WELLS FARGO & CO/MN
Form 10-Q
May 04, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2006
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-2979
WELLS FARGO & COMPANY
(Exact name of registrant as specified in its charter)

Delaware	41-0449260
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

420 Montgomery Street, San Francisco, California 94104
(Address of principal executive offices) (Zip Code)
Registrant s telephone number, including area code: 1-866-249-3302

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 þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

	Shares Outstanding April 28, 2006
Common stock, $1-2/3 par value	1,680,014,018

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PART I FINANCIAL INFORMATION
FINANCIAL REVIEW
SUMMARY FINANCIAL DATA

($ in millions, except per share amounts)	Mar. 31, 2006	Dec. 31, 2005	Mar. 31, 2005	% Change Mar. 31, 2006 from Dec. 31, 2005	% Change Mar. 31, 2006 from Mar. 31, 2005
For the Quarter					
Net income	**$ 2,018**	$ 1,930	$ 1,856	5%	9%
Diluted earnings per common share	**1.19**	1.14	1.08	4	10
Profitability ratios (annualized)					
Net income to average total assets (ROA)	**1.72%**	1.63%	1.75%	6	(2)
Net income applicable to common stock to average common stockholders equity (ROE)	**19.89**	19.22	19.60	3	1
Efficiency ratio (1)	**59.3**	57.5	58.0	3	2
Total revenue	**$ 8,555**	$ 8,492	$ 8,089	1	6
Dividends declared per common share	**.52**	.52	.48		8
Average common shares outstanding	**1,679.2**	1,675.4	1,695.4		(1)
Diluted average common shares outstanding	**1,697.9**	1,693.9	1,715.7		(1)
Average loans	**$ 311,132**	$ 305,696	$ 287,282	2	8
Average assets	**475,195**	468,481	430,990	1	10
Average core deposits (2)	**254,012**	253,386	231,847		10
Average retail core deposits (3)	**212,921**	210,729	192,621	1	11
Net interest margin	**4.85%**	4.84%	4.87%		
At Quarter End					
Securities available for sale	**$ 51,195**	$ 41,834	$ 31,685	22	62
Loans	**306,676**	310,837	290,588	(1)	6
Allowance for loan losses	**3,845**	3,871	3,783	(1)	2
Goodwill	**11,050**	10,787	10,645	2	4
Assets	**492,428**	481,741	435,643	2	13
Core deposits (2)	**258,142**	253,341	234,984	2	10
Stockholders equity	**41,961**	40,660	38,477	3	9
Tier 1 capital (4)	**32,758**	31,724	29,830	3	10
Total capital (4)	**45,331**	44,687	43,963	1	3
Capital ratios					
Stockholders equity to assets	**8.52%**	8.44%	8.83%	1	(4)
Risk-based capital (4)					
Tier 1 capital	**8.30**	8.26	8.40		(1)
Total capital	**11.49**	11.64	12.37	(1)	(7)
Tier 1 leverage (4)	**7.13**	6.99	7.17	2	(1)
Book value per common share	**$ 25.02**	$ 24.25	$ 22.76	3	10
Team members (active, full-time equivalent)	**152,000**	153,500	147,000	(1)	3
Common Stock Price					
High	**$ 65.51**	$ 64.70	$ 62.75	1	4

Low	**60.62**	57.62	58.15	5	4
Period end	**63.87**	62.83	59.80	2	7

(1) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).

(2) Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, and market rate and other savings.

(3) Retail core deposits are total core deposits excluding Wholesale Banking core deposits and retail mortgage escrow deposits.

(4) See Note 18 (Regulatory and Agency Capital Requirements) to Financial Statements for additional information.

This Report on Form 10-Q for the quarter ended March 31, 2006, including the Financial Review and the Financial Statements and related Notes, has forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results might differ significantly from our forecasts and expectations due to several factors. Some of these factors are described in the Financial Review and in the Financial Statements and related Notes. For a discussion of other factors, refer to the Risk Factors section in this Report and to the Risk Factors and Regulation and Supervision sections of our Annual Report on Form 10-K for the year ended December 31, 2005 (2005 Form 10-K), filed with the Securities and Exchange Commission (SEC) and available on the SEC s website at www.sec.gov.

OVERVIEW

Wells Fargo & Company is a $492 billion diversified financial services company providing banking, insurance, investments, mortgage banking and consumer finance through banking stores, the internet and other distribution channels to consumers, businesses and institutions in all 50 states of the U.S. and in other countries. We ranked fifth in assets and fourth in market value of our common stock among U.S. bank holding companies at March 31, 2006. When we refer to the Company, we, our and us in this Report, we mean Wells Fargo & Company and Subsidiaries (consolidated). When we refer to the Parent, we mean Wells Fargo & Company.

In first quarter 2006, we achieved record diluted earnings per share of $1.19, up 10% from a year ago, and record net income of $2.0 billion, up 9% from a year ago. First quarter 2006 results were reduced by $52 million, or $.02 per share, for expensing stock options for the first time as required under Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* (FAS 123R). Due to $33 million for immediate expensing of stock options for retirement-eligible team members, the $.02 per share for stock option expense in first quarter was $.01 per share more than our expected $.01 per share quarterly option expense for the remainder of 2006.

During first quarter 2006, we adopted fair value accounting for residential mortgage servicing rights (MSRs), which resulted in an addition to equity of $158 million pre tax ($101 million after tax). This was offset by $184 million in net MSRs valuation losses recorded in earnings (higher MSRs valuation during the quarter less economic hedging losses in a rising rate environment). As previously announced, we sold Island Finance s operations in Puerto Rico, which resulted in a pre-tax gain of $127 million.

Our first quarter 2006 results reflected a continuation of the same trends we have seen for many quarters double-digit earnings growth, with quarterly net income exceeding $2.0 billion for the first time. We had solid, broad-based, and, in many businesses, accelerating revenue growth, with revenue in businesses other than Wells Fargo Home Mortgage (Home Mortgage) up a combined 17% from a year ago. Our net interest margin was stable and reflected our success in growing core deposits as well as actions we took in 2005 and in first quarter 2006 to shed lower-yielding assets and boost earning asset yields, including sales of $51 billion of adjustable rate mortgages (ARMs) during the same periods. Credit quality was exceptionally strong and we continued to invest for future growth by adding more sales personnel, more stores and new technology and by sales, at a loss, of our lowest-yielding ARMs and debt securities. Many of our businesses achieved double-digit, year-over-year profit growth, including businesses that serve

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our retail and small business customers in Community Banking our regional banking groups, credit card, business direct, education financial services, and corporate trust; businesses that serve mid-sized and large corporations in Wholesale Banking commercial banking, asset management, commercial real estate, international financial services, insurance, Eastdil Secured and specialized financial services; and our consumer finance business, Wells Fargo Financial.

Our vision is to satisfy all the financial needs of our customers, help them succeed financially, be recognized as the premier financial services company in our markets and be one of America s great companies. Our primary strategy to achieve this vision is to increase the number of products our customers buy from us and to give them all of the financial products that fulfill their needs. Our cross-sell strategy and diversified business model facilitate growth in strong and weak economic cycles, as we can grow by expanding the number of products our current customers have with us. Our average retail banking household now has a record 4.9 products with us and our average Wholesale Banking customer has 5.7 products. Our goal is eight products per customer, which is currently half of our estimate of potential demand. Our core products grew this quarter compared with a year ago, with average loans up 8%, average core deposits up 10% and assets managed and administered up 16%. Our owned servicing portfolio surpassed $1 trillion in first quarter 2006, reaching a record $1.04 trillion at March 31, 2006.

We believe it is important to maintain a well-controlled environment as we continue to grow our businesses. We manage our credit risk by maintaining prudent credit policies for underwriting and effective procedures for monitoring and review. We manage the interest rate and market risks inherent in our asset and liability balances within prudent ranges, while ensuring adequate liquidity and funding. Our stockholder value has increased over time due to customer satisfaction, strong financial results, investment in our businesses and the prudent way we attempt to manage our business risks.

Our financial results included the following:

Net income for first quarter 2006 increased 9% to $2.02 billion from $1.86 billion for first quarter 2005. Diluted earnings per share for first quarter 2006 increased 10%, from $1.08 for first quarter 2005. Return on average assets (ROA) was 1.72% and return on average common equity (ROE) was 19.89% for first quarter 2006.

Net interest income on a taxable-equivalent basis increased 9% to $4.89 billion for first quarter 2006 on 9% earning assets growth, from $4.48 billion for first quarter 2005. Despite the flat to inverted yield curve during the quarter, the net interest margin was 4.85% for first quarter 2006, compared with 4.87% for first quarter 2005. Our margin has remained relatively stable in the last year and reflected our ability to continue to grow checking and savings deposits, and the benefit of our balance sheet repositioning actions, including the sale of our lowest-yielding ARMs and debt securities.

Noninterest income increased 1% to $3.69 billion for first quarter 2006, from $3.64 billion for first quarter 2005. Excluding mortgage banking, noninterest income increased 16% from first quarter 2005, reflecting strong year-over-year growth in service charges on deposit accounts, up 8%; trust and investment fees, up 10%; other fees, largely loan-related, up 8%; insurance, up 8%; and equity investments, up $119 million. First quarter 2006 results also included the $127 million gain related to the sale of Island Finance s operations in Puerto Rico, $9 million in losses related to the sale of ARMs and $35 million in net debt securities losses related to repositioning for higher debt securities yields in our corporate and Home Mortgage portfolios. Mortgage banking noninterest income declined $399 million, due to the $184 million net MSRs valuation loss that was recorded to earnings ($522 million fair value gain less $706 million economic hedging loss), compared with a $271 million valuation allowance release (income) and an $85 million ineffective hedge gain in first quarter 2005.

Revenue, the sum of net interest income and noninterest income, grew $466 million, or 6%, to $8.56 billion in first quarter 2006 from $8.09 billion in first quarter 2005. Home Mortgage revenue declined $665 million from $1.5 billion in first quarter 2005 to $853 million in first quarter 2006. Combined revenue of businesses other than Home Mortgage grew 17% from first quarter 2005 to first quarter 2006. Revenue growth was broad based and included double-digit, year-over-year growth in regional banking, Wells Fargo Financial, and many of our wholesale and commercial businesses. Revenue growth was driven by continued growth in average loans (up 8% in total year-over-year and up 17% excluding real estate 1-4 family first mortgage loans, the loan category impacted by our ARMs sales,) and in average core deposits (up 10% year over year), a stable net interest margin and growth in assets under management, up 16% year over year.

Noninterest expense was $5.07 billion for first quarter 2006, up $382 million, or 8%, from first quarter 2005. The increase was primarily driven by continued investment in our businesses, both additional sales personnel and new stores. During the quarter, we opened 23 regional banking stores, two commercial banking offices and renovated 72 banking stores. Noninterest expense included $52 million, or $.02 a share, in stock option expense as required under FAS 123R.

Net charge-offs for first quarter 2006 were $433 million (.56% of average loans outstanding, annualized), compared with $703 million (.91%) during fourth quarter 2005, which included $171 million (.22%) for incremental bankruptcies above normalized levels, and $585 million (.83%) during first quarter 2005, which included $163 million (.23%) related to changes in loss recognition rules at Wells Fargo Financial to conform to Federal Financial Institutions Examination Council (FFIEC) bank standards for recognizing credit losses. After the October 2005 legislation change, personal bankruptcy levels fell significantly below historic run rates and remained at this low level during first quarter 2006.

The allowance for credit losses, which consists of the allowance for loan losses and the reserve for unfunded credit commitments, was $4.03 billion, or 1.31% of total loans, at March 31, 2006, compared with $4.06 billion, or 1.31%, at December 31, 2005, and $3.95 billion, or 1.36%, at March 31, 2005.

Total nonaccrual loans were $1.39 billion, or .45% of total loans, at March 31, 2006, compared with $1.34 billion, or .43%, at December 31, 2005, and $1.20 billion, or .41%, at March 31, 2005. Total nonperforming assets (NPAs) were $1.85 billion, or .60% of total loans, at March 31, 2006, compared with $1.53 billion, or .49%, at December 31, 2005, and $1.41 billion, or .48%, at March 31, 2005. Foreclosed assets were $455 million at March 31, 2006, compared with $191 million at December 31, 2005, and $207 million at March 31, 2005. Foreclosed assets, a component of total NPAs, included for the first time an additional $227 million of foreclosed real estate securing Government National Mortgage Association (GNMA) loans in first quarter 2006, due to a change in regulatory reporting

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requirements effective January 1, 2006. These assets are fully collectible because the corresponding GNMA loans are insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs. The remaining quarterly increase in NPAs was a natural consequence of continued growth in several of our residential real estate and automobile portfolios. Commercial and commercial real estate NPAs decreased $187 million from a year ago.

The ratio of stockholders equity to total assets was 8.52% at March 31, 2006, 8.44% at December 31, 2005, and 8.83% at March 31, 2005. Our total risk-based capital (RBC) ratio at March 31, 2006, was 11.49% and our Tier 1 RBC ratio was 8.30%, exceeding the minimum regulatory guidelines of 8% and 4%, respectively, for bank holding companies. Our RBC ratios at March 31, 2005, were 12.37% and 8.40%, respectively. Our Tier 1 leverage ratios were 7.13% and 7.17% at March 31, 2006 and 2005, respectively, exceeding the minimum regulatory guideline of 3% for bank holding companies.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are fundamental to understanding our results of operations and financial condition, because some accounting policies require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Three of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern the allowance for credit losses, the valuation of residential mortgage servicing rights and pension accounting. Management has reviewed and approved these critical accounting policies and has discussed these policies with the Audit and Examination Committee. Policies covering the allowance for credit losses and pension accounting are described in Financial Review Critical Accounting Policies and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2005 Form 10-K. Due to adoption of Statement of Financial Accounting Standards No. 156, *Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140* (FAS 156), our accounting policy covering the valuation of residential mortgage servicing rights has been updated and is described below.

VALUATION OF RESIDENTIAL MORTGAGE SERVICING RIGHTS

We recognize as assets the rights to service mortgage loans for others, or mortgage servicing rights (MSRs), whether we purchase the servicing rights, or the servicing rights result from the sale or securitization of loans we originate (asset transfers). Effective January 1, 2006, under FAS 156, we elected to initially measure and carry our MSRs related to residential mortgage loans (residential MSRs) using the fair value measurement method. Under this method, purchased MSRs and MSRs from asset transfers are capitalized and carried at fair value. Prior to the adoption of FAS 156, we capitalized purchased residential MSRs at cost, and MSRs from asset transfers based on the relative fair value of the servicing right and the residential mortgage loan at the time of sale, and carried both purchased MSRs and MSRs from asset transfers at the lower of cost or market. Effective January 1, 2006, upon the re-measurement of our residential MSRs at fair value, we recorded a cumulative-effect adjustment to the 2006 beginning balance of

retained earnings of $101 million after tax ($158 million pre tax) in our Statement of Changes in Stockholders Equity.
At the end of each quarter, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, ancillary income and late fees. The valuation of MSRs is discussed further in this section and in Note 1 (Summary of Significant Accounting Policies) and Note 15 (Mortgage Banking Activities) to Financial Statements in this Report and in Note 20 (Securitizations and Variable Interest Entities) and Note 21 (Mortgage Banking Activities) to Financial Statements in our 2005 Form 10-K.
To reduce the sensitivity of earnings to interest rate and market value fluctuations, we economically hedge the risk of changes in the fair value of MSRs primarily with free-standing derivative contracts. The resulting gains or losses for the hedges are reflected in income. Changes in the fair value of the MSRs from changing mortgage interest rates are generally offset by gains or losses in the fair value of the derivatives depending on the amount of MSRs we hedge. We may choose not to fully hedge MSRs, partly because origination volume tends to act as a natural hedge. For example, as interest rates decline, servicing values decrease and fees from origination volume increase. Conversely, as interest rates increase, the fair value of the MSRs increases, while fees from origination volume tend to decline.
Servicing income, a component of mortgage banking noninterest income, includes the changes from period to period in fair value of both our residential MSRs and the free-standing derivatives used to economically hedge our residential MSRs. Changes in the fair value of residential MSRs from period to period result from (1) changes in the valuation model inputs or assumptions (principally reflecting changes in discount rates and prepayment assumptions, primarily due to changes in interest rates) and (2) other changes, representing changes due to collection/realization of expected cash flows. Prior to the adoption of FAS 156, we carried residential MSRs at the lower of cost or market, with amortization of MSRs and changes in the MSRs valuation allowance recognized in servicing income.
We use a dynamic and sophisticated model to estimate the value of our MSRs. This model is validated by an independent internal model validation group operating in accordance with a model valuation policy approved by the Corporate Asset/Liability Management Committee. Senior management reviews all significant assumptions quarterly. Mortgage loan prepayment speed a key assumption in the model is the annual rate at which borrowers are forecasted to repay their mortgage loan principal and is based on historical experience. The discount rate used to determine the present value of estimated future net servicing income another key assumption in the model is the required rate of return the market would expect for an asset with similar risk. To determine the discount rate, we consider the risk premium for uncertainties from servicing operations (e.g., possible changes in future servicing costs, ancillary income and earnings on escrow accounts). Both assumptions can, and generally will, change quarterly valuations as market conditions and interest rates change. For example, an increase in either the prepayment speed or discount rate assumption results in a decrease in the fair value of the MSRs, while a decrease in either assumption would result in an increase in the fair value of the MSRs. In recent years, there have been significant market-driven fluctuations in loan prepayment speeds

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and the discount rate. These fluctuations can be rapid and may be significant in the future. Therefore, estimating prepayment speeds within a range that market participants would use in determining the fair value of MSRs requires significant management judgment.

These key economic assumptions and the sensitivity of the fair value of MSRs to an immediate adverse change in those assumptions are shown in Note 20 (Securitizations and Variable Interest Entities) to Financial Statements in our 2005 Form 10-K.

EARNINGS PERFORMANCE

NET INTEREST INCOME

Net interest income is the interest earned on debt securities, loans (including yield-related loan fees) and other interest-earning assets minus the interest paid for deposits and long-term and short-term debt. The net interest margin is the average yield on earning assets minus the average interest rate paid for deposits and our other sources of funding. Net interest income and the net interest margin are presented in the table on page 10 on a taxable-equivalent basis to consistently reflect income from taxable and tax-exempt loans and securities based on a 35% marginal tax rate.

Net interest income on a taxable-equivalent basis increased 9% to $4.89 billion in first quarter 2006 from $4.48 billion in first quarter 2005, primarily driven by a 9% growth in average earning assets.

Despite the flat to inverted yield curve during the quarter, the net interest margin was 4.85% in first quarter 2006 and 4.87% in first quarter 2005. Our stable margin reflected our ability to continue to grow checking and savings deposits and the benefit of our continued focus on balance sheet repositioning actions, including the sale of our lowest-yielding ARMs and debt securities.

Average earning assets increased $35.0 billion to $407.5 billion in first quarter 2006 from $372.5 billion in first quarter 2005, due to an increase in average loans, mortgage-backed securities and mortgages held for sale, partly offset by a decrease in average loans held for sale. Loans averaged $311.1 billion in first quarter 2006, compared with $287.3 billion in first quarter 2005. The increase was predominantly due to an increase in commercial loans and other revolving credit and installment loans, partly offset by the sale of $51 billion of ARMs since the beginning of 2005. Average mortgages held for sale increased to $39.5 billion in first quarter 2006 from $31.6 billion in first quarter 2005, due to higher origination volume. Average loans held for sale decreased to $651 million in first quarter 2006 from $9.1 billion in first quarter 2005, due to the transfer of student loans from loans held for sale to loans held for investment in first quarter 2005. Our decision to hold these loans for investment was based on yields at that time and our intent and ability to hold this portfolio for the foreseeable future. Debt securities available for sale averaged $43.5 billion during first quarter 2006 and $32.0 billion in first quarter 2005.

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Average core deposits are an important contributor to growth in net interest income and the net interest margin. This low-cost source of funding rose 10% from a year ago. Average core deposits were $254.0 billion and $231.8 billion in first quarter 2006 and 2005, respectively. Total average retail core deposits, which exclude Wholesale Banking core deposits and retail mortgage escrow deposits, for first quarter 2006 grew $20.3 billion, or 11%, from a year ago. Average mortgage escrow deposits were $15.5 billion for first quarter 2006, up $1.6 billion from a year ago. Savings certificates of deposits increased on average from $19.5 billion in first quarter 2005 to $28.7 billion in first quarter 2006 and noninterest-bearing checking accounts and other core deposit categories increased on average from $212.4 billion in first quarter 2005 to $225.3 billion in first quarter 2006. Total average interest-bearing deposits increased to $215.9 billion in first quarter 2006 from $189.1 billion in first quarter 2005.

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AVERAGE BALANCES, YIELDS AND RATES PAID (TAXABLE-EQUIVALENT BASIS) (1) (2)

						Quarter ended March 31,
			2006			2005
(in millions)	**Average balance**	**Yields/ rates**	**Interest income/ expense**	Average balance	Yields/ rates	Interest income/ expense
EARNING ASSETS						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 5,192**	**4.21%**	**$ 54**	$ 5,334	2.40%	$ 32
Trading assets	**6,099**	**4.61**	**69**	5,525	3.22	44
Debt securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	**866**	**4.30**	**9**	930	3.93	9
Securities of U.S. states and political subdivisions	**3,106**	**8.13**	**60**	3,572	8.41	71
Mortgage-backed securities:						
Federal agencies	**27,718**	**5.92**	**406**	20,079	6.01	291
Private collateralized mortgage obligations	**6,562**	**6.46**	**104**	3,993	5.44	53
Total mortgage-backed securities	**34,280**	**6.02**	**510**	24,072	5.91	344
Other debt securities (4)	**5,280**	**7.86**	**104**	3,388	7.20	57
Total debt securities available for sale (4)	**43,532**	**6.36**	**683**	31,962	6.26	481
Mortgages held for sale (3)	**39,523**	**6.16**	**609**	31,636	5.44	430
Loans held for sale (3)	**651**	**6.93**	**11**	9,062	5.02	112
Loans:						
Commercial and commercial real estate:						
Commercial	**62,769**	**7.71**	**1,195**	55,178	6.20	844
Other real estate mortgage	**28,686**	**7.01**	**497**	29,869	5.88	433
Real estate construction	**13,850**	**7.59**	**259**	9,178	6.08	138
Lease financing	**5,436**	**5.80**	**79**	5,126	6.14	79
Total commercial and commercial real estate	**110,741**	**7.42**	**2,030**	99,351	6.09	1,494
Consumer:						
Real estate 1-4 family first mortgage	**74,383**	**6.82**	**1,259**	84,589	6.00	1,261
Real estate 1-4 family junior lien mortgage	**59,972**	**7.65**	**1,131**	53,059	6.01	787

Credit card	**11,765**	**13.23**	**389**	10,157	11.92	303
Other revolving credit and installment	**48,329**	**9.39**	**1,120**	35,887	8.95	793
Total consumer	**194,449**	**8.10**	**3,899**	183,692	6.91	3,144
Foreign	**5,942**	**12.57**	**185**	4,239	13.82	146
Total loans (5)	**311,132**	**7.95**	**6,114**	287,282	6.73	4,784
Other	**1,389**	**4.62**	**16**	1,726	4.32	19
Total earning assets	**$ 407,518**	**7.50**	**7,556**	$ 372,527	6.42	5,902
FUNDING SOURCES						
Deposits:						
Interest-bearing checking	**$ 4,069**	**2.23**	**22**	$ 3,365	1.05	9
Market rate and other savings	**134,228**	**2.08**	**687**	127,346	1.04	325
Savings certificates	**28,718**	**3.45**	**245**	19,487	2.48	119
Other time deposits	**33,726**	**4.48**	**373**	28,814	2.53	180
Deposits in foreign offices	**15,152**	**4.16**	**155**	10,095	2.38	59
Total interest-bearing deposits	**215,893**	**2.78**	**1,482**	189,107	1.48	692
Short-term borrowings	**26,180**	**4.17**	**270**	25,434	2.38	149
Long-term debt	**81,686**	**4.49**	**910**	75,680	3.08	579
Total interest-bearing liabilities	**323,759**	**3.33**	**2,662**	290,221	1.98	1,420
Portion of noninterest-bearing funding sources	**83,759**			82,306		
Total funding sources	**$ 407,518**	**2.65**	**2,662**	$ 372,527	1.55	1,420
Net interest margin and net interest income on a taxable-equivalent basis (6)		**4.85%**	**$ 4,894**		4.87%	$ 4,482
NONINTEREST-EARNING ASSETS						
Cash and due from banks	**$ 12,897**			$ 13,090		
Goodwill	**10,963**			10,657		
Other	**43,817**			34,716		
Total noninterest-earning assets	**$ 67,677**			$ 58,463		
NONINTEREST-BEARING FUNDING SOURCES						
Deposits	**$ 86,997**			$ 81,649		
Other liabilities	**23,320**			20,739		
Stockholders equity	**41,119**					