BANK ONE CORP
Form 10-Q
November 06, 2003

BANK ONE CORPORATION
INDEX TO FINANCIAL REVIEW

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

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

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

(1) Net interest income-FTE includes tax equivalent adjustments of $41 million, $39 million, $37 million, $36 million and $38 million for the quarters ended September 30, 2003, June 30, 2003, March 31, 2003, December 31, 2002 and September 30, 2002, respectively.

(2) As a result of the Corporation s announced agreement to sell its corporate trust services business, the results of these operations are reported as discontinued.

(3) Includes trust preferred securities.

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

(5) The efficiency ratio is based on income from continuing operations. Prior periods have been recalculated to conform with the current period presentation.

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FORWARD-LOOKING STATEMENTS

Management s Discussion and Analysis included herein contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, Bank One Corporation and its subsidiaries (the Corporation) may make or approve certain statements in future filings with the Securities and Exchange Commission (the Commission), in press releases, and in oral and written statements made by or with the Corporation s approval that are not statements of historical fact and may constitute forward-looking statements. Forward-looking statements may relate to, without limitation, the Corporation s financial condition, results of operations, plans, objectives, future performance or business.

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

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

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

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

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

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

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

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

Net Interest Income

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

Noninterest Income

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

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

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

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

Quarterly Results

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

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

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

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

Year-to-Date Results

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

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

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

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

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

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

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Noninterest Expense

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

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

Quarterly Results

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

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

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

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

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

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

Year-to-Date Results

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

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

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

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

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

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

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

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

Provision for Credit Losses

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

Applicable Income Taxes

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

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

	Three Months Ended September 30	Nine Months Ended September 30

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

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BUSINESS SEGMENT RESULTS

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

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

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

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

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

BUSINESS SEGMENT RESULTS AND OTHER DATA

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

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

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

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

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

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Retail continued

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

	Three Months Ended September 30				Nine Months Ended September 30			
RETAIL BROKERAGE:								
Mutual fund sales	**$ 671**	$ 575	$ 96	17%	**$ 2,022**	$ 1,792	$ 230	13%
Annuity sales	**895**	752	143	19	**2,420**	2,363	57	2
Total investment sales volume	**1,566**	1,327	239	18	**4,442**	4,155	287	7