BANK ONE CORP
Form 10-Q
November 06, 2003

BANK ONE CORPORATION
INDEX TO FINANCIAL REVIEW

FIVE QUARTER SUMMARY OF SELECTED FINANCIAL INFORMATION
Bank One Corporation and Subsidiaries

	Three Months Ended				
(In millions, except per share data, ratios, and headcount)	**September 30 2003**	**June 30 2003**	**March 31 2003**	**December 31 2002**	**September 30 2002**
INCOME STATEMENT DATA:					
Total revenue, net of interest expense	**$ 4,084**	$ 4,072	$ 3,943	$ 4,197	$ 4,154
Net interest income	**2,086**	1,970	1,984	2,144	2,188
Net interest income- fully taxable-equivalent basis ("FTE") (1)	**2,127**	2,009	2,021	2,180	2,226
Noninterest income	**1,998**	2,102	1,959	2,053	1,966
Provision for credit losses	**416**	461	496	628	587
Noninterest expense	**2,421**	2,403	2,297	2,371	2,404
Income from continuing operations, net of taxes	**874**	847	811	832	813
Income from discontinued operations, net of taxes (2)	**9**	9	7	10	10
Net income	**883**	856	818	842	823
PER COMMON SHARE DATA:					
Basic earnings per share					
Income from continuing operations, net	$ **0.78**	$ 0.75	$ 0.70	$ 0.72	$ 0.70
Income from discontinued operations, net	**0.01**	0.01	0.01	0.01	0.01
Net income	$ **0.79**	$ 0.76	$ 0.71	$ 0.73	$ 0.71
Diluted earnings per share					
Income from continuing operations, net	**0.78**	0.74	0.70	0.71	0.69
Income from discontinued operations, net	**0.01**	0.01	0.01	0.01	0.01
Net income	$ **0.79**	$ 0.75	$ 0.71	$ 0.72	$ 0.70
Cash dividends declared	**0.25**	0.21	0.21	0.21	0.21
Book value	**20.05**	19.70	19.44	19.28	18.79
BALANCE SHEET DATA - ENDING BALANCES:					
Loans	$ **141,710**	$ 144,583	$ 144,747	$ 148,125	$ 150,389
Total assets	**290,006**	299,463	287,864	277,383	274,187
Deposits	**163,411**	172,015	167,075	170,008	164,036
Long-term debt (3)	**44,225**	46,070	44,950	43,234	42,481
Common stockholders' equity	**22,411**	22,257	22,316	22,440	21,925
Total stockholders' equity	**22,411**	22,257	22,316	22,440	21,925
CREDIT QUALITY RATIOS:					
Annualized net charge-offs to average loans	**1.50%**	1.35%	1.35%	1.65%	1.55%
Allowance to period end loans	**3.34**	3.35	3.31	3.20	3.17
Nonperforming assets to related assets (4)	**2.06**	2.28	2.38	2.38	2.48
FINANCIAL PERFORMANCE:					
Return on average assets	**1.24%**	1.24%	1.22%	1.24%	1.24%
Return on average common equity	**15.8**	15.3	14.7	15.0	14.8
Net interest margin	**3.45**	3.37	3.45	3.65	3.83
Efficiency ratio (5)	**58.7**	58.5	57.7	56.0	57.3
CAPITAL RATIOS:					
Risk-based capital:					
Tier 1	**9.8%**	9.7%	10.0%	9.9%	9.5%
Total	**13.5**	13.6	13.8	13.7	13.0

	Three Months Ended				
Leverage	**8.4**	8.7	8.9	8.9	9.0
COMMON STOCK DATA:					
Average shares outstanding:					
Basic	**1,115**	1,132	1,148	1,157	1,162
Diluted	**1,124**	1,140	1,156	1,166	1,171
Stock price, quarter-end	**$ 38.65**	$ 37.18	$ 34.62	$ 36.55	$ 37.40
Headcount	**71,240**	72,323	74,077	73,685	73,535

(1) Net interest income-FTE includes tax equivalent adjustments of $41 million, $39 million, $37 million, $36 million and $38 million for the quarters ended September 30, 2003, June 30, 2003, March 31, 2003, December 31, 2002 and September 30, 2002, respectively.
(2) As a result of the Corporation s announced agreement to sell its corporate trust services business, the results of these operations are reported as discontinued.
(3) Includes trust preferred securities.
(4) Related assets consist of loans outstanding, including loans held for sale, and other real estate owned.
(5) The efficiency ratio is based on income from continuing operations. Prior periods have been recalculated to conform with the current period presentation.

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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 Corporation and its subsidiaries (the Corporation) may make or approve certain statements in future filings with the Securities and Exchange Commission (the Commission), in press releases, and in oral and written statements made by or with the Corporation s approval that are not statements of historical fact and may constitute forward-looking statements. Forward-looking statements may relate to, without limitation, the Corporation s financial condition, results of operations, plans, objectives, future performance or business.

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

Forward-looking statements involve risks and uncertainties. Actual conditions, events or results may differ materially from those contemplated by a forward-looking statement. Factors that could cause this difference many of which are beyond the Corporation s control include the following, without limitation:

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

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

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Generally accepted accounting principles are complex and require management to apply significant judgments to various accounting, reporting and disclosure matters. Management of the Corporation must use assumptions and estimates to apply these principles where actual measurement is not possible or practical. Changes in such estimates may have a significant impact on the financial statements. For a complete discussion of the Corporation s significant accounting policies, see Notes to the Consolidated Financial Statements in the Corporation s 2002 Annual Report on pages 84-108. Certain policies are considered critical because they are highly dependent upon subjective or complex judgments, assumptions and estimates. Management has reviewed the application of these policies with the Audit and Risk Management Committee of the Corporation s Board of Directors. For a discussion of the assumptions used to value the August 2003 stock option grant see Note 12, Stock-Based Compensation. For a discussion of applying critical accounting policies, see Application of Critical Accounting Policies beginning on page 35 in the Corporation s 2002 Annual Report.

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

This quarter the Corporation purchased key business components of Zurich Life, a U.S. life and annuity operation of Zurich Financial Services Group. For a discussion of this purchase, see page 56. The results of operations for Zurich Life from September 1 to September 30, 2003 are included in the Corporation s consolidated financial statements for the three and nine months ended September 30, 2003.

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Net income was $883 million, or $0.79 per diluted share. This compares to net income of $823 million, or $0.70 per diluted share. For the nine months ended September 30, 2003, net income totaled $2.6 billion, or $2.25 per diluted share. This compares to net income of $2.5 billion, or $2.08 per diluted share.

Net Interest Income

Net interest income represents the spread on interest earning assets over interest bearing liabilities, including loan fees, cash interest collections on nonaccrual loans, dividend income, interest reversals, and income or expense on derivatives used to manage interest rate risk. Net interest income was $2.1 billion, a decrease of $102 million, or 5%. Net interest margin decreased to 3.45% from 3.83%. For the first nine months of 2003, net interest income was $6.0 billion, a decrease of $371 million, or 6%. Net interest margin for the same period decreased to 3.42% from 3.80%. For both the third quarter and the first nine months of 2003, the decline in net interest income and margin generally resulted from actions taken in 2002 to position the balance sheet more defensively for rising interest rates. In 2002, the Corporation extended the duration of liabilities and repositioned the treasury investment portfolio, which reduced net interest income in 2003 due to the lower rate environment. See Note 8, Interest Income and Interest Expense, for further details of the components of net interest income.

Noninterest Income

Noninterest income of $2.0 billion increased $32 million, and as a percentage of total revenue increased to 48.9% from 47.3%. This increase was primarily due to net gains in the investment portfolio, higher capital markets revenue and higher deposit service charges, offset by losses on the credit derivatives hedge portfolio.

For the first nine months of 2003, noninterest income of $6.1 billion was essentially flat. Losses on the credit derivatives hedge portfolio and lower income derived from securitized loans, were mostly offset by the net gains from investment securities. The components of noninterest income for the periods indicated were:

	Three Months Ended September 30				**Nine Months Ended September 30**			
			Change				**Change**	
(Dollars in millions)	**2003**	**2002**	**Amount**	**Percent**	**2003**	**2002**	**Amount**	**Percent**
Banking fees and commissions	$ **441**	$ 410	$ 31	8%	$ **1,339**	$ 1,363	$ (24)	(2)%
Credit card revenue	**974**	976	(2)	-	**2,736**	2,847	(111)	(4)
Service charges on deposits	**433**	409	24	6	**1,229**	1,178	51	4
Fiduciary and investment management fees	**164**	159	5	3	**485**	488	(3)	(1)
Investment securities gains (losses)	**68**	(29)	97	N/M	**289**	49	240	N/M
Trading gains (losses)	**23**	143	(120)	(84)	**(49)**	234	(283)	N/M

	Three Months Ended September 30				Nine Months Ended September 30			
Other income (loss)	**(105)**	(102)	(3)	(3)	**30**	(32)	62	N/M
Total noninterest income	**$ 1,998**	$ 1,966	$ 32	2	**$ 6,059**	$ 6,127	$ (68)	(1)
Noninterest income to total revenue	**48.9%**	47.3%	1.6%		**50.1%**	48.9%	1.2%	

Quarterly Results

Banking fees and commissions of $441 million increased $31 million, or 8%. Increased asset-backed, syndication and fixed income origination fees, premiums and commissions on insurance products related to the Zurich Life acquisition, and improved investment sales in the Retail line of business were the primary drivers of this increase. Partially offsetting these were lower fees resulting from the elimination of teller service fees.

Service charges on deposits of $433 million increased $24 million, or 6%, resulting from higher Retail deposit service charges.

Net securities gains from the investment portfolios were $68 million, compared to net securities losses of $29 million, an increase of $97 million. This increase primarily arose from the sale by One Equity Partners LLC of its controlling interest in Ability One Products Corp. and the overall performance of the principal investments portfolio, partially offset by security losses in the treasury investment portfolio.

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In the third quarter, trading produced gains of $23 million, a decrease of $120 million, or 84%, from trading gains of $143 million. This decrease resulted from the decline in the fair value of the credit derivatives portfolio, which is used to hedge the commercial loan portfolio and limit exposures to specific credits, partially offset by increased derivatives trading revenue.

Year-to-Date Results

Banking fees and commissions of $1.3 billion decreased $24 million, or 2%. This decrease was the result of lower fees from the intentional reduction of non-branded ATM machines and elimination of the teller service fee, partially offset by the increase in asset-backed origination fees.

Credit card revenue of $2.7 billion decreased by $111 million, or 4%, driven by a lower margin on securitized loans, offset by higher interchange fees from increased card usage volume.

Service charges on deposits of $1.2 billion increased by $51 million, or 4%. This increase stemmed from higher Retail deposit service charges.

Net investment securities gains from treasury activities and the principal investment portfolios were $289 million, an increase of $240 million. This increase was primarily a result of a gain on the sale of an investment held in the principal investment portfolio. Valuation adjustments included in each period s net securities gains were a result of changes in the value of principal investments, the interest rate environment and economic conditions.

Trading losses of $49 million decreased $283 million from trading gains of $234 million. This decrease was primarily the result of losses on the credit derivatives portfolio used to hedge the commercial loan portfolio and limit exposures for specific credits, partially offset by greater interest rate derivatives and foreign exchange trading revenue.

Other income of $30 million increased $62 million, primarily the result of gains associated with the sale of commercial loans and securities acquired in satisfaction of debt, and an increase in securitization activity.

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Noninterest Expense

Total noninterest expense of $2.4 billion increased $17 million. The components of noninterest expense for the periods indicated were:

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	**2003**	2002	Amount	Percent	**2003**	2002	Amount	Percent
Salaries and employee benefits:								
Salaries	**$ 1,031**	$ 962	$ 69	7%	**$ 3,053**	$ 2,806	$ 247	9%
Employee benefits	**162**	159	3	2	**526**	491	35	7
Total salaries and employee benefits	**1,193**	1,121	72	6	**3,579**	3,297	282	9
Occupancy	**175**	158	17	11	**505**	485	20	4
Equipment	**119**	107	12	11	**347**	308	39	13
Outside service fees and processing	**290**	302	(12)	(4)	**838**	969	(131)	(14)
Marketing and development	**253**	292	(39)	(13)	**694**	828	(134)	(16)
Telecommunication	**58**	74	(16)	(22)	**160**	308	(148)	(48)
Intangible amortization	**34**	32	2	6	**98**	94	4	4
Other expense	**299**	318	(19)	(6)	**900**	949	(49)	(5)
Total noninterest expense before restructuring-related reversals	**2,421**	2,404	17	1	**7,121**	7,238	(117)	(2)
Restructuring-related reversals	**-**	-	-	-	**-**	(63)	63	N/M
Total noninterest expense	**$ 2,421**	$ 2,404	$ 17	1	**$ 7,121**	$ 7,175	$ (54)	(1)
Headcount	**71,240**	73,535	(2,295)	(3)				
Efficiency ratio	**58.7%**	57.3%	1.4%		**58.3%**	56.7%	1.6%	

Quarterly Results

Salaries and employee benefits increased $72 million, or 6%. Higher volume-based commissions incurred by Retail and increased stock option expense for the Corporation contributed to increased compensation levels. Stock option expense includes a new grant for 2003 as well as the amortization expense of the 2002 grant. Overall employee benefits expense also increased. These increases were partially offset by a reduction in headcount.

Occupancy expense increased $17 million, or 11%. A combination of increased rent and other occupancy expenses, as well as branch expansion costs incurred by Retail, were the main contributing factors.

Equipment expense increased $12 million, or 11%, as additional depreciation expense was incurred on fixed assets acquired in the Corporation s systems conversion efforts.

Marketing and development expense decreased $39 million, or 13%. This decrease was primarily the result of lower advertising expenditures for Card Services, partially offset by an increase in Retail s marketing spend.

Telecommunications expense decreased $16 million, or 22%, as the Corporation realized cost savings related to terminated and renegotiated vendor contracts.

Other expense decreased $19 million, or 6%. Lower operating and fraud costs were the main drivers of this decrease, partially offset by increased expenses related to the acquisition of Zurich Life. Other expense includes freight and postage expense of $62 million and $63 million for 2003 and 2002, respectively.

Year-to-Date Results

Salaries and employee benefits increased $282 million, or 9%. This increase resulted from higher base and incentive compensation and benefits expense, partially offset by a reduction in headcount. The expense related to the fair value method of accounting for stock option and stock purchase plans for the nine months ended 2003 and 2002 amounted to $50 million and $28 million, respectively. The Corporation adopted the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, in 2002.

Occupancy expense increased $20 million, or 4%. A combination of increased rent and other occupancy expenses, as well as branch expansion costs incurred by Retail, were the main contributing factors.

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Equipment expense increased $39 million, or 13%, as additional depreciation expense was incurred on fixed assets acquired in the Corporation s systems conversion efforts.

Outside service fees and processing expense decreased $131 million, or 14%. The Corporation continued to experience operational efficiencies resulting from renegotiated vendor contracts and the Corporation s systems conversion efforts.

Marketing and development expense decreased $134 million, or 16%. This decrease was primarily the result of lower advertising expenditures for Card Services, partially offset by an increase in Retail s marketing spend.

Telecommunications expense decreased $148 million, or 48%, as the Corporation realized cost savings as a result of the terminated and renegotiated vendor contracts.

Other expense decreased $49 million, or 5%, while reinvestment in the Corporation s infrastructure continued. This decrease was a result of lower operating and fraud expenses, partially offset by increased expenses related to the acquisition of Zurich Life. Other expense includes freight and postage expense of $186 million and $193 million for 2003 and 2002, respectively.

The year-ago period contained a benefit of $63 million for restructuring charge reversals.

Provision for Credit Losses

Provision for credit losses was $416 million for the third quarter and $1.4 billion for the first nine months of 2003, compared to $587 million and $1.9 billion for 2002, respectively. These decreases were mainly the result of improving credit quality. For the three- and nine-month periods ended September 30, 2003, Commercial Banking continued to experience a reduction in the size of its loan portfolio. This, along with continued improvement in credit quality, led to the decision to release $150 million and $245 million of corporate banking credit loss reserves through the provision for credit losses for the three and nine-month periods, respectively. These reserve releases were partially offset by an increased provision in the current quarter in Card Services resulting from slightly higher losses, and an increase in provision of $85 million in the second quarter of 2003 in the Corporate line of business related to the change in the overall risk profile of the non-core portfolios.

Applicable Income Taxes

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

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2003**	**2002**	**2003**	**2002**
Income from continuing operations before income taxes	**$ 1,247**	$ 1,163	**$ 3,605**	$ 3,504
Applicable income taxes	**373**	350	**1,073**	1,080
Effective tax rate	**30%**	30%	**30%**	31%
Income from discontinued operations before income taxes	**$ 14**	$ 15	**$ 39**	$ 45
Applicable income taxes	**5**	5	**14**	16
Effective tax rate	**36%**	33%	**36%**	36%
Income before income taxes	**$ 1,261**	$ 1,178	**$ 3,644**	$ 3,549
Applicable income taxes	**378**	355	**1,087**	1,096
Effective tax rate	**30%**	30%	**30%**	31%

	Three Months Ended September 30	Nine Months Ended September 30

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

BUSINESS SEGMENT RESULTS

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

As a result of the Corporation s announced agreement to sell its corporate trust services business, the results of these operations have been transferred from the Investment Management line of business to the Corporate line of business and are reported as discontinued operations for the current and prior periods.

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

	Three Months Ended September 30		Nine Months Ended September 30	
(In millions)	**2003**	**2002**	**2003**	**2002**
Retail	**$ 392**	$ 361	**$ 1,160**	$ 1,096
Commercial Banking	**361**	179	**827**	469
Card Services	**285**	298	**812**	845
Investment Management (1)	**91**	79	**240**	264
Corporate	**(255)**	(104)	**(507)**	(250)
Income from continuing operations	**$ 874**	$ 813	**$ 2,532**	$ 2,424

(1) Prior period data has been adjusted for the transfer of corporate trust services from Investment Management to the Corporate line of business where it is now reported as discontinued operations (see page 27).

BUSINESS SEGMENT RESULTS AND OTHER DATA

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

Retail

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

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	2003	2002	Amount	Percent	2003	2002	Amount	Percent
INCOME STATEMENT DATA:								

	Three Months Ended September 30				Nine Months Ended September 30			
Net interest income-FTE (1) (2)	**$ 1,102**	$ 1,067	$ 35	3%	**$ 3,301**	$ 3,208	$ 93	3%
Banking fees and commissions (3)	**170**	170	-	-	**534**	562	(28)	(5)
Credit card revenue (4)	**53**	51	2	4	**165**	143	22	15
Service charges on deposits (5)	**242**	213	29	14	**671**	610	61	10
Other income	**28**	2	26	N/M	**43**	26	17	65
Total noninterest income	**493**	436	57	13	**1,413**	1,341	72	5
Total revenue, net of interest expense	**1,595**	1,503	92	6	**4,714**	4,549	165	4
Provision for credit losses	**139**	114	25	22	**363**	360	3	1
Salaries and employee benefits	**390**	377	13	3	**1,183**	1,140	43	4
Other expense	**449**	439	10	2	**1,341**	1,330	11	1
Total noninterest expense before restructuring-related reversals	**839**	816	23	3	**2,524**	2,470	54	2
Restructuring-related reversals	**-**	-	-	-	**-**	(18)	18	N/M
Total noninterest expense	**839**	816	23	3	**2,524**	2,452	72	3
Income before income taxes	**617**	573	44	8	**1,827**	1,737	90	5
Applicable income taxes	**225**	212	13	6	**667**	641	26	4
Net income (6)	**$ 392**	$ 361	$ 31	9%	**$ 1,160**	$ 1,096	$ 64	6%
FINANCIAL PERFORMANCE:								
Return on average common equity	**33%**	30%	3%		**32%**	31%	1%	
Efficiency ratio	**53**	54	(1)		**54**	54	-	
Headcount	**30,867**	32,753	(1,886)	(6)%				
ENDING BALANCES:								
Small business commercial	**$ 10,122**	$ 9,899	$ 223	2%				
Home equity	**25,252**	18,696	6,556	35				
Vehicle	**13,841**	15,001	(1,160)	(8)				
Other personal loans	**6,199**	7,118	(919)	(13)				
Total loans (7) (8)	**55,414**	50,714	4,700	9				
Assets	**58,080**	54,174	3,906	7				
Demand deposits	**29,642**	26,607	3,035	11				
Savings	**40,581**	38,130	2,451	6				
Core deposits	**70,223**	64,737	5,486	8				
Time	**18,616**	23,000	(4,384)	(19)				
Total deposits	**88,839**	87,737	1,102	1				
Equity	**4,774**	4,774	-	-				
AVERAGE BALANCES:								
Small business commercial	**$ 10,126**	$ 9,891	$ 235	2%	**$ 10,031**	$ 9,846	$ 185	2%
Home equity	**24,499**	17,872	6,627	37	**22,847**	16,836	6,011	36
Vehicle	**13,962**	14,574	(612)	(4)	**14,125**	14,404	(279)	(2)
Other personal loans	**6,147**	6,773	(626)	(9)	**6,415**	7,184	(769)	(11)
Total loans (7)	**54,734**	49,110	5,624	11	**53,418**	48,270	5,148	11
Assets	**57,467**	52,688	4,779	9	**56,263**	51,948	4,315	8

	Three Months Ended September 30				Nine Months Ended September 30			
Demand deposits	**29,632**	26,085	3,547	14	**28,686**	25,726	2,960	12
Savings	**40,354**	38,095	2,259	6	**40,015**	37,677	2,338	6
Core deposits	**69,986**	64,180	5,806	9	**68,701**	63,403	5,298	8
Time	**18,985**	23,759	(4,774)	(20)	**20,079**	24,643	(4,564)	(19)
Total deposits	**88,971**	87,939	1,032	1	**88,780**	88,046	734	1
Equity	**4,774**	4,774	-	-	**4,774**	4,774	-	-

Retail continued

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	2003	2002	Amount	Percent	2003	2002	Amount	Percent
CREDIT QUALITY:								
Net charge-offs:								
Small business commercial	**$ 14**	$ 14	$ -	0%	**$ 41**	$ 46	$ (5)	(11)%
Home equity	**47**	24	23	96	**100**	74	26	35
Vehicle	**56**	53	3	6	**149**	159	(10)	(6)
Other personal loans	**27**	26	1	4	**69**	81	(12)	(15)
Total net charge-offs	**144**	117	27	23	**359**	360	(1)	-
Annualized net charge-off ratios:								
Small business commercial	**0.55%**	0.57%	(0.02)%		**0.54%**	0.62%	(0.08)%	
Home equity	**0.77**	0.54	0.23		**0.58**	0.59	(0.01)	
Vehicle	**1.60**	1.45	0.15		**1.41**	1.47	(0.06)	
Other personal loans	**1.76**	1.54	0.22		**1.43**	1.50	(0.07)	
Total net charge-offs	**1.05**	0.95	0.10		**0.90**	0.99	(0.09)	
Nonperforming assets:								
Commercial	**$ 268**	$ 273	$ (5)	(2)%				
Consumer (9)	**305**	304	1	-				
Total nonperforming loans (9) (10)	**573**	577	(4)	(1)				
Other, including other real estate owned ("OREO")	**117**	180	(63)	(35)				
Total nonperforming assets	**690**	757	(67)	(9)				
Allowance for credit losses	**$ 683**	$ 681	$ 2	-				
Allowance to period end loans (8)	**1.29%**	1.41%	(0.12)%					
Allowance to nonperforming loans (9) (10)	**120**	119	1					
Nonperforming assets to related assets (11)	**1.24**	1.49	(0.25)					
DISTRIBUTION:								
Number of:								
Banking centers	**1,810**	1,779	31	2%				
ATMs	**4,350**	4,122	228	6				
Relationship bankers	**3,139**	2,591	548	21				
On-line customers *(in thousands)*	**2,184**	1,326	858	65				
Personal demand accounts *(in thousands)*	**4,684**	4,339	345	8				
Business demand accounts *(in thousands)*	**508**	491	17	3				
Debit cards issued *(in thousands)*	**5,104**	4,609	495	11				

	Three Months Ended September 30				Nine Months Ended September 30			
RETAIL BROKERAGE:								
Mutual fund sales	**$ 671**	$ 575	$ 96	17%	**$ 2,022**	$ 1,792	$ 230	13%
Annuity sales	**895**	752	143	19	**2,420**	2,363	57	2
Total investment sales volume	**1,566**	1,327	239	18	**4,442**	4,155	287	7
Market value customer assets - end of period *(in billions)*	**$ 31.9**	$ 26.7	$ 5.2	19%				
Number of customers - end of period *(in thousands)*	**707**	676	31	5				
Number of dedicated investment sales representatives	**902**	828	74	9				

N/M Not meaningful.

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

(2) Net interest income-FTE includes tax equivalent adjustments of $6 million for the three months ended September 30, 2003 and 2002, respectively. For the nine months ended September 30, 2003 and 2002, tax equivalent adjustments were $17 million and $16 million, respectively.

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

(4) Credit card revenue includes credit card fees in both the Card Services and Commercial lines of business, debit card fees, merchant fees and interchange fees.

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

(6) Net income before restructuring-related reversals, net of $7 million tax, was $1,085 million for the nine months ended September 30, 2002.

(7) Certain loans, previously classified as other personal loans, were reclassified into loan categories which are more reflective of management s view of the underlying loan characteristics. Prior period balances have been adjusted to conform to the current period presentation.

(8) Loans include loans held for sale of $2,480 million and $2,517 million at September 30, 2003 and 2002, respectively. These amounts are not included in allowance for credit losses coverage statistics.

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

(10) Nonperforming loans includes loans held for sale of $2 million and $3 million at September 30, 2003 and 2002, respectively. These amounts are not included in allowance for credit losses coverage statistics.

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

9

Retail continued

Quarterly Results

Retail net income was $392 million, up $31 million, or 9%.

Total revenue, net of interest expense increased $92 million, or 6%, to $1.6 billion. Net interest income was $1.1 billion, up $35 million, or 3%, primarily from growth in home equity loans and core deposits, partially offset by spread compression and lower time deposits. Noninterest income was $493 million, up $57 million, or 13%, driven by higher mortgage-related revenue, deposit service charges, and investment sales. Partially offsetting these increases were the impact of the VISA® card interchange rate settlement and the elimination of the teller service and online bill-pay fees.

Noninterest expense was $839 million, up 3%, or $23 million, primarily due to increased marketing spend and volume-based commissions, as well as branch expansion costs, partially offset by improved efficiencies in operating expenses.

The provision for credit losses was $139 million, up 22%, or $25 million, driven primarily by continued growth in the loan portfolios. As a percentage of average loans, net charge-offs were 1.05%, up from 0.95%, primarily due to the sale of a small non-relationship portfolio.

The allowance for credit losses of $683 million represented 1.29% of period-end loans. Nonperforming assets were $690 million, down 9%, driven by a decrease in other real estate owned.

Year-To-Date Results

Retail year-to-date net income was $1.2 billion, up $75 million, or 7% (excluding the $11 million after-tax benefit from a restructuring charge reversal in the prior year).

Total revenue, net of interest expense increased 4% to $4.7 billion. Net interest income was $3.3 billion, up 3%, primarily from growth in home equity loans and core deposits, partially offset by spread compression and lower time deposits. Noninterest income was $1.4 billion, up 5%, as a result of higher deposit service charges, debit card revenue, and mortgage-related activity. Partially offsetting these increases were the intentional reduction of non-branded ATM machines and the elimination of the teller service and online bill-pay fees as well as the impact of the VISA interchange settlement.

Noninterest expense increased $54 million, or 2% (excluding the $18 million pre-tax benefit from the restructuring charge reversal in the prior year), primarily due to increased collection expenses, marketing spend, benefit costs, volume-based commissions and incentive compensation. This increase was partially offset by lower fraud and operating expenses as well as other expense improvements.

The provision for credit losses was $363 million, up $3 million, or 1%, driven by continued growth in the loan portfolios, partially offset by credit quality improvements in the vehicle and small business commercial portfolios. As a percentage of average loans, net charge-offs were 0.90%, down from 0.99%.

10

Commercial Banking

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

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	**2003**	**2002**	**Amount**	**Percent**	**2003**	**2002**	**Amount**	**Percent**
INCOME STATEMENT DATA:								
Net interest income-FTE (1) (12)	**$ 576**	$ 605	$ (29)	(5)%	**$ 1,719**	$ 1,858	$ (139)	(7)%
Banking fees and commissions (3)	**198**	175	23	13	**623**	574	49	9
Credit card revenue (4)	**27**	21	6	29	**77**	55	22	40
Service charges on deposits (5)	**186**	188	(2)	(1)	**546**	545	1	-
Fiduciary and investment management fees (13)	**-**	-	-	-	**-**	(1)	1	N/M
Investment securities gains (losses)	**31**	(12)	43	N/M	**29**	(13)	42	N/M
Trading gains (losses) (14)	**30**	143	(113)	(79)	**(28)**	250	(278)	N/M
Other income (loss)	**(11)**	(78)	67	86	**7**	(148)	155	N/M
Total noninterest income	**461**	437	24	5	**1,254**	1,262	(8)	(1)
Total revenue, net of interest expense	**1,037**	1,042	(5)	-	**2,973**	3,120	(147)	(5)
Provision for credit losses	**(51)**	237	(288)	N/M	**87**	792	(705)	(89)
Salaries and employee benefits	**296**	269	27	10	**868**	789	79	10
Other expense	**286**	315	(29)	(9)	**881**	947	(66)	(7)
Total noninterest expense before restructuring-related reversals	**582**	584	(2)	-	**1,749**	1,736	13	1
Restructuring-related reversals	**-**	-	-	-	**-**	(4)	4	N/M
Total noninterest expense	**582**	584	(2)	-	**1,749**	1,732	17	1
Income before income taxes	**506**	221	285	N/M	**1,137**	596	541	91
Applicable income taxes	**145**	42	103	N/M	**310**	127	183	N/M
Net income (15)	**$ 361**	$ 179	$ 182	N/M	**$ 827**	$ 469	$ 358	76
Memo-Revenue by activity:								

	Three Months Ended September 30				Nine Months Ended September 30			
Lending-related revenue	**$ 454**	$ 390	$ 64	16%	**$ 1,318**	$ 1,239	$ 79	6%
Credit derivative hedge portfolio	**(51)**	101	(152)	N/M	**(248)**	101	(349)	N/M
Global treasury services	**405**	426	(21)	(5)	**1,190**	1,254	(64)	(5)
Capital markets (16)	**234**	154	80	52	**688**	518	170	33
Other	**(5)**	(29)	24	83	**25**	8	17	N/M
FINANCIAL PERFORMANCE:								
Return on average common equity	**19%**	10%	9%		**15%**	8%	7%	
Efficiency ratio	**56**	56	-		**59**	56	3	
Efficiency ratio excluding credit hedge portfolio	**53**	62	(9)		**54**	57	(3)	
Headcount:								
Corporate banking								
(including capital markets)	**2,624**	2,306	318	14%				
Middle market	**2,551**	2,942	(391)	(13)				
Global treasury services	**3,234**	3,403	(169)	(5)				
Operations, technology, and other administration	**1,930**	1,967	(37)	(2)				
Total headcount	**10,339**	10,618	(279)	(3)				
ENDING BALANCES:								
Loans (17)	**$ 54,493**	$ 62,991	$ (8,498)	(13)%				
Assets	**102,410**	95,649	6,761	7				
Demand deposits	**27,287**	24,514	2,773	11				
Savings	**11,269**	7,981	3,288	41				
Time	**1,024**	9,678	(8,654)	(89)				
Foreign offices	**11,619**	9,400	2,219	24				
Total deposits	**51,199**	51,573	(374)	(1)				
Equity	**7,409**	7,365	44	1				
AVERAGE BALANCES:								
Loans	**$ 55,090**	$ 63,684	$ (8,594)	(13)%	**$ 57,681**	$ 67,238	$ (9,557)	(14)%
Assets	**100,545**	92,709	7,836	8	**97,340**	95,423	1,917	2
Demand deposits	**25,929**	21,728	4,201	19	**24,315**	22,281	2,034	9
Savings	**10,983**	7,636	3,347	44	**10,106**	2,859	7,247	N/M
Time	**2,968**	8,787	(5,819)	(66)	**4,834**	13,484	(8,650)	(64)
Foreign offices	**10,413**	8,932	1,481	17	**9,960**	8,467	1,493	18
Total deposits	**50,293**	47,083	3,210	7	**49,215**	47,091	2,124	5
Equity	**7,409**	7,365	44	1	**7,409**	7,365	44	1

Commercial Banking continued

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	2003	2002	Amount	Percent	2003	2002	Amount	Percent
CREDIT QUALITY:								
Net charge-offs	**$ 99**	$ 237	$ (138)	(58)%	**$ 332**	$ 792	$ (460)	(58)%
Annualized net charge-off ratio	**0.72%**	1.49%	(0.77)%		**0.77%**	1.57%	(0.80)%	
Nonperforming assets:								
Nonperforming loans (18)	**$ 1,387**	$ 2,040	$ (653)	(32)%				
Other, including OREO	**40**	27	13	48				
Total nonperforming assets	**1,427**	2,067	(640)	(31)				

	Three Months Ended September 30				Nine Months Ended September 30			
Allowance for credit losses	**2,826**	3,071	(245)	(8)				
Allowance to period end loans (17)	**5.23**%	4.89%	0.34%					
Allowance to nonperforming loans (18)	**204**	157	47					
Nonperforming assets to related assets (11)	**2.62**	3.28	(0.66)					
CORPORATE BANKING:								
Loans-ending balance	**$ 27,375**	$ 31,152	$ (3,777)	(12)%				
-average balance	**27,544**	31,600	(4,056)	(13)	**$ 29,047**	$ 33,484	$ (4,437)	(13)
Deposits-ending balance	**24,414**	28,803	(4,389)	(15)				
-average balance	**25,221**	25,871	(650)	(3)	**25,415**	25,406	9	-
Credit quality:								
Net charge-offs	**56**	160	(104)	(65)	**200**	491	(291)	(59)
Annualized net charge-off ratio	**0.81**%	2.03%	(1.22)%		**0.92%**	1.95%	(1.03)%	
Nonperforming loans	**$ 526**	$ 1,010	$ (484)	(48)				
Nonperforming loans to total loans	**1.92**%	3.24%	(1.32)%					
SYNDICATIONS:								
Lead arranger deals:								
Volume *(in billions)*	**$ 15.3**	$ 11.6	$ 3.7	32%	**$ 46.0**	$ 44.6	$ 1.4	3%
Number of transactions	**76**	69	7	10	**217**	184	33	18
League table standing-rank	**4**	4	-	-				
League table standing-market share	**7%**	6%	1%		**7%**	6%	1%	
MIDDLE MARKET BANKING:								
Loans-ending balance	**$ 27,118**	$ 31,839	$ (4,721)	(15)%				
-average balance	**27,546**	32,084	(4,538)	(14)	**$ 28,634**	$ 33,754	$ (5,120)	(15)
Deposits-ending balance	**26,785**	22,770	4,015	18				
-average balance	**25,072**	21,212	3,860	18	**23,800**	21,685	2,115	10
Credit quality:								
Net charge-offs	**43**	77	(34)	(44)%	**132**	301	(169)	(56)%
Annualized net charge-off ratio	**0.62**%	0.96%	(0.34)%		**0.61%**	1.19%	(0.58)%	
Nonperforming loans	**$ 861**	$ 1,030	$ (169)	(16)%				
Nonperforming loans to total loans	**3.18**%	3.24%	(0.06)%					

For additional footnote detail see page 9.

(12) Net interest income-FTE includes tax equivalent adjustments of $28 million and $24 million for the three months ended September 30, 2003 and 2002, respectively. For the nine months ended September 30, 2003 and 2002, tax equivalent adjustments were $76 million and $68 million, respectively.

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

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

(15) Net income before restructuring-related reversals, net of $1 million tax, was $466 million for the nine months ended September 30, 2002.

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

(17) Loans include loans held for sale of $471 million and $230 million at September 30, 2003 and 2002, respectively. These amounts are not included in allowance for credit losses coverage statistics.

(18) Nonperforming loans include loans held for sale of $3 million and $90 million at September 30, 2003 and 2002, respectively. These amounts are not included in allowance for credit losses coverage statistics.

Quarterly Results

Commercial Banking net income increased $182 million to $361 million. Excluding the $95 million after-tax reduction in the allowance for credit losses, net income was $266 million, up 49% from $179 million, driven by substantially improved credit quality and significant growth in capital markets. These improvements were partially offset by declining loan volumes and deposit margin compression.

Commercial Banking continued

Net interest income decreased 5% to $576 million, reflecting a 13% reduction in average loan volume and compression in deposit spreads in the low interest rate environment. These decreases were partially offset by improvement in loan spreads, particularly in corporate banking. Loan balances continued to decline, reflecting decreased demand for financing. Despite declines in corporate banking loan balances, investment grade commitments increased in the current quarter. Middle market loan demand, however, lagged due to lower utilization and tightened credit standards.

Noninterest income was $461 million, which included the $51 million negative impact of the credit derivatives hedge portfolio and the offsetting positive impact of $51 million from the sale of loans and securities primarily acquired in satisfaction of debt. Noninterest income of $437 million in the prior year included a $101 million positive impact from the credit derivatives hedge portfolio and a $23 million loss on the sale of loans and securities acquired in satisfaction of debt. Excluding these items, the dramatic improvement was $102 million, or 28%, driven by strong capital markets results, including greater derivatives trading revenue and higher asset-backed, syndication and fixed income origination fees.

Continued expense management efforts held noninterest expense relatively flat at $582 million despite increased expenses related to stock options and employee benefits.

Credit quality continued to improve, as indicated by a $138 million, or 58%, decline in net charge-offs.

The reduced size of the loan portfolio and the continued improvement in credit quality led to a $245 million reduction in the allowance for credit losses. Nonperforming loans declined 32% to $1.4 billion, reflecting declines of 48% in corporate banking and 16% in middle market banking.

<u>Year-To-Date Results</u>

Commercial Banking reported net income of $827 million, up $358 million, or 76%. The current year included a $156 million after-tax reduction in the allowance for credit losses and a $158 million after-tax loss on the credit derivatives hedge portfolio. The prior year includes $64 million of after-tax income on the credit derivatives hedge portfolio. Excluding the impact of these items in both periods, net income was $829 million compared to $405 million, an increase of 105%. This improvement was primarily driven by improved credit quality and strength in capital markets, partially offset by the impact of declining loan volumes and deposit margin compression.

Net interest income was $1.7 billion, down $139 million, or 7%, reflecting a 14% reduction in average loan volume and compressed deposit spreads due to falling interest rates, partially offset by improved loan spreads, particularly in corporate banking.

Noninterest income (excluding the impact of the credit derivatives hedge portfolio) was $1.5 billion, an increase of $341 million, or 29%, from the first three quarters of 2002. This increase was primarily driven by higher revenue from a number of capital markets activities, gains on sales of loans and securities acquired in satisfaction of debt in the current year compared to losses in the prior year, gains in tax-oriented investments and increased revenue from global treasury services.

Ongoing expense management efforts held noninterest expense fairly flat at $1.7 billion, despite higher compensation-related expenses.

Credit quality improved significantly from 2002, as demonstrated by a $460 million, or 58%, reduction in net charge-offs. The provision for credit losses of $87 million also reflected a $245 million reduction in the allowance for credit losses.

Card Services

Card Services offers customers co-brand, affinity and other credit cards, including cards related to leading corporations, financial institutions, universities, sports franchises and affinity organizations. All of these cards carry the respective VISA or MasterCard® brand names.

Card Services is the third-largest credit card provider in the United States and the largest VISA credit card issuer in the world. Card Services is also a leader in online card marketing and customer service, with more than 4.7 million registered users of its website.

Reported Basis

	Three Months Ended September 30				**Nine Months Ended September 30**			
			Change				**Change**	
(Dollars in millions)	**2003**	**2002**	**Amount**	**Percent**	**2003**	**2002**	**Amount**	**Percent**

	Three Months Ended September 30				Nine Months Ended September 30			
INCOME STATEMENT DATA:								
Net interest income-FTE (1) (19) (20)	**$ 414**	$ 359	$ 55	15%	**$ 1,055**	$ 878	$ 177	20%
Banking fees and commissions (3)	**5**	13	(8)	(62)	**25**	55	(30)	(55)
Credit card revenue (4) (20)	**895**	903	(8)	(1)	**2,494**	2,647	(153)	(6)
Other income/(loss)	**(12)**	(24)	12	50	**18**	(14)	32	N/M
Total noninterest income	**888**	892	(4)	-	**2,537**	2,688	(151)	(6)
Total revenue, net of interest expense	**1,302**	1,251	51	4	**3,592**	3,566	26	1
Provision for credit losses	**246**	148	98	66	**589**	363	226	62
Salaries and employee benefits	**157**	151	6	4	**466**	439	27	6
Other expense	**436**	464	(28)	(6)	**1,218**	1,401	(183)	(13)
Total noninterest expense before restructuring-related reversals	**593**	615	(22)	(4)	**1,684**	1,840	(156)	(8)
Restructuring-related reversals	**-**	-	-	-	**-**	(19)	19	N/M
Total noninterest expense	**593**	615	(22)	(4)	**1,684**	1,821	(137)	(8)
Income before income taxes	**463**	488	(25)	(5)	**1,319**	1,382	(63)	(5)
Applicable income taxes	**178**	190	(12)	(6)	**507**	537	(30)	(6)
Net income (21)	**$ 285**	$ 298	$ (13)	(4)%	**$ 812**	$ 845	$ (33)	(4)%
Memo-Net securitization gains (amortization)	**$ (13)**	$ (11)	$ (2)	(18)%	**5**	$ (55)	$ 60	N/M
FINANCIAL PERFORMANCE:								
Return on average common equity	**18%**	18%	-%		**17%**	18%	(1)%	
Efficiency ratio	**46**	49	(3)		**47**	51	(4)	
Headcount	**10,366**	10,508	(142)	(1)%				
ENDING BALANCES:								
Owned loans:								
Held in portfolio	**$ 6,449**	$ 6,751	$ (302)	(4)%				
Held for sale (22)	**7,729**	5,173	2,556	49				
Total owned loans	**14,178**	11,924	2,254	19				
Seller's interest and accrued interest receivable	**23,285**	24,387	(1,102)	(5)				
Total receivables	**37,463**	36,311	1,152	3				
Assets	**42,768**	40,567	2,201	5				
Equity	**6,361**	6,361	-	-				
AVERAGE BALANCES:								
Owned loans:								
Held in portfolio	**$ 6,440**	$ 5,883	$ 557	9%	**$ 7,100**	$ 5,421	$ 1,679	31%
Held for sale	**10,001**	4,640	5,361	N/M	**7,213**	3,323	3,890	N/M
Total owned loans	**16,441**	10,523	5,918	56	**14,313**	8,744	5,569	64
Seller's interest and accrued interest receivable	**21,829**	24,236	(2,407)	(10)	**23,839**	22,897	942	4
Total receivables	**38,270**	34,759	3,511	10	**38,152**	31,641	6,511	21
Assets	**43,105**	38,804	4,301	11	**43,390**	36,023	7,367	20
Equity	**6,361**	6,361	-	-	**6,361**	6,361	-	-

Card Services continued

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	2003	2002	Amount	Percent	2003	2002	Amount	Percent
CREDIT QUALITY:								
Net charge-offs	**$ 211**	$ 131	$ 80	61%	**$ 554**	$ 346	$ 208	60%
Annualized net charge-off ratio	**5.13%**	4.99%	0.14%		**5.16%**	5.30%	(0.14)%	
Delinquency ratio:								
30+ days	**3.82**	2.74	1.08					
90+ days	**1.78**	1.11	0.67					
Allowance for credit losses	**$ 431**	$ 396	35	9				
Allowance to period end loans held in portfolio	**6.68%**	5.87%	0.81%					
OTHER DATA:								
Charge volume *(in billions)*	**$ 42.8**	$ 39.5	$ 3.3	8%	**$ 121.6**	$ 111.9	$ 9.7	9%
New accounts opened *(in thousands)* (23)	**895**	2,005	(1,110)	(55)	**3,693**	3,929	(236)	(6)
Credit cards issued *(in thousands)*	**51,500**	48,952	2,548	5				
Number of CardmemberServices.com customers *(in millions)*	**4.7**	3.0	1.7	57				
Paymentech *(in millions)*:								
Bank card volume	**$ 39,271**	$ 30,711	$ 8,560	28%	**$ 110,973**	$ 88,748	$ 22,225	25%
Total transactions	**1,417**	1,063	354	33	**3,977**	3,019	958	32

For additional footnote detail see pages 9 and 12.

(19) Net interest income-FTE did not have tax equivalent adjustments for the three and nine months ended September 30, 2003 and 2002, respectively.

(20) On a reported basis, income earned on securitized loans is reported in credit card revenue and income earned on seller s interest is reported in net interest income. On a managed basis, net interest income, noninterest income and provision for credit losses are reported in their respective income statement lines.

(21) Net income before restructuring-related reversals, net of $7 million tax, was $833 million for the nine months ended September 30, 2002.

(22) On a reported basis, loans held for sale are not included in allowance for credit losses coverage statistics.

(23) Net accounts opened includes originations, purchases and sales.

Quarterly Results Reported

Card Services net income was $285 million, down 4%, as continued margin compression and the higher provision for credit losses offset the benefit of higher loan volume.

Total revenue increased 4% to $1.3 billion. Net interest income increased 15% to $414 million, reflecting higher owned loan balances, partially offset by modest margin compression. Average owned loan balances were $16.4 billion, an increase of $5.9 billion, or 56%, due to a lower percentage of seller s interest and accrued interest receivable to managed loans in the current period. End-of-period owned loans increased $2.3 billion, or 19%. Noninterest income remained relatively flat at $888 million, primarily driven by higher securitized and owned loans offset by lower margin earned on securitized loans.

Paymentech Inc., the Corporation s merchant card processor, reported an increase in total revenue of 18% to $148 million, resulting from a 33% increase in total transactions and a 28% increase in bank card volume, driven primarily by the purchase of the Scotia Bank merchant acquirer business in the fourth quarter 2002.

Noninterest expense was $593 million, a decline of 4%, due to reduced marketing expenses partially offset by higher Paymentech expenses.

Provision for credit losses was $246 million, an increase of $98 million, or 66%, which included a $35 million increase in the allowance for credit losses. The net charge-off ratio was 5.13%, up from 4.99%. The 30-day delinquency ratio increased to 3.82% from 2.74%.

The Corporation believes that it is more meaningful to discuss credit performance on a managed basis as the on-balance sheet portfolio has a greater percentage of new originations and, therefore, is less seasoned. See the Managed Basis section below for this information.

Card Services continued

Year-to-Date Results Reported

Card Services year-to-date net income was $812 million, down 3% (excluding the $12 million after-tax benefit from a restructuring charge reversal in the prior year) as continued margin compression and the higher provision for credit losses offset the benefit of higher loan volume and lower noninterest expense.

Total revenue increased 1% to $3.6 billion. Net interest income increased 20% to $1.1 billion, reflecting higher owned loan balances, partially offset by margin compression. Average owned loan balances were $14.3 billion, an increase of $5.6 billion, or 64%, due to a lower percentage of average securitized loans to average managed loans. Noninterest income decreased 6% to $2.5 billion, primarily driven by lower margin earned on securitized loans partially offset by higher interchange fees from increased card usage volume and increased securitization activity. Noninterest income in both the current and prior year included modest gains from the sale of small portfolios.

Paymentech Inc., the Corporation s merchant card processor, reported an increase in total revenue of 17% to $431 million, resulting from a 32% increase in total transactions and a 25% increase in bank card volume, driven primarily by the purchase of the Scotia Bank merchant acquirer business in the fourth quarter 2002.

Noninterest expense was $1.7 billion, a decline of 8% (excluding the $19 million pre-tax benefit from a restructuring charge reversal in the prior year) due to reduced marketing expenses and operational efficiencies partially offset by higher Paymentech expenses.

Provision for credit losses was $589 million, an increase of $226 million, or 62%. The net charge-off ratio was 5.16%, down from 5.30%.

The Corporation believes that it is more meaningful to discuss credit performance on a managed basis since the on-balance sheet portfolio has a greater percentage of new originations and, therefore, is less seasoned. See the Managed Basis section below for this information.

Managed Basis

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

The Corporation evaluates its Card Services line of business trends on a managed basis, which treats securitization as a secured financing transaction and assumes that receivables are still on the balance sheet. The Corporation manages its Card Services operations on a managed basis because the receivables that are securitized are subject to underwriting standards comparable to the owned portfolio and are serviced by operating personnel without regard to ownership. The Corporation believes that investors should be informed, and often request information, about the credit performance of the entire managed portfolio in order to understand the quality of the Card Services originations and the related credit risks inherent in the owned portfolio and retained interests in securitizations. In addition, the Corporation funds its Card Services operations, reviews operating results and makes decisions about allocating resources, such as employees and capital, on a managed basis. See Loan Securitizations on page 43 of this report and Note 9, Credit Card Securitizations, on pages 94-95 of the Corporation s 2002 Annual Report for additional information related to the Corporation s securitization activity.

Card Services continued

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

	Three Months Ended September 30	Nine Months Ended September 30

(Dollars in millions)	Three Months Ended September 30 2003	2002	Change Amount	Change Percent	Nine Months Ended September 30 2003	2002	Change Amount	Change Percent
INCOME STATEMENT DATA:								
Net interest income-FTE (1) (19) (20)	**$ 1,605**	$ 1,524	$ 81	5%	**$ 4,570**	$ 4,605	$ (35)	(1)%
Banking fees and commissions (3)	**5**	13	(8)	(62)	**25**	55	(30)	(55)
Credit card revenue (4) (20)	**477**	460	17	4	**1,331**	1,296	35	3
Other income/(loss)	**(12)**	(24)	12	50	**18**	(14)	32	N/M
Total noninterest income	**470**	449	21	5	**1,374**	1,337	37	3
Total revenue, net of interest expense	**2,075**	1,973	102	5	**5,944**	5,942	2	-
Provision for credit losses (20)	**1,019**	870	149	17	**2,941**	2,739	202	7
Salaries and employee benefits	**157**	151	6	4	**466**	439	27	6
Other expense	**436**	464	(28)	(6)	**1,218**	1,401	(183)	(13)
Total noninterest expense before restructuring-related reversals	**593**	615	(22)	(4)	**1,684**	1,840	(156)	(8)
Restructuring-related reversals	**-**	-	-	-	**-**	(19)	19	N/M
Total noninterest expense	**593**	615	(22)	(4)	**1,684**	1,821	(137)	(8)
Income before income taxes	**463**	488	(25)	(5)	**1,319**	1,382	(63)	(5)
Applicable income taxes	**178**	190	(12)	(6)	**507**	537	(30)	(6)
Net income (21)	$ **285**	$ 298	$ (13)	(4)%	$ **812**	$ 845	$ (33)	(4)%
Memo-Net securitization gains (amortization)	$ **(13)**	$ (11)	$ (2)	(18)	**$ 5**	$ (55)	$ 60	N/M
FINANCIAL PERFORMANCE:								
Percentage of average outstandings:								
Net interest income - FTE	**8.57%**	8.87%	(0.30)%		**8.30%**	9.21%	(0.91)%	
Provision for credit losses	**5.44**	5.06	.38		**5.34**	5.48	(0.14)	
Noninterest income	**2.51**	2.61	(0.10)		**2.50**	2.67	(0.17)	
Risk adjusted margin	**5.64**	6.42	(0.78)		**5.46**	6.40	(0.94)	
Noninterest expense	**3.17**	3.58	(0.41)		**3.06**	3.64	(0.58)	
Pretax income - FTE	**2.47**	2.84	(0.37)		**2.40**	2.77	(0.37)	
Net income	**1.52**	1.73	(0.21)		**1.48**	1.69	(0.21)	
Return on average common equity	**18**	18	-		**17**	18	(1)	
Efficiency ratio	**29**	31	(2)		**28**	31	(3)	
Headcount	**10,366**	10,508	(142)	(1)%				
ENDING BALANCES:								
Held in portfolio	**$ 6,449**	$ 6,751	$ (302)	(4)%				
Held for sale (22)	**7,729**	5,173	2,556	49				
Securitized	**36,763**	32,858	3,905	12				
Seller's interest and accrued interest receivable	**23,285**	24,387	(1,102)	(5)				
Total loans	**74,226**	69,169	5,057	7				
Assets	**79,531**	73,425	6,106	8				
Equity	**6,361**	6,361	-	-				
AVERAGE BALANCES:								
Held in portfolio	**$ 6,440**	$ 5,883	$ 557	9%	**$ 7,100**	$ 5,421	$ 1,679	31%

	Three Months Ended September 30				Nine Months Ended September 30			
Held for sale	**10,001**	4,640	5,361	N/M	**7,213**	3,323	3,890	N/M
Securitized	**36,029**	33,442	2,587	8	**35,424**	35,184	240	1
Seller's interest and accrued interest receivable	**21,829**	24,236	(2,407)	(10)	**23,839**	22,897	942	4
Total loans	**74,299**	68,201	6,098	9	**73,576**	66,825	6,751	10
Assets	**79,134**	72,246	6,888	10	**78,814**	71,207	7,607	11
Equity	**6,361**	6,361	-	-	**6,361**	6,361	-	-

Card Services continued

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	2003	2002	Amount	Percent	2003	2002	Amount	Percent
CREDIT QUALITY:								
Net charge-offs	**$ 984**	$ 853	$ 131	15%	**$ 2,906**	$ 2,722	$ 184	7%
Annualized net charge-off ratio	**5.30%**	5.00%	0.30%		**5.27%**	5.43%	(0.16)%	
12 month lagged (24)	**5.77**	5.12	0.65		**5.80**	5.58	.22	
Delinquency ratio:								
30+ days	**3.98**	4.05	(0.07)					
90+ days	**1.85**	1.68	0.17					
Allowance for credit losses	**$ 431**	$ 396	35	9				
Allowance to period end loans held in portfolio	**6.68%**	5.87%	0.81%					
OTHER DATA:								
Charge volume *(in billions)*	**$ 42.8**	$ 39.5	$ 3.3	8%	**$ 121.6**	$ 111.9	$ 9.7	9%
New accounts opened *(in thousands)* (23)	**895**	2,005	(1,110)	(55)	**3,693**	3,929	(236)	(6)
Credit cards issued *(in thousands)*	**51,500**	48,952	2,548	5				
Number of CardmemberServices.com customers *(in millions)*	**4.7**	3.0	1.7	57				
Paymentech *(in millions)*:								
Bank card volume	**$ 39,271**	$ 30,711	$ 8,560	28%	**$110,973**	$88,748	$22,225	25%
Total transactions	**1,417**	1,063	354	33	**3,977**	3,019	958	32

For additional footnote detail see pages 9, 12 and 15.

(24) 2002 ratio includes Wachovia net charge-offs but excludes Wachovia loans.

Quarterly Results Managed

Card Services net income was $285 million, down 4%, as margin compression and the higher provision for credit losses offset the benefits of higher loan volume.

Total revenue increased 5% to $2.1 billion. Net interest income increased 5% to $1.6 billion, reflecting the effect of higher average loan balances, partially offset by modest margin compression. Average managed loans were $74.3 billion, an increase of $6.1 billion, or 9%. End-of-period loans increased $5.1 billion, or 7%. Noninterest income increased 5% to $470 million, primarily resulting from the benefit of increased charge volume. Charge volume increased 8% to $42.8 billion.

Paymentech Inc., the Corporation s merchant card processor, reported an increase in total revenue of 18% to $148 million, resulting from a 33% increase in total transactions and a 28% increase in bank card volume, driven primarily by the purchase of the Scotia Bank merchant acquirer business in the fourth quarter 2002.

Noninterest expense was $593 million, a decline of 4%, due to reduced marketing expenses partially offset by higher Paymentech expenses.

Provision for credit losses increased $149 million, or 17%, to $1.0 billion, primarily driven by higher managed loan balances, higher non-bankruptcy losses and a $35 million increase in the allowance for credit losses. Credit ratios remained strong despite the increase in the managed net charge-off rate to 5.30% from the lower rate of 5.00%. The 30-day delinquency ratio decreased to 3.98% from 4.05%.

Year-To-Date Results   Managed

Card Services   year-to-date net income was $812 million, down 3% (excluding the $12 million after-tax benefit from a restructuring charge reversal in the prior year) as margin compression and the higher provision for credit losses offset the benefit of higher loan volume and lower noninterest expense.

Total revenue remained relatively flat at $5.9 billion. Net interest income decreased 1% to $4.6 billion, reflecting the impact of margin compression partially offset by higher average loan balances. Average managed loans were $73.6 billion, an increase of $6.8 billion, or 10%. Noninterest income increased 3% to $1.4 billion primarily resulting from the benefit of increased charge volume and increased securitization activity. Charge volume increased 9% to $121.6 billion. Noninterest income in both the current and prior year included modest gains from the sale of small portfolios.

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Card Services   continued

Paymentech Inc., the Corporation s merchant card processor, reported an increase in total revenue of 17% to $431 million, resulting from a 32% increase in total transactions and a 25% increase in bank card volume, driven primarily by the purchase of the Scotia Bank merchant acquirer business in the fourth quarter 2002.

Noninterest expense was $1.7 billion, a decline of 8% (excluding the $19 million pre-tax benefit from a restructuring charge reversal in the prior year) due to reduced marketing expenses and operational efficiencies partially offset by higher Paymentech expenses.

Provision for credit losses increased $202 million, or 7%, to $2.9 billion primarily driven by higher managed loan balances and an increase in the allowance for credit losses. The net charge-off rate was 5.27%, down from 5.43%.

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Card Services   continued

The following table reconciles line items presented on a reported basis with those presented on a managed basis:

	Three Months Ended September 30		Nine Months Ended September 30	
(in millions):	**2003**	**2002**	**2003**	**2002**
INCOME STATEMENT DATA:				
Net interest income - FTE (1)				
Reported data for the period	**$ 414**	$ 359	**$ 1,055**	$ 878
Securitization adjustments	**1,191**	1,165	**3,515**	3,727
Managed net interest income	**1,605**	1,524	**4,570**	4,605
Credit card revenue:				
Reported data for the period	**$ 895**	$ 903	**$ 2,494**	$ 2.647
Securitization adjustments	**(418)**	(443)	**(1,163)**	(1,351)
Managed credit card revenue	**477**	460	**1,331**	1,296

	Three Months Ended September 30		Nine Months Ended September 30	
Noninterest income:				
Reported data for the period	**$ 888**	$ 892	**$ 2,537**	$ 2,688
Securitization adjustments	**(418)**	(443)	**(1,163)**	(1,351)
Managed noninterest income	**470**	449	**1,374**	1,337
Total revenue, net of interest expense:				
Reported data for the period	**$ 1,302**	$ 1,251	**$ 3,592**	$ 3,566
Securitization adjustments	**773**	722	**2,352**	2,376
Managed total revenue, net of interest expense	**2,075**	1,973	**5,944**	5,942
Provision for credit losses:				
Reported data for the period	**$ 246**	$ 148	**$ 589**	$ 363
Securitization adjustments	**773**	722	**2,352**	2,376
Managed provision for credit losses	**1,019**	870	**2,941**	2,739
ENDING BALANCES:				
Owned loans:				
Held in portfolio	**$ 6,449**	$ 6,751		
Held for sale (22)	**7,729**	5,173		
Total owned loans	**14,178**	11,924		
Seller's interest and accrued interest receivable	**23,285**	24,387		
Total receivables	**37,463**	36,311		
Securitized loans	**36,763**	32,858		
Total managed loans	**74,226**	69,169		
Assets:				
Reported	**$ 42,768**	$ 40,567		
Securitization adjustments	**36,763**	32,858		
Managed assets	**79,531**	73,425		
AVERAGE BALANCES:				
Owned loans:				
Held in portfolio	**$ 6,440**	$ 5,883	**$ 7,100**	$ 5,421
Held for sale	**10,001**	4,640	**7,213**	3,323
Total owned loans	**16,441**	10,523	**14,313**	8,744
Seller's interest and accrued interest receivable	**21,829**	24,236	**23,839**	22,897
Total receivables	**38,270**	34,759	**38,152**	31,641
Securitized loans	**36,029**	33,442	**35,424**	35,184
Total managed loans	**74,299**	68,201	**73,576**	66,825
Total assets:				
Reported	**$ 43,105**	$ 38,804	**$ 43,390**	$ 36,023
Securitization adjustments	**36,029**	33,442	**35,424**	35,184
Managed assets	**79,134**	72,246	**78,814**	71,207
CREDIT QUALITY:				
Net charge-offs:				
Reported	**$ 211**	$ 131	**$ 554**	$ 346
Securitization adjustments	**773**	722	**2,352**	2,376

	Three Months Ended September 30		Nine Months Ended September 30	
Managed net charge-offs	**984**	853	**2,906**	2,722

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 services to institutions. As discussed in Note 3, Acquisitions, the Corporation acquired Zurich Life, a U.S. life and annuity operation. On July 24, 2003, the Corporation announced an agreement to sell the corporate trust services business, part of the Investment Management line of business. The sale price is approximately $720 million, of which approximately 10% is contingent upon business retention. The sale includes corporate, municipal, structured finance and escrow businesses as well as the document custody and London corporate trust operations. The closing of the transaction is expected in the fourth quarter. As a result, corporate trust services was transferred to the Corporate line of business where it is reported as discontinued operations.

On September 17, 2003, the Corporation announced an agreement to purchase Security Capital Research & Management Incorporated, a recognized expert in developing real estate investment products, with approximately $3.5 billion in assets under management. The transaction is expected to close in the fourth quarter.

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	2003	2002 (25)	Amount	Percent	2003	2002 (25)	Amount	Percent
INCOME STATEMENT DATA:								
Net interest income-FTE (1) (26)	**$ 115**	$ 89	$ 26	29%	**$ 294**	$ 290	$ 4	1%
Banking fees and commissions (3)	**88**	63	25	40	**224**	195	29	15
Service charges on deposits (5)	**5**	5			**15**	14	1	7
Fiduciary and investment management fees (13)	**156**	156			**461**	481	(20)	(4)
Other income	**8**		8	N/M	**10**	9	1	11
Total noninterest income	**257**	224	33	15	**710**	699	11	2
Total revenue, net of interest expense	**372**	313	59	19	**1,004**	989	15	2
Provision for credit losses	**4**	2	2	N/M	**12**	7	5	71
Salaries and employee benefits	**114**	107	7	7	**330**	313	17	5
Other expense	**110**	77	33	43	**280**	250	30	12
Total noninterest expense before restructuring-related reversals	**224**	184	40	22	**610**	563	47	8
Restructuring-related reversals						(1)	1	N/M
Total noninterest expense	**224**	184	40	22	**610**	562	48	9
Income before income taxes	**144**	127	17	13	**382**	420	(38)	(9)
Applicable income taxes	**53**	48	5	10	**142**	156	(14)	(9)
Net income (27)	**$ 91**	$ 79	$ 12	15%	**$ 240**	$ 264	$ (24)	(9)%
FINANCIAL PERFORMANCE:								
Return on average common equity	**31%**	33%	(2)%		**31%**	37%	(6)%	
Efficiency ratio	**60**	59	1		**61**	57	4	
Headcount	**4,949**	4,300	649	15%				
ENDING BALANCES:								

	Three Months Ended September 30				Nine Months Ended September 30			
Loans	**$ 7,155**	$ 7,087	$ 68	1%				
Commercial	**3,153**	3,160	(7)					
Consumer	**4,002**	3,927	75	2				
Assets	**15,656**	8,494	7,162	84				
Demand deposits	**971**	1,744	(773)	(44)				
Savings	**8,327**	6,068	2,259	37				
Time	**621**	783	(162)	(21)				
Foreign offices	**219**	239	(20)	(8)				
Total deposits	**10,138**	8,834	1,304	15				
Equity	**1,553**	954	599	63				
AVERAGE BALANCES:								
Loans	**$ 6,665**	$ 6,941	$ (276)	(4)%	**$ 6,666**	$ 6,963	$ (297)	(4)%
Commercial	**2,996**	3,177	(181)	(6)	**3,056**	3,244	(188)	(6)
Consumer	**3,669**	3,764	(95)	(3)	**3,610**	3,719	(109)	(3)
Assets	**10,700**	8,312	2,388	29	**9,119**	8,287	832	10
Demand deposits	**2,019**	1,604	415	26	**1,843**	1,641	202	12
Savings	**8,032**	5,913	2,119	36	**7,664**	5,859	1,805	31
Time	**633**	818	(185)	(23)	**689**	893	(204)	(23)
Foreign offices	**165**	211	(46)	(22)	**169**	209	(40)	(19)
Total deposits	**10,849**	8,546	2,303	27	**10,365**	8,602	1,763	20
Equity	**1,149**	954	195	20	**1,020**	954	66	7

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Investment Management continued

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	2003	2002 (25)	Amount	Percent	2003	2002 (25)	Amount	Percent
CREDIT QUALITY:								
Net charge-offs:								
Commercial	**$ 5**	$ 1	$ 4	N/M	**$ 10**	$ 2	$ 8	N/M
Consumer	**(1)**	1	(2)	N/M	**2**	5	(3)	(60)
Total net charge-offs	**4**	2	2	N/M	**12**	7	5	71
Annualized net charge-off ratios:								
Commercial	**0.67%**	0.13%	0.54%		**0.44%**	0.08%	0.36%	
Consumer	**(0.11)**	0.11	(0.22)		**0.07**	0.18	(0.11)	
Total net charge-off ratio	**0.24**	0.12	0.12		**0.24**	0.13	0.11	
Nonperforming assets:								
Commercial	**$ 60**	$ 39	$ 21	54				
Consumer	**14**	8	6	75				
Total nonperforming loans	**74**	47	27	57				
Other, including OREO	**1**	1						

	Three Months Ended September 30				Nine Months Ended September 30			
Total nonperforming assets	**75**	48	27	56				
Allowance for credit losses	**40**	25	15	60				
Allowance to period end loans	**0.56**%	0.35%	0.21%					
Allowance to nonperforming loans	**54**	53	1					
Nonperforming assets to related assets (11)	**1.05**	0.68	0.37					
ASSETS UNDER MANAGEMENT ENDING BALANCES:								
Mutual funds	**$ 100,646**	$ 91,534	$ 9,112	10%				
Other	**74,902**	57,462	17,440	30				
Total assets	**175,548**	148,996	26,552	18				
By type:								
Money market	**70,820**	68,632	2,188	3				
Equity	**42,150**	35,394	6,756	19				
Fixed income	**62,578**	44,970	17,608	39				
Total assets	**175,548**	148,996	26,552	18				
By channel:								
Private client services	**42,970**	42,390	580	1				
Retail brokerage	**8,139**	6,716	1,423	21				
Institutional	**93,367**	70,196	23,171	33				
Commercial cash sweep	**8,581**	8,579	2					
Capital markets	**2,935**	4,724	(1,789)	(38)				
External (28)	**9,492**	8,417	1,075	13				
All other direct (29)	**10,064**	7,974	2,090	26				
Total assets	**175,548**	148,996	26,552	18				
Morningstar® Rankings:								
% of 4 and 5 ranked funds	**54**%	48%	6%					
% of 3+ ranked funds	**88**	93	(5)					
PRIVATE CLIENT SERVICES:								
Number of private client advisors	**622**	675	(53)	(8)%				
Number of private client offices	**89**	96	(7)	(7)				
Total client assets-end of period (30)	**$ 64,307**	$ 61,659	$ 2,648	4				
Ending balances								
Loans	**6,604**	7,036	(432)	(6)				
Deposits	**10,548**	8,312	2,236	27				
Average balances								
Loans	**6,492**	6,898	(406)	(6)	**$ 6,582**	$ 6,913	$ (331)	(5)%
Deposits	**10,125**	8,155	1,970	24	**9,743**	8,172	1,571	19

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Investment Management continued

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	**2003**	**2002 (25)**	**Amount**	**Percent**	**2003**	**2002 (25)**	**Amount**	**Percent**

	Three Months Ended September 30				Nine Months Ended September 30			
INSURANCE GROUP								
Gross revenue (31)	**$ 160**	$ 111	$ 49	44%	**$ 395**	$ 350	$ 45	13%
Ending Balances:								
Invested assets	**6,000**	387	5,613	N/M				
Policy loans	**415**		415	N/M				
Policies inforce - direct/assumed (in thousands)	**2,331**	1,232	1,099	89				
Policies inforce - direct/assumed	**$ 228,095**	$ 13,527	$ 214,568	N/M				
Policies inforce - retained	**42,984**	13,526	29,458	N/M				
Insurance policy and claims reserves	**$ 6,496**	$ 212	$ 6,284	N/M				
A.M. Best rating (32)	**A**		N/M	N/M				

For additional footnote detail see pages 9, 12 and 15.

(25) Prior period data has been adjusted for the transfer of corporate trust services from Investment Management to the Corporate line of business where it is now reported as discontinued operations.

(26) Net interest income-FTE did not have material tax equivalent adjustments for the three or nine months ended September 30, 2003 and 2002.

(27) Net income before restructuring-related reversals was $263 million for the nine months ended September 30, 2002.

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

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

(30) Fiduciary, brokerage and other related assets (managed and non-managed).

(31) Includes insurance-related revenues recorded in other lines of business.

(32) A.M. Best maintained A ratings with developing implications.

Quarterly Results

Investment Management net income totaled $91 million, an increase of $12 million, or 15%, driven by the acquisition of Zurich Life, strong asset growth, and an improved market. Since Zurich Life closed effective September 1, only one month of earnings is included.

Assets under management increased $26.6 billion, or 18%, to $175.5 billion. Money market, equity, and fixed income assets increased 3%, 19%, and 39%, respectively. A significant portion of the increase was driven by the institutional and external channels, which collectively increased $24.2 billion, or 31%. The Zurich Life acquisition represented $5.4 billion of the fixed income and institutional increases. One Group mutual fund assets increased $9.1 billion, or 10%, to $100.6 billion.

Net interest income increased $26 million, or 29%, to $115 million, primarily attributable to Zurich Life. Additionally, continued strong average deposit growth of $2.3 billion, or 27%, tempered by compressed margins, contributed to the increase.

Noninterest income increased $33 million, or 15%, to $257 million, primarily driven by the acquisition of Zurich Life. In addition, positive overall net fund flows, improved market conditions, and a more favorable mix toward long-term assets under management contributed to the increase.

Noninterest expense increased $40 million, or 22%, to $224 million, due also to Zurich Life. Additionally, slightly higher compensation costs and higher legal costs contributed to the overall increase.

The provision for credit losses was $4 million, an increase of $2 million, reflecting the deterioration in the credit quality of certain large loans.

On September 3, the New York Attorney General simultaneously filed and settled a complaint against a hedge fund alleging that the hedge fund had engaged in improper trading practices with certain mutual funds, including the One Group Funds. The Corporation is cooperating fully with the Attorney General, the Securities and Exchange Commission and other regulators in connection with inquiries into these practices, and is reviewing its mutual fund practices. To date, the Corporation has found no systemic problems. The Corporation continues to work towards assessing any financial impact to One Group investors from such practices and will make full restitution to One Group investors harmed as a result of improper conduct by any Bank One employee.

Investment Management continued

Year-to-Date Results

Investment Management reported year-to-date net income of $240 million, down $24 million, or 9%, driven by higher revenue offset by higher expenses and increased provision for credit losses.

Year-to-date total revenue, net of interest expense, increased $15 million, or 2%, to $1 billion. The increase reflects a strong third quarter driven by the acquisition of Zurich Life, an improved market, and a more favorable mix toward long-term assets under management. The higher revenue was partially offset by a weaker market and mix in assets under management in the first and second quarters.

Noninterest expense was $610 million, an increase of $48 million, or 9%, principally driven by the acquisition of Zurich Life and higher legal and operating costs.

The provision for credit losses was $12 million, an increase of $5 million, reflecting deterioration in credit quality of certain large loans, and the absence of recoveries which occurred in the second quarter of 2002.

Corporate

Corporate includes treasury activities, Corporate s investment portfolios, non-core portfolios transferred from the Retail line of business, corporate trust services transferred from the Investment Management line of business (reported as discontinued operations), other unallocated corporate expenses, and any gains or losses from corporate transactions. Information related to the non-core portfolios is included in the table below. See page 29 for financial information for the non-core portfolios on a stand-alone basis.

	Three Months Ended September 30				**Nine Months Ended September 30**			
			Change				**Change**	
(Dollars in millions)	**2003**	**2002 (25)**	**Amount**	**Percent**	**2003**	**2002 (25)**	**Amount**	**Percent**
INCOME STATEMENT DATA:								
Net interest income (expense)-FTE (1) (33) (34)	**$ (80)**	$ 106	$ (186)	N/M	**$ (212)**	$ 286	$ (498)	N/M
Banking fees and commissions (3)	**(20)**	(11)	(9)	(82)%	**(67)**	(23)	(44)	N/M
Credit card revenue (4)	**(1)**	1	(2)	N/M	**-**	2	(2)	N/M
Service charges on deposits (5)	**-**	3	(3)	N/M	**(3)**	9	(12)	N/M
Fiduciary and investment management fees (13)	**8**	3	5	N/M	**24**	8	16	N/M
Investment securities gains	**37**	(17)	54	N/M	**260**	62	198	N/M
Trading (losses)	**(7)**	-	(7)	-	**(21)**	(16)	(5)	(31)
Other income/(losses)	**(118)**	(2)	(116)	N/M	**(48)**	95	(143)	N/M
Total noninterest income (35)	**(101)**	(23)	(78)	N/M	**145**	137	8	6
Total revenue, net of interest expense	**(181)**	83	(264)	N/M	**(67)**	423	(490)	N/M
Provision for credit losses	**78**	86	(8)	(9)	**322**	337	(15)	(4)
Salaries and employee benefits	**236**	217	19	9	**732**	616	116	19
Other expense	**(53)**	(12)	(41)	N/M	**(178)**	13	(191)	N/M
Total noninterest expense before restructuring-related reversals	**183**	205	(22)	(11)	**554**	629	(75)	(12)
Restructuring-related reversals	**-**	-	-	-	**-**	(21)	21	N/M
Total noninterest expense (36)	**183**	205	(22)	(11)	**554**	608	(54)	(9)
Loss before income tax benefit	**(442)**	(208)	(234)	N/M	**(943)**	(522)	(421)	(81)
Applicable income tax benefit	**(187)**	(104)	(83)	(80)	**(436)**	(272)	(164)	(60)

	Three Months Ended September 30				Nine Months Ended September 30			
Loss from continuing operations, net of tax benefit (37)	**(255)**	(104)	(151)	N/M	**(507)**	(250)	(257)	N/M
Discontinued operations								
Income from discontinued operations	**14**	15	(1)	(7)	**39**	45	(6)	(13)
Applicable income taxes	**5**	5	-	-	**14**	16	(2)	(13)
Income from discontinued operations, net of taxes	**9**	10	(1)	(10)%	**25**	29	(4)	(14)%
Net loss (37)	**$ (246)**	$ (94)	$ (152)	N/M	**$ (482)**	$ (221)	$ (261)	N/M
FINANCIAL PERFORMANCE:								
Headcount	**14,719**	15,356	(637)	(4)%				
ENDING BALANCES:								
Non-core portfolios	**$ 10,403**	$ 16,873	$ (6,470)	(38)%				
Other loans	**67**	800	(733)	(92)				
Total loans (38)	**10,470**	17,673	(7,203)	(41)				
Assets	**71,092**	75,303	(4,211)	(6)				
Memo-								
Treasury investments (39)	**40,545**	36,021	4,524	13				
Principal investments (40)	**2,913**	2,371	542	23				
Deposits	**13,235**	15,892	(2,657)	(17)				
Equity	**2,314**	2,471	(157)	(6)				
AVERAGE BALANCES:								
Non-core portfolios	**$ 11,146**	$ 17,644	$ (6,498)	(37)%	**$ 12,775**	$ 19,268	$ (6,493)	(34)%
Other loans	**86**	250	(164)	(66)	**211**	414	(203)	(49)
Total Loans	**11,232**	17,894	(6,662)	(37)	**12,986**	19,682	(6,696)	(34)
Assets	**71,392**	70,025	1,367	2	**71,053**	68,902	2,151	3
Deposits	**12,321**	14,097	(1,776)	(13)	**12,846**	15,249	(2,403)	(16)
Equity	**2,519**	2,627	(108)	(4)	**2,886**	2,062	824	40

Corporate continued

	Three Months Ended September 30				Nine Months Ended September 30			
			Change				Change	
(Dollars in millions)	**2003**	**2002 (25)**	**Amount**	**Percent**	**2003**	**2002 (25)**	**Amount**	**Percent**
CREDIT QUALITY:								
Net Charge-offs:								
Non-core portfolios	**$ 79**	$ 84	$ (5)	(6)%	**$ 264**	$ 321	$ (57)	(18)%
Other loans	**3**	2	1	50	**3**	17	(14)	(82)
Total loans	**82**	86	(4)	(5)	**267**	338	(71)	(21)
Non-core portfolios net charge-off ratio	**2.84%**	1.90%	0.94%		**2.76%**	2.22%	0.54%	

	Three Months Ended September 30				Nine Months Ended September 30
Nonperforming assets:					
Non-core portfolios	**$ 669**	$ 849	$ (180)	(21)%	
Other loans	**4**	8	(4)	(50)	
Total loans (41)	**673**	857	(184)	(21)	
Other including OREO	**56**	6	50	N/M	
Total nonperforming assets	**729**	863	(134)	(16)	
Allowance for credit losses	**394**	345	49	14	
Allowance to period end loans (38)	**3.77%**	1.95%	1.82%		
Allowance to nonperforming loans (41)	**59**	40	19		
Nonperforming assets to related assets	**6.93**	4.88	2.05		

For additional footnote detail see pages 9, 12, 15 and 23.

(33) Net interest income (expense)-FTE includes tax equivalent adjustments of $7 million and $8 million for the three months ended September 30, 2003 and 2002, respectively. For the nine months ended September 30, 2003 and 2002, tax equivalent adjustments were $24 million and $25 million.

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

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

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

(37) Net loss before restructuring-related reversals, net of $8 million tax, was $234 million for the nine months ended September 30, 2002.

(38) Loans include loans held for sale of $18 million and $24 million at September 30, 2003 and 2002, respectively. These amounts are not included in allowance for credit losses coverage statistics.

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

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

(41) Nonperforming loans include loans held for sale of $5 million at September 30, 2003. There were no loans held for sale included in nonperforming loans at September 30, 2002. This amount is not included in allowance for credit losses coverage statistics.

Corporate net loss for the third quarter and for the nine months ended September 30, 2003, included the following pre-tax components:

(In millions)	Three months ended September 30, 2003	Nine months ended September 30, 2003
Treasury net interest expense	**$ (85)**	**$ (260)**
Net gain on Corporate investment activity	**37**	**260**
Losses related to termination of debt	**(162**	