

## CREDIT CARD PROFITS FOR THREE MONTHS TOP \$7 BILLION

Credit card profits in the last three months of 2003, topped \$7.0 billion and may have exceeded \$30 billion for the year. Among the nation's largest issuers, profits grew 17% on average in the fourth quarter. MBNA led the pack with a 30% surge in profits, followed by Chase with a 25% increase in card operating income. Citigroup posted its first billion dollar profit quarter in 4Q/03 thanks to its acquisition of the Sears card portfolio in November. The nation's top three issuers, ranked by card loans, raked in \$2.2 billion in fourth quarter profits, while seven top issuers collectively produced \$3.6 billion in 4Q/03 profits. On the other end of the scale, Bank of America's card profits were up 3%, and Bank One produced an 8% gain in net income. In the middle, but below the group average, is Capital One with an 11% increase, and American Express with a 10% gain over 4Q/02.

### PROFIT SNAPSHOT

ISSUER	4Q/03	CHNG
Citigroup	\$1140	+22%
MBNA	\$704	+30%
AmEx	\$606	+10%
Bank One	\$347	+ 8%
BofA	\$323	+ 3%
Cap One	\$266	+11%
Chase	\$171	+25%
TOTAL:	\$3557	+17%

\$millions Source: CardData

According to R.K. Hammer Investment Bakers, credit card profits hit their highest level in fifteen years during 2003, driven primarily by lower cost-of-funds. The average pre-tax, return-on-assets for credit card portfolios last year is projected to reach 4.4%, compared 4.2% for 2002, and 4.5% for

1988. Hammer says its data show that charge-offs continued to increase during 2003, but the impact has been reduced by the lower cost-of-funds. Hammer says total income yield for 2003 will come in at 17.6%, the lowest since 1998. Operating expense edged up from 4.9% in 2002 to 5.0% last year, as charge-offs jumped from 5.4% in 2002 to 5.8% for 2003.

U.S. Bank Credit Card

Profitability Historical

(VISA, MasterCard, and Discover)

YEAR	ROA
1989	4.1%
1990	3.7%
1991	3.4%
1992	3.1%
1993	3.3%
1994	3.9%
1995	3.6%
1996	3.3%
1997	2.6%
1998	2.5%
1999	3.1%
2000	3.6%
2001	4.0%
2002	4.2%
2003	4.4%

ROA-net pre-tax return-on-assets

Source: R.K. Hammer Investment Bankers