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 March 31, 2003

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______

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes __X__ No______

The number of shares outstanding of the registrant's sole class of common stock as of April 30, 2003 was 225,004,656.

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	3/31/03	12/31/02
	(Dollars in thousands, except per share data)	
ASSETS		
Cash accounts	$ 497,969	$ 436,970
Interest-bearing deposits with banks	9,757	9,731
Federal funds sold and other	1,350,513	512
Total cash and cash equivalents	1,858,239	447,213
Investment securities:		
Available for sale	227,137	210,095
Held to maturity (fair value of $4,457 and $4,276)	4,157	3,973
Mortgage-backed securities:		
Available for sale	12,799,506	11,536,608
Held to maturity (fair value of $466,183 and $565,072)	445,207	540,781
Loans and leases, net	24,685,258	25,852,846
Loans held for sale	291,729	351,892
Bank owned life insurance	837,660	829,043
Federal Home Loan Bank and Federal Reserve Bank stock	679,339	681,923
Premises and equipment	355,084	353,730
Accrued interest receivable	149,989	154,962
Real estate and other collateral owned	42,106	42,980
Loan servicing assets	139,085	128,564
Goodwill	386,372	386,372
Other assets	347,735	375,090
Total assets	$43,248,603	$41,896,072
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$27,383,615	$27,527,843
Federal Home Loan Bank advances	10,446,630	9,037,925
Federal funds purchased and repurchase agreements	52,496	283,912
Other borrowings	707,591	708,853
Advance payments by borrowers for taxes and insurance	46,706	23,595
Accrued interest payable	72,017	38,372
Accrued expenses and other liabilities	1,307,416	1,191,747
Total liabilities	40,016,471	38,812,247
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; 227,571,468 and 227,571,468 shares issued	2,276	2,276
Additional paid-in capital	2,197,388	2,193,095
Retained earnings	908,486	824,564
Less 2,539,076 and 2,781,151 shares of common stock held in treasury at cost	(74,423)	(82,610)
Accumulated other comprehensive income	198,405	146,500
Total shareholders' equity	3,232,132	3,083,825
Total liabilities and shareholders' equity	$43,248,603	$41,896,072

See Notes to Consolidated Financial Statements.

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

	Three Months Ended 3/31/03	Three Months Ended 3/31/02
	(Dollars in thousands, except per share data)	
Interest income:		
Loans and leases	$ 377,724	$ 427,838
Mortgage-backed securities:		
Available for sale	149,311	111,128
Held to maturity	8,269	14,800
Investment securities:		
Available for sale	3,043	2,962
Held to maturity	54	71
Other interest-earning assets	7,385	7,912
Total interest income	545,786	564,711
Interest expense:		
Deposits	133,743	170,401
Federal Home Loan Bank advances	99,799	103,716
Other borrowings	13,203	7,497
Total interest expense	246,745	281,614
Net interest income	299,041	283,097
Provision for loan and lease losses	61,471	28,717
Net interest income after provision for loan and lease losses	237,570	254,380
Other income:		
Retail banking	84,100	73,756
Mortgage banking	(27)	11,290
Leasing operations	(6,856)	270
Net gains	76,653	21,727
Bank owned life insurance and other	7,956	9,508
Total other income	161,826	116,551
Administrative expenses:		
Compensation and employee benefits	87,056	77,252
Net occupancy and equipment	31,186	28,563
Marketing expenses	13,647	8,829
Federal deposit insurance premiums	1,142	1,211
Other administrative expenses	50,261	46,307
Total administrative expenses	183,292	162,162
Income before income taxes	216,104	208,769
Income taxes	68,613	66,284
Net income	$ 147,491	$ 142,485
Basic earnings per share(1)	$ .66	$ .61
Diluted earnings per share(1)	$ .64	$ .60
Average common shares outstanding(1):		
Basic	224,997,398	231,684,629
Diluted	230,460,847	238,221,934
Cash dividends declared per share(1)	$ .22	$ .19

(1) 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)

	Three Months Ended	
	3/31/03	3/31/02
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 147,491	$ 142,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	61,471	28,717
Net gains	(76,653)	(21,727)
Accretion of discounts, amortization of premiums, amortization of goodwill and depreciation, net	55,602	20,608
Origination of loans held for sale	(763,051)	(644,097)
Proceeds from sale of loans held for sale	762,027	642,876
Increase in accrued interest payable	33,645	2,109
Other	107,712	84,179
Net cash provided by operating activities	328,244	255,150
Cash flows from investing activities:		
Net principal disbursed on loans and leases	(2,252,822)	(1,552,891)
Proceeds from principal repayments and maturities of:		
Mortgage-backed securities held to maturity	96,981	155,391
Mortgage-backed securities available for sale	974,423	465,805
Investment securities held to maturity	75	1,490
Investment securities available for sale	23,533	20,733
Proceeds from sale of:		
Mortgage-backed securities available for sale	2,545,803	2,181,745
Investment securities available for sale	1,029	177
Federal Home Loan Bank and Federal Reserve Bank stock	14,629	6,944
Purchase of:		
Mortgage-backed securities available for sale	(1,209,871)	—
Investment securities available for sale	(42,437)	(24,363)
Federal Home Loan Bank and Federal Reserve Bank stock	(5,051)	(1,035)
Loans	(3,765)	(4,715)
Loan servicing assets, including those originated	(40,289)	(32,067)
Other	(25,650)	(15,377)
Net cash provided by investing activities	76,588	1,201,837
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	178,584	(971,027)
Proceeds from long-term borrowings	1,004,160	25,647
Repayments of long-term borrowings	(4,755)	(4,628)
Increase in deposits	23,111	517,781
Decrease in advance payments by borrowers for taxes and insurance	(143,816)	(9,410)
Payment of dividends on common stock	(49,508)	(44,034)
Proceeds from issuance of common stock	15,208	19,727
Purchase of treasury stock	(16,790)	(152,208)
Net cash provided by (used in) financing activities	1,006,194	(618,152)
Net increase in cash and cash equivalents	1,411,026	838,835
Cash and cash equivalents, beginning of the period	447,213	516,520
Cash and cash equivalents, end of period	$ 1,858,239	$ 1,355,355
Supplemental disclosure of cash flow information:		
Cash paid for interest on deposits and borrowings	$ 212,689	$ 403,489
Cash paid for income taxes	—	2,500
Supplemental schedule of noncash activities:		
Loans exchanged for mortgage-backed securities	3,419,116	2,717,271

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, 2002. 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 works 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 November 2002, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 clarifies the requirements of Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies," relating to guarantees. In general, FIN 45 applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or equity security of the guaranteed party. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of FIN 45, including, among others, guarantees relating to employee compensation, residual value guarantees under capital lease arrangements, commercial letters of credit, loan commitments, subordinated interests in a special purpose entity, and guarantees of a company's own future performance. Other guarantees are subject to the disclosure requirements of FIN 45 but not to the recognition provisions and include, among others, a guarantee accounted for as a derivative instrument under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, a parent's guarantee of debt owed to a third party by its subsidiary or vice versa, and a guarantee which is based on performance, not price. The disclosure requirements of FIN 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. Guarantees that have been entered into by the Company are disclosed in "Liquidity" under Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations." The adoption of FIN 45 did not have a material impact on the Company's consolidated financial condition or results of operations.

4. On December 31, 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -Transition and Disclosure," an amendment of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 148 provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, SFAS No. 148 amends Accounting Principles Board ("APB") Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information. The Company has elected to continue application of APB Opinion No. 25 and related interpretations in accounting for its stock-based employee compensation plans. Accordingly, no stock-based employee compensation cost is, or is expected to be, reflected in net income, as all options granted under the Company's stock-based employee compensation plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had stock-based employee compensation costs of the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, as amended by SFAS No. 148, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (per share data has been restated to reflect all stock dividends as of March 31, 2003):

	Three Months Ended	
	3/31/03	3/31/02
	(Dollars in thousands, except per share data)	
Net income:		
As reported	$147,491	$142,485
Less: Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax	7,570	7,099
Pro forma	$139,921	$135,386
Basic earnings per share:		
As reported	$ .66	$ .61
Pro forma	.62	.59
Diluted earnings per share:		
As reported	.64	.60
Pro forma	.61	.57

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in the three months ended March 31, 2003 and 2002, respectively:

	Three Months Ended	
	3/31/03	3/31/02
Dividend yield	3.00%	3.00%
Volatility	47.24-47.26%	35.94-36.12%
Risk-free interest rate	3.35-3.36%	4.54-4.98%
Life of grant	6 years	6 years

The estimated weighted-average date of grant fair value (based on the above option-pricing model and assumptions) for stock options granted in the three months ended March 31, 2003 and 2002 was $10.99 and $8.84, respectively.

5. In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN 46 provides guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The provisions of the interpretation became effective upon issuance. The adoption of FIN 46 did not have a material impact on the Company's consolidated financial condition or results of operations.

6. On April 30, 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends SFAS No. 133 for certain decisions made by the FASB as part of the Derivatives Implementation Group ("DIG") process. For those amendments that relate to SFAS No. 133 implementation guidance, the specific SFAS No. 133 Implementation Issue necessitating the amendment is identified. If the amendment relates to a cleared issue, the clearance date also is noted. SFAS No. 149 also amends SFAS No. 133 to incorporate clarifications of the definition of a derivative. SFAS No. 149 contains amendments relating to FASB Concepts Statement No. 7, "Using Cash Flow Information and Present Value in Accounting Measurements," SFAS No. 65, "Accounting for Certain Mortgage Banking Activities," SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases," SFAS No. 95, "Statement of Cash Flows," and SFAS No. 126, "Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities."

   SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. In addition, except as stated below, all provisions of SFAS No. 149 should be applied prospectively. The provisions of SFAS No. 149 that relate to SFAS No. 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, guidance related to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to both existing contracts and new contracts entered into after June 30, 2003. Management has not completed the process of evaluating SFAS No. 149 and therefore has not determined the impact that adopting this statement will have on the consolidated financial condition or results of operations

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 March 31, 2003, the Bank and its subsidiaries were doing business through 477 full-service branches, 26 loan production offices and 918 ATMs.

Pending Acquisition

On January 16, 2003, the Boards of Directors of the Company and Advance Bancorp, Inc. announced a definitive agreement pursuant to which the Company will acquire Advance Bancorp for $72 million in Charter One common stock. Advance Bank, the principal subsidiary of Advance Bancorp, is a state-chartered commercial bank headquartered in Lansing, Illinois with approximately $632 million in assets, $491 million in deposits, and 14 branch offices located in Cook County, Illinois. The merger is expected to close in the second quarter of 2003. The transaction has been approved by Advance Bancorp shareholders and is subject to required bank regulatory approvals.

Discussion of 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 and press releases 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, deposits and refinancing of liabilities, growth opportunities, interest rates, acquisition and divestiture opportunities, and synergies, efficiencies, cost savings and funding advantages expected to be realized from prior acquisitions. These forward-looking statements are based on currently available competitive, financial and economic data and management's views and assumptions regarding future events. These forward-looking statements are inherently uncertain, and investors must recognize that actual results may differ from those expressed or implied in the forward-looking statements. Accordingly, Charter One cautions readers not to place undue reliance on any forward-looking statements.

Many of these forward-looking statements appear throughout this document. 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 discussed 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. Among the factors that could cause our actual results to differ from these forward-looking statements are:

- 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 loans and leases and other assets;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;
- financial markets, monetary and interest rate fluctuations, particularly the relative relationship of short-term interest rates to long-term interest rates;

- 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 impact of changes in financial services laws and regulations (including laws and regulations concerning taxes, accounting standards, banking, securities and insurance); legislative or regulatory changes may adversely affect the business in which we are engaged;
- the impact of technological changes;
- our ability to successfully integrate acquisitions into our existing operations, and the availability of new acquisitions, joint ventures and alliance opportunities that build shareholder value;
- changes in consumer spending and saving habits; and
- our success at managing the risks involved in the foregoing.

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

Performance Overview

Figure 1 sets forth financial results and annualized performance ratios for the three months ended March 31, 2003 and 2002. 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	
	3/31/03	3/31/02
	(Dollars in thousands, except per share data)	
Net income	$147,491	$142,485
Diluted earnings per share	.64	.60
Return on average assets	1.38%	1.52%
Return on average equity	18.48	19.71
Return on average tangible equity(1)	21.29	22.50
Average equity to average assets	7.46	7.71
Net interest income to administrative expenses	1.63x	1.75x
Administrative expenses to average assets	1.71%	1.73%
Efficiency ratio(2)	39.77	40.58

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

(2) Computed as the ratio of total administrative expenses to net interest income and total other income.

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.

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

	Three Months Ended					
	3/31/03			3/31/02		
	Average Balance	Interest	Avg. Yield/ Cost	Average Balance	Interest	Avg. Yield/ Cost
			(Dollars in thousands)			
Interest-earning assets:						
Loans and leases	$25,851,471	$377,724	5.86%	$25,530,842	$427,838	6.73%
Mortgage-backed securities:						
Available for sale	12,656,663	149,311	4.72	7,377,573	111,128	6.03
Held to maturity	480,882	8,269	6.88	879,440	14,800	6.73
Investment securities:						
Available for sale	206,860	3,043	5.88	144,910	2,962	8.18
Held to maturity	4,060	54	5.29	5,709	71	4.95
Other interest-earning assets	762,760	7,385	3.87	846,552	7,912	3.74
Total interest-earning assets	39,962,696	545,786	5.48	34,785,026	564,711	6.51
Allowance for loan and lease losses	(327,090)			(255,109)		
Noninterest-earning assets	3,150,359			2,954,656		
Total assets	$42,785,965			$37,484,573		
Interest-bearing liabilities:						
Deposits:						
Checking accounts	$ 7,541,679	30,618	1.65	$ 6,137,213	36,380	2.40
Money market and savings accounts	7,929,274	30,327	1.55	6,780,737	37,230	2.23
Certificates of deposit	9,562,013	72,798	3.09	10,448,328	96,791	3.76
Total deposits	25,032,966	133,743	2.17	23,366,278	170,401	2.96
Federal Home Loan Bank advances	10,410,188	99,799	3.88	8,071,957	103,716	5.21
Other borrowings	866,495	13,203	6.10	460,700	7,497	6.51
Total borrowings	11,276,683	113,002	4.05	8,532,657	111,213	5.28
Total interest-bearing liabilities	36,309,649	246,745	2.75	31,898,935	281,614	3.58
Noninterest-bearing liabilities:						
Demand deposit accounts	2,017,036			1,695,741		
Other noninterest-bearing liabilities	1,266,385			997,966		
Total noninterest-bearing liabilities	3,283,421			2,693,707		
Total liabilities	39,593,070			34,592,642		
Shareholders' equity	3,192,895			2,891,931		
Total liabilities and shareholders' equity	$42,785,965			$37,484,573		
Net interest income		$299,041			$283,097	
Interest rate spread			2.73			2.93
Net yield on average interest-earning assets			2.99			3.26
Average interest-earning assets to average interest-bearing liabilities			110.06%			109.05%

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 $27.5 million and $23.5 million for the three months ended March 31, 2003 and 2002, respectively.

Rate/Volume Analysis *(Figure 3)*

	Three Months Ended March 31, 2003 v. 2002		
	Increase (decrease) due to		
	Rate	Volume	Total
	(Dollars in thousands)		
Interest income:			
Loans and leases	$(55,985)	$ 5,871	$(50,114)
Mortgage-backed securities:			
Available for sale	(28,104)	66,287	38,183
Held to maturity	315	(6,846)	(6,531)
Investment securities:			
Available for sale	(971)	1,052	81
Held to maturity	5	(22)	(17)
Other interest-earning assets	277	(804)	(527)
Total	(84,463)	65,538	(18,925)
Interest expense:			
Checking accounts	(12,984)	7,222	(5,762)
Money market and savings accounts	(13,615)	6,712	(6,903)
Certificates of deposit	(16,254)	(7,739)	(23,993)
Federal Home Loan Bank advances	(26,641)	22,724	(3,917)
Other borrowings	(1,486)	7,192	5,706
Total	(70,980)	36,111	(34,869)
Change in net interest income	$(13,483)	$29,427	$ 15,944

Net interest income was $299.0 million for the three months ended March 31, 2003, up $15.9 million, or 5.6%, from the first quarter of 2002. The increase in net interest income was driven by a $5.2 billion, or 14.9%, increase in average interest-earning assets. Net yield on average interest-earning assets during the first quarter of 2003 was 2.99%, down 27 basis points from the first quarter of 2002. The reduction in the net yield resulted from downward pressure on asset yields in the declining interest rate environment, offset in part by the benefits obtained from deposit repricings in 2002.

Provision for Loan and Lease Losses

The provision for loan and lease losses for the three months ended March 31, 2003 was $61.5 million, an increase of $32.8 million from the three months ended March 31, 2002. The increased provision during the first quarter of 2003 was necessary to cover higher charge-offs and maintain the allowance for loan and lease losses at a level considered adequate to absorb losses inherent in the loan and lease portfolio. Additionally, the provision for loan and lease losses was increased to reflect the continued weakening in the national economy in the first quarter of 2003, specifically in the airline industry. Net charge-offs totaled $33.6 million in the three months ended March 31, 2003, compared to $25.6 million in the three months ended March 31, 2002. The ratio of net charge-offs as a percent of average loans and leases increased 12 basis points to .52% in the first quarter of 2003 from .40% in the first quarter of 2002. The $33.6 million of net charge-offs for 2003 included a $6.1 million charge-off related to the sale of a $19.6 million airline lease. As previously disclosed, the Company also has a second aircraft lessee that has requested concessions on its $14.8 million leveraged lease. At March 31, 2003, we reported this leveraged lease as nonaccrual in our “Nonperforming and Underperforming Assets” table in Figure 9 below. All other aircraft lease contracts are paying as agreed.

The Company’s aircraft leasing portfolio totaled $379.5 million at March 31, 2003, or 1.5% of its total loans and leases. The aircraft leasing portfolio includes $274.3 million to domestic air carriers, with the remainder on corporate jets and cargo planes leased to corporations. The Company has no direct exposure to US Air, United Airlines, American Airlines or Air Canada.

As part of the Bank’s conversion in May 2002 to a national bank subject to regulation by the Office of the Comptroller of the Currency (“OCC”), 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.

See “Financial Condition – Asset Quality” for further information regarding our allowance for loan and lease losses.

Other Income

Other income for the three months ended March 31, 2003 was $161.8 million, an increase of $45.3 million, or 38.8%, over the $116.6 million for the three months ended March 31, 2002. The increase was primarily attributable to income from retail banking and net gains on sales. Retail banking income increased $10.3 million, or 14.0%, over the comparable period in 2002. Growth in income from retail banking was primarily attributable to ongoing franchise development initiatives and increased marketing efforts. With respect to franchise development activities, we plan aggressive de novo expansion during 2003 and 2004, including 18 in-store locations in Indiana. The expansion is expected to include 125 new banking centers, with 97 in-store and 28 traditional locations. The 2003 goal is to open approximately 85 new banking centers, with 69 in-store and 16 traditional locations. The Company opened 16 banking centers during the first quarter of 2003, the majority of which were in-store locations. Net gains totaled $76.7 million for the first quarter of 2003, an increase of $54.9 million over the first quarter of 2002. The $2.5 billion of mortgage-backed securities sold during the first quarter 2003 were comprised primarily of bank-originated residential mortgage and consumer products, as we generated significantly more residential mortgage and consumer loans than we needed to meet our balance sheet and mix objectives. We did not utilize any special-purpose entities for the sale of any of our mortgage-backed securities.

With respect to the decline in mortgage banking income, we increased the valuation allowance on loan servicing assets by $20.7 million in the first quarter of 2003 to $123.4 million due to increasing prepayment speeds. Total mortgage banking income, excluding the $20.7 million increase in the valuation allowance, was $20.6 million in the first quarter of 2003. In the year ago quarter, mortgage banking income totaled $11.3 million. 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 $18.7 billion, up 18.0% since March 31, 2002. The related loan servicing asset was reduced to .74% of the portfolio at $139.1 million at March 31, 2003. With an average servicing spread of 36 basis points, that translates into a servicing asset valuation of 2.06 times the servicing spread.

Leasing operations reflected a loss of $6.9 million in the first quarter of 2003, compared to income of $270,000 for the first quarter of 2002. The decline in income resulted from $8.7 million in residual adjustments, which were primarily related to the Company’s aircraft leasing portfolio. See “Provision for Loan and Lease Losses” above and “Financial Condition — Asset Quality” below for further discussion regarding the Company’s aircraft leasing portfolio.

On April 27, 2003, MasterCard International, Inc. agreed to settle a class action lawsuit with Wal-Mart Stores, Inc. and other retailers regarding, among other things, the acceptance of debit cards and the processing of debit transactions. We issue MasterCard debit cards to the majority of our checking account customers. Over the past few years, revenue generated by debit point-of-sale transactions has been one of our fastest growing sources of revenue. The revenue generated from a specific transaction depends on whether it is processed off line (signature based) or on line (PIN based). Off-line transactions tend to generate a higher level of revenue than on-line transactions. During the three months ended March 31, 2003, gross revenue from signature-based debit transactions totaled $11.1 million. Preliminary information on the settlement includes a reduction in the signature-based fee collected from merchants of at least 33% beginning on August 1, 2003. Assuming no increase in debit card volume over first-quarter levels, the lower fee would translate into a reduction in net income of approximately $4.0 million for the five-month period from August 1, 2003 to December 31, 2003.

Administrative Expenses

Administrative expenses were $183.3 million for the three months ended March 31, 2003, an increase of $21.1 million, or 13.0%, as compared to the first quarter of 2002. The increase in administrative expenses was primarily attributable to increased health care and marketing costs, as well as expenses related to the addition of 27 new banking centers in the past 12 months. Despite the increase in administrative expenses, our efficiency ratio improved to 39.77% for the three months ended March 31, 2003, compared to 40.58% for the three months ended March 31, 2002. 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 March 31, 2003 was $68.6 million, compared to $66.3 million for the same period in 2002. 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 2003 and 2002 period.

FINANCIAL CONDITION

Overview

At March 31, 2003, total assets were $43.2 billion, compared to total assets of $41.9 billion at December 31, 2002.

Loans and Leases

Composition of Loans and Leases *(Figure 4)*

	3/31/03	12/31/02
	(Dollars in thousands)	
One-to-four family:		
Permanent:		
Fixed rate	$ 5,506,314	$ 5,869,554
Adjustable rate	2,546,426	2,437,166
Construction	412,973	427,729
	8,465,713	8,734,449
Commercial real estate:		
Multifamily	920,295	953,688
Commercial	1,340,272	1,307,593
	2,260,567	2,261,281
Consumer:		
Retail	4,173,080	5,494,453
Automobile	5,934,502	5,606,329
Consumer finance	1,005,077	984,772
	11,112,659	12,085,554
Business:		
Leasing	2,125,905	2,133,468
Corporate banking	1,368,069	1,318,003
	3,493,974	3,451,471
Loans and leases before allowance for loan and lease losses	25,332,913	26,532,755
Allowance for loan and lease losses	(355,926)	(328,017)
Loans and leases, net(1)	$24,976,987	$26,204,738
Portfolio of loans serviced for others	$18,713,649	$16,893,609

(1) Includes loans held for sale.

Loan and Lease Activity *(Figure 5)*

	Three Months Ended	
	3/31/03	3/31/02
	(Dollars in thousands)	
Originations:		
Real estate:		
Permanent:		
One-to-four family	$ 3,095,718	$ 2,657,994
Multifamily	51,440	35,719
Commercial	90,213	92,088
Total permanent loans	3,237,371	2,785,801
Construction:		
One-to-four family	3,499	14,031
Multifamily	19,283	24,988
Commercial	10,830	66,234
Total construction loans	33,612	105,253
Total real estate loans originated	3,270,983	2,891,054
Retail consumer	1,079,290	998,727
Automobile	981,114	684,045
Consumer finance	101,927	56,083
Leases	101,571	93,041
Corporate banking	448,326	353,640
Total loans and leases originated	5,983,211	5,076,590
Acquired through business combinations and purchases	3,765	4,715
Sales and principal reductions:		
Loans sold	763,051	644,097
Loans exchanged for mortgage backed securities	3,419,116	2,717,271
Principal reductions	2,993,773	2,921,080
Total sales and principal reductions	7,175,940	6,282,448
Decrease before net items	$(1,188,964)	$(1,201,143)

Investment and Mortgage-Backed Securities

Figures 6 and 7 summarize our investment and mortgage-backed securities portfolios at March 31, 2003 and December 31, 2002. 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)*

	3/31/03	12/31/02
	(Dollars in thousands)	
Available for Sale		
U.S. Treasury and agency securities	$108,660	$ 91,462
Securities of U.S. states and political subdivisions	1,895	1,898
Corporate and other securities	116,582	116,735
Total investment securities available for sale	227,137	210,095
Held to Maturity		
U.S. Treasury and agency securities	261	3,943
Securities of U.S. states and political subdivisions	3,866	—
Corporate and other securities	30	30
Total investment securities held to maturity	4,157	3,973
Total	$231,294	$214,068
Weighted average rate	5.43%	5.64%

Mortgage-Backed Securities (Figure 7)

	3/31/03	12/31/02
	(Dollars in thousands)	
Available for Sale		
Participation certificates:		
U.S. government and agency issues	$11,375,333	$10,051,046
Collateralized mortgage obligations:		
U.S. government and agency issues	1,085,381	1,068,518
Private issues	338,792	417,044
Total mortgage-backed securities available for sale	12,799,506	11,536,608
Held to Maturity		
Participation certificates:		
U.S. government and agency issues	277,945	311,398
Private issues	42,546	51,717
Collateralized mortgage obligations:		
U.S. government and agency issues	71,665	96,130
Private issues	53,051	81,536
Total mortgage-backed securities held to maturity	445,207	540,781
Total	$13,244,713	$12,077,389
Weighted average rate	4.97%	4.95%

Asset Quality

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. See also “Provision for Loan and Lease Losses” for further discussion.

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

	Three Months Ended	
	3/31/03	3/31/02
	(Dollars in thousands)	
Allowance for loan and lease losses:		
Balance, beginning of period	$328,017	$255,478
Provision for loan and lease losses	61,471	28,717
Loans and leases charged off:		
One-to-four family	(670)	(976)
Commercial real estate	(500)	(801)
Retail consumer	(3,478)	(2,258)
Automobile	(16,450)	(16,920)
Consumer finance	(4,537)	(3,822)
Leases	(6,061)	(460)
Corporate banking	(7,245)	(4,023)
Total charge-offs	(38,941)	(29,260)
Recoveries:		
One-to-four family	17	2
Commercial real estate	148	121
Retail consumer	433	403
Automobile	4,115	2,408
Consumer finance	105	63
Leases	393	—
Corporate banking	168	673
Total recoveries	5,379	3,670
Net loan and lease charge-offs	(33,562)	(25,590)
Balance, end of period	$355,926	$258,605
Net charge-offs to average loans and leases (annualized)	.52%	.40%

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)*

	3/31/03	12/31/02
	(Dollars in thousands)	
Nonperforming assets:		
Nonaccrual loans and leases:		
Real estate mortgage loans:		
One-to-four family	$ 27,867	$ 27,904
Multifamily and commercial	5,591	5,369
Construction and land	8,015	9,885
Total real estate mortgage loans	41,473	43,158
Retail consumer	12,046	13,937
Automobile	—	—
Consumer finance	42,562	40,227
Leases	15,264	6,211
Corporate banking	42,068	39,098
Total nonaccrual loans and leases	153,413	142,631
Restructured real estate mortgage loans	494	501
Total nonperforming loans and leases	153,907	143,132
Real estate and other collateral owned	40,020	40,776
Total nonperforming assets	$193,927	$183,908
Ratio of:		
Nonperforming loans and leases to total loans and leases	.62%	.55%
Nonperforming assets to total assets	.45	.44
Nonperforming assets to total loans, leases and real estate and other collateral owned	.78	.70
Allowance for loan and lease losses to:		
Nonperforming loans and leases	231.26	229.17
Total loans and leases before allowance	1.40	1.24
Accruing loans and leases delinquent more than 90 days:		
Real estate mortgage loans:		
One-to-four family	$ 23,507	$ 25,643
Multifamily and commercial	—	—
Construction and land	—	—
Total real estate mortgage loans	23,507	25,643
Retail consumer	3,229	4,758
Automobile	3,579	3,621
Consumer finance	27,395	26,739
Leases	181	19
Corporate banking	471	1,536
Total accruing loans and leases delinquent more than 90 days	$ 58,362	$ 62,316
Total underperforming assets	$252,289	$246,224
Ratio of:		
Underperforming assets to total assets	.58%	.59%
Underperforming assets to total loans, leases and real estate and other collateral owned	1.01	.94

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 and leases." The amount included in potential problem loans and leases results from an evaluation, on a loan-by-loan basis, of loans and leases classified as "substandard." The amount of potential problem loans and leases was $61.9 million as of the date of this report. This total included a $26.4 million commercial airline leveraged lease in which the lessee has experienced financial difficulties in the present economic environment. This lease relationship was current as of March 31, 2003. The $61.9 million of potential problem loans and leases also included a $15.4 million commercial real estate loan that is well-collateralized by developmental properties. At the present time, we expect no material losses on this loan. The vast majority of our potential problem loans and leases, as well as our underperforming assets, are collateralized.

SOURCES OF FUNDS

Management considers our interest-sensitivity profile when deciding on sources of funds. At March 31, 2003, our one-year gap was 3.01% 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)*

	3/31/03		12/31/02	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)			
Checking accounts:				
Interest-bearing	$ 7,267,602	1.50%	$ 7,460,530	1.80%
Noninterest-bearing	2,385,243	—	2,189,903	—
Total checking accounts	9,652,845	1.13	9,650,433	1.39
Money market and savings accounts	8,207,576	1.62	8,157,534	1.51
Total transactions accounts	17,860,421	1.35	17,807,967	1.45
Certificates of deposit	9,523,194	3.43	9,719,876	3.61
Total deposits, net	$27,383,615	2.08	$27,527,843	2.21
Including the effect of interest rate swaps		1.96%		2.06%

Investment securities and mortgage-backed securities with a par value of $467.6 million at March 31, 2003 and $489.0 million at December 31, 2002, were pledged to secure public deposits and for other purposes required or permitted by law.

Borrowings

At March 31, 2003, borrowings consisted primarily of Federal Home Loan Bank (“FHLB”) advances. These positions were secured by our investment in the stock of the FHLB, as well as $9.6 billion in certain real estate loans and $6.1 billion in mortgage-backed securities.

FHLB Advances *(Figure 11)*

	3/31/03		12/31/02	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)			
Short-term	$ 3,105,000	1.46%	$2,595,000	1.34%
Long-term:				
Fixed-rate advances	5,924,548	5.68	6,024,560	5.68
Variable-rate advances	1,409,605	1.33	409,605	1.23
Total advances	10,439,153	3.84	9,029,165	4.23
Plus unamortized premium on advances	7,477		8,760	—
Total advances, net	$10,446,630	3.80	$9,037,925	4.18
Including the effect of interest rate swaps		3.89%		4.26%

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 and medium-term variable instruments. Under certain of these agreements totaling $465.0 million in notional principal amount, we have 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 totaling $1.4 billion in notional principal amount, we have 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. 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 totaling $409.6 million in notional principal amount, we have 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. 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, we have 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. 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.

In May 2002, we entered into $575.0 million of fixed payment and variable receipt interest rate swaps related to the issuance of the Bank's subordinated notes. However, these interest rate swaps did not qualify for hedge accounting under SFAS No. 133. For the three months ended March 31, 2003, the net unrealized loss attributed to these interest rate swaps increased $5.5 million to an ending balance of $31.4 million. The corresponding interest rate swap liabilities were recognized in our Consolidated Statements of Financial Condition at March 31, 2003 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)*

	3/31/03			12/31/02		
	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	$1,005,000	4.31%	2.75%	$1,005,000	4.31%	2.75%
2008	375,000	3.64	2.04	—	—	—
Total	$1,380,000	4.13%	2.56%	$1,005,000	4.31%	2.75%
Fixed Payment and Variable Receipt						
2003	$ 409,605	1.29%	3.55%	$ 409,605	1.42%	3.55%
2004	375,000	1.40	3.66	375,000	1.40	3.66
2006	200,000	1.40	4.69	200,000	1.40	4.69
Total	$ 984,605	1.35%(2)	3.82%	$ 984,605	1.41%(2)	3.82%
Variable Payment and Fixed Receipt						
2004	$ 145,000	2.56%	1.34%	$ 315,000	2.80%	1.57%
2005	165,000	2.16	1.33	—	—	—
2007	155,000	5.35	1.35	555,000	5.51	1.55
2012	400,000	5.76	1.34	400,000	5.76	1.75
Total	$ 865,000	4.47%	1.34%(2)	$1,270,000	4.92%	1.62%(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.

Additionally, we have entered into forward fixed payment and variable receipt interest rate swaps totaling $1.4 billion in notional principal amount that are not reflected in Figure 12 above. These forward interest rate swaps are scheduled to begin in September 2003 and mature in January 2006. The weighted average fixed payment rate on these forward interest rate swaps is 2.91%. The forward interest rate swaps will convert certain floating-rate FHLB advances into fixed-rate instruments. Such interest rate swaps will be designated and qualify as cash flow hedges under SFAS No. 133 at time of commencement.

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)*

	March 31,	
	2003	**2002**
	(Dollars in thousands)	
Unrealized gain (loss):		
Fair value hedges	$ 85,658	$10,658
Cash flow hedges	(5,217)	(1,074)
Unhedged interest rate swaps	(31,418)	—
Total fair value	$ 49,023	$ 9,584

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	
	3/31/03	**3/31/02**
	(Dollars in thousands)	
Interest expense (income):		
Deposits	$(9,782)	$(11,412)
FHLB advances	2,244	1,736
Subordinated notes	(4,391)	—
Unhedged interest rate swaps	3,798	—
Total net benefit	$(8,131)	$ (9,676)

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 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. We may, from time to time, decide to price deposits aggressively for 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 March 31, 2003, there were outstanding commitments to originate $2.4 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 outstanding unfunded consumer lines of credit of $4.7 billion and corporate banking lines of credit of $408.8 million as of March 31, 2003. 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 $97.8 million as of March 31, 2003.

Capital and Dividends

On April 23, 2002, the Company's Board of Directors authorized management to repurchase up to 10% of the Company's outstanding common stock, or approximately 22 million shares, under a 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 602,600 shares under the new authorization during the first quarter of 2003 at an average cost of $27.86 per share. This brought the total number of shares repurchased under this program to 8.5 million shares at an average cost of $30.76 per share. Shares and per share data discussed in this paragraph 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)*

	3/31/03					
	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	$3,351,195	11.97%	$2,240,273	≥8.00%	$2,800,341	≥10.00%
Tier 1 capital to risk-weighted assets	2,601,533	9.29	1,120,136	≥4.00	1,680,205	≥ 6.00
Tier 1 capital to average assets	2,601,533	6.16	1,689,243	≥4.00	N/A	N/A
Charter One Bank:						
Total capital to risk-weighted assets	3,390,837	12.12	2,238,151	≥8.00	2,797,689	≥10.00
Tier 1 capital to risk-weighted assets	2,308,430	8.25	1,119,075	≥4.00	1,678,613	≥ 6.00
Tier 1 capital to average assets	2,308,430	5.48	1,686,119	≥4.00	2,107,649	≥ 5.00

	12/31/02					
	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	$3,239,604	11.67%	$2,220,734	≥8.00%	$2,775,917	≥10.00%
Tier 1 capital to risk-weighted assets	2,513,577	9.05	1,110,367	≥4.00	1,665,550	≥ 6.00
Tier 1 capital to average assets	2,513,577	6.10	1,648,861	≥4.00	N/A	N/A
Charter One Bank:						
Total capital to risk-weighted assets	3,150,686	11.36	2,219,719	≥8.00	2,774,649	≥10.00
Tier 1 capital to risk-weighted assets	2,091,615	7.54	1,109,860	≥4.00	1,664,789	≥ 6.00
Tier 1 capital to average assets	2,091,615	5.11	1,636,187	≥4.00	2,045,234	≥ 5.00

Management believes that, as of March 31, 2003, 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				
	3/31/03	12/31/02	9/30/02	6/30/02	3/31/02
Market price of common stock (NYSE: CF)(1):					
High	$30.74	$31.48	$33.42	$34.77	$30.95
Low	27.05	23.89	25.81	29.30	25.19
Close	27.66	28.73	29.72	32.74	29.73
Dividends declared and paid(1)	.22	.22	.21	.21	.19

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

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

A comprehensive qualitative and quantitative analysis regarding market risk was disclosed in our December 31, 2002 Form 10-K. The assumptions used in our model have been updated as of March 31, 2003. The table below indicates the estimated impact on net interest income under the various interest rate scenarios as a percentage of base case net interest income projections.

Changes in Interest Rates (basis points)	Estimated Percentage Change in Future Net Interest Income 12 Months
+200 over one year	(6.17)%
+100 over one year	(3.02)
- 100 over one year	3.64

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

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 Company’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. Since the date of this evaluation there have been no significant changes in, or corrective actions taken regarding, the Company’s internal controls or in other factors that could significantly affect these controls.

The Company intends to continually review and evaluate the design and effectiveness of its disclosure controls and procedures and to improve its controls and procedures over time and to correct any deficiencies that it may discover in the future. The goal is to ensure that senior management has timely access to all material financial and non-financial information concerning the Company’s business. While the Company believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Company to modify its disclosure controls and procedures.

PART II – OTHER INFORMATION

ITEM 5. Other Information

Cash Dividend – On April 22, 2003, the Company’s Board of Directors declared a regular quarterly cash dividend of $.24 per share, up 9% from $.22 last quarter. The cash dividend is payable May 20, 2003 to shareholders of record on May 6, 2003.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits: See Index to Exhibits.

(b) Reports on Form 8-K: On January 17, 2003, the Company filed a report on Form 8-K containing its earnings release dated January 17, 2003.

On March 18, 2003, the Company filed a report on Form 8-K containing a press release announcing earnings expectations for the first quarter of 2003.

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: May 9, 2003	/s/ Charles John Koch
	Charles John Koch Chairman of the Board, President and Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)
Date: May 9, 2003	/s/ Richard W. Neu
	Richard W. Neu Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial and Accounting Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles John Koch, 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: May 9, 2003

/s/ Charles John Koch

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

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard W. Neu, 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: May 9, 2003

/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

EXHIBIT NUMBER	DESCRIPTION
	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	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.
10.13	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.
10.14	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.
10.15	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.
10.16	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.
10.17	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.
10.18	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.
10.19	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.
10.20	Charter One Bank, N.A.'s Director Non-Stock Deferred Compensation Plan, filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 001-15495), is incorporated herein by reference.
10.21	Charter One Bank, N.A.'s Non-Stock Deferred Compensation Plan, filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 001-15495), is incorporated herein by reference.
10.22	Charter One Bank, N.A.'s Stock Deferred Compensation Plan, filed as Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 001-15495), is incorporated herein by reference.
10.23	Master Trust Agreement for Charter One Financial, Inc. Deferred Compensation Plans, filed as Exhibit 10.23 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 001-15495), is incorporated herein by reference.
10.24	Amendment No. 1 to the amended and restated Charter One Financial, Inc. 1997 Stock Option and Incentive Plan, filed as Exhibit 10.24 to the Registrant'' Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (File No. 001-15495), is incorporated herein by reference.

EXHIBIT NUMBER	DESCRIPTION
11	Statement Regarding Computation of Per Share Earnings
99.1	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to Item 906 of the Sarbanes-Oxley Act of 2002