion, up \$27 million, or 2%, from the prior year, which included \$34 million from the consolidation of Anexsys effective January 1, 2002.

The provision for credit losses was \$555 million, up \$51 million or 10%, from 2001. Total net charge-offs were \$555 million in the first half of 2002, including \$118 million for loans sold and initially reclassified to held for sale, compared to \$157 million in the first half of 2001. This represented 1.61% of average loans, up from 1.15% in the prior year. Nonperforming loans at June 30, 2002 were \$2.3 billion, up \$544 million, or 31%, from the prior year period driven by a \$433 million, or 62%, 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 \$67 billion in managed credit card receivables.

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|---|----------------------------|----------|--------|--------|--------------------------|---------|--------|------|
| | 2002 | (13) | 2001 | Change | | 2002 | (13) | 2001 |
| | | | | Amount | % | | | |
| (Dollars in millions--managed basis) | | | | | | | | |
| Net interest income--FTE | \$ 1,526 | \$ 1,458 | \$ 68 | 5% | \$3,081 | \$2,849 | \$ 68 | 2% |
| Banking fees and commissions | 17 | 22 | (5) | (23) | 42 | 47 | (5) | (11) |
| Credit card revenue | 441 | 278 | 163 | 59 | 836 | 525 | 311 | 59 |
| Other income (loss) | 28 | 36 | (8) | (22) | 10 | 73 | (63) | (86) |
| Noninterest income | 486 | 336 | 150 | 45 | 888 | 645 | 243 | 38% |
| Total revenue | 2,012 | 1,794 | 218 | 12 | 3,969 | 3,494 | 475 | 14% |
| Provision for credit losses | 926 | 962 | (36) | (4) | 1,869 | 1,912 | (43) | (2) |
| Salaries and employee benefits | 142 | 124 | 18 | 15 | 288 | 253 | 35 | 14% |
| Other expense | 462 | 398 | 64 | 16 | 937 | 783 | 154 | 19% |
| Noninterest expense | 604 | 522 | 82 | 16 | 1,225 | 1,036 | 189 | 18% |
| Pretax operating income--FTE | 482 | 310 | 172 | 55 | 875 | 546 | 329 | 60% |
| Tax expense and FTE adjustment | 186 | 117 | 69 | 59 | 340 | 205 | 135 | 66% |
| Operating income | \$ 296 | \$ 193 | \$ 103 | 53 | \$ 535 | \$ 341 | \$ 194 | 57% |
| Restructuring-related charges (reversals), net of tax | (12) | - | (12) | N/M | (12) | - | (12) | N/M |
| Net income | \$ 308 | \$ 193 | \$ 115 | 60 | \$ 547 | \$ 341 | \$ 206 | 60% |
| Memo: Net securitization gains (amortization) | (13) | (19) | 6 | 32 | (44) | (20) | (24) | 120% |
| FINANCIAL PERFORMANCE: | | | | | | | | |
| % of average outstandings: | | | | | | | | |
| Net interest income--FTE | 9.29% | 9.25% | 0.04% | | 9.40% | 8.94% | 0.46% | 5% |
| Provision for credit losses | 5.64 | 6.11 | (0.47) | | 5.70 | 6.00 | (0.30) | (5%) |
| Noninterest income | 2.96 | 2.13 | 0.83 | | 2.71 | 2.02 | 0.69 | 34% |
| Risk adjusted margin | 6.61 | 5.27 | 1.34 | | 6.41 | 4.96 | 1.45 | 29% |
| Noninterest expense | 3.68 | 3.31 | 0.37 | | 3.74 | 3.25 | 0.49 | 15% |
| Pretax income--FTE | 2.93 | 1.97 | 0.96 | | 2.67 | 1.71 | 0.96 | 56% |
| Operating income | 1.80 | 1.22 | 0.58 | | 1.63 | 1.07 | 0.56 | 52% |
| Restructuring-related charges (reversals), net of tax | (0.07) | - | (0.07) | | (0.04) | - | (0.04) | N/M |
| Net income | 1.87 | 1.22 | 0.65 | | 1.67 | 1.07 | 0.60 | 56% |
| Return on equity (5) | 19 | 12 | 7 | | 17 | 11 | 6 | 55% |
| Efficiency ratio (5) | 30 | 29 | 1 | | 31 | 30 | 1 | 3% |
| Headcount--full-time | 10,298 | 10,785 | (487) | (5) | | | | |
| ENDING BALANCES (in billions): | | | | | | | | |
| Owned-held in portfolio | \$ 5.1 | \$ 2.8 | 2.3 | 82 | | | | |

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| | | | | |
|------------------------|------|------|-------|------|
| Owned-held for sale | 4.0 | 3.4 | 0.6 | 18 |
| Seller's interest | 21.9 | 17.0 | 4.9 | 29 |
| ----- | | | | |
| Loans on balance sheet | 31.0 | 23.2 | 7.8 | 34 |
| Securitized loans | 35.8 | 39.8 | (4.0) | (10) |
| ----- | | | | |
| Managed loans | 66.8 | 63.0 | 3.8 | 6 |
| Assets | 69.8 | 64.9 | 4.9 | 8 |
| Equity | 6.4 | 6.3 | 0.1 | 2 |
| ----- | | | | |

13

Credit Card - continued

| | Three Months Ended June 30 | | | | |
|------------------------------------|----------------------------|-----------|----------|---------|-----------|
| | 2002 (13) | 2001 | Change | | 2001 |
| | | | Amount | Percent | |
| ----- | | | | | |
| (Managed basis) | | | | | |
| AVERAGE BALANCES (in billions): | | | | | |
| Owned | \$ 8.5 | \$ 6.0 | \$ 2.5 | 42% | \$ 7.0 |
| Seller's interest | 21.9 | 16.6 | 5.3 | 32 | 22.0 |
| ----- | | | | | |
| Loans on balance sheet | 30.4 | 22.6 | 7.8 | 35 | 30.0 |
| Securitized | 35.5 | 40.6 | (5.1) | (13) | 36.0 |
| ----- | | | | | |
| Loans | 65.9 | 63.2 | 2.7 | 4 | 66.0 |
| Assets | 70.0 | 65.3 | 4.7 | 7 | 70.0 |
| Equity | 6.4 | 6.3 | 0.1 | 2 | 6.0 |
| CREDIT QUALITY (in millions): | | | | | |
| Net charge-offs: | | | | | |
| Credit card-managed | \$ 926 | \$ 962 | \$ (36) | (4) | \$ 1,800 |
| Net charge-off ratios: | | | | | |
| Credit card-managed | 5.62% | 6.09% | (0.47)% | | 5.62% |
| 12-month lagged (14) | 5.86 | 5.82 | 0.04 | | 5.86 |
| Delinquency ratio: | | | | | |
| 30+ days | 3.83 | 4.10 | (0.27) | | 3.83 |
| 90+ days | 1.72 | 1.78 | (0.06) | | 1.72 |
| Allowance for credit losses | \$ 396 | \$ 197 | \$ 199 | N/M | \$ 396 |
| Allowance to period-end | | | | | |
| owned loans (15) | 4.35% | 3.18% | 1.17% | | 4.35% |
| OTHER DATA: | | | | | |
| Charge volume (in billions) | \$ 38.4 | \$ 34.4 | \$ 4.0 | 12 | \$ 72.0 |
| New accounts opened (in thousands) | 1,283 | 1,003 | 280 | 28 | 2,286 |
| Credit cards issued (in thousands) | 53,346 | 50,449 | 2,897 | 6 | 53,346 |
| Number of FirstUSA.com | | | | | |
| customers (in millions) | 2.6 | 2.6 | - | - | 2.6 |
| Paymentech: | | | | | |
| Bank card volume (in millions) | \$ 30,076 | \$ 28,603 | \$ 1,473 | 5 | \$ 58,079 |

For additional footnote detail see page 7 and 11.

(13) Results include the effect of consolidating Paymentech beginning in the first quarter of 2002. The impact to second quarter and year to date results was to increase net interest income by \$3 million and \$6 million,

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- noninterest income by \$76 million and \$153 million, expense by \$67 million and \$137 million, respectively; there was no impact on net income.
- (14) 2002 ratios include Wachovia net charge-offs but exclude Wachovia 2001 loans.
 - (15) Excluding loans held for sale, the allowance to period end loans would have been 7.74% in the second quarter of 2002 and 7.10% in the second quarter of 2001.

Quarterly Results

Credit Card had second quarter operating income of \$296 million, up \$103 million, or 53%, from the year-ago quarter, reflecting lower net credit losses, lower operating expenses and the addition of the Wachovia business. Operating income improved \$57 million, or 24%, from the first quarter due to a gain on the sale of a portfolio, increased securitization activity, lower credit costs and lower operating expenses. The 2002 results reflected the consolidation of the Corporation's interest in Paymentech, a leading merchant processor, which was recorded under the equity method of accounting prior to 2002. Year-over-year, this consolidation increased certain balance sheet categories, noninterest income by \$76 million, and noninterest expense by \$67 million, but had no impact on net income.

Managed loans were \$66.8 billion at June 30, 2002, up \$3.8 billion, or 6%, from the year-ago period, including the addition of the Wachovia business. Managed loans increased \$2.0 billion, or 3%, from March 31, 2002. Credit Card opened 1.28 million new accounts during the quarter, a 28% increase from the year-ago quarter and the highest level in nearly three years.

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Total revenue was \$2.0 billion for the quarter, up \$218 million, or 12%, from one year ago, mostly driven by the addition of the Wachovia business and the consolidation of Paymentech.

Noninterest expense totaled \$604 million, up \$82 million, or 16%, from the year-ago quarter, reflecting the Paymentech consolidation, higher marketing expense and the addition of the Wachovia business, partially offset by lower processing costs.

The managed provision for credit losses was \$926 million, a decrease of \$36 million, or 4%, from the year-ago quarter. Second quarter results included the provision for credit losses on the Wachovia business, which were not included in the year-ago quarter. The managed charge-off rate was 5.62%, compared to 6.09% in the year-ago quarter and 5.69% in the first quarter. The managed 30-day delinquency rate was 3.83%, down from 4.10% in the year-ago quarter and 4.27% in the first quarter.

Year-to-Date Results

Credit Card had operating income of \$535 million for the 2002 period, up \$194 million, or 57%, from the 2001 period, reflecting lower net credit losses and the addition of the Wachovia business.

Total revenue was \$4.0 billion for the 2002 period, up \$475 million, or 14%, from the 2001 period, driven by the addition of the Wachovia business, the consolidation of Paymentech, the benefit of lower interest rates and a gain on the sale of a portfolio, partially offset by lower volume-related revenue.

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Noninterest expense totaled \$1.2 billion for the 2002 period, up \$189 million, or 18%, from the 2001 period, reflecting the Paymentech consolidation, higher marketing expense and the addition of the Wachovia business, partially offset by lower processing costs.

The managed provision for credit losses was \$1.9 billion for the 2002 period, a \$43 million, or 2%, decrease from the 2001 period, reflecting lower losses.

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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 June 30 | | | | |
|---|----------------------------|--------|--------|------|--------|
| | 2002 | 2001 | Change | | 2002 |
| | | | Amount | % | |
| (Dollars in millions) | | | | | |
| Net interest income-FTE | \$ 105 | \$ 107 | \$ (2) | (2)% | \$ 220 |
| Banking fees and commissions | 142 | 119 | 23 | 19 | 274 |
| Service charges on deposits | 4 | 4 | - | - | 9 |
| Fiduciary and investment management fees | 187 | 184 | 3 | 2 | 377 |
| Other income | 9 | 1 | 8 | N/M | 11 |
| Noninterest income | | | | | |
| | 342 | 308 | 34 | 11 | 671 |
| Total revenue | | | | | |
| | 447 | 415 | 32 | 8 | 891 |
| Provision for credit losses | | | | | |
| | - | 13 | (13) | N/M | 5 |
| Salaries and employee benefits | 138 | 145 | (7) | (5) | 280 |
| Other expense | 125 | 123 | 2 | 2 | 240 |
| Noninterest expense | | | | | |
| | 263 | 268 | (5) | (2) | 520 |
| Pretax operating income-FTE | | | | | |
| | 184 | 134 | 50 | 37 | 366 |
| Tax expense and FTE adjustment | | | | | |
| | 69 | 51 | 18 | 35 | 137 |
| Operating income | | | | | |
| | \$ 115 | \$ 83 | \$ 32 | 39 | \$ 229 |
| Restructuring-related (reversals) charges, net of tax | | | | | |
| | (1) | - | (1) | N/M | (1) |
| Net income | | | | | |
| | \$ 116 | \$ 83 | \$ 33 | 40 | \$ 230 |
| Memo: Insurance revenues | | | | | |
| | \$ 116 | \$ 103 | \$ 13 | 12 | \$ 239 |
| FINANCIAL PERFORMANCE: | | | | | |
| Return on equity (5) | 42% | 33% | 9% | | 42% |
| Efficiency ratio (5) | 59 | 65 | (6) | 58 | 66 |
| Headcount--full-time | 5,936 | 6,371 | (435) | (7) | |
| ENDING BALANCES (in billions): | | | | | |
| Loans | \$ 7.1 | \$ 7.1 | \$ - | - | |

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| | | | | | |
|---------------------------------|--------|--------|--------|-----|--------|
| Assets | 8.5 | 8.4 | 0.1 | 1 | |
| Demand deposits | 2.4 | 2.3 | 0.1 | 4 | |
| Savings | 3.9 | 2.5 | 1.4 | 56 | |
| Time | 3.2 | 3.3 | (0.1) | (3) | |
| Foreign offices | 0.3 | 0.1 | 0.2 | N/M | |
| ----- | | | | | |
| Total deposits | 9.8 | 8.2 | 1.6 | 20 | |
| Equity | 1.1 | 1.0 | 0.1 | 10 | |
| AVERAGE BALANCES (in billions): | | | | | |
| Loans | \$ 7.0 | \$ 6.9 | \$ 0.1 | 1 | \$ 7.0 |
| Assets | 8.5 | 8.1 | 0.4 | 5 | 8.4 |
| Demand deposits | 2.0 | 1.9 | 0.1 | 5 | 2.0 |
| Savings | 4.0 | 2.7 | 1.3 | 48 | 3.9 |
| Time | 3.4 | 3.3 | 0.1 | 3 | 3.3 |
| Foreign offices | 0.2 | 0.2 | - | - | 0.2 |
| ----- | | | | | |
| Total deposits | 9.6 | 8.1 | 1.5 | 19 | 9.4 |
| Equity | 1.1 | 1.0 | 0.1 | 10 | 1.1 |
| ----- | | | | | |

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Investment Management - continued

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | |
|--|----------------------------|-------|---------|---------|--------------------------|-------|
| | 2002 | 2001 | Change | | 2002 | 2001 |
| | | | Amount | Percent | | |
| ----- | | | | | | |
| CREDIT QUALITY (in millions): | | | | | | |
| Net charge-offs: | | | | | | |
| Commercial | \$ (1) | \$ 10 | \$ (11) | N/M | \$ 1 | \$ 10 |
| Consumer | 1 | 3 | (2) | (67) | 4 | 3 |
| ----- | | | | | | |
| Total net charge-offs | - | 13 | (13) | N/M | 5 | 13 |
| ----- | | | | | | |
| Net charge-off ratios: | | | | | | |
| Commercial | -0.18% | 1.07% | (1.25)% | | 0.05% | 0.61% |
| Consumer | 0.13 | 0.37 | (0.24) | | 0.21 | 0.17 |
| ----- | | | | | | |
| Total net charge-off ratio | - | 0.75 | (0.75) | | 0.14 | 0.38 |
| ----- | | | | | | |
| Nonperforming assets: | | | | | | |
| Commercial | \$ 33 | \$ 37 | \$ (4) | (11)% | | |
| Consumer | 5 | 5 | - | - | | |
| ----- | | | | | | |
| Total nonperforming loans | 38 | 42 | (4) | (10) | | |
| Other, including OREO | 1 | - | 1 | - | | |
| ----- | | | | | | |
| Total nonperforming assets | 39 | 42 | (3) | (7) | | |
| Allowance for credit losses | \$ 25 | \$ 25 | \$ - | - | | |
| Allowance to period-end loans | 0.35% | 0.35% | - | | | |
| Allowance to nonperforming loans | 66 | 60 | 6 | | | |
| Nonperforming assets to related assets | 0.55 | 0.59 | (0.04) | | | |
| ----- | | | | | | |

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ASSETS UNDER MANAGEMENT

ENDING BALANCES (in billions):

| | | | | |
|--------------|---------|---------|---------|-----|
| Mutual funds | \$ 90.2 | \$ 74.4 | \$ 15.8 | 21 |
| Other | 55.8 | 57.9 | (2.1) | (4) |

| | | | | |
|-------|-------|-------|------|----|
| Total | 146.0 | 132.3 | 13.7 | 10 |
|-------|-------|-------|------|----|

By type:

| | | | | |
|--------------|---------|---------|---------|------|
| Money market | \$ 62.8 | \$ 47.8 | \$ 15.0 | 31 |
| Equity | 42.2 | 49.8 | (7.6) | (15) |
| Fixed income | 41.0 | 34.7 | 6.3 | 18 |

| | | | | |
|-------|-------|-------|------|----|
| Total | 146.0 | 132.3 | 13.7 | 10 |
|-------|-------|-------|------|----|

By channel: (10)

| | | | | |
|-------------------------|---------|---------|----------|------|
| Private Client Services | \$ 46.4 | \$ 52.1 | \$ (5.7) | (11) |
| Retail Brokerage | 7.2 | 7.3 | (0.1) | (1) |
| Institutional | 63.4 | 56.4 | 7.0 | 12 |
| Commercial Cash Sweep | 9.2 | 8.9 | 0.3 | 3 |
| Capital Markets | 3.7 | 0.5 | 3.2 | N/M |
| External (16) | 7.5 | 1.2 | 6.3 | N/M |
| All other direct (17) | 8.6 | 5.9 | 2.7 | 46 |

| | | | | |
|-------|-------|-------|------|----|
| Total | 146.0 | 132.3 | 13.7 | 10 |
|-------|-------|-------|------|----|

Morningstar Rankings: (18)

| | | | |
|---------------------------|-----|-----|------|
| % of 4 and 5 ranked funds | 51% | 54% | (3)% |
| % of 3+ ranked funds | 91 | 95 | (4) |

TRUST ASSETS ENDING BALANCES:

| | | | | |
|---|---------|---------|----------|-----|
| Trust assets under administration (in billions) | \$334.8 | \$342.3 | \$ (7.5) | (2) |
|---|---------|---------|----------|-----|

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Investment Management - continued

Three Months Ended June 30

| | 2002 | 2001 | Change | | 2000 |
|---|-----------|---------|---------|---------|--------|
| | | | Amount | Percent | |
| <hr/> | | | | | |
| CORPORATE TRUST SECURITIES | | | | | |
| ENDING BALANCES: | | | | | |
| Corporate trust securities under administration (in billions) | \$1,094.7 | \$892.3 | \$202.4 | 23 | |
| <hr/> | | | | | |
| RETAIL BROKERAGE: | | | | | |
| Mutual fund sales (in millions) | \$ 637 | \$ 559 | \$ 78 | 14% | \$1,21 |
| Annuity sales | 814 | 582 | 232 | 40 | 1,61 |
| <hr/> | | | | | |
| Total sales | 1,451 | 1,141 | 310 | 27 | 2,82 |
| Number of customers--end of period (10) (in thousands) | 667 | 618 | 49 | 8 | |

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Market value customer assets--end of period (in billions):

| | | | | | |
|--|---------|---------|----------|------|-------|
| Brokerage | 16.2 | 16.8 | (0.6) | (4) | |
| Annuity account value (in billions) | 10.2 | 7.6 | 2.6 | 34 | |
| ----- | | | | | |
| Total market value (10) | 26.4 | 24.4 | 2.0 | 8 | |
| Number of registered sales representatives | 761 | 704 | 57 | 8 | |
| Number of licensed retail bankers | 3,131 | 2,904 | 227 | 8 | |
| PRIVATE CLIENT SERVICES: | | | | | |
| Number of Private Client advisors | 668 | 682 | (14) | (2) | |
| Number of Private Client offices | 105 | 105 | - | - | |
| Market value customer assets--end of period (10) (in billions) | \$ 66.4 | \$ 76.0 | \$ (9.6) | (13) | |
| Ending balances (in billions): | | | | | |
| Loans | \$ 7.0 | \$ 6.9 | \$ 0.1 | 1 | |
| Deposits | 8.2 | 6.6 | 1.6 | 24 | |
| Average balances (in billions): | | | | | |
| Loans | \$ 6.9 | \$ 6.9 | \$ - | - | \$ 6. |
| Deposits | 8.4 | 6.9 | 1.5 | 22 | 8. |
| ----- | | | | | |

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

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

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

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

Quarterly Results

Investment Management had second quarter operating income of \$115 million, up \$32 million, or 39%, from the year-ago quarter, driven by higher revenue, lower provision and reduced expenses. Compared to the first quarter of 2002, operating income increased \$1 million, or 1%.

Assets under management at quarter-end were \$146 billion, up \$13.7 billion, or 10%, from a year ago. One Group(R) mutual fund assets grew to \$90.2 billion in the second quarter, up \$15.8 billion, or 21%, year-over-year. The increase was primarily due to significant growth in money market assets.

One Group funds performance remained strong during the second quarter. Based on one-year Lipper rankings, 45% of client assets were in funds rated in the top quartile, up from 33% in the first quarter, and 74% of assets were in funds rated in the top two quartiles, up from 70% in the first quarter.

Revenue increased \$32 million, or 8%, year-over-year to \$447 million, primarily driven by the 27% increase in the sale of mutual funds and annuities to retail clients and the 10% growth in assets under management. Additionally, effective April 1 the distribution function for the One Group funds was brought in house, resulting in an increase in revenue and corresponding increase in expense of \$9 million.

Noninterest expense was \$263 million, down \$5 million, or 2%, from a year

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ago, driven primarily by lower compensation costs, partially offset by higher commission costs. Overall headcount was down 7%, however the number of registered sales representatives increased 8%, driving higher retail brokerage sales production.

Year-to-Date Results

Investment Management reported year-to-date operating income of \$229 million, up \$64 million, or 39%, from the year-ago period, driven by higher revenue, lower provision and reduced expenses.

Year-to-date revenue increased \$65 million, or 8%, from the year-ago period to \$891 million, primarily driven by the 24% increase in the sale of mutual funds and annuities to retail clients and the 10% growth in assets under management. Additionally, effective April 1st the distribution company for the One Group funds was in-sourced resulting in an increase in revenue and corresponding increase in expense of \$9 million.

Noninterest expense was \$520 million, down \$25 million, or 5%, from the year-ago period, driven primarily by lower compensation costs, partially offset by higher commission costs.

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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 June 30 | | | | Six Months Ended June 30 | |
|--|----------------------------|----------|--------|------|--------------------------|----------|
| | 2002 | 2001 | Change | | 2002 | 2001 |
| | | | Amount | % | | |
| ----- | | | | | | |
| (Dollars in millions) | | | | | | |
| Net interest income (expense)-FTE (19) | \$ (96) | \$ (240) | \$ 144 | 60% | \$ (137) | \$ (441) |
| Banking fees and commissions | (4) | (1) | (3) | N/M | (9) | (8) |
| Credit card revenue | 1 | (2) | 3 | N/M | - | (1) |
| Service charges on deposits | 3 | 7 | (4) | (57) | 6 | 8 |
| Fiduciary and investment management fees | 1 | 1 | - | - | 1 | 1 |
| Investment securities gains (losses) | 97 | 69 | 28 | (41) | 79 | (28) |
| Trading | (7) | (7) | - | - | (16) | (17) |
| Other income (loss) | 53 | 63 | (10) | (16) | 113 | 206 |
| ----- | | | | | | |
| Noninterest income (20) | 144 | 130 | 14 | 11 | 174 | 161 |
| ----- | | | | | | |
| Total revenue (loss) | 48 | (110) | 158 | N/M | 37 | (280) |
| Provision for credit losses | - | - | - | - | 15 | - |
| Salaries and employee benefits | 202 | 170 | 32 | 19 | 387 | 294 |
| Other expense | 33 | (97) | 130 | N/M | (67) | (221) |
| ----- | | | | | | |
| Noninterest expense (21) | 235 | 73 | 162 | N/M | 320 | 73 |

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| | | | | | | |
|---|----------|---------|----------|------|----------|----------|
| Pretax operating loss-FTE | (187) | (183) | (4) | (2) | (298) | (353) |
| Tax expense (benefit) and FTE adjustment | (87) | (103) | 16 | 16 | (146) | (185) |
| Operating income (loss) | \$ (100) | \$ (80) | \$ (20) | (25) | \$ (152) | \$ (168) |
| Restructuring-related charges (reversals), net of tax | (13) | - | (13) | N/M | (13) | |
| Net income (loss) | \$ (87) | \$ (80) | \$ (7) | (9) | \$ (139) | \$ (168) |
| FINANCIAL PERFORMANCE: | | | | | | |
| Headcount--full-time (12) | 13,828 | 14,453 | (625) | (4) | | |
| ENDING BALANCES (in billions): | | | | | | |
| Loans | \$ 0.3 | \$ 0.7 | \$ (0.4) | (57) | | |
| Assets | 63.9 | 53.5 | 10.4 | 19 | | |
| Memo: | | | | | | |
| Treasury securities | 38.4 | 28.2 | 10.2 | 36 | | |
| Principal investments | 2.4 | 3.4 | (1.0) | (29) | | |
| Deposits | 14.9 | 25.4 | (10.5) | (41) | | |
| Equity | 0.5 | (1.5) | 2.0 | N/M | | |
| AVERAGE BALANCES (in billions): | | | | | | |
| Loans | \$ 0.4 | \$ 0.9 | \$ (0.5) | (56) | \$ 0.4 | \$ 0.6 |
| Assets | 48.3 | 49.1 | (0.8) | (2) | 48.2 | 46.8 |
| Deposits | 14.2 | 26.2 | (12.0) | (46) | 15.1 | 27.0 |
| Equity | 0.5 | (1.6) | 2.1 | N/M | 0.2 | (1.7) |

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

- (19) Net interest income primarily includes Treasury results and interest spread on investment related activities.
- (20) Noninterest income primarily includes the gains and losses from investment activities and other corporate transactions.
- (21) Noninterest expense primarily includes corporate expenses not allocated to the lines of business.

Quarterly Results

Corporate had an operating loss of \$100 million in the second quarter, compared with an operating loss of \$80 million in the 2001 second quarter and \$52 million in the 2002 first quarter.

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Net interest expense was \$96 million in the second quarter, down \$144 million from the year-ago quarter. The improvement reflected lower interest rates, which reduced the Corporation's funding costs. The \$55 million increase from the previous quarter was predominately associated with transactions executed to reduce the Corporation's earnings sensitivity to rising interest rates.

Noninterest income of \$144 million was up \$14 million, or 11%, from the year-ago quarter and \$114 million higher than the previous quarter. Net

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investment securities gains were \$97 million, which included a \$261 million gain on sale of GE Monogram, partially offset by net writedowns in the investment securities and principal investments portfolios. These results represented an improvement of \$28 million, or 41%, from the year-ago quarter and \$115 million from the previous quarter.

Provision for other loan assets was zero, compared to \$15 million in the previous quarter.

Unallocated corporate expenses were \$235 million, compared to \$73 million in the year-ago quarter and \$85 million in the previous quarter. The current quarter included \$89 million of expenses related to terminating and renegotiating certain vendor contracts.

Salaries and employee benefits for the second quarter 2002 included \$12 million expense related to adopting the fair value method of accounting for stock option and stock purchase plans. For the six months ended June 30, 2002, the net income and fully-diluted earnings per share impacts were \$8 million and \$0.01, respectively. (The impact on the first quarter 2002 is immaterial as annual stock option awards were granted in April.) The full year 2002 net income and earnings per share impacts are estimated to be \$28 million and \$0.02, respectively, based upon the following assumptions:

| | Pro-forma 2002 Estimate (27) ----- |
|--|--|
| Net options granted or expected to be granted in 2002 (22) | 19.4 million |
| Estimated fair value per option (23) | \$8.22 - \$13.23 |
| Fair value to be recognized in compensation expense over the vesting period (primarily 5 years (24)) | \$243 million |
| Straight-line amortization period (24) | 5 years |
| Estimated 2002 annual compensation expense (25) | \$44 million |
| Estimated 2002 net income impact (26) | \$28 million |
| Estimated fully-diluted net income per share impact | \$0.024 |

Assuming Bank One were to continue activity in its stock-based plans at comparable levels for the next six years and assuming all fair value and vesting assumptions remain essentially unchanged, then in 2007 the impact would be approximately:

| | Pro-forma 2007 Estimate (27) ----- |
|---|--|
| Estimated 2007 annual compensation expense (25) | \$250 million |
| Estimated 2007 net income impact | \$150 million |
| Estimated fully-diluted net income per share impact | \$ 0.13 |

- (22) Options granted are net of expected forfeitures based upon Bank One's historical experience and will change over time due to actual experience. Under the terms of the stock option plan, up to 2% of the outstanding common shares are authorized for issuance per year, or 24 million shares in 2002, and unused awards may be carried over to future years.
- (23) Fair values vary for stock options and employee stock purchase plans primarily due to varying assumptions. The fair value estimate for the April

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2002 stock option grant was \$13.23 per option. Fair values are estimated using the Black-Scholes option pricing model. Management will refine the methodology of calculating fair value for new grants and consider the market value of comparable traded securities.

- (24) Stock options generally vest pro-rata over 5 years. Shares purchased under the employee stock purchase plan, estimated to be 2 million shares, have an 18-24 month vesting period.
- (25) Assumes amortization begins at the time of grant in the quarter issued.
- (26) 2001 Annual Report disclosure includes pro-forma impacts for all outstanding options. Under the requirements of SFAS 123, the fair value method of accounting may only be applied to new option grants.
- (27) The pro-forma information may not be representative of the actual impact in current and future years.

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Year-to-Date Results

Corporate had an operating loss of \$152 million, down \$16 million, or 10%, from the prior year.

Net interest expense was \$137 million, down \$304 million, or 69%, from the prior year, driven by lower interest rates that positively impacted the Corporation's funding costs.

Noninterest income was \$174 million, up \$13 million, or 8%, from the prior year. Net investment securities gains were \$79 million, up \$107 million from the prior year, driven by the gain on sale of GE Monogram, partially offset by net writedowns in the investment securities and principal investments portfolios. Other income was \$113 million, down \$93 million, or 45%, from the prior year. The first half of 2001 included \$73 million in gains 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.

Provision for other loan assets in the first half of 2002 was \$15 million, compared to zero in the prior year.

Unallocated corporate expenses were \$320 million, up \$247 million, from the prior year. The first half of 2002 included \$89 million of expenses related to terminating and renegotiating certain vendor contracts and \$12 million of expense related to adopting the fair value method of accounting for stock option and stock purchase plans.

CONSOLIDATED RESULTS

Net Interest Income

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

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:

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| | Three Months Ended June 30 | | | | Six Months Ended June 30 | |
|-------------------------------|----------------------------|----------|----------|-----|--------------------------|----------|
| | 2002 | 2001 | Change | | 2002 | 2001 |
| | | | Amount | % | | |
| (Dollars in millions) | | | | | | |
| Managed: | | | | | | |
| Net interest income-FTE basis | \$ 3,336 | \$ 3,244 | \$ 92 | 3% | \$ 6,875 | \$ 6,500 |
| Average earning assets | 261,560 | 279,561 | (18,001) | (6) | 264,964 | 280,700 |
| Net interest margin | 5.12% | 4.65% | 0.47% | | 5.23% | 4.80% |
| Reported: | | | | | | |
| Net interest income-FTE basis | \$ 2,078 | \$ 2,085 | \$ (7) | - | \$ 4,313 | \$ 4,300 |
| Average earning assets | 226,005 | 238,971 | (12,966) | (5) | 228,894 | 240,600 |
| Net interest margin | 3.69% | 3.50% | 0.19% | | 3.80% | 3.70% |

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 an increase in the percentage of funding provided by consumer deposits and net free funds, a reduction in low margin commercial loans, and an increase in credit card assets.

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Noninterest Income

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

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | |
|--|----------------------------|----------------|---------------|------------|--------------------------|----------------|
| | 2002 | 2001 | Change | | 2002 | 2001 |
| | | | Amount | % | | |
| (Dollars in millions) | | | | | | |
| Banking fees and commissions | \$ 492 | \$ 431 | \$ 61 | 14% | \$ 937 | \$ 842 |
| Credit card revenue | 506 | 338 | 168 | 50 | 954 | 645 |
| Service charges on deposits | 376 | 360 | 16 | 4 | 769 | 691 |
| Fiduciary and investment management fees | 188 | 184 | 4 | 2 | 377 | 371 |
| Investment securities gains (losses) | 96 | 69 | 27 | 39 | 78 | (27) |
| Trading | 70 | 61 | 9 | 15 | 86 | 126 |
| Other income | 54 | 65 | (11) | (17) | 75 | 253 |
| Managed noninterest income | \$1,782 | \$1,508 | \$ 274 | 18% | \$3,276 | \$2,901 |

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

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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.

Banking fees and commissions increased from the year-ago quarter and prior six months by \$61 million and \$95 million, respectively. These increases were primarily the result of increased annuity and mutual fund sales, as well as from the growth in the loan syndication and asset-backed finance businesses.

Managed credit card revenue in the second quarter of 2002 increased \$168 million, or 50%, over the prior year period and by \$309 million, or 48%, for the first six months of 2002 over the prior year six months. These increases were primarily due to the addition of the Wachovia business in the third quarter of 2001 and the consolidation of Paymentech beginning January 1, 2002.

Service charges on deposits increased \$16 million for the second quarter of 2002 compared to the year-ago period and by \$78 million for the first six months of 2002. These increases primarily reflected improvement in Global Treasury Services volumes and pricing, and clients shifting their payment method to fees due to the lower value of their compensating deposit balances.

Net investment securities gains were \$96 million for the second quarter of 2002, compared to \$69 million in the year ago quarter. The current period includes the gain on sale of GE Monogram, partially offset by net writedowns in the investment securities and principal investment portfolios.

Trading produced gains of \$70 million in the second quarter compared to \$61 million in the second quarter of 2001 reflecting an increase in the fair value of credit derivatives used to manage credit risk, partially offset by lower fixed income trading. For the first six months of 2002, trading revenue declined \$40 million from the same period in the prior year primarily due to lower fixed income and foreign exchange trading.

Other income for the six months ended June 30, 2002 decreased \$178 million, or 70%, compared to the same period in the prior year. This decrease primarily resulted from the consolidation of Paymentech and gains on the sale of ownership interests in EquiServe Limited Partnership and Star Systems recognized in the prior year period.

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Noninterest Expense

The components of noninterest expense for the periods indicated are:

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | |
|---|----------------------------|--------|--------|----|--------------------------|----------|
| | 2002 | 2001 | Change | | 2002 | 2001 |
| | | | Amount | % | | |
| (Dollars in millions) | | | | | | |
| Salaries and employee benefits: | | | | | | |
| Salaries | \$ 941 | \$ 929 | \$ 12 | 1% | \$ 1,861 | \$ 1,861 |
| Employee benefits | 160 | 143 | 17 | 12 | 336 | 200 |
| <hr style="border-top: 1px dashed black;"/> | | | | | | |
| Total salaries and employee | | | | | | |

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| | | | | | | |
|---|--------|--------|---------|------|--------|------|
| benefits | 1,101 | 1,072 | 29 | 3 | 2,197 | 2,0 |
| Occupancy | 170 | 164 | 6 | 4 | 328 | 3 |
| Equipment | 99 | 119 | (20) | (17) | 202 | 2 |
| Outside service fees and processing | 372 | 313 | 59 | 19 | 672 | 5 |
| Marketing and development | 264 | 210 | 54 | 26 | 522 | 4 |
| Telecommunication | 134 | 95 | 39 | 41 | 235 | 2 |
| Other intangible amortization | 29 | 19 | 10 | 53 | 62 | |
| Goodwill amortization | - | 18 | (18) | N/M | - | |
| Other expense | 332 | 299 | 33 | 11 | 628 | 6 |
| ----- | | | | | | |
| Total noninterest expense before merger and restructuring-related charges | 2,501 | 2,309 | 192 | 8 | 4,846 | 4,5 |
| Merger and restructuring-related charges (reversals) | (63) | (3) | (60) | N/M | (63) | |
| ----- | | | | | | |
| Total noninterest expense | 2,438 | 2,306 | 132 | 6 | 4,783 | 4,5 |
| ===== | | | | | | |
| Employees (1) | 73,579 | 78,491 | (4,912) | (6) | 73,579 | 78,4 |
| Efficiency ratio--managed basis | 47.6% | 48.5% | (0.9)% | | 47.1% | 48 |
| ===== | | | | | | |

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

Salaries and employee benefits in the second quarter and for the first six months of 2002 increased 3% and 5%, respectively from the year-ago periods. These increases were due to increased incentive compensation and the consolidations of Paymentech and Anexsys, partially offset by savings from reduced headcount. Salaries and employee benefits for the second quarter and year to date 2002 also included \$12 million expense related to adopting the fair value method of accounting for stock option and stock purchase plans.

Outside service fees and processing expense increased \$59 million in the second quarter and \$103 million in the first six months of 2002 compared to the prior year periods. Telecommunication expense increased \$39 million in the second quarter and \$31 million in the first six months of 2002 compared to the prior year periods. The increases in these expenses were primarily the result of terminating and renegotiating certain vendor contracts. Also contributing to the increase in outside service fees and processing expenses for the first six months of 2002 were increased contract programming charges related to the Corporation's conversion efforts.

Marketing and development expense increased in the second quarter and first six months of 2002 by 26% and 24%, respectively, compared to the prior year periods primarily due to increased advertising expenditures for Credit Card and certain Retail products.

Other intangible amortization in the second quarter and first six months increased \$10 million and \$23 million, respectively, compared to the prior year periods primarily due to the amortization of purchased credit card relationships associated with the addition of the Wachovia business. Additionally, the Corporation no longer amortizes goodwill in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" and thus did not incur any goodwill amortization expense in the first six months of 2002.

Other operating expense in the second quarter and the first six months of 2002 increased compared to the year-ago periods by \$33 million, or 11%, and \$15 million, or 2%, respectively, primarily due to conversion costs. The Corporation successfully completed the Michigan and Florida conversion during the second quarter, and hopes to complete the Illinois conversion by the end of 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:

| (Dollars in millions) | Three Months Ended June 30 | | Six Months |
|--|----------------------------|---------|------------|
| | 2002 | 2001 | 2002 |
| Income before income taxes and cumulative effect of change in accounting principle | \$1,229 | \$1,000 | \$2,371 |
| Applicable income taxes | 386 | 292 | 741 |
| Effective tax rate | 31.4% | 29.2% | 31.3% |

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

| | | Senior Long-Term Debt | |
|-------|--|-----------------------|-----------------------|
| | | Short-Term Debt | Senior Long-Term Debt |
| | | S & P | Moody's |
| ----- | | S & P | Moody's |

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| | | | | |
|--------------------------|-----|-----|----|-----|
| 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.

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For trading portfolios, value-at-risk measures the maximum fair value the Corporation could lose on a trading position, excluding credit derivatives, 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 was as follows (excluding credit derivatives with a notional amount of \$5.4 billion and \$4.5 billion at June 30, 2002 and March 31, 2002, respectively. See a discussion of credit derivatives on page 35):

| (In millions) | At June 30, 2002 | Second Quarter 2002 | | | At March 31, 2002 |
|-------------------------|---------------------|---------------------|-------|-------|----------------------|
| | | Average | High | Low | |
| Risk type | | | | | |
| Interest rate | \$ 11 | \$ 11 | \$ 12 | \$ 10 | \$ 12 |
| Currency exchange rate | 1 | - | 3 | - | 1 |
| Equity | 1 | 1 | 1 | - | 1 |
| Diversification benefit | (1) | - | N/A | N/A | (1) |

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| | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|
| Aggregate portfolio market risk | \$ 12 | \$ 12 | \$ 14 | \$ 11 | \$ 13 |
| | | | | | |

Interest rate risk was the predominant type of market risk incurred during the second quarter of 2002. At June 30, 2002, approximately 85% of primary market risk exposures were related to interest rate risk. Exchange rate, equity and commodity risks accounted for 15% 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 plus or minus 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.

The Corporation's 12-month pre-tax earnings sensitivity profile as of June 30, 2002 and March 31, 2002 is as follows:

| | Immediate Change in Rates | |
|----------------|---------------------------|----------|
| (In millions) | -100 bp | +100 bp |
| June 30, 2002 | \$ (112) | \$ (52) |
| March 31, 2002 | \$ 1 | \$ (152) |

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's earnings sensitivity to rising interest rates declined, in part

due to a change in the market's expectations for future interest rate movements and the resultant effect on balance sheet cash flows and trends.

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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.

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) | June 30 2002 | March 31 2002 | December 31 2001 | September 30 2001 | June 30 2001 |
|--|-----------------|------------------|---------------------|----------------------|-----------------|
| Loans outstanding | \$ 147,728 | \$ 152,126 | \$ 156,733 | \$ 164,251 | \$ 166,577 |
| Average loans | 149,674 | 154,942 | 160,150 | 165,416 | 169,144 |
| Nonperforming loans (1) | 3,720 | 3,737 | 3,551 | 3,112 | 2,855 |
| Other, including OREO | 204 | 197 | 137 | 116 | 99 |
| Nonperforming assets | 3,924 | 3,934 | 3,688 | 3,228 | 2,954 |
| Allowance for credit losses | 4,521 | 4,520 | 4,528 | 4,479 | 4,228 |
| Net charge-offs | 607 | 663 | 717 | 566 | 511 |
| Nonperforming assets to related assets | 2.65% | 2.58% | 2.35% | 1.96% | 1.77% |
| Allowance to period end loans (2) | 3.06 | 2.97 | 2.89 | 2.73 | 2.55 |
| Allowance to nonperforming loans (3) | 122 | 121 | 128 | 144 | 144 |
| Net charge-offs to average loans | 1.62 | 1.71 | 1.79 | 1.37 | 1.22 |
| Allowance to net charge-offs | 186 | 170 | 158 | 198 | 200 |

(1) Includes loans held for sale of \$107 million and \$66 million at June 30, 2002 and March 31, 2002, respectively. For December 31, 2001, September 30, 2001 and June 30, 2001 there were no nonperforming loans included in loans held for sale.

(2) Excluding loans held for sale, the allowance to period end loans would have been 3.19%, 3.06%, 2.97%, 2.81% and 2.61% at June 30, 2002, March 31, 2002, December 31, 2001, September 30, 2001 and June 30, 2001, respectively.

(3) Excluding loans held for sale, the allowance to nonperforming loans would have been 125%, 123%, 128%, 144% and 148% at June 30, 2002, March 31, 2002, December 31, 2001, September 30, 2001 and June 30, 2001, respectively.

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Loan Composition

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

| (Dollars in millions) | June 30, 2002 | | March 31, 2002 | | December 31, 2001 | | September 2001 | |
|-----------------------|------------------|------|-------------------|------|----------------------|------|-------------------|------|
| | Amount | %(1) | Amount | %(1) | Amount | %(1) | Amount | %(1) |

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| | | | | | | | |
|--------------------------------|------------|------|------------|------|------------|------|------------|
| Retail: | | | | | | | |
| Small business commercial | \$ 10,027 | 5% | \$ 9,992 | 5% | \$ 9,947 | 5% | \$ 9,966 |
| Home equity | 29,699 | 14 | 29,891 | 14 | 30,268 | 14 | 30,712 |
| Vehicles: | | | | | | | |
| Loans | 13,584 | 7 | 13,644 | 7 | 13,481 | 6 | 13,497 |
| Leases | 4,722 | 2 | 5,431 | 3 | 6,155 | 3 | 6,855 |
| Other personal | 8,238 | 4 | 8,604 | 4 | 9,779 | 4 | 9,941 |
| ----- | | | | | | | |
| Total Retail | 66,270 | 32 | 67,562 | 33 | 69,630 | 32 | 70,971 |
| Commercial Banking: | | | | | | | |
| Corporate Banking: | | | | | | | |
| Commercial and industrial | 17,912 | 9 | 20,226 | 10 | 22,268 | 10 | 25,287 |
| Commercial real estate | 8,433 | 4 | 8,731 | 4 | 8,975 | 4 | 9,391 |
| Lease financing | 4,758 | 3 | 4,774 | 2 | 4,669 | 2 | 4,536 |
| Other | 670 | - | 975 | - | 731 | - | 1,279 |
| ----- | | | | | | | |
| Total Corporate Banking | 31,773 | 16 | 34,706 | 16 | 36,643 | 16 | 40,493 |
| Middle Market: | | | | | | | |
| Commercial and industrial | 29,337 | 14 | 29,515 | 14 | 31,076 | 14 | 32,325 |
| Commercial real estate | 2,421 | 1 | 3,516 | 2 | 3,472 | 2 | 3,233 |
| Lease financing | 1,092 | 1 | 1,156 | 1 | 1,053 | 1 | 1,049 |
| Other | 251 | - | 141 | - | 294 | - | 300 |
| ----- | | | | | | | |
| Total Middle Market | 33,101 | 16 | 34,328 | 17 | 35,895 | 17 | 36,907 |
| ----- | | | | | | | |
| Total Commercial Banking | 64,874 | 32 | 69,034 | 33 | 72,538 | 33 | 77,400 |
| IMG and Corporate | 7,469 | 3 | 8,134 | 4 | 7,779 | 4 | 7,480 |
| Credit Card: | | | | | | | |
| Owned-held in portfolio | 5,115 | 3 | 4,777 | 3 | 5,040 | 2 | 4,757 |
| Owned-held for sale | 4,000 | 2 | 2,619 | 1 | 1,746 | 1 | 3,643 |
| Securitized: | | | | | | | |
| Seller's interest retained (2) | 21,897 | 11 | 22,343 | 10 | 24,019 | 11 | 18,397 |
| Sold loans | 35,797 | 17 | 35,050 | 16 | 37,350 | 17 | 39,956 |
| ----- | | | | | | | |
| Managed credit card (3) | 66,809 | 33 | 64,789 | 30 | 68,155 | 31 | 66,753 |
| ----- | | | | | | | |
| Total managed | \$ 205,422 | 100% | \$ 209,519 | 100% | \$ 218,102 | 100% | \$ 222,604 |
| ===== | | | | | | | |
| Total reported | \$ 147,728 | | \$ 152,126 | | \$ 156,733 | | \$ 164,251 |
| ===== | | | | | | | |

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

(2) Seller's interest is reported as an investment security, therefore excluded from reported loans. Seller's interest is included for managed loans.

(3) See page 37 for the detailed components of managed credit card loans.

Loans held for sale, which are carried at lower of cost or fair value, totaled \$5.8 billion and \$4.5 billion at June 30, 2002 and March 31, 2002, respectively. At June 30, 2002, loans held for sale included Commercial Banking loans of \$202 million, of which approximately \$103 million are included in nonperforming loans, and Credit Card and other Consumer loans of \$5.6 billion.

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| By Collateral Location: | Amount | % of Portfolio | Amount | % of Portfolio | Amount | Port |
|--------------------------------------|-----------------|-------------------|-----------------|-------------------|-----------------|------|
| Illinois | \$ 1,245 | 11% | \$ 1,668 | 15% | \$ 1,682 | |
| Michigan | 1,200 | 11 | 1,361 | 11 | 1,348 | |
| California | 1,041 | 10 | 985 | 8 | 960 | |
| Texas | 976 | 9 | 1,048 | 8 | 1,004 | |
| Arizona | 837 | 8 | 937 | 8 | 958 | |
| Ohio | 793 | 7 | 835 | 7 | 839 | |
| Indiana | 431 | 4 | 496 | 4 | 504 | |
| Louisiana | 392 | 4 | 439 | 4 | 487 | |
| Kentucky | 357 | 3 | 352 | 3 | 326 | |
| Colorado | 284 | 3 | 322 | 3 | 356 | |
| Other areas | 1,675 | 15 | 1,877 | 15 | 1,806 | |
| Unsecured | 1,103 | 10 | 1,397 | 11 | 1,670 | |
| Secured by other than real estate | 520 | 5 | 530 | 4 | 507 | |
| Total | \$10,854 | 100% | \$12,247 | 100% | \$12,447 | |

By Property Type:

| | | | | | |
|--|-----------------|-------------|-----------------|-------------|-----------------|
| Apartment | \$ 1,916 | 18% | \$ 1,825 | 15% | \$ 1,770 |
| Retail | 1,667 | 15 | 1,862 | 15 | 1,913 |
| Office | 1,552 | 14 | 1,730 | 14 | 1,804 |
| Single family residential development | 1,069 | 10 | 1,299 | 11 | 1,273 |
| Industrial/warehouse | 857 | 8 | 1,230 | 10 | 1,230 |
| REIT/REOC | 788 | 7 | 1,312 | 11 | 1,297 |
| Hotels | 591 | 6 | 486 | 4 | 625 |
| Residential lots | 368 | 3 | 420 | 3 | 472 |
| Miscellaneous commercial income producing | 1,881 | 17 | 1,918 | 16 | 1,864 |
| Miscellaneous residential developments | 165 | 2 | 165 | 1 | 199 |
| Total | \$10,854 | 100% | \$12,247 | 100% | \$12,447 |

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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.

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

| (Dollars in millions) | June 30 2002 | March 31 2002 | December 31 2001 | September 30 2001 |
|--|-----------------|------------------|---------------------|----------------------|
| Nonperforming Loans: | | | | |
| Retail | \$ 1,349 | \$ 1,402 | \$ 1,344 | \$ 1,155 |
| Commercial Banking: | | | | |
| Corporate Banking | 1,161 | 1,170 | 1,154 | 1,051 |
| Middle Market Banking | 1,136 | 1,087 | 973 | 853 |
| <hr/> | | | | |
| Total Commercial Banking (1) | 2,297 | 2,257 | 2,127 | 1,904 |
| IMG and Corporate | 74 | 78 | 80 | 53 |
| <hr/> | | | | |
| Total | 3,720 | 3,737 | 3,551 | 3,112 |
| Other, including other real estate owned | 204 | 197 | 137 | 116 |
| <hr/> | | | | |
| Total nonperforming assets | \$ 3,924 | \$ 3,934 | \$ 3,688 | \$ 3,228 |
| <hr/> | | | | |
| Nonperforming assets to related assets: | 2.65% | 2.58% | 2.35% | 1.96% |
| Loans 90-days or more past due and accruing interest: | | | | |
| Credit Card | \$ 112 | \$ 100 | \$ 96 | \$ 114 |
| Other | - | 2 | 1 | 9 |
| <hr/> | | | | |
| Total | \$ 112 | \$ 102 | \$ 97 | \$ 123 |
| <hr/> | | | | |

(1) Commercial Banking nonperforming loans at June 30, 2002 include \$103 million of Loans Held for Sale.

Credit quality is stabilizing across the Corporation despite the challenging economic environment. Significant deterioration is not expected in the near-term in either commercial or consumer nonperformers. Improvement in credit costs is expected to follow over the longer term. The Corporation has established processes for identifying potential problem areas of the portfolio, which currently include exposure to telecommunications, transportation, auto-related and travel. The Corporation will continue to monitor and manage these potential risks.

Nonperforming loans within Retail at June 30, 2002 were \$1.3 billion, a decrease of \$53 million from first quarter 2002. This decrease 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 time 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

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either an event occurs that confirms the existence of a loss or it is determined that a loan or a portion of a loan is uncollectible.

- . A credit card loan is charged-off in the month it becomes contractually 180 days past due and remains unpaid at the end of that month, or 60 days after receipt of bankruptcy notification.
- . Retail loans are generally charged-off following a delinquency period of 120 days, or within 60 days for unsecured Retail loans after receipt of notification 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. Beginning in the second quarter 2002, losses on secured bankrupt loans are recorded based on determination of actual collateral values versus estimates.

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) | June 30, 2002 | | | March 31, 2002 | | | ch |
|--------------------------|-----------------|-----------------|---------------------|-----------------|-----------------|---------------------|----|
| | Net charge-offs | Average balance | Net charge-off rate | Net charge-offs | Average balance | Net charge-off rate | |
| Retail (1) | \$ 215 | \$ 66,826 | 1.29% | \$ 265 | \$ 69,228 | 1.53% | \$ |
| Commercial Banking: | | | | | | | |
| Corporate Banking | 168 | 33,322 | 2.02 | 163 | 36,040 | 1.81 | |
| Middle Market Banking | 106 | 33,689 | 1.26 | 118 | 35,075 | 1.34 | |
| | | | | | | | |
| Total Commercial Banking | 274 | 67,011 | 1.64 | 281 | 71,115 | 1.58 | |
| Credit Card | 926 | 65,930 | 5.62 | 943 | 66,324 | 5.69 | |
| IMG and Corporate | - | 7,378 | - | 20 | 7,382 | - | |
| | | | | | | | |
| Total-managed | 1,415 | 207,145 | 2.73% | 1,509 | 214,049 | 2.82% | 1 |
| | | | | | | | |
| Securitized | (808) | (57,471) | | (846) | (59,107) | | |
| | | | | | | | |
| Total-reported | \$ 607 | \$149,674 | 1.62% | \$ 663 | \$154,942 | 1.71% | \$ |
| | | | | | | | |
| September 30, 2001 | | | | | | | |
| | | | | Net charge-offs | Average balance | Net charge-off rate | ch |
| Retail (1) | | | | \$ 209 | \$ 71,682 | 1.17% | \$ |
| Commercial Banking: | | | | | | | |
| Corporate Banking | | | | 131 | 41,410 | 1.27 | |
| Middle Market Banking | | | | 99 | 36,657 | 1.08 | |

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| | | | | |
|--------------------------|--------|-----------|-------|----|
| Total Commercial Banking | 230 | 78,067 | 1.18 | |
| Credit Card | 981 | 66,641 | 5.89 | |
| IMG and Corporate | 9 | 7,732 | - | |
| ----- | | | | |
| Total-managed | 1,429 | 224,122 | 2.55% | 1 |
| ===== | | | | |
| Securitized | (863) | (58,706) | | |
| ----- | | | | |
| Total-reported | \$ 566 | \$165,416 | 1.37% | \$ |
| ===== | | | | |

(1) Quarter results exclude \$1 million, \$1 million, \$14 million, \$14 million and \$24 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 6% during the second quarter of 2002 to \$1.4 billion from the first quarter 2002, reflecting lower charge-offs in nearly all lines of businesses. The managed net charge-off rate decreased to 2.73% in the second quarter 2002 compared to 2.82% in the first quarter 2002.

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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) | June 30 2002 | March 31 2002 | December 31 2001 | September 30 2001 |
|--|-----------------|------------------|---------------------|----------------------|
| ----- | | | | |
| Loans sold and loans transferred to loans held for sale: (1) | | | | |
| Nonperforming loans | \$208 | \$ 99 | \$ 18 | \$ 42 |
| Other loans with credit related losses | 148 | 160 | 93 | 86 |
| Other loans | 193 | 343 | 179 | 438 |
| ----- | | | | |
| Total | \$549 | \$602 | \$290 | \$566 |
| ----- | | | | |
| Losses on sale: | | | | |
| Charge-offs: (2) | | | | |
| Nonperforming loans | \$ 39 | \$ 48 | \$ 8 | \$ 11 |
| Other loans with credit related losses | 12 | 19 | 18 | 22 |
| ----- | | | | |
| Total charge-offs | \$ 51 | \$ 67 | \$ 26 | \$ 33 |
| Losses on loans sold and held for sale | 22 | 4 | 12 | 18 |
| ----- | | | | |
| Total | \$ 73 | \$ 71 | \$ 38 | \$ 51 |
| ===== | | | | |

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(1) Second quarter 2002 includes loans reclassified to loans held for sale of approximately \$103 million, \$26 million and \$7 million in nonperforming, other loans with credit related losses and other loans, respectively.

(2) Charge-offs on loans initially reclassified to held for sale in the second quarter 2002 of approximately \$26 million and \$4 million are included in nonperforming and other loans with credit related losses, 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. The sale of loans is 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, losses resulting from credit deterioration are recorded as charge-offs. Losses deemed to be from other than credit deterioration are recorded as losses on sale. When a loan is sold or initially reclassified to loans held for sale, appropriate charge-offs are recorded. Subsequent writedowns in market value on loans held for sale are reflected in other income/loss.

Loans reclassified to held for sale are carried at the lower of cost or market value. Subsequent to their transfer, these loans are no longer included in the evaluation of the adequacy of the allowance for loan losses.

Allowance for Credit Losses

The allowance for credit losses is maintained at a level that in management's judgment is adequate to provide for estimated probable credit losses inherent in various on- and off-balance sheet financial instruments. This process includes deriving probable loss estimates 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 millions) | June 30 2002 | March 31 2002 | December 31 2001 | September 30 2001 |
|------------------------------|-----------------|------------------|---------------------|----------------------|
| Balance, beginning of period | \$4,520 | \$4,528 | \$4,479 | \$4,229 |
| Charge-offs: | | | | |
| Retail: | | | | |
| Small business commercial | 28 | 18 | 29 | 24 |
| Home equity | 112 | 138 | 131 | 91 |
| Vehicles: | | | | |
| Loans | 56 | 82 | 75 | 61 |
| Leases | 19 | 34 | 33 | 31 |
| Other personal | 38 | 41 | 39 | 39 |
| Total Retail | 253 | 313 | 307 | 246 |
| Commercial Banking: | | | | |
| Corporate Banking: | | | | |

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| | | | | |
|-----------------------------|---------|---------|---------|---------|
| Commercial and industrial | 152 | 182 | 158 | 147 |
| Commercial real estate | 19 | 2 | 8 | 1 |
| Lease financing | 25 | 2 | 17 | - |
| ----- | | | | |
| Total Corporate Banking | 196 | 186 | 183 | 148 |
| Middle Market: | | | | |
| Commercial and industrial | 113 | 126 | 165 | 96 |
| Commercial real estate | 2 | 4 | 4 | 1 |
| Lease financing | 19 | 5 | 19 | 11 |
| ----- | | | | |
| Total Middle Market | 134 | 135 | 188 | 108 |
| ----- | | | | |
| Total Commercial Banking | 330 | 321 | 371 | 256 |
| Credit Card | 129 | 111 | 120 | 123 |
| IMG and Corporate | 2 | 22 | 14 | 11 |
| ----- | | | | |
| Total charge-offs | \$ 714 | \$ 767 | \$ 812 | \$ 636 |
| ----- | | | | |
| Recoveries: | | | | |
| Retail: | | | | |
| Small business commercial | \$ 5 | \$ 4 | \$ 6 | \$ 4 |
| Home equity | 10 | 8 | 6 | 7 |
| Vehicles: | | | | |
| Loans | 15 | 17 | 15 | 16 |
| Leases | 4 | 4 | 7 | 6 |
| Other personal | 4 | 15 | 5 | 4 |
| ----- | | | | |
| Total Retail | 38 | 48 | 39 | 37 |
| Commercial Banking: | | | | |
| Corporate Banking: | | | | |
| Commercial and industrial | 26 | 21 | 17 | 14 |
| Commercial real estate | 2 | 2 | 2 | 3 |
| Lease financing | - | - | - | - |
| ----- | | | | |
| Total Corporate Banking | 28 | 23 | 19 | 17 |
| Middle Market: | | | | |
| Commercial and industrial | 24 | 14 | 24 | 8 |
| Commercial real estate | 1 | 2 | - | - |
| Lease financing | 3 | 1 | 6 | 1 |
| ----- | | | | |
| Total Middle Market | 28 | 17 | 30 | 9 |
| ----- | | | | |
| Total Commercial Banking | 56 | 40 | 49 | 26 |
| Credit Card | 11 | 14 | 7 | 5 |
| IMG and Corporate | 2 | 2 | - | 2 |
| ----- | | | | |
| Total recoveries | \$ 107 | \$ 104 | \$ 95 | \$ 70 |
| ----- | | | | |
| Net charge-offs: | | | | |
| Retail | \$ 215 | \$ 265 | \$ 268 | \$ 209 |
| Commercial Banking | 274 | 281 | 322 | 230 |
| Credit Card | 118 | 97 | 113 | 118 |
| IMG and Corporate | - | 20 | 14 | 9 |
| ----- | | | | |
| Total net charge-off | \$ 607 | \$ 663 | \$ 717 | \$ 566 |
| ----- | | | | |
| Provision for credit losses | 607 | 665 | 765 | 620 |
| Transfers | 1 | (10) | 1 | 196 |
| ----- | | | | |
| Balance, end of period | \$4,521 | \$4,520 | \$4,528 | \$4,479 |
| ===== | | | | |

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:

| | June 30 2002 | | March 31 2002 | | December 31 2001 | |
|-----------------------------|-----------------|-------------|------------------|-------------|---------------------|-------------|
| (Dollars in millions) | Amount | % | Amount | % | Amount | % |
| Retail | \$1,029 | 23% | \$1,028 | 23% | \$1,027 | 23% |
| Commercial Banking: | | | | | | |
| Corporate Banking | 1,706 | 38 | 1,706 | 38 | 1,714 | 38 |
| Middle Market | 1,365 | 30 | 1,365 | 30 | 1,365 | 30 |
| Total Commercial Banking | 3,071 | 68 | 3,071 | 68 | 3,079 | 68 |
| Credit Card | 396 | 9 | 396 | 9 | 39 | 8 |
| IMG and Corporate | | - | 25 | - | 26 | 1 |
| Total | \$4,521 | 100% | \$4,520 | 100% | \$4,528 | 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, credit derivatives and other conditional or exchange contracts, and include both exchange-traded and over-the-counter contracts. A detailed discussion of accounting policies for trading and hedging derivative instruments is presented in the Corporation's 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 26). Pre-tax income reflects the effective use of these derivatives. Without their use, pre-tax income for the six months ended June 30, 2002 and 2001, would have been higher by \$53 million in 2002 and lower by \$1 million in 2001.

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 June 30, 2002, the total amount of such reclassification into

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earnings is projected to be a decrease in income of \$242 million after-tax (\$382 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 amount of hedge ineffectiveness recognized for cash flow and fair value hedges for the six months ended June 30, 2002 was \$7 million. No component of a derivative instrument's gain or loss is excluded from the assessment of hedge effectiveness.

The maximum length of time exposure to the variability of future cash flows for forecasted transactions hedged is 33 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.

The Corporation uses credit derivatives, primarily single name credit default swaps, as one method of credit protection against the deterioration of credit risk on commercial loans and loan commitments. The change in fair value of credit derivative instruments is included in trading results in the Corporation's financial statements while any credit assessment change in the identified commercial credit exposure is reflected as a change in the allocated credit reserves. At June 30, 2002, the notional amount of credit derivatives protecting commercial credit exposure totaled \$5.4 billion, and related trading revenue was \$32.7 million and \$0.8 million, respectively for the three months and six months ended June 30, 2002.

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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.

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

| (In millions) | June 30, 2002 | March 31, |
|---|---------------|-----------|
| Gross replacement cost | \$15,494 | \$10, |
| Less: Adjustment due to master netting agreements | 12,498 | 8, |
| Balance sheet credit exposure | \$ 2,996 | \$ 2, |

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

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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 June 30, 2002, the notional value of ALM interest rate swaps linked to specific assets, liabilities or forecasted transactions was as follows:

| (In millions) | Receive Fixed Pay Floating | Pay Fixed | | To |
|--------------------------------------|-------------------------------|---------------------|--------------------|-----------|
| | Fair Value Hedge | Fair Value Hedge | Cash Flow Hedge | |
| Interest rate swaps associated with: | | | | |
| Interest-bearing assets | \$ - | \$50 | \$ 3,000 | \$ |
| Interest-bearing liabilities | 5,134 | - | 15,267 | |
| Total | \$5,134 | \$50 | \$18,267 | \$ |

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 \$16.5 billion at June 30, 2002.

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 \$149 million and \$205 million at June 30, 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)

June 30, 2002 Jun

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| | |
|--|----------|
| Owned credit card loans-held in portfolio | \$ 5,115 |
| Owned credit card loans-held for sale | 4,000 |
| Seller's interest in credit card loans (investment securities) (1) | 21,897 |
| <hr/> | |
| Total credit card loans and seller's interest reflected on balance sheet | 31,012 |
| Securities sold to investors and removed from balance sheet | 35,797 |
| <hr/> | |
| Managed credit card loans | \$66,809 |
| <hr/> | |

(1) At June 30, 2002, the estimated fair values of seller's interest and interest-only strip from credit card securitizations were \$21.7 billion and \$193 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 June 30, 2002 | | | Three Months Ended June 30, 2001 | |
|----------------------------------|----------------------------------|--------------------------------|-----------|----------------------------------|--------------------------------|
| | Reported | Credit Card Securitizations | Managed | Reported | Credit Card Securitizations |
| Net interest income-FTE basis | \$ 2,078 | \$ 1,258 | \$ 3,336 | \$ 2,085 | \$ 1,258 |
| Provision for credit losses | 607 | 808 | 1,415 | 540 | 808 |
| Noninterest income | 2,232 | (450) | 1,782 | 1,791 | (450) |
| Noninterest expense | 2,438 | - | 2,438 | 2,306 | - |
| Net income | 843 | - | 843 | 664 | - |
| Total average loans | \$149,674 | \$57,471 | \$207,145 | \$169,140 | \$57,471 |
| Total average earning assets | 226,005 | 35,555 | 261,560 | 238,971 | 35,555 |
| Total average assets | 255,867 | 35,555 | 291,422 | 268,259 | 35,555 |
| Net interest margin | 3.69% | 14.19% | 5.12% | 3.50% | 14.19% |
| Credit Card delinquency ratios: | | | | | |
| 30+ days | 2.72% | 4.00% | 3.83% | 2.23% | 4.00% |
| 90+ days | 1.23 | 1.79 | 1.72 | 0.94 | 1.79 |
| Net credit card charge-off ratio | 5.58 | 5.63 | 5.62 | 5.83 | 5.63 |

| (Dollars in millions) | Six Months Ended June 30, 2002 | | | Six Months Ended June 30, 2001 | |
|-------------------------------|--------------------------------|--------------------------------|-----------|--------------------------------|--------------------------------|
| | Reported | Credit Card Securitizations | Managed | Reported | Credit Card Securitizations |
| Net interest income-FTE basis | \$ 4,313 | \$ 2,562 | \$ 6,875 | \$ 4,304 | \$ 2,562 |
| Provision for credit losses | 1,272 | 1,654 | 2,926 | 1,125 | 1,654 |
| Noninterest income | 4,184 | (908) | 3,276 | 3,398 | (908) |
| Noninterest expense | 4,783 | - | 4,783 | 4,542 | - |
| Net income | 1,630 | - | 1,630 | 1,343 | - |
| Total average loans | \$152,293 | \$58,285 | \$210,578 | \$171,395 | \$58,285 |

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| | | | | | |
|----------------------------------|---------|--------|---------|---------|----|
| Total average earning assets | 228,894 | 36,070 | 264,964 | 240,645 | 40 |
| Total average assets | 259,590 | 36,070 | 295,660 | 268,883 | 40 |
| Net interest margin | 3.80% | 14.32% | 5.23% | 3.61% | 1 |
| Credit Card delinquency ratios: | | | | | |
| 30+ days | 2.72% | 4.00% | 3.83% | 2.23% | |
| 90+ days | 1.23 | 1.79 | 1.72 | 0.94 | |
| Net credit card charge-off ratio | 5.49 | 5.68 | 5.66 | 5.71 | |

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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 June 30, 2002 are as follows:

| (In billions) | Amount of Commitment Expiration Per Period | | | | |
|---|--|------------------|-------------|-------------|--------------|
| | Total | Less Than 1 Year | 1 - 3 Years | 3 - 5 Years | Over 5 Years |
| Unused credit card lines | \$318.3 | \$318.3 | \$ - | \$ - | \$ - |
| Unused loan commitments | 129.0 | 95.6 | 21.1 | 11.6 | 0 |
| Standby letters of credit and foreign office guarantees | 20.6 | 12.5 | 5.7 | 1.9 | 0 |
| Commercial letters of credit | 0.7 | 0.7 | - | - | |

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.

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 June 30, 2002 are as follows:

| (In millions) | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 and After |
|---------------|------|------|------|------|------|----------------|
|---------------|------|------|------|------|------|----------------|

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| | | | | | | |
|--|---------|---------|---------|---------|---------|----------|
| Operating leases | \$ 90 | \$ 217 | \$ 192 | \$ 169 | \$ 152 | \$ 888 |
| Trust preferred capital securities | - | - | - | - | - | 3,315 |
| Long-term debt, including capital leases | 4,606 | 7,779 | 6,250 | 5,296 | 6,918 | 9,599 |
| <hr/> | | | | | | |
| Total | \$4,696 | \$7,996 | \$6,442 | \$5,465 | \$7,070 | \$13,802 |
| <hr/> | | | | | | |

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 \$36.6 billion and \$1.1 billion, respectively, at June 30, 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 \$421 million at June 30, 2002.

The Corporation also provides liquidity lines to commercial paper issuing specialized financing entities not sponsored by Bank One, which approximated \$2.3 billion at June 30, 2002.

In the normal course of business, the Corporation invests in venture capital and other investments. Commitments to fund such investments at June 30, 2002 totaled \$1.4 billion.

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 venture totaled \$30 million at June 30, 2002.

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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 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

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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.

The Corporation's capital ratios follow:

| | June 30 2002 | March 31 2002 | December 31 2001 | September 30 2001 | June 30 2001 |
|--|-----------------|------------------|---------------------|----------------------|-----------------|
| ----- | | | | | |
| Risk-based capital ratios: | | | | | |
| Tier 1 | 9.4% | 9.0% | 8.6% | 8.4% | 8.4% |
| Total | 13.0 | 12.7 | 12.2 | 11.7 | 11.7 |
| Common equity/managed assets | 7.0 | 7.0 | 6.6 | 6.5 | 6.5 |
| Tangible common equity/tangible managed assets | 6.3 | 6.2 | 5.9 | 5.8 | 5.8 |
| Double leverage ratio | 103 | 103 | 103 | 102 | 102 |
| Dividend payout ratio | 30 | 31 | 38 | 35 | 35 |
| ----- | | | | | |

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

| (In millions) | June 30 2002 | March 31 2002 | December 31 2001 | September 30 2001 | June 30 2001 |
|--------------------------------|-----------------|------------------|---------------------|----------------------|-----------------|
| ----- | | | | | |
| Regulatory risk-based capital: | | | | | |
| Tier 1 capital | \$ 23,039 | \$ 22,513 | \$ 21,749 | \$ 21,330 | \$ 21,330 |
| Tier 2 capital | 8,924 | 9,115 | 9,091 | 8,547 | 8,547 |
| ----- | | | | | |
| Total capital | 31,963 | 31,628 | 30,840 | 29,877 | 29,877 |
| ===== | | | | | |
| Total risk weighted assets | \$ 246,032 | \$ 249,128 | \$ 253,330 | \$ 254,943 | \$ 254,943 |
| ===== | | | | | |

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

| (In millions) | June 30 2002 | March 31 2002 | December 31 2001 | September 30 2001 | June 30 2001 |
|---------------------------------|-----------------|------------------|---------------------|----------------------|-----------------|
| ----- | | | | | |
| Goodwill | \$ 1,829 | \$ 1,840 | \$ 1,560 | \$ 1,570 | \$ 1,570 |
| Other nonqualifying intangibles | 237 | 251 | 207 | 280 | 280 |
| ----- | | | | | |
| Subtotal | 2,066 | 2,091 | 1,767 | 1,850 | 1,850 |
| Qualifying intangibles | 405 | 422 | 414 | 440 | 440 |
| ----- | | | | | |
| Total intangibles | \$ 2,471 | \$ 2,513 | \$ 2,181 | \$ 2,290 | \$ 2,290 |
| ===== | | | | | |

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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 interests in securitization structures. Certain provisions of these rules became effective in the first quarter 2002, and the March 31, 2002 ratio included the affect of these changes. The Corporation implemented the remaining provisions of these rules in the

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second quarter 2002. Under these rules, which were required to be adopted by the end of the year, accrued interest on securitized credit card receivables is treated as a form of retained recourse. The additional recourse amount had an adverse impact on the June 30, 2002, Tier 1 and Total Capital ratios of 0.27% and 0.31%, respectively. This change increased risk weighted assets and Total Capital by \$6.7 billion and \$139 million, respectively. In the second quarter, the Corporation's ratios also reflect the early implementation of rules related to the treatment of certain equity investments made in nonfinancial companies, and the reduction of the risk-weight applied to certain claims on, or guarantees by, qualifying securities firms from 100% to 20%. The change in treatment of certain equity investments had no significant impact on Tier 1 nor Total Capital, while the change in risk-weight applied to certain qualifying securities firms positively impacted these ratios by 0.16% and 0.21%, respectively, and decreased risk weighted assets and Total Capital by \$4.4 billion and \$51 million, respectively.

Dividend Policy

The Corporation's common stock dividend policy reflects its earnings outlook, desired payout ratios, the need to maintain an adequate capital level and alternative investment opportunities. The common stock dividend payout ratio is targeted in the range of 25% - 30% of earnings over time. On July 16, 2002, the Corporation declared its quarterly common cash dividend of 21 cents per share, payable on October 1, 2002.

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 June 30, 2002 and March 31, 2002. Trust Preferred Capital Securities of \$3.3 billion at June 30, 2002 and March 31, 2002 were included in capital for purposes of this calculation.

Stock Repurchase Program

On July 16, 2002, the Corporation's Board of Directors approved the repurchase of up to \$2 billion of the Corporation's common stock replacing the two previous buyback programs announced in September, 2001 and May, 1999. The timing of the purchases and the exact number of shares to be repurchased will depend on market conditions. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. In the second quarter 2002, the Corporation purchased 4.6 million shares of common stock at an average price of \$39.56 per share pursuant to the previous buyback programs.

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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.

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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) | June 30 2002 | December 31 2001 | June 2000 |
|--|------------------|---------------------|------------------|
| Assets | | | |
| Cash and due from banks | \$ 17,120 | \$ 17,383 | \$ 18,400 |
| Interest-bearing due from banks | 3,041 | 1,030 | 2,100 |
| Federal funds sold and securities under resale agreements | 9,538 | 9,347 | 11,600 |
| Trading assets | 6,269 | 6,167 | 7,100 |
| Derivative product assets | 2,996 | 3,225 | 3,100 |
| Investment securities | 65,685 | 60,883 | 49,700 |
| Loans | 147,728 | 156,733 | 166,500 |
| Allowance for credit losses | (4,521) | (4,528) | (4,200) |
| Loans, net | 143,207 | 152,205 | 162,300 |
| Other assets | 22,487 | 18,714 | 17,800 |
| Total assets | \$270,343 | \$268,954 | \$272,400 |
| Liabilities | | | |
| Deposits: | | | |
| Demand | \$ 26,841 | \$ 32,179 | \$ 30,600 |
| Savings | 81,477 | 80,599 | 66,900 |
| Time: | | | |
| Under \$100,000 | 19,403 | 20,106 | 23,200 |
| \$100,000 and over | 15,255 | 18,071 | 20,900 |
| Foreign offices | 14,542 | 16,575 | 22,400 |
| Total deposits | 157,518 | 167,530 | 164,200 |
| Federal funds purchased and securities sold under repurchase agreements | 16,728 | 13,728 | 17,700 |
| Other short-term borrowings | 9,809 | 10,255 | 13,300 |
| Long-term debt | 40,441 | 40,103 | 38,900 |
| Guaranteed preferred beneficial interest in the Corporation's junior subordinated debt | 3,315 | 3,315 | 2,700 |
| Derivative product liabilities | 2,632 | 2,574 | 3,000 |
| Other liabilities | 18,337 | 11,223 | 12,800 |
| Total liabilities | 248,780 | 248,728 | 252,900 |
| Stockholders' Equity | | | |
| Preferred stock | - | - | 100,000 |
| Common stock (\$0.01 par value; authorized 4,000,000,000; issued 1,181,382,304) | 12 | 12 | 10,300 |
| Surplus | 10,177 | 10,311 | 10,300 |
| Retained earnings | 11,845 | 10,707 | 9,900 |

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| | | | |
|--|-----------|-----------|---------|
| Accumulated other adjustments to stockholders' equity | 46 | (65) | (2) |
| Deferred compensation | (195) | (121) | (1) |
| Treasury stock, at cost (7,843,692, 14,415,873, and 13,586,977 shares, respectively) | (322) | (618) | (6) |
| ----- | | | |
| Total stockholders' equity | 21,563 | 20,226 | 19,4 |
| ----- | | | |
| Total liabilities and stockholders' equity | \$270,343 | \$268,954 | \$272,4 |
| ===== | | | |

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 June 30 | | Mont Ju |
|--|----------------------------------|----------|------------|
| | 2002 | 2001 | 2002 |
| ----- | | | |
| (In millions, except per share data) | | | |
| Net Interest Income: | | | |
| Interest income | \$ 3,389 | \$ 4,385 | \$ 6,92 |
| Interest expense | 1,347 | 2,330 | 2,68 |
| ----- | | | |
| Total net interest income | 2,042 | 2,055 | 4,24 |
| Noninterest Income: | | | |
| Banking fees and commissions | 492 | 431 | 93 |
| Credit card revenue | 956 | 621 | 1,86 |
| Service charges on deposits | 376 | 360 | 76 |
| Fiduciary and investment management fees | 188 | 184 | 37 |
| Investment securities gains (losses) | 96 | 69 | 7 |
| Trading | 70 | 61 | 8 |
| Other income | 54 | 65 | 7 |
| ----- | | | |
| Total noninterest income | 2,232 | 1,791 | 4,18 |
| ----- | | | |
| Total revenue, net of interest expense | 4,274 | 3,846 | 8,42 |
| Provision for credit losses | 607 | 540 | 1,27 |
| Noninterest Expense: | | | |
| Salaries and employee benefits | 1,101 | 1,072 | 2,19 |
| Occupancy | 170 | 164 | 32 |
| Equipment | 99 | 119 | 20 |
| Outside service fees and processing | 372 | 313 | 67 |
| Marketing and development | 264 | 210 | 52 |
| Telecommunication | 134 | 95 | 23 |
| Other intangible amortization | 29 | 19 | 6 |
| Goodwill amortization | - | 18 | |
| Other expense | 332 | 299 | 62 |
| ----- | | | |
| Total noninterest expense before merger and restructuring-related charges | 2,501 | 2,309 | 4,84 |
| ----- | | | |

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| | | | |
|--|---------|---------|---------|
| Merger and restructuring-related charges (reversals) | (63) | (3) | (6) |
| ----- | | | |
| Total noninterest expense | 2,438 | 2,306 | 4,78 |
| Income before income taxes and cumulative effect of change in accounting principle | 1,229 | 1,000 | 2,37 |
| Applicable income taxes | 386 | 292 | 74 |
| ----- | | | |
| Income before cumulative effect of change in accounting principle | 843 | 708 | 1,63 |
| Cumulative effect of change in accounting principle, net of taxes of \$25 | - | (44) | |
| ----- | | | |
| Net income | \$ 843 | \$ 664 | \$ 1,63 |
| ===== | | | |
| Net income attributable to common stockholders' equity | 843 | 661 | 1,63 |
| ===== | | | |
| Earnings per share before cumulative effect of change in accounting principle: | | | |
| Basic | \$ 0.72 | \$ 0.60 | \$ 1.3 |
| Diluted | \$ 0.71 | \$ 0.60 | \$ 1.3 |
| ===== | | | |
| Earnings per share: | | | |
| Basic | \$ 0.72 | \$ 0.57 | \$ 1.3 |
| Diluted | \$ 0.71 | \$ 0.56 | \$ 1.3 |
| ===== | | | |

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 | Defer Compensat |
|---|-----------------|--------------|-----------|-------------------|---|-----------------|
| Balance-December 31, 2000 | \$ 190 | \$ 12 | \$ 10,487 | \$ 9,060 | \$ (5) | \$ (121) |
| ----- | | | | | | |
| Net income | | | | 1,343 | | |
| Change in fair value, investment securities-available for sale, net of taxes | | | | | (62) | |
| Change in fair value of cash-flow hedge derivative securities, net of taxes | | | | | (137) | |
| Translation loss, net of hedge results and taxes | | | | | (3) | |
| ----- | | | | | | |
| Net income and changes in accumulated other adjustments to stockholders' equity | | | | 1,343 | (202) | |
| Cash dividends declared: | | | | | | |
| Common stock | | | | (490) | | |

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| | | | | | | |
|---|--------|-------|-----------|-----------|----------|----------|
| Preferred stock | | | | | (6) | |
| Net issuance of common stock | | | (159) | | | |
| Awards granted, net of forfeitures and amortization | | | | | | (35) |
| Other | | | 1 | | | |
| ----- | | | | | | |
| Balance-June 30, 2001 | \$ 190 | \$ 12 | \$ 10,329 | \$ 9,907 | \$ (207) | \$ (156) |
| ----- | | | | | | |
| ----- | | | | | | |
| Balance-December 31, 2001 | \$ - | \$ 12 | \$ 10,311 | \$ 10,707 | \$ (65) | \$ (121) |
| ----- | | | | | | |
| Net income | | | | 1,630 | | |
| Change in fair value, investment securities-available for sale, net of taxes | | | | | 204 | |
| Change in fair value of cash-flow hedge derivative securities, net of taxes | | | | | (92) | |
| Translation loss, net of hedge results and taxes | | | | | (1) | |
| ----- | | | | | | |
| Net income and changes in accumulated other adjustments to stockholders' equity | | | | 1,630 | 111 | |
| Common stock cash dividends declared | | | | (492) | | |
| Net issuance of common stock | | | (151) | | | |
| Awards granted, net of forfeitures and amortization | | | | | | (74) |
| Other | | | 17 | | | |
| ----- | | | | | | |
| Balance-June 30, 2002 | \$ - | \$ 12 | \$ 10,177 | \$ 11,845 | \$ 46 | \$ (195) |
| ===== | | | | | | |

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS
BANK ONE CORPORATION and Subsidiaries

| | | |
|---|--|-----------------------|
| | | Six Months June 30 |
| | | ----- 2002 |
| ----- | | |
| (In millions) | | |
| Cash Flows from Operating Activities: | | |
| Net income | | \$ 1,630 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | | 251 |
| Cumulative effect of accounting change | | -- |
| Provision for credit losses | | 1,272 |
| Investment securities (gains) losses, net | | (78) |
| Net decrease in net derivative product assets | | 47 |

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| | |
|--|-----------|
| Net increase in trading assets | (100) |
| Net increase in other assets | (2,957) |
| Net increase in other liabilities | 6,376 |
| Merger-related and restructuring charges (reversals) | (63) |
| Other operating adjustments | 171 |
| ----- | |
| Net cash provided (used) by operating activities | 6,549 |
| Cash Flows from Investing Activities: | |
| Net increase in federal funds sold and securities under resale agreements | (191) |
| Securities available for sale: | |
| Purchases | (29,611) |
| Maturities | 2,797 |
| Sales | 20,448 |
| Credit card receivables securitized | 2,750 |
| Net decrease in loans | 6,824 |
| Loan recoveries | 211 |
| Additions to premises and equipment | (135) |
| Proceeds from sales of premises and equipment | 34 |
| All other investing activities, net | (322) |
| ----- | |
| Net cash provided by investing activities | 2,805 |
| Cash Flows from Financing Activities: | |
| Net decrease in deposits | (9,976) |
| Net increase in federal funds purchased and securities under repurchase agreements | 3,000 |
| Net decrease in other short-term borrowings | (437) |
| Proceeds from issuance of long-term debt | 4,433 |
| Repayment of long-term debt | (4,198) |
| Repurchase of treasury stock | (181) |
| Cash dividends paid | (491) |
| Proceeds from issuance of trust preferred capital securities | -- |
| Proceeds from issuance of common and treasury stock | 227 |
| All other financing activities, net | 18 |
| ----- | |
| Net cash used in financing activities | (7,605) |
| Effect of exchange rate changes on cash and cash equivalents | (1) |
| ----- | |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,748 |
| Cash and Cash Equivalents at Beginning of Period | 18,413 |
| ----- | |
| Cash and Cash Equivalents at End of Period | \$ 20,161 |
| ===== | |

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
BANK ONE CORPORATION and Subsidiaries

Note 1-Summary of Significant Accounting Policies

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 requires management to make estimates and assumptions that affect the amounts reported and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

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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 Accounting Pronouncements

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.

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 June 30 | |
|---|-------------------------------|---------|
| | 2002 | 2001 |
| (In millions, except per share data) | | |
| Income before cumulative effect of accounting change | \$ 843 | \$ 708 |
| Cumulative effect of accounting change | - | (44) |
| Net income | 843 | 664 |
| Preferred stock dividends | - | (3) |
| Net income available to common stockholders for basic and diluted EPS | \$ 843 | \$ 661 |
| Average shares outstanding | 1,174 | 1,166 |
| Stock options | 10 | 10 |
| Average shares outstanding assuming full dilution | 1,184 | 1,176 |
| Earnings per share before cumulative effect of change in accounting principle: | | |
| Basic | \$ 0.72 | \$ 0.60 |
| Diluted | \$ 0.71 | \$ 0.60 |
| Earnings per share: | | |

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| | | |
|---------|---------|---------|
| Basic | \$ 0.72 | \$ 0.57 |
| Diluted | \$ 0.71 | \$ 0.56 |

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Note 4—Restructuring-Related Activity

a) Fourth Quarter 2001 Restructuring-Related Activity

The Corporation recorded restructuring-related activity 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 activities:

| (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 |
| Reserve adjustments | (21) | (21) | (42) |
| Amounts utilized | (10) | (9) | (19) |
| June 30, 2002 Reserve balance | \$ 43 | \$ 114 | \$ 157 |

Personnel-related costs initially recorded consisted primarily of severance costs related to identified staff reductions in the lines of business totaling approximately 6,900 positions. Contractual obligations included the estimated costs associated with the lease and other contract termination costs incorporated in the business restructuring plans. Asset writedowns included leasehold write-offs related to leased properties following the decision to abandon such facilities, as well as in the case of fixed assets and capitalized software for which similar decisions were made. Actions under this overall restructuring plan are expected to be completed within a 12-month period. Certain contractual payments associated with these actions, as required, will extend beyond this 12-month time frame.

b) Second Quarter 2000 Restructuring-Related Activity

Actions under this restructuring plan have been completed, with only payments of identified obligations remaining, which consist primarily of lease obligations. Unpaid amounts totaled \$45 million as of June 30, 2002 and will be paid as required over the remaining contractual periods.

Note 5—Business Segments

The information presented on page 4 is consistent with the content of

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

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

For additional disclosures regarding the Corporation's operating segments see the "Business Segment Results and Other Data" section beginning on page 4. The data presented in tables beginning with the section entitled "Financial Performance" in the "Retail" through "Corporate" segments on page 5-22 are included for analytical purposes only.

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Note 6-Interest Income and Interest Expense

Details of interest income and interest expense are as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------------|---------|-----------------------------------|---------|
| | 2002 | 2001 | 2002 | 2001 |
| (In millions) | | | | |
| Interest Income | | | | |
| Loans, including fees | \$2,428 | \$3,395 | \$4,997 | \$7,197 |
| Bank balances | 12 | 36 | 27 | 106 |
| Federal funds sold and securities under resale agreements | 38 | 136 | 81 | 251 |
| Trading assets | 64 | 85 | 124 | 168 |
| Investment securities | 847 | 733 | 1,700 | 1,584 |
| Total | | | | |
| | 3,389 | 4,385 | 6,929 | 9,306 |
| Interest Expense | | | | |
| Deposits | 696 | 1,312 | 1,420 | 2,832 |
| Federal funds purchased and securities sold under repurchase agreements | 73 | 177 | 135 | 408 |
| Other short-term borrowings | 33 | 198 | 73 | 481 |
| Long-term debt | 545 | 643 | 1,059 | 1,345 |
| Total | | | | |
| | 1,347 | 2,330 | 2,687 | 5,066 |
| Net Interest Income | | | | |
| | 2,042 | 2,055 | 4,242 | 4,240 |
| Provision for credit losses | 607 | 540 | 1,272 | 1,125 |
| Net Interest Income After Provision for Credit Losses | | | | |
| | \$1,435 | \$1,515 | \$2,970 | \$3,115 |

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Note 7-Investment Securities

The summary of the Corporation's investment portfolio follows:

| June 30, 2002 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value (Book) |
|--|----------------|------------------------|-------------------------|-------------------|
| (In millions) | | | | |
| U.S. Treasury | \$ 1,577 | \$ 29 | \$ (2) | \$ |
| U.S. government agencies | 29,082 | 356 | (104) | |
| States and political subdivisions | 1,145 | 40 | (1) | |
| Interests in credit card securitized receivables | 21,853 | 90 | - | |
| Other debt securities | 6,521 | 39 | (10) | |
| Equity securities (1) | 3,404 | 16 | - | |
| Total available for sale securities | \$63,582 | \$570 | \$ (117) | |
| Principal and other investments (2) | | | | |
| Total investment securities | | | | \$ |

(1) The fair values of certain securities for which market quotations were not available were estimated.

(2) The fair values of certain securities reflect liquidity and other market-related factors, and includes investments accounted for at fair value consistent with specialized industry practice.

For the six months ended June 30, 2002, gross recognized gains and losses on the sale of investment securities were \$545 million and \$466 million, respectively. For the six months ended June 30, 2001, gross recognized gains and losses on the sale of investment securities were \$421 million and \$448 million, respectively.

Included in other liabilities at June 30, 2002 is \$6.9 billion related to unsettled investment security purchases recorded on a trade date basis.

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

At June 30, 2002 the Corporation sponsored ten trusts with a total aggregate issuance of \$3.3 billion in trust preferred securities as follows:

| Trust Preferred | | | Junior Subordinated | |
|-----------------------|---------------|---------------------------|---------------------|--------------------------|
| (Dollars in millions) | Issuance Date | Initial Liquidation Value | Distribution Rate | Initial Principal Amount |
| | | | | |

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| | | | | | |
|---|--------------------|--------|--------------------------|----------|--------|
| Capital VI | September 28, 2001 | \$ 525 | 7.20% | \$ 541.2 | Octo |
| Capital V | January 30, 2001 | 300 | 8.00% | 309.3 | Janu |
| Capital IV | August 30, 2000 | 160 | 3-mo LIBOR plus 1.50% | 164.9 | Septe |
| Capital III | August 30, 2000 | 475 | 8.75% | 489.7 | Septe |
| Capital II | August 8, 2000 | 280 | 8.50% | 288.7 | Aug |
| Capital I | September 20, 1999 | 575 | 8.00% | 593.0 | Septem |
| First Chicago NBD Capital 1 | January 31, 1997 | 250 | 3-mo LIBOR plus 0.55% | 258.0 | Febr |
| First USA Capital Trust I (2) | December 20, 1996 | 200 | 9.33% | 206.2 | Janu |
| First Chicago NBD Institutional Capital A | December 3, 1996 | 500 | 7.95% | 515.0 | Dece |
| First Chicago NBD Institutional Capital B | December 5, 1996 | 250 | 7.75% | 258.0 | Dece |

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

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

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

Accumulated other adjustments to stockholders' equity are as follows:

Six Months Ended June 30 200

(In millions)

Fair value adjustment on investment securities-available for sale:

Balance, beginning of period \$ 7

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| | |
|--|------|
| Change in fair value, net of taxes of \$202 and \$34 for the six months ended June 30, 2002 and 2001, respectively | 35 |
| Reclassification adjustment, net of taxes of \$(86) and \$(8), for the six months ended June 30, 2002 and 2001, respectively | (14) |
| <hr style="border-top: 1px dashed black;"/> | |
| Balance, end-of-period | 28 |
| | |
| Fair value adjustment on derivative instruments-cash flow type hedges: | |
| Balance, beginning of period | (14) |
| Transition adjustment at January 1, 2001, net of taxes of \$(56) | |
| Net change in fair value associated with current period hedging activities, net of taxes of \$148 and \$39 for the six months ended June 30, 2002 and 2001, respectively | (22) |
| Net reclassification into earnings, net of taxes of \$87 and \$17 for the six months ended June 30, 2002 and 2001, respectively | 13 |
| <hr style="border-top: 1px dashed black;"/> | |
| Balance, end-of-period | (23) |
| | |
| Accumulated translation adjustment: | |
| Balance, beginning of period | |
| Translation loss, net of hedge results and taxes | (|
| <hr style="border-top: 1px dashed black;"/> | |
| Balance, end-of-period | |
| <hr style="border-top: 1px dashed black;"/> | |
| Total accumulated other adjustments to stockholders' equity | \$ 4 |
| <hr style="border-top: 3px double black;"/> | |

Note 10-Stock-Based Compensation

In the second quarter 2002, Bank One adopted the fair value method of accounting for its stock option and stock purchase plans for 2002 grants under the guidance of SFAS No. 123 (SFAS No. 123), "Accounting for Stock-Based Compensation." Under SFAS No. 123, compensation expense is recognized over the vesting period equal to the fair value of stock based compensation as of the date of grant. The impact on the first quarter 2002 is immaterial as annual stock option awards were granted in April. Pursuant to the requirements of SFAS No. 123, options granted prior to January 1, 2002 continue to be accounted for under APB 25.

The grant date fair values of stock options granted under the Corporation's various stock option plans and the Employee Stock Purchase Plan were determined using the Black-Scholes option pricing model. The fair value estimate for the April 2002 grant was \$13.23 per option. Fair values were estimated using the following assumptions for 2002: expected dividend yield of 2.04%, expected volatility of 35.25%, risk-free interest rates of 2.91-4.53% depending on varying lives, and expected lives of 1.5-5 years.

For the six months ended June 30, 2002, the net income and fully-diluted earnings per share impacts were \$8 million and \$0.01, respectively. Other disclosures related to stock options have not materially changed from the disclosure provided in Note 19 of the Corporation's 2001 Annual Report.

Note 11-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,

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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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Management's Certification of Periodic Report

We hereby certify that this Form 10-Q, containing BANK ONE CORPORATION's consolidated financial statements for the three months and six months ended June 30, 2002, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and the information contained in this Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ James Dimon

James Dimon
Principal Executive Officer

/s/ Heidi Miller

Heidi Miller
Principal Financial Officer

August 12, 2002

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SELECTED STATISTICAL INFORMATION
BANK ONE CORPORATION and Subsidiaries

Average Balances/Net Interest Margin/Rates

| | June 30, 2002 | | | March |
|---|--------------------|----------|-----------------|--------------------|
| ----- Three Months Ended (Dollars in millions) ----- | Average Balance | Interest | Average Rate | Average Balance |
| ----- | ----- | ----- | ----- | ----- |
| Assets | | | | |

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| | | | | |
|---|-----------|---------|-------|------------|
| Short-term investments | \$ 10,300 | \$ 49 | 1.91% | \$ 12,560 |
| Trading assets (1) | 6,941 | 65 | 3.76 | 6,239 |
| Investment securities: (1) | | | | |
| U.S. government and federal agency | 26,655 | 364 | 5.48 | 25,883 |
| States and political subdivisions | 1,178 | 22 | 7.49 | 1,287 |
| Other | 31,257 | 484 | 6.21 | 30,904 |
| ----- | | | | |
| Total investment securities | 59,090 | 870 | 5.91 | 58,074 |
| Loans (1) (2) | 149,674 | 2,441 | 6.54 | 154,942 |
| ----- | | | | |
| Total earning assets | 226,005 | 3,425 | 6.08 | 231,815 |
| Allowance for credit losses | (4,521) | | | (4,563) |
| Other assets - nonearning | 34,383 | | | 36,102 |
| ----- | | | | |
| Total assets | \$255,867 | | | \$ 263,354 |
| Liabilities and Stockholders' Equity | | | | |
| Deposits - interest-bearing: | | | | |
| Savings | \$ 10,997 | \$ 48 | 1.75% | \$ 12,731 |
| Money market | 67,546 | 163 | 0.97 | 70,387 |
| Time | 35,529 | 414 | 4.67 | 37,387 |
| Foreign offices (3) | 14,293 | 71 | 1.99 | 14,064 |
| ----- | | | | |
| Total deposits - interest-bearing | 128,365 | 696 | 2.17 | 134,569 |
| Federal funds purchased and securities under repurchase agreements | 15,188 | 73 | 1.93 | 14,531 |
| Other short-term borrowings | 6,031 | 33 | 2.19 | 7,376 |
| Long-term debt (4) | 43,870 | 545 | 4.98 | 43,022 |
| ----- | | | | |
| Total interest-bearing liabilities | 193,454 | 1,347 | 2.79 | 199,498 |
| ----- | | | | |
| Demand deposits | 27,266 | | | 29,165 |
| Other liabilities | 13,557 | | | 13,828 |
| Preferred stock | - | | | - |
| Common stockholders' equity | 21,590 | | | 20,863 |
| ----- | | | | |
| Total liabilities and equity | \$255,867 | | | \$ 263,354 |
| ----- | | | | |
| Interest income/earning assets | | \$3,425 | 6.08% | |
| Interest expense/interest bearing liabilities | | 1,347 | 2.39 | |
| ----- | | | | |
| Net interest income/margin | | \$2,078 | 3.69% | |
| ===== | | | | |

(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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| December 31, 2001 | | | September 30, 2001 | | | June 30, 2001 | | |
|-------------------|----------|--------------|--------------------|----------|--------------|-----------------|----------|--------------|
| Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| \$ 14,442 | \$ 89 | 2.44% | \$ 12,704 | \$ 117 | 3.65% | \$ 15,050 | \$ 172 | 4.58% |
| 6,487 | 63 | 3.85 | 6,982 | 78 | 4.43 | 7,276 | 85 | 4.69 |
| 23,317 | 332 | 5.65 | 21,655 | 312 | 5.72 | 20,013 | 282 | 5.65 |
| 1,327 | 25 | 7.47 | 1,303 | 25 | 7.61 | 1,265 | 23 | 7.29 |
| 29,201 | 507 | 6.89 | 27,292 | 473 | 6.88 | 26,227 | 445 | 6.81 |
| 53,845 | 864 | 6.37 | 50,250 | 810 | 6.40 | 47,505 | 750 | 6.33 |
| 160,150 | 2,841 | 7.04 | 165,416 | 3,204 | 7.68 | 169,140 | 3,408 | 8.08 |
| 234,924 | 3,857 | 6.51 | 235,352 | 4,209 | 7.10 | 238,971 | 4,415 | 7.41 |
| (4,516) | | | (4,499) | | | (4,255) | | |
| 36,348 | | | 34,993 | | | 33,543 | | |
| \$266,756 | | | \$265,846 | | | \$268,259 | | |
| \$ 15,509 | \$ 30 | 0.77% | \$ 14,969 | \$ 42 | 1.11% | \$ 15,888 | \$ 45 | 1.14% |
| 60,333 | 235 | 1.55 | 53,189 | 305 | 2.28 | 48,914 | 330 | 2.71 |
| 39,456 | 521 | 5.24 | 42,891 | 621 | 5.74 | 45,649 | 688 | 6.05 |
| 17,979 | 114 | 2.52 | 21,817 | 195 | 3.55 | 22,782 | 249 | 4.38 |
| 133,277 | 900 | 2.68 | 132,866 | 1,163 | 3.47 | 133,233 | 1,312 | 3.95 |
| 15,611 | 80 | 2.03 | 17,038 | 145 | 3.38 | 16,890 | 177 | 4.20 |
| 9,657 | 65 | 2.67 | 11,217 | 113 | 4.00 | 15,024 | 198 | 5.29 |
| 44,282 | 539 | 4.83 | 42,862 | 595 | 5.51 | 42,191 | 643 | 6.11 |
| 202,827 | 1,584 | 3.10 | 203,983 | 2,016 | 3.92 | 207,338 | 2,330 | 4.51 |
| 29,983 | | | 28,576 | | | 28,575 | | |
| 13,443 | | | 13,203 | | | 13,039 | | |
| 64 | | | 190 | | | 190 | | |
| 20,439 | | | 19,894 | | | 19,117 | | |
| \$266,756 | | | \$265,846 | | | \$268,259 | | |
| | \$3,857 | 6.51% | | \$4,209 | 7.10% | | \$4,415 | 7.41% |
| | 1,584 | 2.67 | | 2,016 | 3.40 | | 2,330 | 3.91 |
| | \$2,273 | 3.84% | | \$2,193 | 3.70% | | \$2,085 | 3.50% |

SELECTED STATISTICAL INFORMATION
BANK ONE CORPORATION and Subsidiaries

Average Balances/Net Interest Margin/Rates

Six Months Ended June 30
2002 2001

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| (Dollars in millions) | Average Balance | Interest | Average Rate | Average Balance | Inter |
|---|--------------------|----------|-----------------|--------------------|-------|
| Assets | | | | | |
| Short-term investments | \$ 11,424 | \$ 107 | 1.89% | \$ 13,644 | \$ |
| Trading assets (1) | 6,592 | 125 | 3.82 | 6,494 | |
| Investment securities: (1) | | | | | |
| U.S. government and federal agency States and political subdivisions | 26,271 | 716 | 5.50 | 19,672 | |
| Other | 31,082 | 985 | 6.39 | 28,173 | |
| Total investment securities | 58,585 | 1,746 | 6.01 | 49,112 | 1, |
| Loans (1) (2) | 152,293 | 5,022 | 6.65 | 171,395 | 7, |
| Total earning assets | 228,894 | 7,000 | 6.17 | \$ 240,645 | \$ 9, |
| Allowance for credit losses | (4,542) | | | (4,235) | |
| Other assets - nonearning | 35,238 | | | 32,473 | |
| Total assets | \$ 259,590 | | | \$ 268,883 | |
| Liabilities and Stockholders' Equity | | | | | |
| Deposits - interest-bearing: | | | | | |
| Savings | \$ 11,859 | \$ 91 | 1.55 | \$ 15,691 | \$ |
| Money market | 68,959 | 331 | 0.97 | 47,965 | |
| Time | 36,453 | 859 | 4.75 | 46,454 | 1, |
| Foreign offices (3) | 14,179 | 139 | 1.98 | 23,427 | |
| Total deposits - interest-bearing | 131,450 | 1,420 | 2.18 | 133,537 | 2, |
| Federal funds purchased and securities under repurchase agreements | 14,861 | 135 | 1.83 | 17,009 | |
| Other short-term borrowings | 6,699 | 73 | 2.20 | 16,629 | |
| Long-term debt (4) | 43,449 | 1,059 | 4.92 | 41,987 | 1, |
| Total interest-bearing liabilities | 196,459 | \$ 2,687 | 2.76 | 209,162 | \$ 5, |
| Demand deposits | 28,210 | | | 27,706 | |
| Other liabilities | 13,693 | | | 12,858 | |
| Preferred stock | - | | | 190 | |
| Common stockholders' equity | 21,228 | | | 18,967 | |
| Total liabilities and equity | \$ 259,590 | | | \$ 268,883 | |
| Interest income/earning assets | | \$ 7,000 | 6.17% | | \$ 9, |
| Interest expense/interest bearing liabilities | | 2,687 | 2.37 | | 5, |
| Net interest margin | | \$ 4,313 | 3.80% | | \$ 4, |

(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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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 June 30, 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
incorporation or organization)

(I.R.S. Employer
Identification No.)

1 BANK ONE PLAZA CHICAGO, ILLINOIS

60670

(Address of principal executive offices)

(Zip Code)

312-732-4000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 31, 2002.

| Class | Number of Shares Outstanding |
|-------------------------------|------------------------------|
| Common Stock \$0.01 par value | 1,170,953,429 |

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Form 10-Q Cross-Reference Index

PART I-FINANCIAL INFORMATION

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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

BANK ONE CORPORATION held its Annual Meeting of Stockholders on Tuesday, April 16, 2002. A total of 997,192,741 shares were represented in person or by proxy, or more than 85% of the total shares outstanding.

1. Proposal 1--Stockholders elected the twelve Director nominees named in the Proxy Statement.

| Name | For | Withheld |
|----------------------------|-------------|------------|
| ---- | ---- | ----- |
| John H. Bryan | 981,355,705 | 15,837,036 |
| James S. Crown | 987,679,765 | 9,512,976 |
| James Dimon | 987,813,857 | 9,378,884 |
| Maureen A. Fay, O.P. | 986,404,443 | 10,788,298 |
| John R. Hall | 986,823,270 | 10,369,471 |
| Laban P. Jackson, Jr. | 981,444,653 | 15,748,088 |
| John W. Kessler | 986,931,755 | 10,260,986 |
| Richard A. Manoogian | 978,164,241 | 19,028,500 |
| William T. McCormick, Jr. | 981,745,486 | 15,447,255 |
| David C. Novak | 924,000,457 | 73,192,284 |
| John W. Rogers, Jr. | 981,711,715 | 15,481,026 |
| Frederick P. Stratton, Jr. | 972,883,291 | 24,309,450 |

2. Proposal 2--the ratification of the appointment of KPMG LLP as Bank One's independent auditor for 2002--received votes as follows:

FOR: 974,115,705 (97.695% of the shares present and entitled to vote on the proposal)

AGAINST: 16,240,110 (1.629% of the shares present and entitled to vote on the proposal)

ABSTAIN: 6,738,676 (0.676% of the shares present and entitled to vote on the proposal)

ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K

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- (a) Exhibit 12-Statement regarding computation of ratios.
- (b) The Registrant filed the following Current Reports on Form 8-K during the quarter ended June 30, 2002.

| Date ----- | Item Reported ----- |
|----------------|--|
| April 16, 2002 | Registrant's April 16, 2002 news release announcing its 2002 first quarter earnings. |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BANK ONE CORPORATION

Date August 12, 2002

/s/ James Dimon

James Dimon
Principal Executive Officer

Date August 12, 2002

/s/ Heidi Miller

Heidi Miller
Principal Financial Officer

Date August 12, 2002

/s/ Melissa J. Moore

Melissa J. Moore
Principal Accounting Officer

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BANK ONE CORPORATION

EXHIBIT INDEX

| Exhibit Number ----- | Description of Exhibit ----- |
|-------------------------|---|
| 12 | -Statement regarding computation of ratios. |

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