
MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS continued

Results of Operations. Diluted earnings per share totaled \$1.69, a 5.0 percent increase from \$1.61 reported for 2001.

Return on equity was 9.39 percent in 2003, 11.72 percent in 2002 and 13.36 percent in 2001. Return on assets was .93 percent in 2003, 1.16 percent in 2002 and 1.31 percent in 2001.

CAPITAL

The Corporation's regulatory capital continues to exceed regulatory "well capitalized" standards. Tier I regulatory capital consists primarily of total stockholders' equity and trust-preferred securities, less non-qualifying intangible assets and unrealized net securities gains. The Corporation's Tier I capital to average assets ratio was 7.38 percent and 7.92 percent at December 31, 2003 and 2002, respectively. In addition, at December 31, 2003, the Corporation had a Tier I risk-based capital ratio of 9.40 percent and total risk-based capital ratio of 11.60 percent. Regulatory capital guidelines require a Tier I risk-based capital ratio of 4.0 percent and a total risk-based capital ratio of 8.0 percent.

The Corporation's GAAP capital ratio, defined as total stockholders' equity to total assets, equaled 9.88 percent as of December 31, 2003, up from 9.75 percent in 2002. When the Corporation acquires other companies, GAAP capital increases by the entire amount of the purchase price. Additional GAAP capital resulting from the purchase of CNBC Bancorp and Commerce National Bank, acquired on March 1, 2003, totaled \$55,729,000, and was reduced by cash used for consideration totaling \$24,562,000 per Note 2.

The Corporation's tangible capital ratio, defined as total stockholders' equity less intangibles net of tax to total assets less intangibles net of tax, equaled 5.78 percent as of December 31, 2003 down from 6.25 percent in 2002.

Management believes that all of the above capital ratios are meaningful measurements for evaluating the safety and soundness of the Corporation. Additionally, management believes the following table is also meaningful when considering performance measures of the Corporation. The table details and reconciles tangible earnings per share, return on tangible capital and tangible assets to traditional GAAP measures.