The Company measures interest rate risk through the use of a simulation model. The model generates a distribution of 12-month managed net interest income outcomes based on a plausible set of interest rate paths, which are generated from an industry-accepted term structure model. The consolidated balance sheet and all off-balance sheet positions are included in the analysis. The Company's Asset/Liability Management Policy requires that based on this distribution there be no more than a 5% probability of a reduction in 12-month net interest income of more than 3% of base net interest income. The interest rate scenarios evaluated as of December 31, 2002 included scenarios in which short-term interest rates rose by over 300 basis points or fell by as much as 140 basis points over the 12 months.

The Asset/Liability Management Policy also limits the change in 12-month net interest income and economic value of equity, due to instantaneous parallel rate shocks.

As of December 31, 2002, the Company was in compliance with all interest rate risk management policies. The measurement of interest rate sensitivity does not consider the effects of changes in the overall level of economic activity associated with various interest rate scenarios or reflect the ability of management to take action to further mitigate exposure to changes in interest rates. This action may include, within legal and competitive constraints, the repricing of interest rates on outstanding credit card loans.

Table 14 reflects the interest rate repricing schedule for earning assets and interest-bearing liabilities as of December 31, 2002.

Table 14: Interest Rate Sensitivity

As of December 31, 2002 - Subject to Repricing (Dollars in Millions)	Within 180 Days	› 180 Days-1 Year	›1 Year-5 Years	Over 5 Years
Earning assets:				
Federal funds sold and resale agreements	$ 374	$ -	$ -	$ -
Interest-bearing deposits at other banks	267	-	-	-
Securities available for sale	548	561	2,606	709
Consumer loans	8,135	1,200	8,956	9,563
Total earning assets	9,324	1,761	11,562	10,272
Interest-bearing liabilities:				
Interest-bearing deposits	3,180	2,773	11,118	255
Senior notes	714	326	4,127	399
Other borrowings	3,631	657	2,072	5
Total interest-bearing liabilities	7,525	3,756	17,317	659
Non-rate related net assets	-	-	-	(3,662)
Interest sensitivity gap	1,799	(1,995)	(5,755)	5,951
Impact of swaps	1,060	(361)	(699)	-
Impact of consumer loan securitizations	(4,758)	(427)	(2,789)	7,974
Interest sensitivity gap adjusted for impact of securitizations and swaps	$ (1,899)	$ (2,783)	$ (9,243)	$ 13,925
Adjusted gap as a percentage of managed assets	- 2.78%	- 4.08%	- 13.53%	20.39%
Adjusted cumulative gap	$ (1,899)	$ (4,682)	$ (13,925)	$ -
Adjusted cumulative gap as a percentage of managed assets	- 2.78%	- 6.86%	- 20.39%	0.00%

Liquidity Risk

Liquidity risk refers to the Company's inability to meet its cash needs. The Company meets its cash requirements by securitizing assets, gathering deposits and issuing debt and equity. As discussed in "Managed Consumer Loan Portfolio," a significant source of liquidity for the Company has been the securitization of consumer loans. Maturity terms of the existing securitizations vary from 2003 to 2008, and for revolving securitizations have accumulation periods during which principal payments are aggregated to make payments to investors. As payments on the loans are accumulated and are no longer reinvested in new loans, the Company's funding requirements for such new loans increase accordingly. The occurrence of certain events may cause the securitization transactions to amortize earlier than scheduled, which would accelerate the need for funding. Additionally, this early amortization would have a significant effect on the ability of the Bank and the Savings Bank to meet the capital adequacy requirements as all off-balance sheet loans experiencing such early amortization would have to be recorded on the balance sheet.

The amounts of investor principal from off-balance sheet consumer loans that are expected to amortize into the Company's consumer loans, or be otherwise paid over the periods indicated, based on outstanding off-balance sheet consumer loans as of January 1, 2003 are summarized in Table 13. As of December 31, 2002 and 2001, 53% and 54%, respectively, of the Company's total managed loans were included in off-balance sheet securitizations.