UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2002

OR

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

Commission file number 001-15495

CHARTER ONE FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**34-1567092**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1215 Superior Avenue, Cleveland, Ohio	**44114**
(Address of principal executive offices)	(Zip Code)

(216) 566-5300
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since 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 __

The number of shares outstanding of the registrant's sole class of common stock as of October 31, 2002 was 225,989,503.

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

CHARTER ONE FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(unaudited)

	9/30/02	12/31/01
	(Dollars in thousands, except per share data)	
ASSETS		
Cash Accounts	$ 515,897	$ 472,658
Interest-bearing deposits with banks	9,152	8,355
Federal funds sold and other	1,105,511	35,507
Total cash and cash equivalents	1,630,560	516,520
Investment securities:		
Available for sale	213,684	129,312
Held to maturity (fair value of $4,969 and $6,467)	4,642	6,274
Mortgage-backed securities:		
Available for sale	8,805,687	8,030,512
Held to maturity (fair value of $677,054 and $1,022,658)	648,153	983,904
Loans and leases, net	25,351,352	25,396,071
Loans held for sale	287,891	332,629
Bank owned life insurance	819,664	808,231
Federal Home Loan Bank and Federal Reserve Bank stock	676,927	617,836
Premises and equipment	348,675	352,235
Accrued interest receivable	155,543	162,065
Real estate and other collateral owned	42,988	54,351
Loan servicing assets	126,646	139,840
Goodwill	386,372	350,839
Other assets	351,682	293,897
Total assets	$39,850,466	$38,174,516
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$27,086,505	$25,123,309
Federal Home Loan Bank advances	7,574,583	8,657,238
Federal funds purchased and repurchase agreements	54,347	203,259
Other borrowings	710,282	304,410
Advance payments by borrowers for taxes and insurance	47,578	54,103
Accrued interest payable	66,193	57,704
Accrued expenses and other liabilities	1,295,185	845,993
Total liabilities	36,834,673	35,246,016
Commitments and contingencies	—	—
Shareholders' equity:		
Preferred stock — $.01 par value per share; 20,000,000 shares authorized and unissued	—	—
Common stock — $.01 par value per share; 360,000,000 shares authorized; 227,577,813 and 224,855,827 shares issued	2,276	2,249
Additional paid-in capital	2,192,186	2,091,767
Retained earnings	732,731	811,093
Less 1,158,700 and 516,082 shares of common stock held in treasury at cost	(35,087)	(14,586)
Accumulated other comprehensive income	123,687	37,977
Total shareholders' equity	3,015,793	2,928,500
Total liabilities and shareholders' equity	$39,850,466	$38,174,516

See Notes to Consolidated Financial Statements.

CHARTER ONE FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended		Nine Months Ended	
	9/30/02	9/30/01	9/30/02	9/30/01
	(Dollars in thousands, except per share data)			
Interest income:				
Loans and leases	$ 410,237	$ 484,697	$ 1,253,132	$ 1,410,215
Mortgage-backed securities:				
Available for sale	135,099	89,819	388,000	257,156
Held to maturity	10,695	20,141	37,756	69,711
Investment securities:				
Available for sale	2,939	3,387	8,526	8,439
Held to maturity	61	88	192	324
Other interest-earning assets	9,729	10,850	27,119	32,355
Total interest income	568,760	608,982	1,714,725	1,778,200
Interest expense:				
Deposits	160,821	224,811	500,798	655,595
FHLB advances	103,729	122,214	311,372	386,147
Other borrowings	13,943	8,633	31,324	25,982
Total interest expense	278,493	355,658	843,494	1,067,724
Net interest income	290,267	253,324	871,231	710,476
Provision for loan and lease losses	47,695	27,109	131,689	61,913
Net interest income after provision for loan and lease losses	242,572	226,215	739,542	648,563
Other income:				
Retail banking	84,175	72,285	241,474	211,784
Mortgage banking	(36,961)	9,637	(16,503)	27,947
Leasing operations	404	2,230	991	3,768
Net gains	83,881	26,302	143,448	67,976
Bank owned life insurance and other	7,582	9,691	26,014	29,325
Total other income	139,081	120,145	395,424	340,800
Administrative expenses:				
Compensation and employee benefits	81,443	73,951	239,340	207,488
Net occupancy and equipment	30,288	27,051	86,485	80,226
Marketing expenses	11,788	6,554	30,629	22,246
Federal deposit insurance premiums	1,104	1,026	3,421	2,874
Amortization of goodwill(1)	—	4,039	—	12,117
Other administrative expenses	46,683	42,629	142,209	128,708
Total administrative expenses(1)	171,306	155,250	502,084	453,659
Income before income taxes(1)	210,347	191,110	632,882	535,704
Income taxes(1)	66,785	60,677	200,940	170,069
Net income(1)	$ 143,562	$ 130,433	$ 431,942	$ 365,635
Basic earnings per share(1)(2)	$ .63	$ .55	$ 1.87	$ 1.58
Diluted earnings per share(1)(2)	$ .61	$ .54	$ 1.82	$ 1.54
Average common shares outstanding(2):				
Basic	228,765,954	235,945,178	230,549,330	231,479,675
Diluted	235,615,457	242,108,371	237,653,561	237,371,716

(1) Effective September 30, 2002, the Company early adopted Statement of Financial Accounting Standards ("SFAS") No. 147, "Acquisitions of Certain Financial Institutions, an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9." In accordance with the transition provisions of SFAS No. 147, the Company reversed its amortization of goodwill related to branch acquisitions recognized in the consolidated financial statements since the Company's adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," on January 1, 2002. The amounts reversed to goodwill were $3.9 million, before tax, for the quarter ended March 31, 2002 and $3.8 million, before tax, for the quarter ended June 30, 2002, adding $.01 to previously reported earnings per share for each respective quarter.

(2) Restated to reflect the 5% stock dividend issued September 30, 2002.

See Notes to Consolidated Financial Statements.

CHARTER ONE FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended	
	9/30/02	9/30/01
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 431,942	$ 365,635
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	131,689	61,913
Net gains	(176,184)	(66,326)
Accretion of discounts, amortization of premiums, amortization of goodwill and depreciation, net (1)	131,768	82,912
Origination of loans held for sale	(1,652,269)	(1,159,814)
Proceeds from sale of loans held for sale	1,647,746	1,158,869
Increase in accrued interest payable	8,489	19,409
Other	431,304	269,713
Net cash provided by operating activities	954,485	732,311
Cash flows from investing activities:		
Net principal disbursed on loans and leases	(4,910,650)	(5,526,718)
Proceeds from principal repayments and maturities of:		
Mortgage-backed securities held to maturity	338,713	378,007
Mortgage-backed securities available for sale	1,267,603	779,379
Investment securities held to maturity	1,851	15,947
Investment securities available for sale	26,618	356,869
Proceeds from sale of:		
Mortgage-backed securities available for sale	9,054,320	2,990,729
Investment securities available for sale	1,642	9,656
Federal Home Loan Bank and Federal Reserve Bank stock	8,082	15,077
Purchase of:		
Mortgage-backed securities available for sale	(5,730,658)	(1,207,803)
Investment securities available for sale	(76,599)	(4,398)
Federal Home Loan Bank and Federal Reserve Bank stock	(42,657)	—
Loans	(12,727)	(54,032)
Loan servicing assets, including those originated	(71,453)	(49,059)
Net cash paid in connection with business combination	(90,425)	(50,245)
Other	(51,366)	96,193
Net cash used in investing activities	(287,706)	(2,250,398)
Cash flows from financing activities:		
Net decrease in short-term borrowings	(1,238,785)	(1,044,555)
Proceeds from long-term borrowings	424,209	935,410
Repayments of long-term borrowings	(24,237)	(669,750)
Increase in deposits	1,722,959	2,533,129
Decrease in advance payments by borrowers for taxes and insurance	(6,525)	(13,073)
Payment of dividends on common stock	(141,367)	(122,098)
Proceeds from issuance of common stock	53,747	41,381
Purchase of treasury stock	(342,740)	(107,155)
Net cash provided by financing activities	447,261	1,553,289
Net increase in cash and cash equivalents	1,114,040	35,202
Cash and cash equivalents, beginning of the period	516,520	531,257
Cash and cash equivalents, end of period	$ 1,630,560	$ 566,459
Supplemental disclosure of cash flow information:		
Cash paid for interest on deposits and borrowings	$ 977,446	$ 1,198,432
Cash paid for income taxes	4,500	3,500
Supplemental schedule of noncash activities:		
Loans exchanged for mortgage-backed securities	5,066,120	5,449,048

(1) Effective September 30, 2002, the Company early adopted Statement of Financial Accounting Standards (“SFAS”) No. 147, “Acquisitions of Certain Financial Institutions, an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9.” In accordance with the transition provisions of SFAS No. 147, the Company reversed its amortization of goodwill related to branch acquisitions recognized in the consolidated financial statements since the Company’s adoption of SFAS No. 142, “Goodwill and Other Intangible Assets,” on January 1, 2002. The amounts reversed to goodwill were $3.9 million, before tax, for the quarter ended March 31, 2002 and $3.8 million, before tax, for the quarter ended June 30, 2002, adding $.01 to previously reported earnings per share for each respective quarter.

See Notes to Consolidated Financial Statements.

CHARTER ONE FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Charter One Financial, Inc. (the "Company" or "Charter One") Annual Report on Form 10-K for the year ended December 31, 2001. The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the periods presented. Such adjustments are of a normal recurring nature. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year.

2. Charter One has one operating segment, consumer banking, which offers an array of products and services to its customers. Pursuant to its consumer banking strategy, emphasis is placed on building relationships and identifying cross-sell opportunities with its customers, as opposed to building specific lines of business. As a result, Charter One prefers to work as an integrated unit to customize solutions for its customers, with business line emphasis and product offerings changing over time as needs and demands change.

3. In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." These statements change the accounting for business combinations and goodwill. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method is prohibited. SFAS No. 142 changes the accounting for goodwill and certain intangible assets from an amortization method to an impairment-only approach. Any goodwill arising from business combinations initiated after June 30, 2001 is not amortized. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, goodwill and certain intangible assets must be tested for impairment and write-downs may be necessary. Additionally, amortization of goodwill recorded for past business combinations ceased upon adoption of SFAS No. 142 on January 1, 2002.

   SFAS No. 142 requires a transitional impairment test be applied to all goodwill within the first half of 2002 and any resulting impairment loss be reported as a change in accounting principle. The Company has performed a transitional impairment test on its goodwill assets as of January 1, 2002. No impairment loss was recognized as a result of this test.

   In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions, an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9." SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions," and FASB Interpretation No. 9, "Applying APB Opinions No. 16 and 17 When a Savings and Loan Association or a Similar Institution Is Acquired in a Business Combination Accounted for by the Purchase Method," provided interpretive guidance on the application of the purchase method to acquisitions of financial institutions. Except for transactions between two or more mutual enterprises, SFAS No. 147 removes acquisitions of financial institutions from the scope of both SFAS No. 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with SFAS No. 141 and SFAS No. 142. Thus, the requirement in SFAS No. 72 to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset no longer applies to acquisitions within the scope of SFAS No. 147. In addition, SFAS No. 147 amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used.

   In accordance with the transition provisions of SFAS No. 147, the Company reversed its amortization of goodwill related to branch acquisitions recognized in the consolidated financial statements since the Company's adoption of SFAS No. 142 on January 1, 2002. The amounts reversed to goodwill were $3.9 million, before tax, for the quarter ended March 31, 2002 and $3.8 million, before tax, for the quarter ended June 30, 2002, adding $.01 to previously reported earnings per share for each respective quarter. Quarterly financial information for the periods from January 1, 2002 through June 30, 2002, as restated for the Company's adoption of SFAS No. 147 is being provided on a supplemental basis. See Item 5 "Other Information" of this Form 10-Q for further discussion.

   The following table reconciles reported net income (restated for the early adoption of SFAS No. 147 discussed above) to pro forma adjusted net income for the three and nine months ended September 30, 2002 and 2001, respectively:

	Three Months Ended		Nine Months Ended	
	9/30/02	9/30/01	9/30/02	9/30/01
	(Dollars in thousands, except per share data)			
Reported net income	$143,562	$130,433	$431,942	$365,635
Add: Goodwill amortization, after tax	—	2,625	—	7,876
Adjusted net income	$143,562	$133,058	$431,942	$373,511
Basic earnings per share:				
Reported net income	$ .63	$ .55	$ 1.87	$ 1.58
Add: Goodwill amortization, after tax	—	.01	—	.03
Adjusted net income	$ .63	$ .56	$ 1.87	$ 1.61
Diluted earnings per share:				
Reported net income	$ .61	$ .54	$ 1.82	$ 1.54
Add: Goodwill amortization, after tax	—	.01	—	.03
Adjusted net income	$ .61	$ .55	$ 1.82	$ 1.57

4. On January 7, 2002, Charter One Bank, F.S.B. (the “Bank”) filed an application with the Office of the Comptroller of the Currency to convert from a thrift to a national bank. The conversion was effective May 7, 2002 and resulted in changing the Bank’s name to Charter One Bank, N.A. from Charter One Bank, F.S.B.

5. On May 24, 2002, the Company completed its acquisition of Charter National Bancorp, Inc. (“Charter National”), the holding company of Charter Bank in Wyandotte, Michigan. On May 24, 2002, Charter National had assets of $353.2 million and deposits of $242.3 million in eight branches located south of Detroit, Michigan. The Company paid $90.4 million in cash consideration and recorded $34.8 million of goodwill based on a preliminary determination of the estimated fair values of the assets and liabilities acquired as a result of this transaction. Additionally, the Company recorded $25.0 million as an indefinite-lived trademark name intangible. The Company accounted for this acquisition as a purchase under the new business combinations standards discussed in Note 3 above, and included the results of operations of Charter National in its Consolidated Financial Statements from the effective date of the acquisition. Pro forma results of operations for this acquisition, had the acquisition occurred as of January 1, 2002, are not significant and accordingly, are not provided.

6. Certain items in the consolidated financial statements for 2001 have been reclassified to conform to the 2002 presentation.

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

HOLDING COMPANY BUSINESS

The following financial review presents an analysis of the asset and liability structure of Charter One Financial, Inc. and a discussion of the results of operations for each of the periods presented.

General

Headquartered in Cleveland, Ohio, Charter One Financial, Inc., hereafter referred to as "Charter One" or the "Company," is a financial holding company. Charter One is a Delaware corporation and owns all of the outstanding capital stock of Charter One Bank, N.A., which we sometimes refer to in this document as the "Bank." The Bank's primary business is providing consumer banking services to certain major markets in Ohio, Michigan, Illinois, New York, Vermont and in some markets of Massachusetts. As of September 30, 2002, the Bank and its subsidiaries were doing business through 459 full-service branches, 26 loan production offices and 920 ATMs.

On January 7, 2002, Charter One Bank, F.S.B. filed an application with the Office of the Comptroller of the Currency ("OCC") to convert from a thrift to a national bank. The conversion was effective May 7, 2002 and resulted in changing the Bank's name to Charter One Bank, N.A. from Charter One Bank, F.S.B. References to Charter One Bank or the Bank shall mean Charter One Bank, N.A. or Charter One Bank, F.S.B. as the context requires.

Forward-Looking Statements

This document, including information incorporated by reference, contains, and future filings by Charter One on Form 10-K, Form 10-Q and Form 8-K and future oral and written statements by Charter One and its management may contain, forward-looking statements about Charter One which we believe are within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements with respect to anticipated future operating and financial performance, including revenue creation, lending origination, operating efficiencies, loan sales, charge-offs and loan loss provisions, growth opportunities, interest rates, acquisition and divestiture opportunities, and synergies, efficiencies, cost savings and funding advantages expected to be realized from prior acquisitions. Words such as "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify these forward-looking statements.

The important factors we discuss below, as well as other factors discussed elsewhere in this document and factors identified in our filings with the Securities and Exchange Commission and those presented elsewhere by our management from time to time, could cause actual results to differ materially from those indicated by the forward-looking statements made in this document.

The following factors, many of which are subject to change based on various other factors beyond our control, could cause our operating and financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements:

- the strength of the United States economy in general and the strength of the local economies in which we conduct our operations; general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in the credit quality of our loan assets;

- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;

- inflation, interest rate, market and monetary fluctuations;

- the timely development of and acceptance of new products and services of Charter One and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;

- the willingness of users to substitute competitors' products and services for our products and services;
- our success in gaining regulatory approval of our products and services, when required;
- the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); legislative or regulatory changes may adversely affect the business in which we are engaged;
- the impact of technological changes;
- acquisitions;
- changes in consumer spending and saving habits; and
- our success at managing the risks involved in the foregoing.

Forward-looking statements by Charter One and its management are based on beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions of management as of the date made and are not guarantees of future performance. Charter One disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise.

RESULTS OF OPERATIONS

Acquisition

On May 24, 2002, the Company completed its acquisition of Charter National Bancorp, Inc., the holding company of Charter Bank in Wyandotte, Michigan. On May 24, 2002, Charter National had assets of $353.2 million and deposits of $242.3 million in eight branches located south of Detroit, Michigan. The Company paid $90.4 million in cash consideration and recorded $34.8 million of goodwill based on a preliminary determination of the estimated fair values of the assets and liabilities acquired as a result of this transaction. Additionally, the Company recorded $25.0 million as an indefinite-lived trademark name intangible. The Company accounted for this acquisition as a purchase, and included the results of operations of Charter National in its Consolidated Financial Statements from the effective date of the acquisition. The merger of Charter Bank into the Bank was effective August 9, 2002.

Performance Overview

Figure 1 sets forth financial results and annualized performance ratios for the three and nine months ended September 30, 2002 and 2001. Per share data have been restated to reflect the 5% stock dividend issued September 30, 2002.

Selected Financial Results and Ratios *(Figure 1)*

	Three Months Ended		Nine Months Ended	
	9/30/02	**9/30/01**	**9/30/02**	**9/30/01**
	(Dollars in thousands, except per share data)			
Net income(1)	$143,562	$130,433	$431,942	$365,635
Diluted earnings per share(1)	.61	.54	1.82	1.54
Return on average assets(1)	1.46%	1.43%	1.50%	1.39%
Return on average equity(1)	18.89	17.81	19.47	18.05
Return on average tangible equity(1)(2)	21.70	19.84	22.38	19.90
Average equity to average assets(1)	7.72	8.03	7.68	7.69
Net interest income to administrative expenses(1)	1.69x	1.63x	1.74x	1.57x
Administrative expenses to average assets(1)	1.74%	1.70%	1.74%	1.72%
Efficiency ratio	39.90	40.49	39.64	42.00

(1) Effective September 30, 2002, the Company early adopted Statement of Financial Accounting Standards ("SFAS") No. 147, "Acquisitions of Certain Financial Institutions, an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9." In accordance with the transition provisions of SFAS No. 147, the Company reversed its amortization of goodwill related to branch acquisitions recognized in the consolidated financial statements since the Company's adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," on January 1, 2002. The amounts reversed to goodwill were $3.9 million, before tax, for the quarter ended March 31, 2002 and $3.8 million, before tax, for the quarter ended June 30, 2002, adding $.01 to previously reported earnings per share for each respective quarter.

(3) Computed as the ratio of net income, excluding the amortization of goodwill and other intangible assets, to average tangible equity.

Net Interest Income

Net interest income is the difference between the interest and dividend income earned on our loans and investments and the interest expense on our deposits and borrowings. Net interest income is our principal source of earnings. Net interest income is affected by a number of factors including the level, pricing and maturity of interest-earning assets and interest-bearing liabilities, interest rate fluctuations and asset quality, as well as general economic conditions and regulatory policies.

The following table shows average balances, interest earned or paid, and average interest rates for the periods indicated. Nonaccrual loans are included in the average balance of loans. The mark-to-market adjustments on securities available for sale are included in noninterest-earning assets. Noninterest-bearing demand deposit accounts are included in noninterest-bearing liabilities. The cost of liabilities includes the annualized effect of interest rate risk management instruments.

Noninterest-earning assets, total assets, other noninterest-bearing liabilities, total noninterest-bearing liabilities, total liabilities, shareholders' equity and total liabilities and shareholders' equity have been restated for 2002 to reflect the Company's early adoption of SFAS No. 147, "Acquisitions of Certain Financial Institutions, an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9." In accordance with the transition provisions of SFAS No. 147, the Company reversed its amortization of goodwill related to branch acquisitions recognized in the consolidated financial statements since the Company's adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," on January 1, 2002.

Average Balances, Interest Rates and Yields/Costs (Figure 2)

	Three Months Ended					
	9/30/02			9/30/01		
	Average Balance	Interest	Avg. Yield/ Cost	Average Balance	Interest	Avg. Yield/ Cost
			(Dollars in thousands)			
Interest-earning assets:						
Loans and leases	$25,460,404	$410,237	6.43%	$26,538,590	$484,697	7.29%
Mortgage-backed securities:						
Available for sale	9,364,722	135,099	5.77	5,545,025	89,819	6.48
Held to maturity	677,206	10,695	6.32	1,176,526	20,141	6.85
Investment securities:						
Available for sale	181,769	2,939	6.47	162,391	3,387	8.34
Held to maturity	4,480	61	5.52	6,926	88	5.11
Other interest-earning assets	979,454	9,729	3.89	642,584	10,850	6.61
Total interest-earning assets	36,668,035	568,760	6.19	34,072,042	608,982	7.13
Allowance for loan and lease losses	(267,486)			(231,028)		
Noninterest-earning assets	2,968,951			2,656,029		
Total assets	$39,369,500			$36,497,043		
Interest-bearing liabilities:						
Deposits:						
Checking accounts	$ 6,283,029	33,721	2.13	$ 4,306,395	36,073	3.32
Money market and savings accounts	8,378,267	44,790	2.12	6,741,797	53,194	3.13
Certificates of deposit	9,831,050	82,310	3.32	10,406,778	135,544	5.17
Total deposits	24,492,346	160,821	2.61	21,454,970	224,811	4.16
FHLB advances	7,944,811	103,729	5.18	9,280,037	122,214	5.22
Other borrowings	929,957	13,943	5.97	548,888	8,633	6.23
Total borrowings	8,874,768	117,672	5.26	9,828,925	130,847	5.28
Total interest-bearing liabilities	33,367,114	278,493	3.31	31,283,895	355,658	4.51
Noninterest-bearing liabilities:						
Demand deposit accounts	1,789,713			1,496,975		
Other noninterest-bearing liabilities	1,173,108			787,229		
Total noninterest-bearing liabilities	2,962,821			2,284,204		
Total liabilities	36,329,935			33,568,099		
Shareholders' equity	3,039,565			2,928,944		
Total liabilities and shareholders' equity	$39,369,500			$36,497,043		
Net interest income		$290,267			$253,324	
Interest rate spread			2.88			2.62
Net yield on average interest- earning assets			3.17			2.97
Average interest-earning assets to average interest-bearing liabilities			109.89%			108.91%

	Nine Months Ended					
	9/30/02			9/30/01		
	Average Balance	Interest	Avg. Yield/ Cost	Average Balance	Interest	Avg. Yield/ Cost
	(Dollars in thousands)					
Interest-earning assets:						
Loans and leases	$25,296,320	$1,253,132	6.61%	$25,398,713	$1,410,215	7.41%
Mortgage-backed securities:						
Available for sale	8,710,523	388,000	5.94	5,066,129	257,156	6.77
Held to maturity	771,416	37,756	6.53	1,313,218	69,711	7.08
Investment securities:						
Available for sale	160,661	8,526	7.08	141,016	8,439	7.98
Held to maturity	4,998	192	5.13	8,204	324	5.27
Other interest-earning assets	952,088	27,119	3.76	633,147	32,355	6.74
Total interest-earning assets	35,896,006	1,714,725	6.37	32,560,427	1,778,200	7.28
Allowance for loan and lease losses	(260,458)			(204,031)		
Noninterest-earning assets	2,863,644			2,743,053		
Total assets	$38,499,192			$35,099,449		
Interest-bearing liabilities:						
Deposits:						
Checking accounts	$ 6,102,712	100,558	2.20	$ 3,393,003	79,375	3.13
Money market and savings accounts	7,915,705	132,271	2.23	6,382,528	163,390	3.42
Certificates of deposit	10,107,847	267,969	3.54	10,287,201	412,830	5.37
Total deposits	24,126,264	500,798	2.78	20,062,732	655,595	4.37
FHLB advances	7,966,061	311,372	5.22	9,554,422	386,147	5.40
Other borrowings	598,769	31,324	6.96	502,617	25,982	6.86
Total borrowings	8,564,830	342,696	5.35	10,057,039	412,129	5.47
Total interest-bearing liabilities	32,691,094	843,494	3.45	30,119,771	1,067,724	4.74
Noninterest-bearing liabilities:						
Demand deposit accounts	1,745,700			1,435,775		
Other noninterest-bearing liabilities	1,104,913			843,286		
Total noninterest-bearing liabilities	2,850,613			2,279,061		
Total liabilities	35,541,707			32,398,832		
Shareholders' equity	2,957,485			2,700,617		
Total liabilities and shareholders' equity	$38,499,192			$35,099,449		
Net interest income		$ 871,231			$ 710,476	
Interest rate spread			2.92			2.54
Net yield on average interest- earning assets			3.24			2.91
Average interest-earning assets to average interest-bearing liabilities			109.80%			108.10%

Figure 3 shows the approximate relative contribution of changes in average interest rates and volume to changes in net interest income for the periods indicated. Changes not solely attributable to volume or rate have been allocated in proportion to the changes due to volume and rate. Amortization of net deferred loan costs and automobile dealer reserves included as a reduction in interest income was $26.1 million and $74.2 million for the three and nine months ended September 30, 2002, respectively, and $22.3 million and $58.8 million for the three and nine months ended September 30, 2001, respectively.

Rate/Volume Analysis *(Figure 3)*

	Three Months Ended September 30, 2002 v. 2001			Nine Months Ended September 30, 2002 v. 2001		
	Increase (decrease) due to			Increase (decrease) due to		
	Rate	Volume	Total	Rate	Volume	Total
	(Dollars in thousands)					
Interest income:						
Loans and leases	$(57,569)	$(16,891)	$(74,460)	$(153,693)	$ (3,390)	$(157,083)
Mortgage-backed securities:						
Available for sale	(10,751)	56,031	45,280	(34,786)	165,630	130,844
Held to maturity	(1,458)	(7,988)	(9,446)	(5,080)	(26,875)	(31,955)
Investment securities:						
Available for sale	(820)	372	(448)	(1,016)	1,103	87
Held to maturity	6	(33)	(27)	(9)	(123)	(132)
Other interest-earning assets	(5,497)	4,376	(1,121)	(17,695)	12,459	(5,236)
Total	(76,089)	35,867	(40,222)	(212,279)	148,804	(63,475)
Interest expense:						
Checking accounts	(15,572)	13,221	(2,351)	(28,529)	49,712	21,183
Money market and savings accounts	(21,476)	13,071	(8,405)	(71,113)	39,995	(31,118)
Certificates of deposit	(46,095)	(7,139)	(53,234)	(137,783)	(7,079)	(144,862)
FHLB advances	(436)	(18,049)	(18,485)	(10,567)	(64,208)	(74,775)
Other borrowings	(1,930)	7,240	5,310	(4,090)	9,432	5,342
Total	(85,509)	8,344	(77,165)	(252,082)	27,852	(224,230)
Change in net interest income	$ 9,420	$ 27,523	$ 36,943	$ 39,803	$120,952	$ 160,755

Net interest income was $290.3 million for the three months ended September 30, 2002, up $36.9 million, or 14.6%, from the third quarter of 2001. The increase in net interest income was primarily attributable to the reduction in the cost of average interest-bearing liabilities from 4.51% during the third quarter of 2001 to 3.31% during the third quarter of 2002. The reduction in the cost of average interest-bearing liabilities resulted primarily from the maturity and repricing of higher interest rate certificates of deposit since September 30, 2001, together with the downward repricing of certain core deposit accounts.

Net interest income was $871.2 million for the nine months ended September 30, 2002, up $160.8 million, or 22.6%, from $710.5 million in the comparable 2001 period. The increase in net interest income was primarily attributable to the reduction in the cost of average interest-bearing liabilities from 4.74% during the nine months ended September 30, 2001 to 3.45% during the 2002 period. The reduction in the cost of average interest-bearing liabilities resulted primarily from the repricing of higher interest rate certificates of deposit since September 30, 2001, together with the downward repricing of certain core deposit accounts.

Other Income

Other income for the three months ended September 30, 2002 was $139.1 million, an increase of $18.9 million, or 15.8%, over the $120.1 million for the three months ended September 30, 2001. The increase was primarily attributable to income from retail banking and net gains on sales. Retail banking income increased $11.9 million, or 16.4%, over the comparable period in 2001. Growth in income from retail banking was attributable to successful integration of past mergers and branch acquisitions together with ongoing franchise development initiatives. Net gains totaled $83.9 million for the third quarter of 2002, an increase of $57.6 million over the third quarter of 2001. The $4.5 billion of mortgage-backed securities sold during the third quarter 2002 were comprised primarily of seasoned, bank-originated residential mortgage products. We did not utilize any special-purpose entities for the sale of any of our mortgage-backed securities. Offsetting the net gains on sale of mortgage-backed securities of $107.8 million was a $22.1 million unrealized loss on interest rate swaps that are accounted for at fair value under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended. The $22.1 million unrealized loss was the result of the decline in interest rates during the third quarter.

With respect to the decline in mortgage banking income, we increased the valuation allowance on loan servicing assets by $56.0 million in the third quarter of 2002 to $89.3 million due to increasing prepayment speeds. Total mortgage banking income, excluding the $56.0 million increase in the valuation allowance, was $19.0 million in the third quarter of 2002. In the year ago quarter, mortgage banking income totaled $13.6 million, excluding a $4.0 million increase in the valuation allowance. As a result of the strong loan origination and securitization activity in the past 12 months, the portfolio of loans serviced for others increased to $16.8 billion, up 21.5% since September 30, 2001. The related loan servicing asset was reduced to .75% of the portfolio at $126.6 million at September 30, 2002. With an average servicing spread of 35 basis points, that translates into a servicing asset valuation of just over two times the servicing spread.

Other income for the nine months ended September 30, 2002 was $395.4 million, an increase of $54.6 million, or 16.0%, over the $340.8 million for the nine months ended September 30, 2001. The reasons for the net increase were substantially the same as for the third quarter results discussed in the above paragraphs.

Administrative Expenses

Administrative expenses were $171.3 million for the three months ended September 30, 2002, an increase of $16.1 million, or 10.3%, as compared to the third quarter of 2001. The increase in administrative expenses was primarily attributable to costs associated with the operational integration of acquisitions completed in the last 12 months and continued investments in our operations. Additionally, marketing expenses increased $5.2 million, as compared to the comparable period of 2001. These higher marketing costs occurred as we implemented various programs geared to support sales efforts throughout the Bank. Despite the increase in administrative expenses, our efficiency ratio improved to 39.90% for the three months ended September 30, 2002, compared to 40.49% for the three months ended September 30, 2001. See the above discussion in “Other Income” regarding factors that contributed to the improvement in our efficiency ratio.

Administrative expenses were $502.1 million for the nine months ended September 30, 2002, an increase of $48.4 million, or 10.7%, as compared to the 2001 period. The reasons for the increases in administrative expenses were substantially the same as for the third quarter results discussed in the above paragraph. Despite the increase in administrative expenses, our efficiency ratio improved to 39.64% for the nine months ended September 30, 2002, compared to 42.00% for the comparable period in 2001. See the above discussion in “Other Income” regarding factors that contributed to the improvement in our efficiency ratio.

Federal Income Tax

Federal income tax expense for the three months ended September 30, 2002 was $66.8 million, compared to $60.7 million for the same period in 2001. The primary reason for this increase in the provision for federal income taxes was an increase in pre-tax income. The effective tax rate was 31.7% for both the 2002 and 2001 period.

Federal income tax expense for the nine months ended September 30, 2002 was $200.9 million, compared to $170.1 million for the same period in 2001. The primary reason for this increase in the provision for federal income taxes was an increase in pre-tax income. The effective tax rate was 31.7% for the both the 2002 and 2001 period.

FINANCIAL CONDITION

Overview

At September 30, 2002, total assets were $39.9 billion, compared to total assets of $38.2 billion at December 31, 2001.

Loans and Leases

Composition of Loans and Leases *(Figure 4)*

	9/30/02	12/31/01
	(Dollars in thousands)	
One-to-four family:		
Permanent:		
Fixed rate	$ 5,942,919	$ 6,419,819
Adjustable rate	2,694,956	3,350,370
Construction	427,871	409,369
	9,065,746	10,179,558
Commercial real estate:		
Multifamily	1,017,393	1,189,777
Other	1,313,243	1,279,889
	2,330,636	2,469,666
Consumer:		
Retail	5,008,393	4,857,473
Automobile	5,281,731	4,397,425
Consumer finance	973,981	1,042,522
	11,264,105	10,297,420
Business:		
Leasing	2,028,687	1,994,524
Corporate banking	1,242,869	1,043,010
	3,271,556	3,037,534
Loans and leases before allowance for loan and lease losses	25,932,043	25,984,178
Allowance for loan and lease losses	(292,800)	(255,478)
Loans and leases, net(1)	$25,639,243	$25,728,700
Portfolio of loans serviced for others	$16,840,025	$13,846,807

(1) Includes loans held for sale.

Loan and Lease Activity (*Figure 5*)

	Three Months Ended		Nine Months Ended	
	9/30/02	9/30/01	9/30/02	9/30/01
	(Dollars in thousands)			
Originations:				
Real estate:				
Permanent:				
One-to-four family	$2,481,022	$2,015,708	$ 7,113,855	$ 5,982,597
Multifamily	49,187	21,003	108,885	40,679
Commercial	48,601	19,953	175,375	146,534
Total permanent loans	2,578,810	2,056,664	7,398,115	6,169,810
Construction:				
One-to-four family	5,748	16,765	27,720	342,222
Multifamily	13,950	60,506	38,938	131,020
Commercial	29,385	68,526	111,108	173,949
Total construction loans	49,083	145,797	177,766	647,191
Total real estate loans originated	2,627,893	2,202,461	7,575,881	6,817,001
Retail consumer	948,632	948,975	2,885,687	2,668,708
Automobile	1,012,926	900,593	2,478,734	2,079,900
Consumer finance	73,931	70,161	185,352	195,523
Leases	110,428	141,386	321,013	397,511
Corporate banking	512,600	273,105	1,265,413	742,070
Total loans and leases originated	5,286,410	4,536,681	14,712,080	12,900,713
Acquired through business combinations and purchases	2,637	1,406,582	213,992	1,418,305
Sales and principal reductions:				
Loans sold	527,011	399,889	1,652,269	1,159,814
Loans exchanged for mortgage-backed securities	809,167	2,258,523	5,066,120	5,449,048
Principal reductions	2,894,793	2,225,932	8,262,966	6,129,277
Total sales and principal reductions	4,230,971	4,884,344	14,981,355	12,738,139
Increase (decrease) before net items	$1,058,076	$1,058,919	$ (55,283)	$ 1,580,879

Investment and Mortgage-Backed Securities

Figures 6 and 7 summarize our investment and mortgage-backed securities portfolios at September 30, 2002 and December 31, 2001. The amounts reflected represent the fair value of securities available for sale and the amortized cost of securities held to maturity.

Investment Securities (*Figure 6*)

	9/30/02	12/31/01
	(Dollars in thousands)	
Available for Sale		
U.S. Treasury and agency securities	$ 91,596	$ 30,929
Securities of U.S. states and political subdivisions	2,442	8
Corporate and other securities	119,646	98,375
Total investment securities available for sale	213,684	129,312
Held to Maturity		
U.S. Treasury and agency securities	263	—
Securities of U.S. states and political subdivisions	4,344	5,839
Corporate and other securities	35	435
Total investment securities held to maturity	4,642	6,274
Total	$218,326	$135,586
Weighted average rate	5.63%	8.21%

Mortgage-Backed Securities *(Figure 7)*

	9/30/02	12/31/01
	(Dollars in thousands)	
Available for Sale		
Participation certificates:		
U.S. government and agency issues	$7,915,719	$6,950,425
Collateralized mortgage obligations:		
U.S. government and agency issues	397,578	518,251
Private issues	492,390	561,836
Total mortgage-backed securities available for sale	8,805,687	8,030,512
Held to Maturity		
Participation certificates:		
U.S. government and agency issues	348,157	475,622
Private issues	60,320	90,203
Collateralized mortgage obligations:		
U.S. government and agency issues	119,937	185,944
Private issues	119,739	232,135
Total mortgage-backed securities held to maturity	648,153	983,904
Total	$9,453,840	$9,014,416
Weighted average rate	5.56%	6.18%

Asset Quality

In conjunction with the Bank's conversion in May 2002 to a national bank, the Company conformed various policies and reporting practices associated with asset quality to more closely compare to those of its commercial bank peers. These changes neither increased nor decreased ultimate net loan and lease charge-offs. They only affected the timing of recognizing net consumer asset charge-offs through the allowance for loan and lease losses and the disclosure of underperforming consumer assets. Consumer assets include single-family, retail consumer, automobile, and consumer finance loan portfolios. These changes had no impact on Charter One's non-consumer loan portfolios, which include commercial real estate and corporate loans and its lease portfolio, as these portfolios already conformed with OCC-regulated banking practices.

The most significant effect of the change in charge-off policy was in the automobile and consumer finance portfolios. Prior to the second quarter of 2002, automobile loans were charged off at the point of repossessed collateral disposition. Beginning with the second quarter of 2002, consistent with OCC-regulated banking practices, automobile loans going through repossession or bankruptcies were written down to the net realizable value of the collateral at the time of the repossession or bankruptcy discharge. Any automobile loan that reached the 120-day delinquency point was charged off completely. Charge-offs in the consumer finance portfolio were previously recognized at the point of foreclosure. Beginning with the second quarter of 2002, consistent with OCC-regulated banking practices, consumer finance loans, along with other loans backed by single-family residential real estate collateral, were reflected at the lower of cost or net realizable value at the earliest point of six payments past due or foreclosure. These policy changes resulted in an additional $27.3 million of charge-offs recognized during the second quarter of 2002.

Being mindful of an economy that continues to exhibit weakness, particularly in the non-consumer sectors, Charter One continued to strengthen its level of loan loss reserves as shown in Figure 8 below.

Analysis of the Allowance for Loan and Lease Losses (*Figure 8*)

	Three Months Ended		Nine Months Ended	
	9/30/02	9/30/01	9/30/02	9/30/01
	(Dollars in thousands)			
Allowance for loan and lease losses:				
Balance, beginning of period	$267,155	$198,378	$ 255,478	$189,616
Provision for loan and lease losses	47,695	27,109	131,689	61,913
Acquired through business combination	—	33,782	3,184	33,782
Loans and leases charged off:				
One-to-four family	(643)	(800)	(4,675)	(2,162)
Commercial real estate	(290)	(26)	(1,208)	(509)
Retail consumer	(2,308)	(2,123)	(10,096)	(5,772)
Automobile	(16,429)	(8,243)	(63,024)	(27,023)
Consumer finance	(5,160)	(3,762)	(20,610)	(8,356)
Leases	(519)	(7,234)	(2,780)	(7,496)
Corporate banking	(4,776)	(3,903)	(10,813)	(5,456)
Total charge-offs	(30,125)	(26,091)	(113,206)(1)	(56,774)
Recoveries:				
One-to-four family	881	74	915	119
Commercial real estate	488	19	618	24
Retail consumer	484	402	1,246	1,322
Automobile	3,574	1,756	9,105	4,800
Consumer finance	238	73	333	201
Leases	430	—	430	220
Corporate banking	1,980	102	3,008	381
Total recoveries	8,075	2,426	15,655	7,067
Net loan and lease charge-offs	(22,050)	(23,665)	(97,551)(1)	(49,707)
Balance, end of period	$292,800	$235,604	$ 292,800	$235,604
Net charge-offs to average loans and leases (annualized)	.35%	.36%	.51%(1)	.51%

(1) Includes $27.3 million in charge-offs recorded in the second quarter of 2002 in conjunction with Charter One's adoption of the new consumer loan charge-off policy discussed above. This new policy was implemented prospectively and as such, prior periods have not been restated.

The provision for loan and lease losses exceeded net charge-offs by $25.6 million during the third quarter of 2002 and the ratio of the allowance for loan and lease losses to total loans and leases before the allowance increased to 1.13% at September 30, 2002 from .98% at December 31, 2001.

Net charge-offs during the third quarter of 2002 totaled $22.1 million, or .35% of average loans and leases, compared to $23.7 million or .36% of average loans and leases, during the third quarter of 2001.

In terms of nonperforming asset disclosures, Charter One's policy, prior to the second quarter of 2002, was to place all consumer assets backed by residential real estate on nonaccrual status (disclosed as nonperforming) at 90 days delinquent. Beginning in the second quarter of 2002, consistent with OCC-regulated banking practices, loans backed by residential real estate are being placed on nonaccrual status (nonperforming) at six payments past due as long as the loan is well secured and in the process of collection.

Figure 9 sets forth information concerning nonperforming and underperforming assets for the periods reported. Underperforming assets consist of (1) nonperforming assets (nonaccrual loans and leases, restructured real estate mortgage loans, and real estate acquired through foreclosure and other collateral owned) and (2) accruing loans and leases delinquent more than 90 days.

Nonperforming and Underperforming Assets (*Figure 9*)

	9/30/02	12/31/01
	(Dollars in thousands)	
Nonperforming assets(1):		
Nonaccrual loans and leases:		
Real estate mortgage loans:		
One-to-four family(2)	$ 31,528	$ 79,394
Multifamily and commercial	6,621	13,552
Construction and land	10,598	10,276
Total real estate mortgage loans	48,747	103,222
Retail consumer(2)	14,128	16,592
Automobile(3)	—	—
Consumer finance(2)	38,403	68,485
Leases	7,964	904
Corporate banking	37,230	10,551
Total nonaccrual loans and leases	146,472	199,754
Less government guaranteed loans(1)	—	19,630
Total nonaccrual loans net of government guaranteed loans	146,472	180,124
Restructured real estate mortgage loans	1,149	653
Total nonperforming loans and leases	147,621	180,777
Real estate and other collateral owned(3)	40,270	50,265
Total nonperforming assets	$187,891	$231,042
Ratio of (excluding government guaranteed loans):		
Nonperforming loans and leases to total loans and leases	.58%	.70%
Nonperforming assets to total assets	.47	.61
Nonperforming assets to total loans, leases and real estate and other collateral owned	.73	.90
Allowance for loan and lease losses to:		
Nonperforming loans and leases	198.35	141.32
Total loans and leases before allowance	1.13	.98
Accruing loans and leases delinquent more than 90 days(1):		
Real estate mortgage loans:		
One-to-four family(2)	$ 24,854	$ —
Multifamily and commercial	—	—
Construction and land	—	—
Total real estate mortgage loans	24,854	—
Retail consumer(2)	5,630	4,519
Automobile(3)	2,595	6,000
Consumer finance(2)	25,269	—
Leases	—	—
Corporate banking	1,955	4,691
Total accruing loans and leases delinquent more than 90 days	60,303	15,210
Less government guaranteed loans(1)	—	1,876
Total accruing loans and leases delinquent more than 90 days net of government guaranteed loans	$ 60,303	$ 13,334
Total underperforming assets	$248,194	$244,376
Ratio of (excluding government guaranteed loans):		
Underperforming assets to total assets	.62%	.64%
Underperforming assets to total loans, leases and real estate and other collateral owned	.97	.95

(1) Effective June 30, 2002, amounts exclude loans guaranteed by the Federal Housing Administration or Veterans' Administration. Prior periods have not been restated.

(2) Effective June 30, 2002, Charter One adopted a new accrual policy in which consumer loans secured by residential real estate are placed on nonaccrual at six payments past due as long as the loan is well secured and in the process of collection. This new policy was implemented prospectively and as such, prior periods have not been restated. The change in the accrual policy did not have a material impact on interest income. Management believes the changes to this policy conforms Charter One's accrual methodology to that of its commercial banking peers.

(3) Effective for the period ended June 30, 2002, Charter One adopted a new loan charge-off policy in which automobile loans are charged off based upon repossession and in certain cases, at the point of bankruptcy discharge. Any automobile loan reaching 120 days delinquent are being charged off completely. Previously, Charter One's policy was to record charge-offs of loans secured by automobiles at the point of repossessed collateral disposition. This new policy was implemented prospectively and as such, prior periods have not been restated. Management believes the changes to this policy conforms Charter One's charge-off methodology to that of its commercial banking peers.

Loans and leases not reflected in the table above, but where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of the borrower to comply with present repayment terms and that may result in disclosure of such loans and leases as underperforming assets in the future are commonly referred to as “potential problem loans.” During the second quarter of 2002, we changed how we determine potential problem loans to be consistent with commercial banking practice. Previously that determination included all loans and leases classified as “substandard” not already included as underperforming, without a loan-by-loan evaluation, even though historically only a very small percentage of those loans and leases was ultimately reflected in future charge-offs. Under the newly adopted method, the amount included in potential problem loans results from an evaluation, on a loan-by-loan basis, of loans classified as “substandard.” The amount of potential problem loans remained was less than $25 million at September 30, 2002 and June 30, 2002, respectively. The vast majority of these loans and leases, as well as our underperforming assets, are collateralized. As such, we would anticipate that any losses resulting from possible future charge-offs would be significantly less than the respective loan and lease balances.

SOURCES OF FUNDS

Management considers our interest-sensitivity profile when deciding on sources of funds. At September 30, 2002, our one-year gap was 9.59% of total interest-earning assets. See Part I, Item 3 “Quantitative and Qualitative Disclosure About Market Risk,” of this Form 10-Q regarding further information on our interest rate risk profile.

Deposits

Composition of Deposits *(Figure 10)*

	9/30/02		12/31/01	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)			
Checking accounts:				
Interest-bearing	$ 6,588,045	2.19%	$ 5,973,545	2.45%
Noninterest-bearing	2,031,085	—	1,856,481	—
Total checking accounts	8,619,130	1.67	7,830,026	1.87
Money market and savings accounts	8,248,750	2.04	6,737,160	2.26
Total transactions accounts	16,867,880	1.85	14,567,186	2.05
Certificates of deposit	10,218,625	3.75	10,556,123	4.43
Total deposits, net	$27,086,505	2.57	$25,123,309	3.05
Including the effect of interest rate swaps		2.41%		2.88%

Investment securities and mortgage-backed securities with a par value of $479.5 million at September 30, 2002 and $573.0 million at December 31, 2001, were pledged to secure public deposits and for other purposes required or permitted by law.

Borrowings

At September 30, 2002, borrowings consisted primarily of FHLB advances. These positions were secured by our investment in the stock of the FHLB, as well as $1.1 billion in certain real estate loans and $10.9 billion in mortgage-backed securities.

Federal Home Loan Bank Advances *(Figure 11)*

	9/30/02		12/31/01	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)			
Short-term	$ 150,000	6.84%	$1,114,873	3.03%
Long-term:				
Fixed-rate advances	7,004,845	5.50	7,118,827	5.52
Variable-rate advances	409,605	1.63	409,604	1.74
Total advances	7,564,450	5.32	8,643,304	5.02
Plus unamortized premium on advances	10,133	—	13,934	—
Total advances, net	$7,574,583	5.24	$8,657,238	4.95

Including the effect of interest rate swaps	5.34%	5.02%

On May 20, 2002, the Bank issued $400.0 million of 6.375% subordinated notes due May 15, 2012. Interest on the subordinated notes is payable semiannually. The subordinated notes are unsecured and subordinated to the claims of our depositors and rank on a parity in the event of liquidation or similar proceeding with respect to the Bank with all other present and future unsecured subordinated debt obligations of the Bank, except any unsecured subordinated debt which may be expressly stated to be subordinated notes or is otherwise subordinated as a matter of law. The net proceeds from the subordinated notes were used by the Bank for general corporate purposes.

Interest Rate Swaps

We use interest rate swaps as one of the tools to manage our interest rate risk profile (defined as the sensitivity of our earnings and economic value to changes in interest rates). We utilize fixed receipt callable interest rate swaps to convert certain longer-term callable certificates of deposit into short-term variable instruments. Under certain of these agreements, Charter One has agreed to receive interest from the counterparty on a notional amount at a fixed rate defined in the agreement, and to pay interest at a floating rate indexed to LIBOR during the entire term of the interest rate swap. In other agreements, Charter One has agreed to receive interest from the counterparty on a notional amount at a fixed rate defined in the agreement, and to pay interest at a fixed rate, converting to floating rate indexed to LIBOR after the first two years of the interest rate swap term. Such interest rate swaps are designated and qualify as fair value hedges under SFAS No. 133 as of September 30, 2002. We have assumed no ineffectiveness in the respective hedging relationships. Any gain or loss on the interest rate swap was offset by a gain or loss on the certificates of deposit during the period of change in fair values.

We utilize fixed payment interest rate swaps to convert certain floating-rate FHLB advances into fixed-rate instruments. Under these agreements, Charter One has agreed to pay interest to the counterparty on a notional principal amount at a fixed rate defined in the agreement, and receive interest at a floating rate indexed to LIBOR. The amounts of interest exchanged are calculated on the basis of notional principal amounts. Such interest rate swaps are designated and qualify as cash flow hedges under SFAS No. 133 as of September 30, 2002. We have assumed no ineffectiveness in the respective hedging relationships. Any gain or loss on the interest rate swaps was offset by the expected future cash flows on the FHLB advances during the period of change in fair values.

We utilized a fixed receipt interest rate swap to convert our $400.0 million of subordinated notes into a variable instrument. Under this agreement Charter One has agreed to receive interest from the counterparty on a notional amount at a fixed rate defined in the agreement, and to pay interest at a floating rate indexed to LIBOR. Such interest rate swap is designated and qualifies as a fair value hedge under SFAS No. 133 as of September 30, 2002. We have assumed no ineffectiveness in the hedging relationship. Any gain or loss on the interest rate swap was offset by a gain or loss on the subordinated notes during the period of change in fair values.

Additionally, on May 20, 2002, we entered into $575.0 million of fixed payment and variable receipt interest rate swaps in which there was no hedging designation assigned. The net unrealized loss of $30.2 million attributed to these interest rate swaps was recognized in the Company’s consolidated statements of operations under the caption “net gains.” The corresponding interest rate swap liabilities were recognized in the Company’s consolidated statement of position at September 30, 2002 under the caption “accrued expenses and other liabilities.”

Information on the interest rate swaps, by maturity date, is as follows:

Interest Rate Swaps (Figure 12)

	9/30/02			12/31/01		
	Notional Principal Amount	Receiving Interest Rate	Paying Interest Rate	Notional Principal Amount	Receiving Interest Rate	Paying Interest Rate
	(Dollars in thousands)					
Fixed Payment and Fixed Receipt(1)						
2007	$ 830,000	4.38%	2.83%	$ —	—%	—%
Fixed Payment and Variable Receipt						
2002	$ —	—%	—%	$ 25,000	3.73%	6.44%
2003	409,605	1.82	3.55	409,605	1.94	3.55
2004	375,000	1.75	3.66	—	—	—
2006	200,000	1.75	4.69	—	—	—
Total	$ 984,605	1.78%(2)	3.82%	$ 434,605	2.04%(2)	3.71%
Variable Payment and Fixed Receipt						
2003	$ 50,000	3.31%	1.81%	$ 255,000	4.08%	2.14%
2004	260,000	3.31	1.82	—	—	—
2006	115,000	5.06	1.81	930,000	5.80	2.12
2007	565,000	5.54	1.81	10,000	7.25	2.36
2010	—	—	—	10,000	7.40	2.06
2011	10,000	6.25	1.76	45,000	6.33	1.94
2012	400,000	5.76	1.75	—	—	—
Total	$1,400,000	5.08%	1.80%(2)	$1,250,000	5.49%	2.12%(2)

(1) Converts to variable payment indexed to LIBOR after the first two years of the interest rate swap agreement.

(2) Rates are based upon LIBOR.

The fair value of the Company's interest rate swap contracts is estimated as the difference in the present value of future cash flows between the Company's existing agreements and current market rate agreements of the same duration. Information on the fair values of the interest rate swaps is as follows:

Fair Value of Interest Rate Swaps (Figure 13)

	September 30,	
	2002	2001
	(Dollars in thousands)	
Unrealized gain (loss):		
Fair value hedges	$ 90,667	$26,443
Cash flow hedges	(7,828)	(817)
Unhedged interest rate swaps	(30,227)	—
Total fair value	$ 52,612	$25,626

The net benefit of interest rate swaps included in interest expense is as follows:

Net Benefit of Interest Risk Management (Figure 14)

	Three Months Ended		Nine Months Ended	
	9/30/02	9/30/01	9/30/02	9/30/01
	(Dollars in thousands)			
Interest expense (income):				
Deposits	$(11,003)	$(5,633)	$(34,386)	$(13,641)
FHLB advances	1,808	42	5,294	42
Subordinated notes	(3,898)	—	(5,635)	—
Unhedged interest rate swaps	3,089	—	4,441	—
Total net benefit	$(10,004)	$(5,591)	$(30,286)	$(13,599)

Liquidity

Our principal sources of funds are deposits, advances from the FHLB of Cincinnati, federal funds purchased and repurchase agreements, repayments and maturities of loans and securities, proceeds from the sale of loans and securities, and funds provided by operations. While scheduled loan, security and interest-bearing deposit amortization and maturity are relatively predictable sources of funds, deposit flows and loan and mortgage-backed securities repayments are greatly influenced by economic conditions, the general level of interest rates and competition. We utilize particular sources of funds based on comparative costs and availability. We generally manage the pricing of deposits to maintain a steady deposit balance, but from time to time may decide not to pay rates on deposits as high as our competition and, when necessary, to supplement deposits with longer term and/or lower cost alternative sources of funds such as FHLB advances and federal funds purchased and repurchase agreements. Conversely, we may, from time to time, decide to price deposits aggressively due to strategic reasons which may result in significant deposit inflows.

In the ordinary course of business, we enter into off-balance-sheet financial instruments consisting of commitments to extend credit, commercial letters of credit, standby letters of credit and commitments to purchase or sell assets. Such financial instruments are recorded in the financial statements when they are funded or the related fees are incurred or received. We anticipate that we will have sufficient funds available to meet our commitments. As of September 30, 2002, there were outstanding commitments to originate $2.3 billion of mortgage loans and other loans and leases, all at market rates. Terms of the commitments extend up to nine months, but are generally less than two months. Additionally, there were also outstanding unfunded consumer lines of credit of $4.2 billion and corporate banking lines of credit of $344.3 million as of September 30, 2002. Substantially all of the consumer loans, including consumer lines of credit, are secured by equity in the borrowers' residences. The Company does not expect all of these lines to be used by the borrowers. Outstanding letters of credit totaled $87.4 million as of September 30, 2002.

Capital and Dividends

On September 12, 2001, the Company entered into an agreement with a third party that provided the Company with an option to purchase up to $100 million of Charter One common stock through the use of forward transactions. These transactions could have been settled at Charter One's election on a physical, net cash or net share basis. On January 8, 2002, the Company settled open forward transactions for 3.5 million shares of its common stock through physical share settlement whereby the Company paid cash of $97.0 million, or $27.69 per share, to a third party in exchange for the 3.5 million shares. Common shares outstanding and shareholders' equity were reduced accordingly on the January 8, 2002 settlement date. Shares and per share data discussed above have not been restated to reflect the 5% stock dividend issued September 30, 2002.

On April 23, 2002, the Company's Board of Directors authorized management to repurchase up to 10% of the Company's outstanding common stock under a new program of open market purchases or privately negotiated transactions. This program replaced the repurchase program that had been in effect since July 18, 2000 and under which the Company repurchased approximately 15.0 million shares for a total cost of $394.8 million. The Company repurchased 5.2 million shares under the new authorization during the third quarter of 2002 at an average cost of $31.24 per share. This brought the total number of shares repurchased during the nine months ended September 30, 2002 to 11.4 million shares at an average cost of $29.94 per share. Shares and per share data discussed above have not been restated to reflect the 5% stock dividend issued September 30, 2002.

Charter One, a financial holding company, is subject to regulation by the Federal Reserve Board ("FRB") under the Bank Holding Company Act of 1956 as amended, and the regulations of the FRB, including various capital requirements. The Bank is subject to various regulatory capital requirements administered by the OCC. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly discretionary, actions by each regulator that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines, specific capital guidelines must be met that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The institution's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require Charter One and the Bank to individually maintain minimum amounts and ratios (set forth in the table below) of total and tier 1 capital to risk-weighted assets, and of tier 1 capital to average assets. The actual regulatory capital ratios calculated for Charter One and the Bank, along with the capital amounts and ratios for capital adequacy purposes and the amounts required to be categorized as well capitalized are as follows:

Regulatory Capital (*Figure 15*)

	9/30/02					
	Actual		For Capital Adequacy Purposes		To Be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Charter One:						
Total capital to risk-weighted assets	$3,154,169	11.76%	2,145,877	≥8.00%	2,682,346	≥10.00%
Tier 1 capital to risk-weighted assets	2,463,412	9.18	1,072,938	≥4.00	1,609,407	≥6.00
Tier 1 capital to average assets	2,463,412	6.31	1,560,806	≥4.00	N/A	N/A
Charter One Bank(1)(2):						
Total capital to risk-weighted assets	3,195,360	11.94	2,140,785	≥8.00	2,675,982	≥10.00
Tier 1 capital to risk-weighted assets	2,170,428	8.11	1,070,393	≥4.00	1,605,589	≥6.00
Tier 1 capital to average assets	2,170,428	5.59	1,553,946	≥4.00	1,942,433	≥5.00

	12/31/01					
	Actual		For Capital Adequacy Purposes		To Be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Charter One:						
Total capital to risk-weighted assets	$2,773,390	10.23%	$2,168,434	≥8.00%	$2,710,542	≥10.00%
Tier 1 capital to risk-weighted assets	2,517,875	9.29	1,084,217	≥4.00	1,626,325	≥6.00
Tier 1 capital to average assets	2,517,875	6.81	1,479,451	≥4.00	N/A	N/A
Charter One Commercial(1):						
Total capital to risk-weighted assets	39,729	46.21	6,877	≥8.00	8,597	≥10.00
Tier 1 capital to risk-weighted assets	39,729	46.21	3,439	≥4.00	5,158	≥6.00
Tier 1 capital to average assets	39,729	13.72	11,579	≥4.00	14,474	≥5.00
Charter One Bank(2):						
Total capital to risk-weighted assets	2,659,977	10.01	2,125,856	≥8.00	2,657,320	≥10.00
Tier 1 capital to risk-weighted assets	1,910,830	7.19	N/A	N/A	1,594,392	≥6.00
Core capital to adjusted tangible assets	1,932,552	5.12	1,509,358	≥4.00	1,886,698	≥5.00
Tangible capital to tangible assets	1,932,552	5.12	566,009	≥1.50	N/A	N/A

(1) On May 16, 2002, Charter One Commercial merged into Charter One Bank. At December 31, 2001, Charter One Commercial was subject to various regulatory capital requirements administered by the FDIC.

(2) On May 7, 2002, Charter One Bank converted from a thrift to a national bank. At December 31, 2001, Charter One Bank was subject to various regulatory capital requirements administered by the Office of Thrift Supervision.

Management believes that, as of September 30, 2002, Charter One and the Bank individually met the capital adequacy requirements to which they were subject. Events beyond management's control, such as fluctuations in interest rates or a downturn in the economy in areas in which the institution's loans and securities are concentrated could adversely affect future earnings and, consequently, the institution's ability to meet its future capital requirements.

Quarterly Stock Prices and Dividends (*Figure 16*)

	Three Months Ended				
	9/30/02	6/30/02	3/31/02	12/31/01	9/30/01
Market price of common stock (NYSE: CF)(1):					
High	$33.42	$34.77	$30.95	$28.06	$29.91
Low	25.81	29.30	25.19	23.43	22.29
Close	29.72	32.74	29.73	25.86	26.88
Dividends declared and paid(1)	.21	.21	.19	.19	.18

(1) Restated to reflect the 5% stock dividend issued September 30, 2002.

Legal Proceedings

On September 4, 2002, Charter One announced that it has filed a stipulation of dismissal regarding three of five claims asserted in two previously disclosed court cases related to its supervisory goodwill litigation, which have been outstanding since 1995. As outlined in previous Securities and Exchange Commission filings on Form 10-K, Charter One and various predecessors had asserted five separate claims against the United States of America for breach of certain agreements involving supervisory goodwill and capital credits. Based on the outcome of similar cases and related damages, Charter One has determined that the cost of further litigation of the three dismissed claims would likely exceed the potential benefits. The economics of the two remaining cases are still being evaluated, but in any event they would not likely have a material effect on the business, operations or prospects of the Company.

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

A comprehensive qualitative and quantitative analysis regarding market risk was disclosed in our December 31, 2001 Form 10-K. The assumptions used in our model have been updated as of September 30, 2002. The table below indicates the estimated impact on net income under the various interest rate scenarios as a percentage of base case earnings projections.

Changes in Interest Rates (basis points)	Estimated Percentage Change in Future Net Income	
	12 Months	24 Months
+200 over one year	1.16%	2.19%
+100 over one year	2.49	4.27
- 100 over one year	1.21	(.86)

Actual results will differ from simulated results due to timing, magnitude, and frequency of interest rate changes, as well as changes in market conditions and management strategies.

ITEM 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures:* An evaluation of the Company's disclosure controls and procedures (as defined in Section 13(a)-14(c) of the Securities Exchange Act of 1934 (the "Act")) was carried out under the supervision and with the participation of the Registrant's Chief Executive Officer, Chief Financial Officer and several other members of the Company's senior management within the 90-day period preceding the filing date of this quarterly report. The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as currently in effect are effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Act is (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) *Changes in Internal Controls:* In the quarter ended September 30, 2002, the Company did not make any significant changes in, nor take any corrective actions regarding, its internal controls or other factors that could significantly affect these controls.

PART II – OTHER INFORMATION

ITEM 5. Other Information

Cash Dividend — On October 23, 2002, the Company declared a regular quarterly cash dividend of $.22 per share. The cash dividend is payable November 20, 2002 to shareholders of record on November 6, 2002.

Restatement of Prior Period Financial Information — Quarterly information for the periods from January 1, 2002 through June 30, 2002, as restated for the Company's adoption of SFAS No. 147, "Acquisition of Certain Financial Institutions, an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9," is being provided on a supplemental basis. See Note 3 to the Consolidated Financial Statements for further discussion.

CHARTER ONE FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
RESTATED FOR ADOPTION OF SFAS NO. 147,
"ACQUISITION OF CERTAIN FINANCIAL
INSTITUTIONS, AN AMENDMENT OF
FASB STATEMENTS NO. 72 AND 144 AND FASB
INTERPRETATION NO. 9"
(unaudited)

	6/30/02	3/31/02
	(Dollars in thousands, except per share data)	
ASSETS		
Cash and deposits with banks	$ 592,571	$ 539,846
Federal funds sold and other	800,509	815,509
Total cash and cash equivalents	1,393,080	1,355,355
Investments securities:		
Available for sale	169,203	133,509
Held to maturity	4,381	5,043
Mortgage-backed securities:		
Available for sale	9,634,674	8,067,946
Held to maturity	728,003	830,032
Loans and leases, net	24,382,986	24,355,261
Loans held for sale	161,438	160,805
Bank owned life insurance	814,429	809,356
Federal Home Loan Bank stock	668,905	618,969
Premises and equipment	362,909	357,915
Accrued interest receivable	165,262	155,479
Real estate and other collateral owned	44,511	57,417
Loan servicing assets	175,650	164,789
Goodwill	385,808	351,040
Other assets	299,303	285,366
Total assets	$39,390,542	$37,708,282
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Checking accounts	$ 7,737,558	$ 7,934,769
Money market and savings accounts	8,893,253	7,644,542
Certificates of deposit	9,926,504	10,057,421
Total deposits	26,557,315	25,636,732
Federal Home Loan Bank advances	7,841,524	7,830,065
Federal funds purchased and repurchase agreements	53,089	57,228
Other borrowings	720,133	325,505
Advance payments by borrowers for taxes and insurance	51,822	44,693
Accrued interest payable	38,029	59,813
Accrued expenses and other liabilities	1,089,899	894,327
Total liabilities	36,351,811	34,848,363
Shareholders' equity:		
Preferred stock — $.01 par value per share; 20,000,000 shares authorized and unissued	—	—
Common stock — $.01 par value per share; 360,000,000 shares authorized; 224,853,682 and 224,854,600 shares issued	2,249	2,249
Additional paid-in capital	2,104,361	2,097,473
Retained earnings	976,380	893,200
Less 4,662,584 and 4,836,968 shares of common stock held in treasury at cost	(135,378)	(136,429)
Borrowings of employee investment and stock ownership plan	—	—
Accumulated other comprehensive income	91,119	3,426
Total shareholders' equity	3,038,731	2,859,919
Total liabilities and shareholders' equity	$39,390,542	$37,708,282

CHARTER ONE FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
RESTATED FOR ADOPTION OF SFAS NO. 147, "ACQUISITION OF CERTAIN FINANCIAL INSTITUTIONS, AN AMENDMENT OF FASB STATEMENTS NO. 72 AND 144 AND FASB INTERPRETATION NO. 9"
(unaudited)

	Three Months Ended	
	6/30/02	**3/31/02**
	(Dollars in thousands, except per share data)	
Interest income:		
Loans and leases	$ 415,057	$ 427,838
Mortgage-backed securities:		
Available for sale	141,773	111,128
Held to maturity	12,261	14,800
Investment securities:		
Available for sale	2,625	2,962
Held to maturity	60	71
Other interest-earning assets	9,478	7,912
Total interest income	581,254	564,711
Interest expense:		
Deposits	169,576	170,401
FHLB advances	103,927	103,716
Other borrowings	9,884	7,497
Total interest expense	283,387	281,614
Net interest income	297,867	283,097
Provision for loan and lease losses	55,277	28,717
Net interest income after provision for loan and lease losses	242,590	254,380
Other income:		
Retail banking	83,543	73,756
Mortgage banking	9,168	11,290
Leasing operations	317	270
Net gains	37,840	21,727
Bank owned life insurance and other	8,924	9,508
Total other income	139,792	116,551
Administrative expenses:		
Compensation and employee benefits	80,645	77,252
Net occupancy and equipment	27,634	28,563
Marketing expenses	10,012	8,829
Federal deposit insurance premiums	1,106	1,211
Amortization of goodwill	—	—
Other administrative expenses	49,219	46,307
Total administrative expenses	168,616	162,162
Income before income taxes	213,766	208,769
Income taxes	67,871	66,284
Net income	$ 145,895	$ 142,485
Basic earnings per share(1)	$ .63	$ .61
Diluted earnings per share(1)	$ .61	$ .60
Average common shares outstanding(1):		
Basic	231,197,406	231,684,629
Diluted	239,123,292	238,221,934
Cash dividends declared per share(1)	$ .21	$ .19

(1) Restated to reflect the 5% stock dividend issued September 30, 2002.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits: See attached Index to Exhibits.

(b) Reports on Form 8-K: On August 14, 2002, the Company filed a report on Form 8-K containing its sworn statements of the Principal Executive Officer and Principal Financial Officer for the period ended June 30, 2002 as filed on August 14, 2002 with the Securities and Exchange Commission pursuant to Section 21(a) (1) of the Securities Exchange Act of 1934.

On September 4, 2002, the Company filed a report on Form 8-K announcing that it has filed a stipulation of dismissal regarding three of five claims asserted in two previously disclosed court cases related to its supervisory goodwill litigation.

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.

CHARTER ONE FINANCIAL, INC.

Date: November 14, 2002	/s/ Charles John Koch
	Charles John Koch Chairman of the Board, President and Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)
Date: November 14, 2002	/s/ Richard W. Neu
	Richard W. Neu Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Charles John Koch, Principal Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Charter One Financial, Inc. (the “Registrant”);

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

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

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

a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the Registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant’s auditors and the Audit Committee of Registrant’s Board of Directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant’s ability to record, process, summarize and report financial data and have identified for the Registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal controls; and

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

Date: November 14, 2002

/s/ Charles John Koch

Charles John Koch
Chairman of the Board, President and
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Richard W. Neu, Principal Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Charter One Financial, Inc. (the "Registrant");

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

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

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

a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the Audit Committee of Registrant's Board of Directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

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

Date: November 14, 2002

/s/ Richard W. Neu

Richard W. Neu
Executive Vice President and Chief Financial Officer

CERTIFICATIONS

Each of the undersigned hereby certifies in his capacity as an officer of Charter One Financial, Inc. (the "Registrant") that the Quarterly Report of the Registrant on Form 10-Q for the period ended September 30, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the consolidated financial condition of the Registrant at the end of such period and the results of operations of the Registrant for such period.

Date: November 14, 2002 /s/ Charles John Koch

Charles John Koch
Chairman of the Board, President and Chief Executive Officer

Date: November 14, 2002 /s/ Richard W. Neu

Richard W. Neu
Executive Vice President and Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1	Registrant's Second Restated Certificate of Incorporation, as amended and currently in effect, filed as Exhibit 3.1 to Registrant's Report on Form 10-K for the fiscal year ended December 31, 2000 (File No. 001-15495), is incorporated herein by reference.
3.2	Registrant's Bylaws, as amended and restated and currently in effect, filed as Exhibit 3.2 to Registrant's Report on Form 10-K for the fiscal year ended December 31, 1999 (File No. 001-15495), is incorporated herein by reference.
4.1	Form of Certificate of Common Stock, as currently in effect, filed as Exhibit 4.1 to Registrant's Report on Form 10-K for the fiscal year ended December 31, 2000 (File No. 001-15495), is incorporated herein by reference.
4.2	Amended and Restated Stockholder Protection Rights Agreement, dated October 20, 1999, between the Company and Fleet National Bank (f/k/a BankBoston, N.A.), as rights agent, filed as Exhibit 2 to the Company's Registration Statement on Form 8-A/A filed on October 30, 1999 (File No. 001-15495), is incorporated herein by reference.
4.3	The Registrant hereby agrees to furnish to the Securities and Exchange Commission, upon request, with copies of all instruments defining rights of holders of long-term debt of Charter One and its consolidated subsidiaries.
10.1	Registrant's Long-Term Stock Incentive Plan, filed on January 22, 1988 as Exhibit 10.1 to Registrant's Registration Statement on Form S-1 (File No. 33-16207), is incorporated herein by reference.
10.2	Registrant's Directors' Stock Option Plan, filed on January 22, 1988 as Exhibit 10.2 to Registrant's Registration Statement on Form S-1 (File No. 33-16207), is incorporated herein by reference.
10.3	Charter One Bank, F.S.B. Executive Incentive Goal Achievement Plan, filed as Exhibit 10.8 to Registrant's Report on Form 10-K for the fiscal year ended December 31, 1994 (File No. 000-16311) is incorporated herein by reference.
10.4	First American Savings Bank, F.S.B. Nonqualified Retirement Plan and First Amendment thereto, filed as Exhibit 10.17 to Registrant's Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 000-16311), are incorporated herein by reference.
10.5	FirstFed Michigan Corporation 1991 Stock Option Plan, filed on November 1, 1995 as an exhibit to Registrant's Registration Statement on Form S-8 (File No. 33-61273), is incorporated herein by reference.
10.6	Amendment 1, dated May 3, 1996, to Forms of Supplemental Retirement Agreements, dated October 31, 1995, between Charter One and Charles John Koch, Richard W. Neu, John David Koch, Mark D. Grossi, and Robert J. Vana filed as Exhibit 10.7 to the Registrant's Report on Form 10-K for the fiscal year ended December 31, 1998 (File No. 000-16311), is incorporated herein by reference. The Agreements, originally filed on July 25, 1995 as Exhibits 10.4 and 10.5 to Registrant's Registration Statement on Form S-4 (File No. 33-61273), are incorporated herein by reference.
10.7	Amended and Restated Employment Agreements, effective August 1, 1999, between Charter One Financial, Inc. and Charles John Koch, Richard W. Neu, John D. Koch, Mark D. Grossi, and Robert J. Vana filed as Exhibit 10.8 to Registrant's Report on Form 10-K for the fiscal year ended December 31, 1999 (File No. 000-16311), is incorporated herein by reference.
10.8	Alliance Bancorp 1997 Long-Term Incentive Stock Benefit Plan, filed as an attachment to the proxy statement for the annual meeting of stockholders of Alliance held on May 28, 1997 (File No. 000-20082), is incorporated herein by reference.
10.9	Hinsdale Financial Corporation 1994 Incentive Stock Option Plan, filed as an attachment to the proxy statement for the annual meeting of stockholders of Alliance held on February 8, 1995 (File No. 000-20082), is incorporated herein by reference.

10.10	Hinsdale Financial Corporation 1992 Stock Option Plan for Outside Directors and the Hinsdale Financial Corporation 1992 Incentive Stock Option Plan, filed as attachments to the proxy statement for the annual meeting of stockholders of Alliance held on February 10, 1993 (File No. 000-20082) is incorporated herein by reference.
10.11	Charter One Financial, Inc. 1997 Stock Option and Incentive Plan, as amended and restated, filed as Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 001-15495), is incorporated herein by reference.
10.12	1986 Stock Option Plan of RCSB Financial, Inc., filed on October 8, 1997, as an exhibit to Post-Effective Amendment Number One on Form S-8 to Form S-4 (File No. 333-33259), is incorporated herein by reference.
10.13	1992 Stock-Based Compensation Plan of RCSB Financial, Inc., filed on October 8, 1997, as an exhibit to Post-Effective Amendment Number One on Form S-8 to Form S-4 (File No. 333-33259), is incorporated herein by reference.
10.14	Home Federal Savings Bank Stock Compensation Program, filed on September 29, 1997 as an exhibit to Post-Effective Amendment Number One on Form S-8 to Form S-4 (File No. 333-33169), is incorporated herein by reference.
10.15	Haverfield 1995 Stock Option Plan, filed on September 29, 1997 as an exhibit to Post-Effective Amendment Number One on Form S-8 to Form S-4 (File No. 333-33169), is incorporated herein by reference.
10.16	The RCSB Financial, Inc. Non-Employee Director Deferred Compensation Plan, as amended and restated on December 1, 1998, filed as Exhibit 10.16 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (File No. 000-16311), is incorporated herein by reference.
10.17	ALBANK Financial Corporation 1992 Stock Incentive Plan for Key Employees, as amended and restated as of December 18, 1995, filed as Exhibit 10.11 to ALBANK's Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 000-19843), is incorporated herein by reference.
10.18	ALBANK Financial Corporation 1995 Stock Incentive Plan for Outside Directors, filed as Exhibit 10.12.1 to ALBANK's Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 000-19843), is incorporated herein by reference.
10.19	ALBANK Financial Corporation 1992 Stock Incentive Plan for Outside Directors, filed as an appendix to the Proxy Statement for the 1992 Annual Meeting of the Stockholders of ALBANK held on October 26, 1992 (File No. 001-19843), is incorporated herein by reference.
10.20	Employment Agreement, dated November 30, 1998, between Charter One Financial, Inc. and Herbert G. Chorbajian, filed as Exhibit 10.20 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (File No. 000-16311), is incorporated herein by reference.
10.21	Charter One Financial, Inc. Top Executive Incentive Goal Achievement Plan, filed on October 1, 1998 as Annex E to the Prospectus contained in the Registrant's Registration Statement on Form S-4 (File No. 333-65137), is incorporated herein by reference.
11	Statement Regarding Computation of Per Share Earnings