BANK ONE CORP
Form 10-Q
November 14, 2001

BANK ONE CORPORATION
Financial Supplement and Form 10-Q

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Five-Quarter Summary of Selected Financial Information
BANK ONE CORPORATION and Subsidiaries

(In millions, except per share data)	September 30 2001	June 30 2001	Three M Mar 2
Income Statement Data:			
Total revenue, net of interest expense	$ 4,016	$ 3,846	$
Net interest income-fully taxable-equivalent ("FTE") basis	2,193	2,085	
Noninterest income	1,853	1,791	
Provision for credit losses	620	540	
Noninterest expense	2,303	2,306	
Income (loss) before cumulative effect of change in accounting principle	754	708	
Net income (loss)	754	664	
Per Common Share Data:			
Income (loss) before cumulative effect of change in accounting principle:			
Basic	$ 0.64	$ 0.60	$
Diluted (1)	0.64	0.60	
Net income (loss):			
Basic	0.64	0.57	
Diluted (1)	0.64	0.56	
Cash dividends declared	0.21	0.21	
Book value	17.30	16.49	
Balance Sheet Data-Ending Balances:			
Loans:			
Managed	$ 222,604	$ 223,390	$ 22
Reported	164,251	166,576	17
Deposits	162,385	164,299	16
Long-term debt (2)	44,361	41,693	4
Total assets:			
Managed	310,207	312,244	31
Reported	270,252	272,412	27
Common stockholders' equity	20,192	19,261	1
Total stockholders' equity	20,382	19,451	1
Credit Quality Ratios:			
Net charge-offs to average loans-managed (3)	2.58%	2.50%	
Allowance for credit losses to period end loans	2.73	2.54	
Nonperforming assets to related assets	1.96	1.77	
Financial Performance Ratios:			
Return (loss) on average assets	1.13%	0.99%	
Return (loss) on average common equity	15.0	13.9	
Net interest margin:			
Managed	4.95	4.65	
Reported	3.70	3.50	
Efficiency ratio:			
Managed	46.9	48.5	
Reported	56.9	59.5	

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Five-Quarter Summary of Selected Financial Information-Continued
BANK ONE CORPORATION and Subsidiaries

(In millions, except per share data)	September 30 2001	June 30 2001	Three Months E March 31 2001
Capital Ratios:			
Risk-based capital:			
Tier 1(5)	8.4%	8.2%	7.8%
Total (5)	11.7	11.6	11.2
Tangible common equity/tangible managed assets	5.8	5.8	5.6
Common Stock Data:			
Average shares outstanding:			
Basic	1,168	1,166	1,163
Diluted (1)	1,176	1,176	1,173
Stock price, quarter-end	$ 31.47	$ 35.80	$ 36.18
Employees (4)	75,801	78,491	79,157

(1) Common equivalent shares and related income were excluded from the computation of diluted loss per share for the three months ended December 31, 2000 as the effect would be antidilutive.
(2) Includes trust preferred capital securities.
(3) Third quarter 2001, second quarter 2001, and first quarter 2001 amounts include $14 million, $24 million, and $40 million, respectively, of charge-offs which are not so classified in the Corporation's GAAP financial information 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.
(4) Beginning in the first quarter of 2001, employees on long-term disability and employees of unconsolidated subsidiaries are excluded. Prior period data have not been restated for this change.
(5) Excludes $190 million of preferred stock called for redemption as of September 30, 2001.

Business Segments

Bank One Corporation and its subsidiaries ("Bank One" or the "Corporation") is managed on a line of business basis. The business segments' financial results presented reflect the current organization of the Corporation. The following tables summarize certain financial information (as reported) by line of business for the periods indicated:

	Net Income (Loss) (In millions)

Three Months Ended September 30	2001	2000
Retail	$ 310	$ 251
Commercial Banking	199	194
First USA	279	177
Investment Management	101	86
Corporate/Unallocated	(135)	(127)
Total Corporation-reported	$ 754	$ 581

	Net Income (Loss) (In millions)	
Nine Months Ended September 30	2001	2000
Retail	$ 981	$ 406
Commercial Banking	577	238
First USA	620	(135)
Investment Management	266	240
Corporate/Unallocated	(303)	(748)
Total Corporation-operating	2,141	1
Accounting change	(44)	-
Total Corporation-reported	$ 2,097	$ 1

The information provided in the line of business tables beginning with the caption entitled "Financial Performance" is included herein for analytical purposes only and is based on management information systems, assumptions and methodologies that are under continual review. For a detailed discussion of the various business activities of Bank One's business segments, see pages 4-14 of the Corporation's 2000 Annual Report on Form 10-K.

The financial information and supplemental data presented for the respective line-of-business sections for the nine months ended September 30, 2000 are reported on an actual basis. However, for analytical purposes and to better understand underlying trends, the following line of business discussion excludes the impact of the second quarter 2000 significant items noted in tables 1-3 on pages 18-19.

During the third quarter, certain organizational changes were made impacting the Corporate Investments and Commercial Banking businesses. The tax-oriented portfolio of Corporate Investments was transferred to Commercial Banking, while the principal investments and fixed income portfolios were transferred to Corporate/Unallocated. All results for prior periods conform to the current line of business organization.

Retail

Retail includes consumer and small business banking, auto and consumer lending, and interactive banking and financial management through bankone.com.

(Dollars in millions)	Three Months Ended September 30 2001	2000	% Change	Nine Month 2001
Net interest income-FTE basis	$ 1,237	$ 1,236	-%	$ 3,790
Non-deposit service charges	81	89	(9)	257
Credit card revenue	43	36	19	120
Service charges on deposits	203	192	6	587
Fiduciary and investment management fees	32	25	28	90
Other income (loss)	1	(16)	N/M	25
Noninterest income	360	326	10	1,079
Total revenue	1,597	1,562	2	4,869
Provision for credit losses	247	207	19	692
Salaries and employee benefits	376	377	-	1,128
Other expense	498	582	(14)	1,523
Noninterest expense (3)	874	959	(9)	2,651
Pretax income-FTE basis	476	396	20	1,526
Tax expense and FTE basis adjustment	166	145	14	545
Net income	$ 310	$ 251	24	$ 981
FINANCIAL PERFORMANCE:				
Return on equity	20%	17%		21%
Efficiency ratio	55	61		54
Headcount-full-time (1)	34,253	35,979	(5)	
ENDING BALANCES (in billions):				
Commercial loans	$12.4	$11.6	7%	
Home equity loans	30.7	29.7	3	
Auto loans / leases	20.4	23.9	(15)	
Other personal loans	9.9	11.6	(15)	
Total loans	73.4	76.8	(4)	
Assets	77.6	79.1	(2)	
Demand deposits	24.7	24.2	2	
Savings	34.7	32.5	7	
Time	28.1	31.0	(9)	
Total deposits	87.5	87.7	-	
Common equity	6.3	5.9	7	

(Dollars in millions)	Three Months Ended September 30 2001	2000	% Change	Nine Months E 2001
AVERAGE BALANCES (in billions):				
Commercial loans	$ 12.4	$ 11.8	5%	$ 12.2
Home equity loans	30.8	28.3	9	30.8
Auto loans / leases	21.0	24.0	(13)	21.7
Other personal loans	10.0	10.6	(6)	10.7
Total loans	74.2	74.7	(1)	75.4
Assets	78.3	78.8	(1)	79.6
Demand deposits	24.1	24.3	(1)	24.1
Savings	34.4	33.1	4	33.5
Time	28.8	30.5	(6)	30.4
Total deposits	87.3	87.9	(1)	88.0
Common equity	6.3	5.9	7	6.2
CREDIT QUALITY (in millions):				
Net charge-offs:				
Small business commercial	$ 20	$ 11	82%	$ 47
Home equity loans	84	59	42	250
Auto loans / leases (2)	84	54	56	245
Other personal loans	35	27	30	88
Total consumer (2)	203	140	45	583
Total net charge-offs (2)	223	151	48	630
Net charge-off ratios:				
Small business commercial	0.65%	0.37%		0.51%
Home equity loans	1.09	0.83		1.08
Auto loans / leases (2)	1.60	0.90		1.51
Other personal loans	1.40	1.02		1.10
Total consumer (2)	1.31	0.89		1.23
Total net charge-offs (2)	1.14	0.81		1.11
Nonperforming assets:				
Commercial	$ 244	$ 187	30%	
Consumer	914	508	80	
Total nonperforming loans	1,158	695	67	
Other, including OREO	76	82	(7)	
Total nonperforming assets	1,234	777	59	
Allowance for loan losses	$ 990	N/A		
Allowance to period end loans	1.35%	N/A		
Allowance to nonperforming loans	85	N/A		
Nonperforming assets to related assets	1.68	1.01%		

(Dollars in millions)	Three Months Ended September 30 2001	2000	% Change	Nine Months 2001
DISTRIBUTION:				
# Banking centers	1,805	1,818	(1)%	
# ATMs	5,652	6,377	(11)	
# On-line customers (in thousands)	1,040	825	26	
# Households (in thousands)	7,361	7,781	(5)	
# Business customers (in thousands)	512	533	(4)	
# Debit cards issued (in thousands)	4,359	4,173	4	
INVESTMENTS:				
Investment sales volume (in millions)	$1,231	$1,028	20%	$3,510

N/M-Not meaningful.
N/A-Not available due to changes in segment composition; see Note 5 on page 59 of the Corporation's 2000 Annual Report on Form 10-K.
(1) Beginning in the first quarter of 2001, employees on long-term disability and employees of unconsolidated subsidiaries are excluded.
(2) Third quarter 2001 and nine-months ended September 30, 2001 amounts include $14 million and $78 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, this item results in a higher provision in excess of net charge-offs.
(3) Certain capitalized expenses have been reclassified from salaries to other expenses in all periods.

Quarterly Results

Retail reported third quarter net income of $310 million, up $59 million, or 24%, from the year-ago quarter. The year-over-year improvement reflected higher revenue and lower noninterest expense, partially offset by higher provision for credit losses. Compared to the 2001 second quarter, net income declined $12 million, or 4%, reflecting increased provision, partially offset by lower noninterest expense.

Net interest income was $1.237 billion, essentially unchanged from a year ago. Average home equity loans increased 9% from a year ago, while average auto loans and leases decreased 13%, reflecting a deliberate reduction in the level of new auto leases. Current quarter net interest income was also unchanged from the second quarter, primarily reflecting lower average loans and deposits, offset by higher margins on deposits.

Noninterest income was $360 million, up $34 million, or 10%, from a year ago. This primarily reflected the absence of auto lease residual losses in the current quarter, compared with $58 million of such losses a year ago, and higher deposit fees, partially offset by losses on tax-advantaged investments and lower asset sale gains. Noninterest income was essentially unchanged from the second quarter.

Provision for credit losses was $247 million, up $40 million from the year-ago quarter and $46 million from the second quarter. Managed net charge-offs totaled $223 million, up from $151 million in the year-ago quarter and $201 million in the second quarter. The year-over-year increase was driven by higher charge-offs in the home equity and the auto lending portfolios, while the increase from the second quarter reflected higher charge-offs of other personal loans and auto loans and leases, partially offset by lower home equity loan charge-offs. The third quarter net charge-off ratio was 1.14%, up from 0.81% in the year-ago period and 1.07% in the second quarter.

Nonperforming assets increased $457 million from a year ago, largely driven by a $406 million increase in consumer nonperforming loans. Compared with the second quarter, nonperforming assets increased $115 million, or 10%. The allowance for credit losses expressed as a percent of loans increased to 1.35% at September 30, 2001, up from 1.27% at June 30, 2001.

Noninterest expense was $874 million, down $85 million, or 9%, from the year-ago quarter, reflecting the positive impacts from waste-reduction initiatives and reduced headcount. Compared with the second quarter, noninterest expense decreased $16 million. The efficiency ratio in the current quarter was 55%, down from 61% a year ago.

Year-to-Date Results-Adjusted Basis

For the first nine months of 2001, Retail reported net income of $981 million, up $247 million from the 2000 period. The $113 million, or 3%, increase in net interest income for 2001 from the prior year was due to wider loan spreads and a 2% increase in average loan balances, partially offset by deposit margin compression.

Noninterest income increased $117 million from the prior year on an adjusted basis, to $1.079 billion in 2001 period, reflecting $178 million in realized auto lease residual losses in the 2000 period. Noninterest expense was down $334 million, or 11%, due to waste reduction initiatives and reduced headcount.

Commercial Banking

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

	Three Months Ended September 30			Nine Months
(Dollars in millions)	2001	2000	% Change	2001
Net interest income-FTE basis	$ 642	$ 710	(10)%	$ 2,021
Non-deposit service charges	178	166	7	518
Credit card revenue	21	19	11	65

Service charges on deposits	174	117	49	453
Fiduciary and investment management fees	6	(2)	N/M	9
Investment securities losses	(12)	-	-	(12)
Trading	81	77	5	225
Other income (loss)	(23)	(10)	N/M	(71)
Noninterest income	425	367	16	1,187
Total revenue	1,067	1,077	(1)	3,208
Provision for credit losses	246	226	9	749
Salaries and employee benefits	261	275	(5)	794
Other expense	278	294	(5)	856
Noninterest expense	539	569	(5)	1,650
Pretax income-FTE basis	282	282	-	809
Tax expense and FTE basis adjustment	83	88	(6)	232
Net income	$ 199	$ 194	3	$ 577
Memo: Revenue by activity (7)				
Lending-related revenue	$478	$555	(14)%	$ 1,497
Treasury management services (4)	288	251	15	852
Capital markets (5)	161	161	-	490
Other	140	110	27	369
FINANCIAL PERFORMANCE:				
Return on equity	11%	11%		11%
Efficiency ratio	51	53		51
Headcount-full-time				
Corporate Banking (including Capital Markets)	4,410	4,804	(8)%	
Middle Market	4,034	4,267	(5)	
Treasury management services	4,787	4,931	(3)	
Support and other administration (6)	33	177	(81)	
Total headcount-full-time	13,264	14,179	(6)	

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	Three Months Ended September 30			Nine
	2001	2000	% Change	2001
ENDING BALANCES (in billions):				
Loans	$ 75.0	$ 87.6	(14)%	
Assets	103.9	121.4	(14)	
Demand deposits	23.0	20.5	12	
Savings	2.8	N/A		
Time (+ Savings in 2000)	9.4	8.4	12	
Foreign offices	9.3	9.6	(3)	

Total deposits	44.5	38.5	16	
Common equity	7.2	7.0	3	
AVERAGE BALANCES (in billions):				
Loans	$ 75.6	$ 86.7	(13)%	$ 80
Assets	103.7	115.3	(10)	106
Demand deposits	20.6	20.7	-	20
Savings	2.8	N/A		2
Time (+ Savings in 2000)	9.2	8.0	15	7
Foreign offices	10.0	10.5	(5)	8
Total deposits	42.6	39.2	9	39
Common equity	7.2	6.9	4	7
CREDIT QUALITY (in millions):				
Net commercial charge-offs	$ 230	$ 109	N/M	$ 7
Net commercial charge-off ratio	1.22%	0.50%		1.
Nonperforming assets:				
Commercial nonperforming loans	$ 1,901	$ 1,243	53 %	
Other including OREO	30	11	N/M	
Total nonperforming assets	1,931	1,254	54	
Allowance for loan losses	$ 3,067	N/A		
Allowance to period end loans	4.09%	N/A		
Allowance to nonperforming loans	161	N/A		
Nonperforming assets to related assets.....	2.57	1.43%		
CORPORATE BANKING (in billions):				
Loans-ending balance	$ 40.5	$ 54.4	(26)%	
-average balance	41.4	54.1	(23)	$ 45
Deposits-ending balance	24.1	19.5	24	
-average balance	23.9	21.4	12	20
Credit Quality (in millions):				
Net commercial charge-offs	$ 131	$ 76	72 %	$ 4
Net commercial charge-off ratio	1.27%	0.56%		1.
Nonperforming loans	$ 1,051	$ 788	33	
Nonperforming loans to loans	2.60%	1.45%		

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	Three Months Ended September 30			Nine Month
	2001	2000	% Change	2001
SYNDICATIONS:				
Lead Arranger Deals:				
Volume (in billions)	$ 9.7	$ 16.6	(42)%	$ 37.0

Number of transactions	56	60	(7)	161
League table standing-rank	4	4		
League table standing-market share	4%	5%		
MIDDLE MARKET BANKING (in billions):				
Loans-ending balance	$ 34.5	$ 33.2	4 %	
-average balance	34.2	32.6	5	$ 34.3
Deposits-ending balance	20.3	19.0	7	
-average balance	18.7	17.8	5	18.4
Credit Quality (in millions):				
Net commercial charge-offs	$ 99	$ 33	N/M	$ 246
Net commercial charge-off ratio	1.16%	0.40%		0.96%
Nonperforming loans	$ 850	$ 455	87 %	
Nonperforming loans to loans	2.46%	1.37%		

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(4) Treasury Management Services includes both fees and fee equivalent from compensating balances.

(5) Capital Markets includes trading revenues and underwriting, syndicated lending and advisory fees.

(6) Full-time headcount for September 30, 2000 has been restated to reflect the movement of support and other administrative personnel into the respective business units reported.

(7) Third quarter 2000 amounts reclassified.

Quarterly Results

Commercial Banking reported third quarter net income of $199 million, up $5 million, or 3%, from the year-ago quarter. These results included $21 million of net income in the tax-oriented portfolio for the third quarter, which was previously reported under the Corporate Investments line of business. Results for prior periods conform to the current line of business organization.

At September 30, 2001, loans were $75.0 billion, down $12.6 billion, or 14%, from the end of the year-ago quarter and down $2.6 billion, or 3%, from the end of the second quarter. Corporate Banking loans were $40.5 billion at September 30, down $13.9 billion, or 26% from a year-ago and down $2.8 billion, or 6%, from the end of the second quarter. Middle Market loans were $34.5 billion at quarter-end, up $1.3 billion, or 4%, from last year and up slightly from the end of the second quarter.

Revenue totaled $1.067 billion, down $10 million, or 1%, from the year-ago quarter and up $9 million, or 1%, from the second quarter, with the decline in net interest income offset by growth in noninterest income.

Net interest income was $642 million, down $68 million, or 10%, from the year-ago quarter and down $40 million, or 6%, from the second quarter. This reflected lower average loan balances following efforts to reduce credit risk exposure and the impact of lower rates on customers' compensating deposit balances.

Noninterest income was $425 million, up $58 million, or 16%, from the year-ago quarter. Service charges on deposits increased $57 million, or 49%, reflecting strong improvement in Treasury Management volumes and pricing as well as a shift in the payment of fees from net interest income due to the lower value of customers' compensating deposit balances.

Compared with the second quarter, noninterest income increased $49 million, or 13%. Service charges on deposits increased $26 million, or 18%, reflecting the above-mentioned switch in the payment for services to fees from balances. Other income improved $19 million as the second quarter included a loss on the sale of assets.

The provision for credit losses was $246 million, up $20 million, or 9%, from the year-ago quarter, and up $7 million, or 3%, from the second quarter. Total net charge-offs declined from the second quarter to $230 million. This represented 1.22% of average loans, up significantly from 0.50% in the year-ago quarter, and up slightly from

the second quarter. Corporate Banking net charge-offs were $131 million, or 1.27% of average loans, up from 0.56% a year-ago, but down from 1.36% in the second quarter. Third quarter charge-offs included $33 million relating to nonperforming and other distressed loan sales, compared to $68 million in the second quarter and the absence of any in the year-ago quarter. Middle Market net charge-offs were $99 million, or 1.16% of average loans, up from 0.40% in the year-ago quarter and 0.98% in the second quarter.

The allowance for credit losses at September 30, 2001, increased to $3.067 billion from $3.056 billion at the end of the second quarter. This represented 4.09% of period-end loans and 161% of nonperforming loans, compared with 3.94% and 174%, respectively, at June 30, 2001. At September 30, 2001, nonperforming loans were $1.901 billion, up $149 million, or 9%, from the second quarter. Corporate Banking nonperforming loans at quarter-end were $1.051 billion, essentially flat with the second quarter. Before reflecting the sale of nonperforming loans, Corporate Banking nonperforming loans increased $43 million during the quarter, compared to increases on a comparable basis of $245 million in the second quarter and $262 million in the first quarter. Middle Market nonperforming loans were $850 million at September 30, 2001, up $148 million from the end of the second quarter.

Noninterest expense was $539 million, down $30 million, or 5%, from the year-ago quarter and down $14 million, or 3%, from the second quarter. The declines reflected the impact of waste-reduction efforts and lower headcount. The efficiency ratio in the third quarter was 51%, improved from 53% and 52% in the year-ago and second quarters, respectively.

Year-to-Date Results-Adjusted Basis

Commercial Banking reported net income of $577 million, down $88 million, or 13% from 2000, reflecting higher credit costs and the continuation of strategic efforts to reduce Corporate Banking loans and exposures and improve relationship profitability.

Net interest income was $2.021 billion, down $105 million, or 5% from 2000, for the same reasons mentioned in the quarterly results. The cost associated with nonperforming loans increased in the current year due to higher volumes and lower cash basis collections.

Noninterest income was $1.187 billion, up $141 million, or 13% from the year-ago period, reflecting an increase in fixed income and asset backed finance underwriting activities, strong improvement in Treasury Management volumes and pricing and improved fixed income trading. These were partially offset by losses on asset sales.

The provision for credit losses was $749 million, up $239 million, or 47%, from the 2000 period. Total net-charge offs were $718 million, in the first nine months of 2001, including $190 million related to problem loan sales. This represented 1.20% of average loans, up significantly from 0.47% in the prior year. Nonperforming loans at September 30, 2001, were $1.901 billion, up $658 million, or 53%, from the prior year reflecting deterioration in the portfolio.

Noninterest expense was $1.650 billion, down $59 million, or 3%, reflecting the impact of waste reduction efforts and lower headcount. The efficiency ratio improved to 51% from 54%.

First USA

First USA is the third largest credit card company in the United States and is the largest Visa(R) credit card issuer in the world, with $67 billion in managed credit card receivables and 58.4 million cardmembers.

	Three Months Ended September 30			Nine Months
(Dollars in millions)	2001	2000	% Change	2001
Net interest income-FTE basis................	$ 1,606	$ 1,442	11%	$ 4,455
Non-deposit service charges	1	4	(75)	4
Credit card revenue	309	284	9	834
Fiduciary and investment management fees ..	22	20	10	66
Investment securities gains	-	-	-	-
Trading	-	(1)	N/M	-
Other income (loss)	22	17	29	95
Noninterest income	354	324	9	999
Total revenue	1,960	1,766	11	5,454
Provision for credit losses	981	853	15	2,893
Salaries and employee benefits	123	121	2	376
Other expense	412	512	(20)	1,195
Noninterest expense	535	633	(15)	1,571
Pretax income (loss)-FTE basis	444	280	59	990
Tax expense (benefit) and FTE basis adjustment	165	103	60	370
Net income (loss)	$ 279	$ 177	58	$ 620
Memo: Net securitization amortization	$ (22)	$ (22)	-	$ (42)
FINANCIAL PERFORMANCE:				
% of average outstandings:				
Net interest income-FTE basis	9.57%	8.71%		9.15%
Provision for credit losses	5.84	5.15		5.94
Noninterest income	2.11	1.96		2.05

Risk adjusted margin	5.84	5.52		5.26
Noninterest expense	3.19	3.82		3.23
Pretax income (loss)-FTE basis	2.64	1.69		2.03
Net income (loss)	1.66	1.07		1.27
Return (loss) on equity	17%	12%		13%
Efficiency ratio	27	36		29
Headcount-full-time	10,245	10,856	(6)%	
ENDING BALANCES (in billions):				
Owned	$ 8.4	$ 4.8	75%	
Seller's interest	18.4	19.7	(7)	
Loans on balance sheet	26.8	24.5	9	
Securitized	40.0	41.4	(3)	
Loans	66.8	65.9	1	
Assets	70.8	69.2	2	
Common equity	6.4	6.1	5	

	Three Months Ended September 30			Nine Months
	2001	2000	% Change	2001
AVERAGE BALANCES (in billions):				
Owned	$ 7.9	$ 4.7	68%	$ 6.4
Seller's interest	17.8	18.3	(3)	18.3
Loans on balance sheet	25.7	23.0	12	24.7
Securitized	40.9	42.9	(5)	40.4
Loans	66.6	65.9	1	65.1
Assets	70.2	69.2	1	67.9
Common equity	6.4	6.1	5	6.3
CREDIT QUALITY (in millions):				
Net charge-offs:				
Credit card-managed	$ 981	$ 828	18%	$ 2,893
Net charge-off ratios:				
Credit card-managed	5.89%	5.03%		5.93%
12-month lagged (8)	5.95	4.79		5.81
Delinquency ratio-30+ days	4.25	4.14		
-90+ days	1.80	1.79		
Allowance for loan losses	$ 397	N/A		
Allowance to period end owned loans	4.73%	N/A		

OTHER DATA:					
Charge volume (in billions)	$ 35.2	$ 34.6	2%	$ 102.1	$
New accounts opened (in thousands)	1,149	727	58	2,927	
Cards issued	58,441	53,650	9		
Number of FUSA.com customers (in millions)	2.8	1.9	47		

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(8) Third quarter 2001 ratio includes Wachovia's net charge-offs but excludes third quarter 2000 loans.

Quarterly Results

First USA reported third quarter net income of $279 million, up $102 million, or 58%, from the year-ago quarter. This reflected higher net interest income, lower expenses, and the addition of the Wachovia credit card business on July 27, 2001, partially offset by increased credit costs. Net income increased $86 million, or 45%, from the second quarter, driven primarily by higher net interest income, lower credit costs and reduced expenses on the legacy First USA portfolio, and the addition of the Wachovia credit card business. Third quarter results represented a 2.64% pre-tax return on outstandings, up from 1.97% in the prior quarter.

Net interest income was $1.606 billion, up $164 million, or 11%, from the year-ago quarter, reflecting the addition of the Wachovia portfolio and higher net interest margin.

Average managed loans for the third quarter were $66.6 billion, up $700 million from the year-ago period and $3.4 billion from the second quarter. Excluding the Wachovia portfolio, average loans were $61.7 billion, down $4.2 billion from the year-ago period and $1.5 billion from the second quarter. End of period managed loans increased to $66.8 billion. Excluding the Wachovia portfolio, end of period loans were $60.7 billion. First USA opened over 1.1 million new accounts during the quarter, up 58% and 15%, respectively, from the year-ago and second quarters. At September 30, 2001, 58.4 million cards were issued. First USA continues to be a leader in online card marketing and customer service with over 2.8 million registered users of its website, FirstUSA.com, up 47% from a year ago.

Noninterest income was $354 million, up $30 million, or 9%, from the year-ago quarter and $18 million, or 5%, from the second quarter, reflecting the addition of the Wachovia portfolio.

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The managed provision for credit losses was $981 million, up $128 million, or 15%, from the year-ago quarter, including the addition of the Wachovia portfolio. The managed charge-off rate increased to 5.89% from 5.03% a year ago, reflecting lower average loans on the First USA portfolio and higher losses, but decreased from 6.09% in the second quarter. The managed 30-day and 90-day delinquency rates were 4.25% and 1.80%, respectively, up from 4.14% and 1.79% in the year-ago quarter and 4.10% and 1.78% in the second quarter.

Noninterest expense totaled $535 million, down $98 million, or 15%, from the year-ago quarter, reflecting lower operating costs, partially offset by the addition of the Wachovia portfolio. Noninterest expense increased $13 million from the second quarter, driven by lower operating expenses that were more than offset by the addition of the Wachovia portfolio. The efficiency ratio for the current period was 27%, down from 36% in the prior year and 29% in the second quarter.

Year-to-Date Results-Adjusted Basis

First USA reported net income of $620 million for the 2001 period, up $263 million, or 74%, from the 2000 period. The improvement was driven by lower expenses and the addition of the Wachovia credit card business, partially offset by lower net interest income on the legacy First USA portfolio and increased credit costs.

Net interest income was $4.455 billion, up $37 million, or 1%, from the year-ago period reflecting the addition of Wachovia and lower interest rates partially offset by lower average outstandings and loan fee income.

Noninterest income was $999 million, up $104 million, or 12%, from the 2000 period reflecting the addition of the Wachovia portfolio and increased securitization activity.

The managed provision for credit losses was $2.893 billion, up $171 million, or 6%, from the 2000 period reflecting the addition of the Wachovia portfolio and increased net charge-offs.

Noninterest expense totaled $1.571 billion, down $456 million, or 22%, from the 2000 period, reflecting lower operating costs and a decrease in internally allocated costs related to a mid-year 2000 change in methodology. The decline from a year ago also reflected the sale of the international operations in the second quarter of 2000. These reductions were partially offset by the addition of Wachovia.

Investment Management

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

	Three Months Ended September 30			Nine Months
(Dollars in millions)	2001	2000	% Change	2001
Net interest income-FTE basis	$ 106	$ 104	2%	$ 317
Non-deposit service charges	182	128	42	518
Service charges on deposits	4	4	-	12
Fiduciary and investment management fees ...	130	151	(14)	395
Other income	1	3	(67)	7
Noninterest income	317	286	11	932

Total revenue	423	390	8	1,249
Provision for credit losses	9	2	N/M	25
Salaries and employee benefits	140	142	(1)	430
Other expense	113	110	3	368
Noninterest expense	253	252	-	798
Pretax income-FTE basis	161	136	18	426
Tax expense and FTE basis adjustment	60	50	20	160
Net income	$ 101	$ 86	18	$ 266
Memo: Insurance revenues	$114.9	$ 85.2	35	$318.8
FINANCIAL PERFORMANCE:				
Return on equity	36%	38%		36%
Efficiency ratio	60	65		64
Headcount-full-time	6,253	6,583	(5)%	
ENDING BALANCES (in billions):				
Loans	$ 7.0	$ 6.8	3%	
Assets	8.5	7.8	9	
Demand deposits	2.1	1.6	31	
Savings	2.9	1.8	61	
Time	3.3	3.8	(13)	
Foreign offices	0.2	0.2	-	
Total deposits	8.5	7.4	15	
Common equity	1.1	0.9	22	
AVERAGE BALANCES (in billions):				
Loans	$ 6.9	$ 6.6	5%	$ 6.9
Assets	8.2	7.6	8	8.1
Demand deposits	1.9	2.3	(17)	1.9
Savings	2.8	1.8	56	2.7
Time	3.3	3.9	(15)	3.3
Foreign offices	0.2	0.2	-	0.2
Total deposits	8.2	8.2	-	8.2
Common equity	1.1	0.9	22	1.0

(Dollars in millions)	Three Months Ended September 30 2001	2000	% Change	Nine Months 2001
CREDIT QUALITY (in millions):				
Net charge-offs:				
Commercial	$ 7	N/A		$ 17
Consumer	2	N/A		5
Total net charge-offs	9	N/A		22
Net charge-off ratios:				
Commercial	0.76%	N/A		0.68%
Consumer	0.24	N/A		0.20
Total net charge-offs	0.52	N/A		0.43%
Nonperforming assets:				
Commercial	$ 37	N/A		
Consumer	3	N/A		
Total nonperforming loans	40	N/A		
Other including OREO	1	N/A		
Total nonperforming assets	41	N/A		
Allowance for loan losses	$ 25	N/A		
Allowance to period end loans	0.36%	N/A		
Allowance to nonperforming loans	61	N/A		
Nonperforming assets to related assets	0.59	N/A		
ASSETS UNDER MANAGEMENT ENDING BALANCES (in billions):				
Mutual funds	$ 75.3	$ 69.4	9%	
Other	55.5	64.5	(14)	
Total	130.8	133.9	(2)	
By type:				
Money market	$ 50.6	$ 41.6	22%	
Equity	43.4	57.7	(25)	
Fixed income	36.8	34.6	6	
Total	130.8	133.9	(2)	
By channel:				
Private client services	$ 48.8	$ 60.6	(19)%	
Retail brokerage	9.0	9.2	(2)	
Institutional	55.6	49.6	12	
Commercial cash sweep	9.0	7.8	15	
All other	8.4	6.7	25	
Total	130.8	133.9	(2)	
Morningstar Rankings:				
Percentage of customer assets in 4 and 5 ranked funds	61%	54%		
Percentage of customer assets in 3+ ranked funds	90	98		

TRUST ASSETS		
ENDING BALANCES:		
Trust assets under administration (in billions) .	$333.8	N/A
CORPORATE TRUST SECURITIES		
ENDING BALANCES:		
Corporate trust securities under administration (in billions)	$917.1	N/A

(Dollars in millions)	Three Months Ended September 30 2001	2000	% Change	Nine Month 2001
RETAIL BROKERAGE:				
Mutual fund sales (in millions)	$ 548	$ 625	(12)%	$1,721
Annuity sales	683	403	69	1,789
Total sales	1,231	1,028	20	3,510
Number of accounts -end of period (in thousands)	394	379	4	
Market value customer assets -end of period (in billions)	$ 22.4	$ 24.1	(7)	
Number of registered sales representatives	703	694	1	
Number of licensed retail bankers	2,985	2,581	16	
PRIVATE CLIENT SERVICES:				
Number of Private Client advisors	658	777	(15)%	
Number of Private Client offices	105	104	1	
Client Assets:				
Assets under management (in billions)	$ 48.8	$ 60.6	(19)	
Ending Balances (in billions):				
Loans	6.8	6.6	3	
Deposits	7.0	6.7	4	
Average Balances (in billions):				
Loans	6.8	6.5	5	$ 6.8
Deposits	6.8	6.8	-	6.9

Quarterly Results

Investment Management reported third quarter net income of $101 million, up $15 million, or 18%, from the year-ago quarter, reflecting a $33 million, or 8%, increase in revenue partially offset by higher provision. Compared to the prior quarter, net income increased $18 million, or 22%, reflecting modest revenue growth, lower expenses and lower provision expense.

Period-end assets under management were $130.8 billion, down 2% from the year-ago quarter and 1% from the second quarter, driven by the drop in the equity markets late in the quarter. One Group(R) mutual fund assets under management increased to $75.3 billion in the third quarter, a 9% increase year-over-year and a 1% increase from the second quarter. Overall, One Group net fund flows remained positive. In the third quarter, the mix of assets under management shifted from equity assets to money market and fixed income as the equity markets declined. Equity assets declined 13% from the second quarter, while both money market and fixed income assets increased 6%.

During the third quarter, overall One Group funds performance remained strong. The percent of client assets in funds rated 4 and 5 by Morningstar at September 30, 2001, was 61%, up from 54% in the second quarter, while 90% of assets were in funds rated three stars or higher, down from 95% in the second quarter.

Net interest income totaled $106 million, up $2 million, or 2%, from the year-ago period primarily due to a 5% increase in average loans.

Noninterest income was $317 million, up $31 million, or 11%, from the year-ago quarter. Beginning in the 2000 fourth quarter, fees associated with the in-house administration of the One Group mutual funds were recorded as revenue, with a corresponding increase in expense. Prior to that, a third-party administrator incurred such fees and expenses, which totaled $24 million in the third quarter. Excluding the impact of this change, noninterest income was up $7 million from a year ago and $9 million from the second quarter, driven primarily by an increase in sales of annuity products.

Retail brokerage sales of mutual funds and annuities were $1.2 billion in the third quarter, an increase of $203 million, or 20%, from the year-ago quarter, and $90 million, or 8%, from the second quarter. Annuity sales were robust with growth rates of 69% from a year ago and 17% from the prior quarter, partially offset by weaker mutual fund sales.

Noninterest expense of $253 million was essentially unchanged from the year-ago quarter. Excluding the expenses associated with the administration of the One Group funds, non-interest expense declined 8% from the year-ago quarter and 6% from the second quarter, driven by lower headcount, tighter cost controls and reduced operating losses. The efficiency ratio in the current quarter was 60%, down from 65% in both the year-ago and second quarters.

Year-to-Date Results-Adjusted Basis

Investment Management reported 2001 net income of $266 million, up $20 million, or 8%, from the year ago period. Net interest income was $317 million, up $12 million, or 4% from 2000.

Noninterest income was $932 million, up $71 million, or 8%, from the year ago period. Excluding the impact of the in-house administration of the One Group mutual funds, noninterest income was essentially flat. For the 2001 period, retail brokerage sales of mutual funds and annuities were $3.5 billion, an increase of 5%, from the year ago period reflecting an increase in annuity sales partially offset by slower mutual funds sales.

Noninterest expense was $798 million, up $26 million or 3% from the year ago period. Excluding the expenses associated with the administration of the One Group funds, noninterest expense declined 5%, driven by lower headcount and waste reduction initiatives.

Corporate/Unallocated

Corporate/Unallocated includes Treasury, unallocated corporate expenses, and any gains or losses from corporate transactions. Corporate/Unallocated includes the fixed income and principal investment portfolios previously reported in Corporate Investments. Results for prior periods conform to the current line of business organization.

(Dollars in millions)	Three Months Ended September 30 2001	2000	% Change	Nine Months 2001
Net interest income-FTE basis	$ (141)	$ (147)	4%	$ (582)
Non-deposit service charges	3	N/A		(5)
Credit card revenue	(1)	N/A		(2)
Service charges on deposits	7	N/A		15
Fiduciary and investment management fees	-	N/A		1
Investment securities losses	(30)	N/A		(58)
Trading	(11)	N/A		(28)
Other income	34	N/A		240
Noninterest income	2	99	(98)	163
Total revenue (loss)	(139)	(48)	N/M	(419)
Provision for credit losses	-	-		-
Salaries and employee benefits	146	N/A		410
Other expense	(44)	N/A		(235)
Noninterest expense	102	180	(43)	175
Pretax loss-FTE basis	(241)	(228)	(6)	(594)
Tax benefit and FTE basis adjustment	(106)	(101)	(5)	(291)
Net loss	$ (135)	$(127)	(6)	$ (303)
FINANCIAL PERFORMANCE:				
Headcount-full-time	11,786	13,694	(14)%	

(Dollars in millions)	Three Months Ended September 30 2001	2000	% Change	Nine Mont 2001
ENDING BALANCES (in billions):				

Loans	$ 0.4	$ 0.4	-		
Assets	49.4	47.3	4%		
Deposits	21.9	30.5	(28)		
Common equity	(0.8)	(0.9)	11		
AVERAGE BALANCES (in billions):					
Loans	$ 0.8	$ 0.5	60%	$ 0.8	$
Assets	46.3	45.0	3	46.7	
Deposits	23.3	26.7	(13)	25.9	
Common equity	(1.1)	(0.9)	(22)	(1.4)	

Quarterly Results

Corporate/Unallocated reported a net loss of $135 million, compared with net losses of $127 million in the year-ago quarter and $80 million in the second quarter.

Net interest expense was $141 million in the third quarter, relatively unchanged from a year ago. The $99 million improvement from the second quarter reflected the benefit of lower interest rates.

Noninterest income was $2 million in the third quarter, compared to $99 million in the year-ago quarter and $130 million in the second quarter. The current quarter included write-downs in the venture capital portfolio that were partially offset by gains on the sale of investment securities and other corporate transactions. Noninterest expense was $102 million in the third quarter, down from $180 million one year ago.

Year-to-Date Results-Adjusted Basis

Corporate/Unallocated reported a net loss of $303 million, compared with a net loss of $88 million in the prior year. Venture capital results were the principal cause of the reduction.

Net interest expense was $582 million, compared to $330 million from the year ago period. The $252 million decrease was due to management accounting changes, which transferred income to the lines of business, and lower capital.

Noninterest income declined $332 million to $163 million, or 67%, driven by deterioration in the equity market which caused declined venture capital portfolio results. Additionally, the results included gains of $166 million pretax on corporate transactions, compared with $39 million pretax in the prior year.

Noninterest expense was $175 million, down 53% from the 2000 period, reflecting lower asset write-offs and severance-related expenses. The year-over-year improvement in noninterest expense also reflects the 14% decrease in headcount.

2000 Second Quarter Significant Items

Results in the nine-months ended September 30, 2000 included the negative impact of $1.913 billion after tax ($2.940 billion pre-tax), or $1.66 per share, of significant items. Excluding the impact of these items, operating earnings for the nine-months ended September 30, 2000 were $1.914 billion, or $1.65 per diluted share. The tables below reconcile 2000 managed results with results adjusted for the significant items.

2000 Year to Date Significant Items -- Table 1

(Dollars in millions)	Nine Months Ended September 30, 2001 Actual	Nine Months Ended September 30, 2000 Actual	Adjustments	Adjusted	Nine Months E September 30, Actual vs. Nine Months September 30, Actual
Consolidated					
Net interest income	$10,002	$10,187	$ (9)	$10,196	$ (185)
Noninterest income	4,359	2,898	(1,361)	4,259	1,461
Provision for credit losses ...	4,359	4,406	674	3,732	(47)
Noninterest expense	6,845	8,761	896	7,865	(1,916)
Net income	2,097	1	(1,913)	1,914	2,096
Retail					
Net interest income	$ 3,790	$ 3,668	$ (9)	$ 3,677	$ 122
Noninterest income	1,079	537	(425)	962	542
Provision for credit losses ...	692	506	11	495	186
Noninterest expense	2,651	3,058	73	2,985	(407)
Net income	981	406	(328)	734	575
Commercial Banking					
Net interest income	$ 2,021	$ 2,126	$ -	$ 2,126	$ (105)
Noninterest income	1,187	1,002	(44)	1,046	185
Provision for credit losses ...	749	1,138	628	510	(389)
Noninterest expense	1,650	1,710	1	1,709	(60)
Net income	577	238	(427)	665	339
First USA					
Net interest income	$ 4,455	$ 4,418	$ -	$ 4,418	$ 37
Noninterest income	999	435	(460)	895	564
Provision for credit losses ...	2,893	2,757	35	2,722	136
Noninterest expense	1,571	2,309	282	2,027	(738)
Net income (loss)	620	(135)	(492)	357	755
Investment Management					
Net interest income	$ 317	$ 305	$ -	$ 305	$ 12
Noninterest income	932	861	-	861	71
Provision for credit losses ...	25	6	-	6	19
Noninterest expense	798	781	9	772	17
Net income	266	240	(6)	246	26

Corporate / Unallocated					
Net interest income	$ (582)	$ (330)	$ -	$ (330)	$ (252)
Noninterest income	163	63	(432)	495	100
Provision for credit losses ...	-	-	-	-	-
Noninterest expense	175	903	531	372	(728)
Net loss	(303)	(748)	(660)	(88)	445

The significant items recorded in the second quarter 2000 by each business segment and income statement line are summarized as follows:

Business Segments -- Table 2

(In millions)	Retail	Commercial	First USA	Investment Management
Pretax expense (income):				
Provision for credit losses	$ -	$628	$ -	$ -
Writedown of auto lease residuals	307			
Repositioning of investment securities portfolio				
Operational and other	44	45	27	9
Writedown of interest-only strip			354	
Occupancy and fixed asset related				
Writedown of purchased credit card relationship intangibles			275	
Writedowns primarily related to planned loan sales (1)	167			
Increase to legal accruals				
Writedown of marketing partnership agreements			121	
Total	$518	$673	$777	$ 9
After tax	$328	$427	$492	$ 6

Income Statement line-Table 3

(In millions)	Retail	Commercial	First USA	Investment Management
Pretax expense (income):				
Net interest income	$ 9	$ -	$ -	$ -

Provision for credit losses	11	628	35	
Noninterest income:				
Credit card revenue			152	
Investment securities losses				
Trading		44		
Other income	425		308	
Total noninterest income	425	44	460	-
Noninterest expense:				
Salaries and employee benefits				
Other intangible amortization			275	9
Other expense	19	1		
Merger-related and restructuring charges	54		7	
Total noninterest expense	73	1	282	9
Pretax expense	$518	$673	$777	$ 9

(1) At December 31, 2000, Management discontinued its plan to dispose of these loans and are now considered part of the general portfolio.

CONSOLIDATED RESULTS

Summary of Financial Results

The Corporation reported net income of $754 million, or $0.64 per diluted share, for the third quarter of 2001, compared to net income of $581 million, or $0.50 per diluted share, for the third quarter of 2000.

For the nine months ended September 30, 2001, the Corporation reported net income of $2.097 billion, or $1.78 per diluted share, compared to net income of $1 million, or a loss of $0.01 per share after preferred dividends, for the nine months ended September 30, 2000. The year-to-date 2001 results included a $44 million after tax ($69 million pre-tax) charge, or $0.04 per diluted share, for the cumulative effect of the change in accounting principle (see Note 2 to the consolidated financial statements). The impact of the 2000 significant items, noted in tables 1-3 above, amounted to $1.66 per diluted share for the nine months ended September 30, 2000.

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. Net interest margin measures how efficiently the Corporation uses its earning assets and underlying capital.

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:

(Dollars in millions)	Three Months Ended September 30 2001	2000	% Change	Nine Months En 2001	2
Managed:					
Net interest income-FTE basis	$ 3,450	$ 3,346	3%	$ 10,002	$ 1
Average earning assets	276,239	285,371	(3)	279,219	28
Net interest margin	4.95%	4.66%		4.79%	
Reported:					
Net interest income-FTE basis	$ 2,193	$ 2,242	(2)%	$ 6,496	$
Average earning assets	235,352	242,516	(3)	238,861	24
Net interest margin	3.70%	3.68%		3.64%	

Managed net interest income and net interest margin improved for the third quarter of 2001 compared to the third quarter of 2000. This improvement reflected the addition of the Wachovia credit card portfolio as well as the benefit of lower interest rates. Managed net interest margin for the nine-month period was unchanged from a year ago, while managed net interest income declined reflecting reduced loan volumes partially offset by the Wachovia portfolio and lower interest rates.

Noninterest Income

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

(Dollars in millions)	Three Months Ended September 30 2001	2000	Percent Increase (Decrease)	Nine Months Septembe 2001
Non-deposit service charges	$ 445	$ 382	16%	$1,287
Credit card revenue (1)	372	337	10	1,017
Service charges on deposits	388	320	21	1,079
Fiduciary and investment management fees	190	196	(3)	561
Investment securities gains (losses)	(42)	47	N/M	(69)
Trading	70	58	21	196
Other income (loss)	35	62	(44)	288
Managed noninterest income	$1,458	$1,402	4%	$4,359

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(1) Excludes net credit card revenue due to securitization totaling $395 million in 2001 and $332 million in 2000 for the three months ended September 30. For the nine months ended September 30, the amounts totaled $892 million in 2001 and $945 million in 2000.

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

Managed non-deposit service charges increased from the year-ago quarter and prior nine months by $63 million and $153 million, respectively. These increases were primarily the result of increased annuity sales and fees associated with the in-house administration of the One Group mutual funds, which the Corporation began recording as revenue in the 2000 fourth quarter.

Managed credit card revenue in the third quarter of 2001 increased $35 million, or 10%, over the prior year period due to the addition of the Wachovia portfolio. For the first nine months of 2001, credit card revenue increased $238 million, or 31%, compared to the previous period primarily due to significant items recorded in 2000 (see table 3 on page 19).

Service charges on deposits increased $68 million for the third quarter of 2001 and $104 million for the first nine months of 2001 compared to the year-ago periods. A lower rate environment produced a shift to the payment of fees from net interest income in both these periods due to the lower value of customers' compensating deposit balances.

Investment securities losses were $42 million for the third quarter of 2001, compared to a gain of $47 million in the third quarter of 2000 and were primarily attributed to venture capital losses. For the nine months ended September 30, 2001, investment securities losses were $69 million due to venture capital losses and changes in market valuation.

Other income for the third quarter decreased $27 million, or 44%, compared to the previous year. This decrease primarily consists of losses on sale and write-downs of assets. For the first nine months of 2001, other income was $288 million compared to a $551 million loss in the first nine months of 2000. This improvement resulted from significant items recorded in 2000 (see table 3 on page 19).

Noninterest Expense

The components of noninterest expense for the periods indicated are:

(Dollars in millions)	Three Months Ended September 30 2001	Three Months Ended September 30 2000	Percent Increase (Decrease)	Nine M Sept 2001
Salaries and employee benefits:				
Salaries	$ 916	$ 991	(8)%	$2,72
Employee benefits	130	168	(23)	41
Total salaries and employee benefits	1,046	1,159	(10)	3,13
Occupancy expense	175	175	-	50
Equipment expense	107	135	(21)	34
Outside service fees and processing	303	345	(12)	87
Marketing and development	212	205	3	63
Telecommunications	105	88	19	30
Other intangible amortization	30	22	36	6
Goodwill amortization	17	17	-	5
Other	308	449	(31)	92
Total noninterest expense before merger-related and restructuring charges	2,303	2,595	(11)	6,84

Merger-related and restructuring charges	-	(2)	N/M	(
Total noninterest expense (1)	$ 2,303	$ 2,593	(11)	$6,84
Employees	75,801	81,291		
Efficiency ratio-managed basis	46.9%	54.6%		47.

(1) Certain capitalized expenses have been reclassified from salaries to other expenses in all periods.

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

Salaries and employee benefits, including certain severance charges, in the third quarter and first nine months of 2001 declined 10% from the year-ago periods. These decreases reflected expense savings from reduced headcount, lower incentive compensation and cost reductions associated with the modification of the Corporation's benefit plans.

Equipment expense in the third quarter and first nine months of 2001 decreased $28 million and $98 million, respectively, from the year-ago periods, primarily due to reduced furniture and equipment rental and lower maintenance and depreciation expense.

Outside service fees and processing expense decreased $42 million, or 12%, in the third quarter of 2001 and $259 million, or 23%, for the first nine months of 2001 compared to the year-ago periods. These decreases were primarily due to a reduction in consulting expense. The decrease for the first nine months also reflected reductions due to contract renegotiations and other waste-reduction initiatives.

Marketing and development expense increased slightly in the third quarter of 2001 compared to the prior year quarter due to increased advertising expenditures for First USA. For the first nine months of 2001, marketing and development expense decreased $57 million, or 8%, compared to the year-ago period as continued expense reductions in the Retail line of business more than offset increased expenditures for First USA.

Other intangible amortization expense increased $8 million in the third quarter of 2001 compared to the year-ago quarter due to the addition of the Wachovia credit card business. For the first nine months of 2001 expense decreased $309 million, or 82%, from the year-ago period, primarily due to significant items recorded in 2000 (see table 3 on page 19).

Other operating expense in the third quarter and first nine months of 2001 decreased compared to the year-ago periods by $141 million and $624 million, respectively. These decreases reflected the continuation of the Corporation's waste-reduction initiatives to lower expenses for such items as travel and entertainment and other miscellaneous items. Also contributing to the decline in the first nine months of 2001 were significant items recorded in the second quarter of 2000 (see table 3 on page 19).

The Corporation successfully converted the Texas/Louisiana deposit system during the 2001 third quarter. The Corporation is on track for the Arizona/Utah conversions in the fourth quarter and is working to complete the remaining system conversions around year-end 2002.

As previously announced, the Corporation anticipates a roughly $200 million after-tax restructuring charge in the 2001 fourth quarter for additional severance and real estate costs to accomplish more rapid expense reductions, accelerated systems conversions and other consolidations.

Applicable Income Taxes

The Corporation's income before income taxes and the cumulative effect of a change in accounting principle (see Note 2 to the consolidated financial statements), as well as applicable income tax expense and effective tax rate for each of the periods indicated are:

	Three Months Ended September 30		Nine Mont
(Dollars in millions)	2001	2000	2001
Income (loss) before income taxes and the cumulative effect of change in accounting principle	$1,093	$833	$3,064
Applicable income taxes (benefit)	339	252	923
Effective tax rate	31.0%	30.3%	30.1

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

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RISK MANAGEMENT

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

- Liquidity risk is the possibility of being unable to meet all current and future financial obligations in a timely manner.

- Market risk is the possibility that changes in future market rates or prices will make the Corporation's positions less valuable.

- Credit risk is the possibility of loss from borrowers and counterparties failing to perform according to the terms of a transaction.

- Operating risk, among other things, includes the risk of fraud by employees or persons outside the Corporation, the execution of unauthorized transactions by employees, and errors relating to transaction processing and systems.

The following discussion of the Corporation's risk management processes focuses primarily on developments since June 30, 2001. The Corporation's risk management processes for liquidity, market, credit and operating risks are described in detail in the Corporation's 2000 Annual Report on Form 10-K, beginning on page 20.

LIQUIDITY RISK MANAGEMENT

Liquidity is managed in order to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations in a timely manner. The Corporation considers strong capital ratios, credit quality and core earnings essential to retaining high credit ratings and, consequently, cost-effective access to market liquidity. In addition, a portfolio of liquid assets, consisting of federal funds sold, deposit placements and selected highly marketable investment securities, is maintained to meet short-term demands on liquidity.

The Corporation's ability to attract wholesale funds on a regular basis and at a competitive cost is fostered by strong ratings from the major credit rating agencies. The Corporation and its principal banks had the following long- and short-term debt ratings:

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

The Corporation's funding source mix at September 30, 2001 was consistent with that at June 30, 2001.

MARKET RISK MANAGEMENT

Overview

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices, as well as the correlation among these factors and their volatility. The portfolio effect of engaging in diverse trading activities helps reduce the potential impact of market risk on earnings. 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 that are designed to closely manage structural interest rate and foreign exchange rate risk.

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Value-At-Risk-Trading Activities

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

Value-at-risk is intended to measure the maximum fair value the Corporation could lose on a trading position, given a specified confidence level and time horizon. Value-at-risk limits and exposure are monitored on a daily basis 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 various statistical models and techniques for cash and derivative positions, including options.

The value-at-risk at September 30, 2001 and June 30, 2001 (in millions) is as follows:

	September 30, 2001	June 30, 2001
Risk Type		
Interest rate	$12	$11
Equity	1	1
Aggregate portfolio market risk	$13	$12

The activities covered by the table above reflect trading and other activities, including certain overseas balance sheet positions that are managed principally as trading risk. Value-at-risk from commodity price risk and exchange rate risk was immaterial.

Interest rate risk was the predominant type of market risk incurred during the third quarter of 2001. At September 30, 2001, approximately 92% of primary market risk exposures were related to interest rate risk. Exchange rate, equity and commodity risks accounted for 8% of primary market risk exposures.

Structural Interest Rate Risk Management

Interest rate risk exposure in the Corporation's "core" business (non-trading) 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 and monitored using sophisticated and detailed risk management tools, including earnings simulation modeling and economic value of equity sensitivity analysis, to capture both near-term and longer-term interest rate risk exposures.

Earnings simulation analysis, or earnings-at-risk, measures the sensitivity of pre-tax earnings to various interest rate movements. The base-case scenario is established using the implied forward curve. The comparative scenarios assume an immediate parallel shock of the forward curve in increments of +/- 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 a 12-month and 24-month horizon. 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 September 30, 2001 and June 30, 2001 is as follows:

	Immediate Change in Rates	
(In millions)	-100 bp	+100 bp
September 30, 2001	$ 215	$ (300)
June 30, 2001	$ 155	$ (163)

The increase in earnings sensitivity during the quarter is primarily due to the longer duration of the Corporation's earning assets.

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.

Foreign Exchange Risk Management

Whenever possible, foreign currency-denominated assets are funded with liability instruments denominated in the same currency. If a liability denominated in the same currency is not immediately available or desired, a forward foreign exchange or cross-currency swap contract is used to fully hedge the risk due to cross-currency funding.

To minimize the capital impact of translation gains or losses measured on an after-tax basis, the Corporation uses forward foreign exchange contracts to hedge the exposure created by investments in overseas branches and subsidiaries.

CREDIT RISK MANAGEMENT

In conducting its business operations, the Corporation is exposed to the risk that borrowers or counterparties may default on their obligations to the Corporation. These transactions create credit exposure that is reported both on and off the balance sheet. On-balance sheet credit exposure includes such items as loans. Off-balance sheet credit exposure includes unfunded credit commitments and other credit-related financial instruments.

In order to meet its credit risk management objectives, the Corporation maintains a risk profile that is diverse in terms of borrower concentrations, product type, and industry and geographic concentrations. Additional diversification of the Corporation's exposure is accomplished through syndication of credits, participations, loan sales, securitizations and other risk-reduction measures.

OPERATING RISK MANAGEMENT

In addition to being exposed to liquidity, market and credit risk, the Corporation is also exposed to numerous types of operating risk. Operating risk generally refers to the risk of loss resulting from the Corporation's operations, including, but not limited to, the risk of fraud by employees or persons outside the Corporation, the execution of unauthorized transactions by employees, errors relating to transaction processing and systems, and other breaches of the internal control system and compliance requirements. This risk of loss also includes the potential legal actions that could arise as a result of the operational deficiency or as a result of noncompliance with applicable regulatory standards.

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)	September 30 2001	June 30 2001	March 3 2001
Loans outstanding	$164,251	$166,576	$171,4
Average loans	165,416	169,140	173,6
Nonperforming loans	3,112	2,854	2,5
Other, including other real estate owned	116	97	1
Nonperforming assets	3,228	2,951	2,6
Allowance for credit losses	4,479	4,229	4,2
Net charge-offs	566	516	4
Nonperforming assets to related assets	1.96%	1.77%	1.
Allowance for credit losses/loans outstanding	2.73	2.54	2.
Allowance for credit losses/nonperforming loans	144	148	1
Net charge-offs/average loans	1.37	1.22	1.
Allowance for credit losses/net charge-offs	198	205	2

Loan Composition

For analytical purposes, the Corporation's loan portfolio is divided into commercial, consumer and credit card loan categories as follows for the periods indicated:

	September 30 2001		June 30 2001		March 31 2001		December 3 2000
(Dollars in millions)	Amount	% (1)	Amount	%1 (1)	Amount	% (1)	Amount
Loan Category							
Commercial:							
Domestic:							
Commercial	$ 57,865	26%	$ 59,308	26%	$ 63,071	28%	$ 65,270
Real estate:							
Construction	5,706	3	6,029	3	5,775	3	5,757
Other	15,482	7	15,923	7	16,710	7	16,778
Lease financing	5,627	2	5,634	3	5,734	2	5,818
Foreign	6,019	3	6,726	3	6,689	3	6,837

Total commercial ..	90,699	41	93,620	42	97,979	43	100,460
Consumer:							
Residential real estate	39,813	18	40,581	18	40,561	18	40,596
Automotive- loans / leases	18,959	8	19,707	9	19,955	8	20,741
Other	6,380	3	6,467	3	7,415	3	7,710
Total consumer ...	65,152	29	66,755	30	67,931	29	69,047
Credit card:							
On balance sheet	8,400	4	6,201	3	5,517	2	4,744
Securitized	58,353	26	56,814	25	58,515	26	62,241
Managed credit card	66,753	30	63,015	28	64,032	28	66,985
Total managed	$ 222,604	100%	$ 223,390	100%	$ 229,942	100%	$236,492
Total reported	$ 164,251		$ 166,576		$ 171,427		$174,251

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(1) Percentages shown for loan type are determined as a percentage of total managed loans.

For management purposes, the Corporation's loan portfolio is divided into Retail, Commercial Banking, First USA and other lines of business as follows for the periods indicated:

	September 30 2001		June 30 2001		March 31 2001	
(Dollars in millions)	Amount	% (1)	Amount	% (1)	Amount	% (1)
Line of Business						
Retail	$ 73,371	33%	$ 75,063	34%	$ 76,102	33%
Commercial Banking	75,000	34	77,602	35	82,233	36
Other lines of business	7,480	3	7,710	3	7,575	3
First USA:						
On balance sheet	8,400	4	6,201	3	5,517	2
Securitized	58,353	26	56,814	25	58,515	26
Managed credit card	66,753	30	63,015	28	64,032	28
Total managed	$222,604	100%	$223,390	100%	$229,942	100%
Total reported	$164,251		$166,576		$171,427	

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(1) Percentages shown for line of business are determined as a percentage of total managed loans.

Commercial Portfolio Concentrations

The Corporation's commercial loan portfolio primarily comprises Corporate Banking (including syndicated credits) and Middle Market Banking loans within Commercial Banking, and also includes small business loans originated by Retail.

The more significant borrower industry concentrations of the commercial loan portfolio are as follows:

	September 30, 2001		June 30, 2001		March 3
	Carrying		Carrying		Carrying
(Dollars in millions)	Amount	Percent	Amount	Percent	Amount
Commercial real estate	$21,188	23.4%	$21,952	23.4%	$22,485
Wholesale trade	5,298	5.8	5,874	6.3	5,783
Industrial materials	4,078	4.5	5,064	5.4	5,125
Oil and gas	3,707	4.1	3,745	4.0	4,040
Metals and products	3,574	3.9	3,793	4.1	3,841
Consumer staples	3,473	3.8	4,311	4.6	4,308
Other	49,381	54.5	48,881	52.2	52,397
Total commercial	$90,699	100.0%	$93,620	100.0%	$97,979

Commercial Real Estate

The commercial real estate segment of the portfolio is the largest product category and consists primarily of loans secured by real estate as well as certain loans that are real estate-related. This exposure includes loans and commitments that finance both owner-occupied and investment properties/projects.

Commercial real estate lending is conducted in several lines of business, with the majority of these loans originated by Corporate Banking primarily through its specialized National Commercial Real Estate Group. This group's focus is lending to targeted regional and national real estate developers, homebuilders and REITs/REOCs. As of September 30, 2001, this group's loan outstandings totaled $9.2 billion, or 44%, of the commercial real estate portfolio. Middle Market Banking originates primarily owner-occupied real estate loans located in the Middle Market footprint. At September 30, 2001, commercial real estate loans totaled $21.2 billion, or 23% of total commercial loans, compared with $22.0 billion, or 23% of total commercial loans, at June 30, 2001.

The commercial real estate loans for the National Commercial Real Estate Group by property type are as follows:

PROPERTY-TYPE (Dollars in millions)	September 30, 2001 Carrying Amount	September 30, 2001 Percent	June 30, 2001 Carrying Amount	June 30, 2001 Percent	March Carrying Amount
Retail	$ 1,632	17.7%	$ 1,618	17.5%	$ 1,582
Apartment complexes	1,571	17.0	1,504	16.3	1,520
Office buildings	1,298	14.0	1,342	14.5	1,346
REIT/REOC	1,310	14.2	938	10.2	991
Industrial	475	5.1	515	5.6	523
Lodging	308	3.3	337	3.6	375
Other	2,649	28.7	2,989	32.3	3,060
Total National Commercial Real Estate Group loans	9,243	100.0%	9,243	100.0%	9,415
Other commercial real estate loans (1)	11,945		12,709		13,070
Total commercial real estate loans	$21,188		$21,952		$22,485

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(1) Comprised primarily of Middle Market Banking loans secured by real estate.

The National Commercial Real Estate Group real estate portfolio is diverse, with no geographic concentrations greater than 10% of the portfolio at September 30, 2001.

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ASSET QUALITY

Nonperforming Assets

The Corporation defines nonperforming loans as commercial loans that are impaired and/or on nonaccrual status, consumer loans (i.e., non-credit card) greater than 90 days past due and restructured loans. These loans, along with assets primarily consisting of foreclosed real estate, represent nonperforming assets.

The Corporation's nonperforming loans by line of business and total nonperforming assets for the periods indicated are as follows:

(Dollars in millions)	September 30 2001	June 30 2001	March 31 2001
Nonperforming Loans:			
Retail	$ 1,158	$ 1,050	$ 959
Commercial Banking	1,901	1,752	1,544
Other lines of business	53	52	56

Total	3,112	2,854	2,559
Other, primarily other real estate owned	116	97	106
Total nonperforming assets	$ 3,228	$ 2,951	$ 2,665
Nonperforming assets/related assets	1.96%	1.77%	1.55%
Loans 90 days or more past due and accruing interest:			
Credit Card	$ 114	$ 59	$ 63
Other	9	9	7
Total	$ 123	$ 68	$ 70

The Corporation has experienced credit quality deterioration in a number of distinct market segments. The events of September 11/th/ are anticipated to adversely affect the economy, which may weaken credit quality in the coming quarters, the extent of which will be determined by the severity of the downturn. The Corporation has established processes for identifying potential problem areas of the portfolio, which currently include exposure to leveraged lending and acquisition finance activities, healthcare, automotive parts and manufacturing, business finance and leasing, professional services, miscellaneous transportation services, telecommunications and selected utilities. The Corporation will continue to monitor these potential risks.

The Corporation's net charge-offs by line of business for the periods indicated are as follows:

	September 30, 2001			June 30, 2001			
(Dollars in millions)	Net charge-offs	Average Balance	Net charge-off rate	Net charge-offs	Average balance	Net charge-off rate	Net charge-offs
Retail (1)	$ 209	$ 74,182	1.13%	$ 177	$ 75,279	0.94%	$ 166
Commercial banking	230	75,567	1.22	239	80,131	1.19	249
First USA	981	66,641	5.89	962	63,179	6.09	950
Other lines of business	9	7,732	-	13	7,763	-	-
Total-Managed (1)	1,429	224,122	2.55%	1,391	226,352	2.46%	1,365
Securitized	(863)	(58,706)		(875)	(57,212)		(876
Total-Reported	$ 566	$ 165,416	1.37%	$ 516	$ 169,140	1.22%	$ 489

December 31, 2000			
Net charge-	Average	Net charge-	Net charge-

	offs	balance	off rate	offs
Retail (1)	$ 159	$ 76,654	0.83%	$ 151
Commercial banking	259	86,616	1.20	109
First USA	887	65,631	5.41	828
Other lines of business	4	7,407	-	3
Total-Managed (1)	1,309	236,308	2.22%	1,091
Securitized	(822)	(60,720)		(772
Total-Reported	$ 487	$ 175,588	1.11%	$ 319

(1) September 30, 2001, June 30, 2001, and March 31, 2001 amounts exclude $14 million, $24 million and $40 million, respectively, of charge-offs relating to part of a portfolio that has been accounted for as loans held at a discount, but viewed for management purposes as charge-offs. In Management's view, the inclusion of these amounts in charge-offs more accurately reflects the performance of the portfolio. See Retail LOB discussion on page 3 for further detail.

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 and portfolio stress testing and Management's judgment. The allowance is based on ranges of estimates and is intended to be adequate but not excessive. Each quarter, reserves are formally estimated by each line of business and reviewed by the Corporate Risk Management Department and senior management.

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The following table shows the components of, by line of business, the change in the Corporation's allowance for credit losses for the periods indicated:

(In millions)	September 30 2001	June 30 2001	March 31 2001
Line of Business			
Balance, beginning of period	$ 4,229	$ 4,205	$ 4,110
Charge-offs:			
Retail (1)	246	222	216
Commercial Banking	256	266	287
First USA (1)	123	94	78
Other lines of business	11	14	5

Total charge-offs	636	596	586
Recoveries:			
Retail	37	45	50
Commercial Banking	26	27	38
First USA (1)	5	7	4
Other lines of business	2	1	5
Total recoveries	70	80	97
Net charge-offs:			
Retail (1)	209	177	166
Commercial Banking	230	239	249
First USA (1)	118	87	74
Other lines of business	9	13	--
Total net charge-offs	566	516	489
Provision for credit losses:			
Retail (1)	247	201	244
Commercial Banking	246	239	264
First USA (1)	118	87	74
Other lines of business	9	13	3
Total provision for credit losses	620	540	585
Transfers / other (2)	196	--	(1)
Balance, end of period	$ 4,479	$ 4,229	$ 4,205

(1) On a reported basis.
(2) Transfers to the allowance for credit losses as of September 30, 2001 primarily represent the addition of the Wachovia credit card portfolio and all periods reflect transfers from the allowance of allocable credit reserves associated with consumer loan sale transactions, including securitization transactions.

The composition of the Corporation's allowance for credit losses by line of business is as follows:

(Dollars in millions)	September 30, 2001		June 30, 2001		March 31, 2001	
Retail	$ 990	22%	$ 949	22%	$ 924	22%
Commercial Banking	3,067	68	3,056	72	3,058	72
First USA	397	9	197	5	197	5
Other lines of business	25	1	27	1	26	1
Total	$ 4,479	100%	$ 4,229	100%	$ 4,205	100%

Allowance as a % of

total loans:			
Retail	1.35%	1.27%	1.21%
Commercial Banking	4.09	3.94	3.72
First USA	4.73	3.18	3.58
Other lines of business	0.33	0.35	0.34
Total	2.73%	2.54%	2.45%

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses a variety of derivative financial instruments in its trading, asset and liability management, and corporate investment activities, as well as to manage certain currency translation exposures of foreign operations. These instruments include interest rate, currency, equity and commodity swaps, forwards, spot, futures, options, caps, floors, forward rate agreements, and other conditional or exchange contracts, and include both exchange-traded and over-the-counter contracts.

Accounting for Derivative Financial Instruments

Effective January 1, 2001, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended. The new standard significantly changed the accounting treatment for interest rate and foreign exchange derivatives the Corporation uses in its ALM activities. The new accounting treatment for ALM derivatives is described below. Cash flows from derivative financial instruments are reported net as operating activities.

Trading Derivative Instruments

The Corporation's accounting policies for derivatives used in trading activities have not changed as the result of SFAS No. 133. A detailed discussion of accounting for trading derivative instruments is presented in the Corporation's 2000 Annual Report on Form 10-K beginning on page 38.

ALM Derivative Instruments

Derivative financial instruments used in ALM activities, principally interest rate swaps, are classified as fair value hedges or cash flow hedges and are required to meet specific criteria. Such interest rate swaps are designated as ALM derivatives, and are linked to and adjust the interest rate sensitivity of a specific asset, liability, firm commitment, or anticipated transaction or a specific pool of transactions with similar risk characteristics. Interest rate swaps that do not meet these and the following criteria are designated as derivatives used in trading activities and are accounted for at estimated fair value.

Fair Value Hedge (primarily hedges of fixed rate interest-bearing instruments)-The change in fair value of both the hedging derivative and hedged item is recorded in current earnings. If a hedge is dedesignated prior to maturity, previous adjustments to the carrying value of the hedged item are recognized in earnings to match the earnings recognition pattern of the hedged item (e.g., level yield amortization if hedging an interest-bearing instrument).

Cash Flow Hedge (primarily hedges of variable rate interest-bearing instruments)-The effective portion of the change in fair value of the hedging derivative is recorded in Accumulated Other Adjustments to Stockholders' Equity ("AOASE") and the ineffective portion directly in earnings. Amounts in AOASE are reclassified into earnings in a manner consistent with the earnings recognition pattern of the underlying hedged item (generally, reflected in interest expense). The total amount of such reclassification into earnings is projected to be charges of $114 million after-tax

($180 million pre-tax) over the next twelve months. The maximum length of time exposure to the variability of future cash flows for forecasted transactions hedged is 15 months. If a hedge is dedesignated prior to maturity, previous adjustments to AOASE are recognized in earnings to match the earnings recognition pattern of the hedged item (e.g., level yield amortization if hedging an interest-bearing instrument) or immediately recognized in current earnings if the hedged item is sold. The effect on earnings from the discontinuance of cash flow hedges as the forecasted transaction was not likely to occur was immaterial.

Interest income or expense on most ALM derivatives used to manage interest rate exposure is recorded on an accrual basis, as an adjustment to the yield of the linked exposures over the periods covered by the contracts. This matches the income recognition treatment of that exposure, generally assets or liabilities carried at historical cost, that are recorded on an accrual basis. If all or part of a linked position is terminated, e.g., a linked asset is sold or prepaid, or if the amount of an anticipated transaction is likely to be less than originally expected, then the related pro rata portion of any unrecognized gain or loss on the swap is recognized in earnings at that time, and the related pro rata portion of the swap is subsequently accounted for at estimated fair value.

Hedges of the Net Investment in Foreign Operations

In order to minimize the capital impact of translation gains or losses measured on an after-tax basis, the Corporation uses forward foreign exchange contracts to hedge the exposure relating to the net investment in foreign operations. The effective portion of the change in fair value of the hedging derivatives is recorded in AOASE as part of the cumulative translation adjustment. The amount of after-tax gains included in the cumulative translation adjustment during the nine months ended September 30, 2001, related to hedges of the foreign currency exposures of net investments in foreign operations, totaled $7 million.

Income Resulting from Derivative Financial Instruments

The Corporation uses interest rate derivative financial instruments to reduce structural interest rate risk and the volatility of net interest margin. Net interest margin reflects the effective use of these derivatives. Without their use, net interest income for the three months ended September 30, 2001 and 2000, would have been lower by $17 million and $22 million, respectively. For the nine months ended September 30, 2001 and 2000, net interest income would have been lower by $38 million and $31 million, respectively.

The amount of hedge ineffectiveness recognized for cash flow and fair value hedges in the quarter-ended September 30, 2001 was insignificant. No component of a hedging derivative instrument's gain or loss is excluded from the assessment of fair value and cash flow hedge effectiveness.

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 table below shows the impact of these master netting agreements:

(In millions)	September 30, 200
Gross replacement cost..	$ 13,942
Less: Adjustment due to master netting agreements	(10,681)
Balance sheet credit exposure	$ 3,261

Asset and Liability Management Derivatives

Access to the derivatives market is an important element in maintaining the Corporation's desired interest rate risk position. In general, the assets and liabilities generated through ordinary business activities do not naturally create offsetting positions with respect to repricing, basis or maturity characteristics. Using derivative instruments, principally plain vanilla interest rate swaps (ALM swaps), interest rate sensitivity is adjusted to maintain the desired interest rate risk profile.

At September 30, 2001, the notional value of ALM interest rate swaps tied to specific assets or liabilities, firm commitments and forecasted transactions totaled $14.8 billion as follows:

(In millions)	Receive Fixed Pay Floating	Pay Fixed Receive Floating	
	Fair Value	Fair Value	Cash Flow
Interest rate swaps associated with:			
Investment securities......................	$ --	$ 50	$ --
Funds borrowed (including long-term debt) ..	10,239	--	4,522
Total	$10,239	$ 50	$4,522

Interest rate swaps used to adjust the interest rate sensitivity of securities and funds borrowed will not need to be replaced at maturity, since the corresponding asset or liability will mature along with the swap. Interest rate swaps designated as an interest rate related hedge of an existing fixed rate asset or liability are fair value type hedges. Conversely, interest rate swaps designated as an interest rate hedge of an existing variable rate asset or liability are cash flow type hedges. Management designates interest rate swaps as hedges of both fixed and variable rate assets and liabilities interchangeably. The type of hedge for accounting purposes is not a strategic consideration. The Corporation has an insignificant amount of hedges involving forecasted transactions and firm commitments, and no non-derivative instruments are designated as a hedge.

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 purposes entity which issues the beneficial interests. 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 enhancement 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 $198 million at September 30, 2001, 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 41-42 and pages 63-65 of the Corporation's 2000 Annual Report on Form 10-K.

The following comprised the Corporation's managed credit card loans at September 30, 2001:

(In millions)
Owned credit card loans-held in portfolio..
Owned credit card loans-held for future securitization ....
Seller's interest in credit card loans (investment securities) ....
Total credit card loans reflected on balance sheet ....
Securities sold to investors and removed from balance sheet ....
Managed credit card loans ....

At September 30, 2001, the estimated fair value of seller's interest and interest-only strip from credit card securitizations were as follows:

(In millions)...
Seller's interest ....
Interest-only strip
Total interests in credit card securitizations ....

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)	Reported	Credit Card Securitizations	Managed	Reported	Cre Secur
	Three Months Ended September 30, 2001			Three Months	
Net interest income-FTE basis	$ 2,193	$ 1,257	$ 3,450	$ 2,242	
Provision for credit losses	620	863	1,483	516	
Noninterest income	1,853	(395)	1,458	1,734	
Noninterest expense	2,303	-	2,303	2,593	
Net income	754	-	754	581	
Total average loans	$ 165,416	$ 58,706	$ 224,122	$ 173,259	
Total average earning assets	235,352	40,887	276,239	242,516	
Total average assets	265,846	40,887	306,733	273,014	
Net interest margin	3.70%	12.20%	4.95%	3.68%	
Credit card delinquencies over 30 days as a percentage of ending credit card loan balances	3.19%	4.41%	4.25%	2.70%	
Credit card delinquencies over 90 days as a percentage of ending credit card loan balances	1.40%	1.86%	1.80%	1.09%	
Net credit card charge-offs as a percentage of average credit card loan balances	5.94%	5.88%	5.89%	4.73%	
	Nine Months Ended September 30, 2001			Nine Months E	
Net interest income-FTE basis	$ 6,496	$ 3,506	$ 10,002	$ 6,727	
Provision for credit losses	1,745	2,614	4,359	1,891	
Noninterest income	5,251	(892)	4,359	3,843	
Noninterest expense	6,845	-	6,845	8,761	
Net income	2,097	-	2,097	1	
Total average loans	$ 169,381	$ 58,702	$ 228,083	$ 170,485	
Total average earning assets	238,861	40,358	279,219	240,227	
Total average assets	267,860	40,358	308,218	271,524	
Net interest margin	3.64%	11.61%	4.79%	3.74%	
Net credit card charge-offs as a percentage of average credit card loan balances	5.81%	5.94%	5.93%	5.15%	

Capital Management

Capital represents the stockholders' investment on which the Corporation strives to generate attractive returns. It is the foundation of a cohesive risk management framework and links return with risk. Capital supports business growth and provides protection to depositors and creditors.

In conjunction with the annual financial planning process, a capital plan is established to ensure that the Corporation and all of its subsidiaries have capital structures consistent with prudent management principles and regulatory requirements.

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 44 of the Corporation's 2000 Annual Report on Form 10-K.

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 has maintained a well-capitalized regulatory position for the past several years.

The tangible common equity to tangible managed assets ratio is also monitored. This ratio adds securitized credit card loans to reported total assets and is calculated net of total intangible assets. The tangible common equity to tangible managed assets ratio was 5.8% at September 30, 2001, and June 30, 2001. Tier 1 and Total Capital ratios were 8.4% and 8.2% and 11.7% and 11.6%, respectively, at September 30, 2001, and June 30, 2001.

The Corporation's capital ratios that adhere to regulatory guidelines appear in the table below:

	September 30 2001	June 30 2001	March 31 2001	December 31 2000	Septe 20
Risk-based capital ratios:					
Tier 1 (1)	8.4%	8.2%	7.8%	7.3%	7
Total (1)	11.7	11.6	11.2	10.8	10
Common equity/managed assets	6.5	6.2	6.0	6.0	5
Tangible common equity/tangible managed assets	5.8	5.8	5.6	5.5	5
Double leverage ratio	102	105	106	108	109
Dividend payout ratio	35	37	36	N/M	

N/M-Not meaningful.
(1) Excludes $190 million of preferred stock called for redemption as of September 30, 2001.

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

(In millions)	September 30 2001	June 30 2001	March 31 2001	December 2000

Regulatory risk-based capital:				
Tier 1 capital....................	$ 21,330	$ 21,243	$ 20,727	$ 19,8
Tier 2 capital	8,547	8,930	9,148	9,3
Total capital	$ 29,877	$ 30,173	$ 29,875	$ 29,1
Total risk-weighted assets	$ 254,943	$ 259,372	$ 266,077	$ 270,1

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

(In millions)	September 30 2001	June 30 2001	March 31 2001	December 2000
Goodwill	$ 1,577	$ 824	$ 841	$ 8
Other nonqualifying intangibles	289	273	299	3
Subtotal	1,866	1,097	1,140	1,2
Qualifying intangibles	442	205	205	2
Total intangibles	$ 2,308	$ 1,302	$ 1,345	$ 1,4

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 October 16, 2001, the Corporation declared a quarterly common cash dividend of 21 cents per share, payable on January 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 102% at September 30, 2001, 105% at June 30, 2001 and 109% at September 30, 2000. Trust Preferred Capital Securities of $3.315 billion for the third quarter of 2001, $2.790 billion for the second quarter of 2001, and $2.489 billion in the prior year quarter were included in capital for purposes of this calculation.

Stock Repurchase Program and Other Capital Activities

On September 17, 2001, the Corporation's Board of Directors approved the repurchase of up to $500 million of the Corporation's common stock. This buyback is part of the remaining 28.4 million shares of a buyback program authorized in May 1999. The timing of the purchases and the exact number of shares to be repurchased will depend on market conditions. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. In the third quarter 2001 the Corporation purchased 1.5 million shares of common stock at an average price of $29.47 per share, leaving 26.9 million shares available for repurchase under the buyback program.

On November 1, 2001, the Corporation redeemed all outstanding preferred stock with cumulative and adjustable dividends, Series B and C, totaling $190 million. The redemption price for both of the Series B and C preferred stock was $100.00 per share, plus accrued and unpaid dividends totaling $1.00 per share and $1.083 per share, respectively.

FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis included herein contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, the Corporation may make or approve certain statements in future filings with the Securities and Exchange Commission, 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.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believes", "anticipates", "expects", "intends", "plans", "estimates", "targets" or words of similar meaning or future or conditional verbs such as "will", "would", "should", "could" or "may".

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 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.

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Consolidated Balance Sheets
BANK ONE CORPORATION and Subsidiaries

(Dollars in millions)	September 30 2001	De
Assets		
Cash and due from banks	$ 16,553	$
Interest-bearing due from banks	3,307	
Federal funds sold and securities under resale agreements	9,459	
Trading assets	5,952	
Derivative product assets	3,261	
Investment securities	52,070	
Loans	164,251	
Allowance for credit losses	(4,479)	
Loans, net	159,772	
Premises and equipment, net	2,604	
Customers' acceptance liability	296	
Other assets	16,978	
Total assets	$ 270,252	$
Liabilities		
Deposits:		
Demand	$ 29,958	$
Savings	69,786	
Time:		
Under $100,000	21,741	
$100,000 and over	20,178	
Foreign offices	20,722	
Total deposits	162,385	
Federal funds purchased and securities under repurchase agreements	16,696	
Other short-term borrowings	10,901	
Long-term debt	41,046	
Guaranteed preferred beneficial interest in the Corporation's junior subordinated debt		

	3,315	
Acceptances outstanding	296	
Derivative product liabilities	2,743	
Other liabilities	12,488	
Total liabilities	249,870	
Stockholders' Equity		
Preferred stock	190	
Common stock-$0.01 par value	12	
Number of common shares (in thousands):		
	9/30/01	1
Authorized	4,000,000	2
Issued	1,181,382	1
Surplus	10,332	
Retained earnings	10,413	
Accumulated other adjustments to stockholders' equity	203	
Deferred compensation	(138)	
Treasury stock, at cost, 14,301,000, 21,557,000, and 25,096,000 shares, respectively	(630)	
Total stockholders' equity	20,382	
Total liabilities and stockholders' equity	$ 270,252	$

The accompanying notes are an integral part of this statement.

Consolidated Income Statements
BANK ONE CORPORATION and Subsidiaries

(In millions, except per share data)	Three Months E September 2001	
Net Interest Income:		
Interest income	$ 4,179	$
Interest expense	2,016	
Total net interest income	2,163	
Noninterest Income:		
Non-deposit service charges	445	
Credit card revenue	767	
Service charges on deposits	388	
Fiduciary and investment management fees	190	
Investment securities gains (losses)	(42)	
Trading	70	
Other income (losses)	35	

Total noninterest income	1,853
Total revenue, net of interest expense	4,016
Provision for credit losses	620
Noninterest Expense:	
Salaries and employee benefits	1,046
Occupancy expense	175
Equipment expense	107
Outside service fees and processing	303
Marketing and development	212
Telecommunications	105
Other intangible amortization	30
Goodwill amortization	17
Other	308
Total noninterest expense before merger and restructuring charges	2,303
Merger-related and restructuring charges	--
Total noninterest expense	2,303
Income (loss) before income taxes and cumulative effect of change in accounting principle	1,093
Applicable income taxes (benefit)	339
Income before cumulative effect of change in accounting principle	754
Cumulative effect of change in accounting principle, net of taxes of $25	--
Net Income	$ 754
Net Income (Loss) Attributable to Common Stockholders' Equity	$ 751
Earnings (loss) per share before cumulative effect of change in accounting principle:	
Basic	$ 0.64
Diluted	$ 0.64
Earnings (loss) per share:	
Basic	$ 0.64
Diluted	$ 0.64

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
BANK ONE CORPORATION and Subsidiaries

Accumulated
Other

(In millions)	Preferred Stock	Common Stock	Surplus	Retained Earnings	Adjustments to Stockholders' Equity	Co
Balance-December 31, 1999	$190	$12	$10,799	$ 11,037	$ (263)	
Net income (loss)				1		
Change in fair value, investment securities-available for sale, net of taxes					192	
Net income and changes in accumulated other adjustments to stockholders' equity				1	192	
Cash dividends declared:						
Common stock				(1,210)		
Preferred stock				(9)		
Issuance of stock			(146)			
Purchase of common stock						
Employee Stock Program			(59)			
Awards granted, net of forfeitures and amortization						
Other			(10)			
Balance-September 30, 2000	$190	$12	$10,584	$ 9,819	$ (71)	
Balance-December 31, 2000	$190	$12	$10,487	$ 9,060	$ (5)	
Net income				2,097		
Change in fair value, investment securities-available for sale, net of taxes					382	
Change in fair value of cash-flow type hedge derivative securities net of taxes					(171)	
Translation loss, net of hedge results and taxes					(3)	
Net income and changes in accumulated other adjustments to stockholders' equity				2,097	208	
Cash dividends declared:						
Common stock				(735)		
Preferred stock				(9)		
Issuance of stock			(157)			
Purchase of common stock						
Awards granted, net of forfeitures and amortization						
Other			2			
Balance-September 30, 2001	$190	$12	$10,332	$ 10,413	$ 203	

The accompanying notes are an integral part of this statement.

Consolidated Statement of Cash Flows
BANK ONE CORPORATION and Subsidiaries

(In millions)

Cash Flows from Operating Activities

Net income
Adjustments to reconcile net income to net cash (used in) provided by operating activities:
- Depreciation and amortization
- Cumulative effect of accounting change
- Provision for credit losses
- Investment securities losses, net
- Net decrease (increase) in net derivative product assets
- Net (increase) decrease in trading assets
- Net increase in other assets
- Net increase in other liabilities
- Merger-related and restructuring charges
- Other operating adjustments

Net cash provided by operating activities

Cash Flows from Investing Activities

Net increase in federal funds sold and securities under resale agreements
Securities available for sale:
- Purchases
- Maturities
- Sales

Credit card receivables securitized
Net decrease (increase) in loans
Purchase of Wachovia credit card business
Loan recoveries
Additions to premises and equipment
Proceeds from sales of premises and equipment
All other investing activities, net

Net cash provided by (used in) investing activities

Cash Flows from Financing Activities

Net (decrease) increase in deposits
Net increase (decrease) in federal funds purchased and securities under repurchase agreements
Net (decrease) in other short-term borrowings
Proceeds from issuance of long-term debt
Repayment of long-term debt
Purchase of common stock for treasury
Cash dividends paid
Proceeds from issuance of trust preferred capital securities
Proceeds from issuance of common and treasury stock
All other financing activities, net

Net cash (used in) provided by financing activities

Effect of Exchange Rate Changes on Cash and Cash Equivalents ....

Net (Decrease) Increase in Cash and Cash Equivalents ....
Cash and Cash Equivalents at Beginning of Period ....

Cash and Cash Equivalents at End of Period ....

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. Management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes that could differ from actual results. Certain prior-year financial statement information has been reclassified to conform to the current year's financial statement presentation.

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 Annual Report on Form 10-K for the year ended December 31, 2000.

Note 2-New and Pending Accounting Pronouncements

Accounting for Transfers and Servicing of Financial Assets and Liabilities

Effective April 1, 2001, the Corporation adopted SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Liabilities" ("SFAS No. 140"). On July 23, 2001, the FASB issued a Technical Bulletin that will delay the effective date of certain provisions of SFAS No. 140 relating to isolation in bankruptcy for banks subject to FDIC receivership and for certain other financial institutions. For these entities, the isolation provisions would be effective for transfers of financial assets occurring after December 31, 2001, except for transfers involving revolving credits such as credit card securitizations. An additional transition period was granted for securitizations involving revolving credits that ends three months after the earliest date at which sufficient approvals can be obtained to permit the necessary changes to existing master trusts to meet the isolation provisions, but in no event extend later than June 30, 2006. The new standard also provides revised guidance for an entity to be considered a qualifying special purpose entity ("QSPE") and requires additional disclosures concerning securitization activities and collateral. The impact of adopting SFAS No. 140 was not significant to the Corporation's financial position or net income.

Accounting for Derivative Instruments and Hedging Activities

Effective January 1, 2001, the Corporation adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), as amended. The new standard significantly changed the accounting treatment for interest rate and foreign exchange derivatives the Corporation uses in its asset and liability management activities. The Corporation's accounting for derivatives used in trading activities has not changed as the result of SFAS No. 133. Hedging derivatives are now recognized on the balance sheet at fair value as either assets or liabilities. Hedge ineffectiveness, if any, is calculated and recorded in current earnings. The accounting for the effective portion of the change in value of a hedging derivative is based on the nature of the hedge. See "Derivative Financial Instruments" on page 31 for detailed information on the Corporation's strategy in using derivative instruments in its asset and liability management and trading activities, as well as the new accounting principles and disclosure for derivative instruments pursuant to SFAS No. 133.

Recognition and Impairment of Certain Investments

Effective April 1, 2001, the Corporation adopted Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" ("EITF No. 99-20"). Under EITF No. 99-20, impairment on certain beneficial interests in securitized assets must be recognized when the asset's fair value is below its carrying value and there has been an adverse change in estimated cash flows. The effect of adopting EITF No. 99-20 was a one-time, non-cash charge to earnings of $44 million after-tax ($69 million pre-tax) or $0.04 per diluted share. This charge has been presented as a cumulative effect of a change in accounting principle in the income statement. The securities impacted by EITF No. 99-20 primarily involved collateralized debt obligations.

Business Combinations and Goodwill and Other Intangible Assets

In July 2001, SFAS No. 141, "Business Combinations" ("SFAS No. 141") and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142") were issued. SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination and the accounting for goodwill and other intangible assets subsequent to their acquisition. SFAS No. 142 provides that intangible assets with finite useful lives be amortized and that goodwill and intangible assets with indefinite lives not be amortized, but rather be tested at least annually for impairment. SFAS No. 142 is effective January 1, 2002 for calendar year companies, however, any acquired goodwill or intangible assets recorded in transactions closed subsequent to June 30, 2001 will be subject immediately to the nonamortization and amortization provisions of SFAS No. 142. As required under SFAS No. 142, the Company will discontinue the amortization of goodwill with an expected net carrying value of $789 million at the date of adoption and annual amortization of $70 million that resulted from business combinations prior to the adoption of SFAS No. 141. However, the Company continues to evaluate the additional effect, if any, that adoption of SFAS No. 141 and SFAS No. 142 will have on the Company's consolidated financial statements.

Impairment or Disposal of Long-Lived Assets

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), which is effective for financial statements issued for fiscal years beginning after December 15, 2001. SFAS No. 144 addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. The Corporation currently believes that the impact, if any, of adopting this statement will not be significant to its financial position and net income.

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 September 30		Nine M Sep
(In millions, except per share data)	2001	2000	2001
Basic:			
Income before cumulative effect of accounting change	$ 754	$ 581	$ 2,14
Cumulative effect of accounting change	--	--	(4
Net income	754	581	2,09
Preferred stock dividends	(3)	(3)	(
Net income (loss) attributable to common stockholders' equity	$ 751	$ 578	$ 2,08
Diluted:			
Income before cumulative effect of accounting change	$ 754	$ 581	$ 2,14
Cumulative effect of accounting change	--	--	(4
Net income (loss)	754	581	2,09
Interest on convertible debentures, net of tax	--	1	-
Preferred stock dividends	(3)	(3)	(
Diluted income (loss) available to common stockholders	$ 751	$ 579	$ 2,08
Average shares outstanding	1,168	1,156	1,16
Dilutive shares:			
Stock options	7	8	
Convertible debentures	--	3	-
Employee stock purchase plan	1	--	
Average shares outstanding assuming full dilution	1,176	1,167	1,17

Earnings (loss) per share before cumulative effect of change in

accounting principle:			
Basic	$ 0.64	$ 0.50	$ 1.8
Diluted	$ 0.64	$ 0.50	$ 1.8
Earnings (loss) per share:			
Basic	$ 0.64	$ 0.50	$ 1.7
Diluted	$ 0.64	$ 0.50	$ 1.7

Note 4-Acquisition

On July 27, 2001 the Corporation completed its cash purchase of Wachovia's approximately $7.5 billion portfolio of consumer credit card receivables. The acquisition was accounted for under the provisions of SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. The first component of the transaction was the primary portfolio of $6.2 billion in receivables of credit card holders who are not customers of Wachovia's retail bank. The second component was the agent bank portfolio of $1.3 billion. On September 7, 2001 the Corporation announced its agreement with Wachovia to end the agent bank relationship and sell back to Wachovia the approximately $1.3 billion of consumer credit card receivables of customers who also have a Wachovia retail banking relationship. Under the terms of the agreement, Wachovia paid a $350 million termination fee and will reimburse the Corporation for the premium paid for the repurchased receivables and conversion costs related to the repurchase. The Corporation expects the primary Wachovia portfolio to add approximately $100 million annually to after-tax earnings.

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Note 5-Second Quarter 2000 Restructuring Charge

Actions under this restructuring plan have been completed, with only payments of identified obligations remaining, which consist primarily of lease obligations. Unpaid amounts totaled $59 million as of September 30, 2001, and will be paid as required over the contract period.

Note 6-Business Segments

The information presented on page 2 is consistent with the content of operating segments data provided to the Corporation's management. The Corporation's management currently 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.

During the third quarter, certain organizational changes were made impacting the Corporate Investments and Commercial Banking businesses. The tax-oriented portfolio of Corporate Investments was transferred to Commercial Banking, while the principal investments and fixed income portfolios were transferred to Corporate/Unallocated. All results for prior periods conform to the current line of business organization.

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

Data presented in the line of business tables prior to the caption entitled "Financial Performance" are included in the "Business Segments" section (see pages 2-19 for details).

Note 7-Interest Income and Interest Expense

Details of interest income and expense are as follows:

(In millions)	Three Months Ended September 30 2001	2000
Interest Income		
Loans, including fees	$ 3,191	$ 3,919
Bank balances	19	138
Federal funds sold and securities under resale agreements	96	168
Trading assets	78	139
Investment securities	795	821
Total	4,179	5,185
Interest Expense		
Deposits	1,163	1,619
Federal funds purchased and securities under repurchase agreements	145	311
Other short-term borrowings	113	319
Long-term debt	595	728
Total	2,016	2,977
Net Interest Income	2,163	2,208
Provision for credit losses	620	516
Net Interest Income After Provision for Credit Losses	$ 1,543	$ 1,692

Note 8-Fair Value of Financial Instruments

The carrying values and estimated fair values of financial instruments as of September 30, 2001 have not materially changed on a relative basis from the carrying values and estimated fair values of financial instruments disclosed as of December 31, 2000.

Note 9-Guaranteed Preferred Beneficial Interest in the Corporation's Junior Subordinated Debt

As of September 30, 2001 the Corporation has sponsored ten trusts with a total aggregate issuance of $3.315 billion in trust preferred securities as follows:

(Dollars in millions)	Trust Preferred Issuance Date	Trust Preferred Initial Liquidation Value	Trust Preferred Distribution Rate	Junior Subordina Initial Principal Amount	Matur
Capital VI	September 28, 2001	$525	7.20%	$541.2	October 15
Capital V	January 30, 2001	300	8.00%	309.3	January 30
Capital IV	August 30, 2000	160	3-mo LIBOR plus 1.50%	164.9	September
Capital III	August 30, 2000	475	8.75%	489.7	September
Capital II	August 8, 2000	280	8.50%	288.7	August 15,
Capital I	September 20, 1999	575	8.00%	593	September
First Chicago NBD Capital 1	January 31, 1997	250	3-mo LIBOR plus 0.55%	258	February 1
First USA Capital Trust I (2)	December 20, 1996	200	9.33%	206.2	January 15
First Chicago NBD Institutional Capital A	December 3, 1996	500	7.95%	515	December 1
First Chicago NBD Institutional Capital B	December 5, 1996	250	7.75%	258	December 1

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

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

Note 10-Supplemental Disclosures for Accumulated Other Adjustments to Stockholders' Equity

Accumulated other adjustments to stockholders' equity is as follows:

(In millions)

Fair value adjustment on investment securities-available for sale:
- Balance, beginning of period
- Change in fair value, net of taxes of $(222) and $24, for the nine months ended September 30, 2001 and 2000, respectively
- Reclassification adjustment, net of taxes of $8 and $(131), for the nine months ended September 30, 2001 and 2000, respectively
- Balance, end of period

Fair value adjustment on derivative instruments-cash flow type hedges:
- Balance, beginning of period
- 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 $65, for the nine months ended September 30, 2001
- Net reclassification into earnings, net of taxes of $29, for the nine months ended September 30, 2001
- Balance, end of period

Accumulated translation adjustment:
- Balance, beginning of period
- Translation gain (losses), net of hedge results and taxes
- Balance, end of period

Total accumulated other adjustments to stockholders' equity

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, 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.

Note 12-Investment Securities

The following is a summary of the available for sale investment portfolio:

September 30, 2001 (In millions)	Amortized Cost	Gross Unrealized Gains	Gross Un Los
U.S. Treasury....................................	$ 1,445	$ 33	$(
U.S. government agencies	21,124	490	
States and political subdivisions	1,281	39	
Interests in credit card securitized receivables...	18,382	77	
Other debt securities	5,162	41	(
Equity securities (1)	2,458	2	(
Total available for sale securities	$49,842	$682	$(
Venture capital 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.

Selected Statistical Information
BANK ONE CORPORATION and Subsidiaries

Average Balances/Net Interest Margin/Rates

Three Months Ended	September 30, 2001			
(Income and rates on tax-equivalent basis) (Dollars in millions)	Average Balance	Interest	Average Rate	Av Ba
Assets				
Short-term investments	$ 12,704	$ 117	3.65%	$ 1
Trading assets	6,982	78	4.43	
Investment securities:				
U.S. government and federal agencies	21,655	312	5.72	2
States and political subdivisions	1,303	25	7.61	
Other	27,292	473	6.88	2
Total investment securities	50,250	810	6.40	4
Loans: (1)	165,416	3,204	7.68	16
Total earning assets (2)	235,352	$ 4,209	7.10%	23
Allowance for credit losses	(4,499)			(4
Other assets	34,993			33
Total assets	$ 265,846			$26

Liabilities and Stockholders' Equity				
Deposits-interest-bearing:				
Savings	$ 14,969	$ 42	1.11%	$ 1
Money market	53,189	305	2.28	4
Time	42,891	621	5.74	4
Foreign offices (3)	21,817	195	3.55	2
Total deposits-interest-bearing	132,866	1,163	3.47	13
Federal funds purchased and securities under repurchase agreements	17,038	145	3.38	1
Other short-term borrowings	11,217	113	4.00	1
Long-term debt (4)	42,862	595	5.51	4
Total interest-bearing liabilities	203,983	$ 2,016	3.92%	20
Demand deposits	28,576			2
Other liabilities	13,203			1
Preferred stock	190			
Common stockholders' equity	19,894			1
Total liabilities and stockholders' equity	$ 265,846			$ 2
Interest income/earning assets (2)		$ 4,209	7.10%	
Interest expense/earning assets		2,016	3.40	
Net interest margin		$ 2,193	3.70%	

(1) Nonperforming loans are included in average balances used to determine the average rate.
(2) Includes tax-equivalent adjustments based on federal income tax rate of 35%.
(3) Includes international banking facilities' deposit balances in domestic offices and balances of Edge Act and overseas offices.
(4) Includes trust preferred capital securities.

March 31, 2001			December 31, 2000			September	
Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Inter
$ 12,221	$ 185	6.14%	$ 16,272	$ 272	6.65%	$ 18,673	$ 3
5,703	83	5.90	6,140	101	6.54	8,252	1
19,327	274	5.75	14,765	228	6.14	12,163	2
1,269	24	7.67	1,283	25	7.75	1,308	
30,141	572	7.70	29,485	620	8.37	28,861	6
50,737	870	6.95	45,533	873	7.63	42,332	8

173,677	3,816	8.91	175,588	3,961	8.97	173,259	3,9
242,338	$4,954	8.29%	243,533	$5,207	8.51%	242,516	$ 5,2
(4,216)			(3,499)			(3,036)	
31,392			33,319			33,534	
$ 269,514			$ 273,353			$273,014	

$ 15,491	$ 51	1.34%	$ 15,543	$ 57	1.46%	$ 16,287	$
47,006	384	3.31	47,084	429	3.62	47,080	4
47,267	743	6.38	47,480	759	6.36	45,906	7
24,081	342	5.76	25,950	397	6.09	26,228	4
133,845	1,520	4.61	136,057	1,642	4.80	135,501	1,6
17,129	231	5.47	18,564	284	6.09	19,331	3
18,252	283	6.29	17,833	292	6.51	18,933	3
41,781	702	6.81	41,395	742	7.13	41,018	7
211,007	$2,736	5.26%	213,849	$2,960	5.51%	214,783	$ 2,9
26,827			27,194			26,456	
12,675			12,943			12,706	
190			190			190	
18,815			19,177			18,879	
$ 269,514			$ 273,353			$273,014	
	$4,954	8.29%		$5,207	8.51%		$ 5,2
	2,736	4.58		2,960	4.84		2,9
	$2,218	3.71%		$2,247	3.67%		$ 2,2

Selected Statistical Information

BANK ONE CORPORATION and Subsidiaries

Average Balances/Net Interest Margin/Rates

Nine Months Ended	September 30, 2001		
(Income and rates on tax-equivalent basis) (Dollars in millions)	Average Balance	Interest	Average Rate
Assets			
Short-term investments	$ 13,327	$ 474	4.76%
Trading assets	6,658	246	4.94
Investment securities:			

U.S. government and federal agencies	20,340	868	5.71
States and political subdivisions	1,279	72	7.53
Other	27,876	1,490	7.15
Total investment securities	49,495	2,430	6.56
Loans: (1)	169,381	10,428	8.23
Total earning assets (2)	238,861	$ 13,578	7.60%
Allowance for credit losses	(4,320)		
Other assets	33,319		
Total assets	$ 267,860		
Liabilities and Stockholders' Equity			
Deposits-interest-bearing:			
Savings	$ 15,447	$ 138	1.19%
Money market	49,726	1,019	2.74
Time	45,253	2,052	6.06
Foreign offices (3)	22,885	786	4.59
Total deposits-interest-bearing	133,311	3,995	4.01
Federal funds purchased and securities under repurchase agreements	17,019	553	4.34
Other short-term borrowings	14,806	594	5.36
Long-term debt (4)	42,282	1,940	6.13
Total interest-bearing liabilities	207,418	$ 7,082	4.56%
Demand deposits	27,999		
Other liabilities	12,974		
Preferred stock	190		
Common stockholders' equity	19,279		
Total liabilities and stockholders' equity	$ 267,860		
Interest income/earning assets (2)		$ 13,578	7.60%
Interest expense/earning assets		7,082	3.96
Net interest margin		$ 6,496	3.64%

(1) Nonperforming loans are included in average balances used to determine the average rate.
(2) Includes tax-equivalent adjustments based on federal income tax rate of 35%.
(3) Includes international banking facilities' deposit balances in domestic offices and balances of Edge Act and overseas offices.
(4) Includes trust preferred capital securities.

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended September 30, 2001

OR

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

For the transition period from _____________ to _____________

Commission file number 001-15323

BANK ONE CORPORATION

(exact name of registrant as specified in its charter)

DELAWARE	31-0738296
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 BANK ONE PLAZA CHICAGO, ILLINOIS 60670

(Address of principal executive offices) (Zip Code)

312-732-4000

(Registrant's telephone number, including area code)

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

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

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 31, 2001.

Class	Number of Shares Outstanding
Common Stock $0.01 par value	1,166,044,287

Form 10-Q Cross-Reference Index

PART I-FINANCIAL INFORMATION

PART II-OTHER INFORMATION

PART II-OTHER INFORMATION

ITEM 1. Legal Proceedings

None

ITEM 2. Changes in Securities

None

ITEM 3. Defaults Upon Senior Securities

Not applicable

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

None

ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K

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

(b) The Registrant filed the following Current Reports on Form 8-K during the quarter ended September 30, 2001.

Date	Item Reported
July 17, 2001	Registrant's July 17, 2001 press release announcing its 2001 second quarter earnings.
July 27, 2001	Registrant's July 26, 2001 press release announcing highlights of its investor and analyst presentations that day.
September 7, 2001	Registrant's September 7, 2001 press release announcing that it and Wachovia Corporation will end their agent bank relationship.
September 17, 2001	Registrant's September 17, 2001 press release announcing its plan to repurchase up to $500 million of its common stock.

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	November 14, 2001	/s/ James Dimon
		James Dimon Principal Executive Officer
Date	November 14, 2001	/s/ Charles W. Scharf
		Charles W. Scharf Principal Financial Officer
Date	November 14, 2001	/s/ Melissa J. Moore
		Melissa J. Moore Principal Accounting Officer

BANK ONE CORPORATION

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
12	-Statement re computation of ratios.