CDW Corp
Form S-4/A
November 14, 2011
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As filed with the Securities and Exchange Commission on November 14, 2011.

Registration No. 333-175597

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CDW CORPORATION*

(Exact name of registrant as specified in its charter)

Delaware	5961	26-0273989
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Number)	(I.R.S. Employer Identification No.)

200 N. Milwaukee Avenue

Vernon Hills, Illinois 60061

Telephone: (847) 465-6000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Christine A. Leahy

Senior Vice President, General Counsel and Corporate Secretary

CDW Corporation

200 N. Milwaukee Avenue

Vernon Hills, Illinois 60061

Telephone: (847) 465-6000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

James S. Rowe

Kirkland & Ellis LLP

300 N. LaSalle

Chicago, Illinois 60654

Telephone: (312) 862-2000

* The co-registrants listed on the next page are also included in this Form S-4 Registration Statement as additional registrants.
Approximate date of commencement of proposed sale of the securities to the public: Each exchange will occur as soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer	¨		Accelerated filer	¨
Non-accelerated filer	x	(Do not check if a smaller reporting company)	Smaller reporting company	¨

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If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨
Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (1)
8.0% Senior Secured Notes due 2018, Series B	$ 500,000,000	100%	$ 500,000,000	$ 58,050.00(2)
8.5% Senior Notes due 2019, Series B	$1,175,000,000	100%	$1,175,000,000	$136,417.50(2)
Guarantees on 8.0% Senior Secured Notes due 2018, Series B	$ 500,000,000			(3)
Guarantees on 8.5% Senior Notes due 2019, Series B	$1,175,000,000			(3)

(1) Previously paid.
(2) Calculated in accordance with Rule 457 under the Securities Act of 1933, as amended.
(3) Pursuant to Rule 457(n), no separate fee is payable with respect to the guarantees being registered hereby.

The registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Exact Name of Additional Registrants*	Primary Standard Industrial Classification Number	Jurisdiction of Formation	I.R.S. Employer Identification No.
CDW LLC	5961	Illinois	36-3310735
CDW Finance Corporation	5961	Delaware	90-0600013
CDW Technologies, Inc.	5961	Wisconsin	39-1768725
CDW Direct, LLC	5961	Illinois	36-4530079
CDW Government LLC	5961	Illinois	36-4230110
CDW Logistics, Inc.	5961	Illinois	38-3679518

* The address for each of the additional registrants is CDW Corporation, 200 N. Milwaukee Avenue, Vernon Hills, Illinois 60061. The name, address and telephone number of the agent for service for each of the additional registrants is Christine A. Leahy, Senior Vice President, General Counsel and Corporate Secretary of CDW Corporation, 200 N. Milwaukee Avenue, Vernon Hills, Illinois 60061, telephone: (847) 465-6000.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell nor is it an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 14, 2011

PROSPECTUS

CDW LLC

CDW Finance Corporation

Exchange Offers for

8.0% Senior Secured Notes due 2018 and

8.5% Senior Notes due 2019

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, up to $500,000,000 in aggregate principal amount of our new 8.0% Senior Secured Notes due 2018, Series B and up to $1,175,000,000 in aggregate principal amount of our new 8.5% Senior Notes due 2019, Series B (collectively, the exchange notes), each of which has been registered under the Securities Act of 1933, as amended (the Securities Act), for any and all of our outstanding 8.0% Senior Secured Notes due 2018 and 8.5% Senior Notes due 2019 (collectively, the outstanding notes, and such transactions, collectively, the exchange offers).

We are conducting the exchange offers in order to provide you with an opportunity to exchange the unregistered notes you hold for freely tradable notes that have been registered under the Securities Act.

The principal features of the exchange offers are as follows:

The terms of the exchange notes to be issued in the exchange offers are substantially identical to the outstanding notes, except that the transfer restrictions, registration rights and additional interest provisions relating to the outstanding notes will not apply to the exchange notes.

You may withdraw your tender of outstanding notes at any time before the expiration of the exchange offers. We will exchange all of the outstanding notes that are validly tendered and not withdrawn.

Based upon interpretations by the staff of the Securities and Exchange Commission (the SEC), we believe that subject to some exceptions, the exchange notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, provided you are not an affiliate of ours.

The exchange offers expire at 12:00 a.m., midnight, New York City time, on , 2011, unless extended.

The exchange of notes will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offers.

There is no existing public market for the outstanding notes or the exchange notes. We do not intend to list the exchange notes on any securities exchange.

Except in very limited circumstances, current and future holders of outstanding notes who do not participate in the exchange offers will not be entitled to any future registration rights, and will not be permitted to transfer their outstanding notes absent an available exemption from registration.

For a discussion of certain factors that you should consider before participating in the exchange offers, see Risk Factors beginning on page 19 of this prospectus.

Neither the SEC nor any state securities commission has approved the exchange notes to be distributed in the exchange offers, nor have any of these organizations determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

, 2011

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You should rely only on the information contained in this prospectus. The prospectus may be used only for the purposes for which it has been published. We have not authorized anyone to provide any information not contained herein. If you receive any other information, you should not rely on it. We are not making an offer of these securities in any state where the offer is not permitted.

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This prospectus contains summaries of the terms of several material documents. These summaries include the terms we believe to be material, but we urge you to review these documents in their entirety. We will provide without charge to each person to whom a copy of this prospectus is delivered, upon written or oral request of that person, a copy of any and all of these documents. Requests for copies should be directed to: CDW Corporation, 200 N. Milwaukee Avenue, Vernon Hills, Illinois 60061; Attention: Investor Relations (telephone (847) 465-6000).

MARKET, RANKING AND OTHER INDUSTRY DATA

This prospectus includes industry and trade association data, forecasts and information that we have prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry publications and surveys and other information available to us. Some data is also based on our good faith estimates, which are derived from management s knowledge of the industry and independent sources. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on market data currently available to us. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors in this prospectus. Similarly, we believe our internal research is reliable, even though such research has not been verified by any independent sources.

TRADEMARKS AND SERVICE MARKS

This prospectus includes our trademarks such as CDW, which are protected under applicable intellectual property laws and are the property of CDW Corporation or its subsidiaries. This prospectus also contains trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names.

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SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus. You should carefully read the entire prospectus, including the section entitled Risk Factors and the consolidated financial statements and notes related to those statements included elsewhere in this prospectus, before deciding whether to participate in the exchange offers. On October 12, 2007, CDW Corporation, an Illinois corporation (Target), was acquired by CDW Corporation, a Delaware corporation formerly known as VH Holdings, Inc. (Parent), a then-newly formed entity indirectly controlled by investment funds affiliated with Madison Dearborn Partners, LLC (Madison Dearborn) and Providence Equity Partners L.L.C. (Providence Equity), in a transaction valued at approximately $7.4 billion, including fees and expenses (the Acquisition). For financial reporting purposes, we refer to Target and its subsidiaries prior to the Acquisition as the Predecessor and we refer to Parent and its subsidiaries (including Target) following the Acquisition as the Successor. On December 31, 2009, Target merged into CDWC LLC, a limited liability company wholly owned by Parent, with CDWC LLC as the surviving company in the merger (the CDW LLC Merger). On December 31, 2009, CDWC LLC was renamed CDW LLC and on August 17, 2010, VH Holdings, Inc. was renamed CDW Corporation. Unless otherwise indicated or the context otherwise requires, the terms we, us, the Company, our, CDW and other similar terms refer to the business of Parent and its consolidated subsidiaries.

Our Business

Overview

CDW is a leading multi-brand technology solutions provider to business, government, education and healthcare customers in the U.S. and Canada. We provide comprehensive and integrated solutions for our customers technology needs through our extensive hardware, software and value-added service offerings. We serve over 250,000 customers through our experienced and dedicated sales force of more than 3,400 coworkers. We offer over 100,000 products from over 1,000 brands and a multitude of advanced technology solutions. Our broad range of technology products includes leading brands such as Hewlett-Packard, Microsoft, Cisco, Lenovo, EMC, IBM, Apple and VMware. Our offerings range from discrete hardware and software products to complex technology solutions such as virtualization, collaboration, security, mobility, data center optimization and cloud computing. Our sales and operating results have been driven by the combination of our large and knowledgeable selling organization, highly skilled technology specialists and engineers, extensive range of product offerings, strong vendor partner relationships, and fulfillment and logistics capabilities. For the year ended December 31, 2010, our net sales, net loss and Adjusted EBITDA were $8,801.2 million, $29.2 million and $601.8 million, respectively. For the six months ended June 30, 2011, our net sales, net loss and Adjusted EBITDA were $4,541.7 million, $39.0 million and $343.0 million, respectively. Adjusted EBITDA is a non-GAAP financial measure. See Summary Historical Financial Data for the definition of Adjusted EBITDA, the reasons for its inclusion and a reconciliation to net income (loss).

We have two reportable segments:

<u>Corporate</u>. Our Corporate segment customers are primarily in the small and medium business category, which we define as customers with up to 1,000 employees at a single location. We also serve larger customers, including FORTUNE 1000 companies, that value our broad offerings, brand selection and flexible delivery model. We have over 200,000 active accounts, well diversified across numerous industries. Our Corporate segment is divided into a small business customer channel, primarily serving customers with up to 100 employees, and a medium-large business customer channel, primarily serving customers with more than 100 employees. Our Corporate segment sales team is primarily organized by geography and customer size. We believe this enables us to better understand and serve customer needs, optimize sales resource coverage, and strengthen relationships with vendor partners to create more sales opportunities. Our Corporate segment generated net sales of $4,833.6 million and $2,617.7 million for the year ended December 31, 2010 and for the six months ended June 30, 2011, respectively.

<u>Public</u>. Our Public segment is divided into government, education and healthcare customer channels. The government channel serves federal as well as state and local governments. Our education channel serves higher education and K-12 customers. The healthcare channel serves customers across the healthcare provider industry. We have built sizable businesses in each of our three Public customer channels as annual net sales are equal to or exceed $1 billion for each customer channel. Our Public segment sales teams are organized by customer channel, and within each customer channel, they are generally organized by geography, except our federal government sales teams, which are organized by agency. We believe this enables our sales teams to address the specific needs of their customer channel while promoting strong customer relationships. Our Public segment generated net sales of $3,560.6 million and $1,675.1 million for the year ended December 31, 2010 and for the six months ended June 30, 2011, respectively.

<u>Other</u>. We also have two other operating segments, CDW Advanced Services and Canada, which do not meet the reportable segment quantitative thresholds and, accordingly, are combined together as Other. The CDW Advanced Services

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business is comprised of customized engineering services, delivered by CDW professional engineers, as well as managed services, including hosting and data center services. The other services components of solutions sales, including custom configuration and other third party services, are not recorded in Other, but are recorded in our Corporate and Public segment net sales. Advanced services provided by CDW professional engineers are recorded in CDW Advanced Services. Our CDW Advanced Services and Canada business segments generated net sales of $407.0 million and $248.9 million for the year ended December 31, 2010 and for the six months ended June 30, 2011, respectively.

History

CDW was founded in 1984. In 2003, we purchased selected U.S. assets and the Canadian operations of Micro Warehouse, which extended our growth platform into Canada. In 2006, we acquired Berbee Information Networks Corporation, a provider of technology products, solutions and customized engineering services in advanced technologies primarily across Cisco, IBM and Microsoft portfolios. This acquisition increased our capabilities in customized engineering services and managed services. In 2007, we were acquired by Parent. For a description of the acquisition, see The Acquisition Transactions and Related Financing Events.

Industry Overview

According to International Data Corporation (IDC), the overall U.S. technology market generated approximately $536 billion in sales in 2010, including $176 billion in hardware sales, $144 billion in software sales and $216 billion in services sales. The channels through which these products and services are delivered are highly fragmented and served by a multitude of participants. These participants include original equipment manufacturers (OEMs), software publishers, wholesale distributors and resellers. Wholesale distributors, such as Ingram Micro Inc., Tech Data Corporation and SYNNEX Corporation, act as intermediaries between OEMs and software publishers, on the one hand, and resellers, on the other hand, providing logistics management and supply-chain services. Resellers, which include direct marketers, value-added resellers, e-tailers and retailers, sell products and/or services directly to the end-user customer, sourcing products sold to their customers directly from OEMs and software publishers or from wholesale distributors. CDW is a technology solutions provider with both direct marketer and value-added reseller capabilities.

Two key customer groups within our addressable market are the small and medium business market and the public sector market. The small and medium business market is highly fragmented and is generally characterized by companies that employ fewer than 1,000 employees. The public sector market is also fragmented and is generally divided into market verticals, each with specialized needs that require an adaptive and flexible sales, services and logistics model to meet customer needs. We believe that many vendors rely heavily on channel partners like CDW to efficiently serve small and medium business and public sector customers.

Our Competitive Strengths

We believe the following strengths have contributed to our success and enabled us to become an important strategic partner for both our customers and our vendor partners:

Significant Scale and Scope

We are a leading multi-brand technology solutions provider in the U.S. and Canada. Based upon publicly available information, we believe that our net sales are significantly larger than any other multi-brand direct marketer or value-added reseller in the U.S. Our significant scale and scope create competitive advantages through:

Breadth of solutions for our customers. The breadth and depth of knowledge that our direct selling organization, specialists and engineers have across multiple industries and technologies position us well to anticipate and meet our customers needs. Our size allows us to provide our customers with a broad selection of over 100,000 technology products from over 1,000 brands and a multitude of advanced technology solutions at competitive prices. We have leveraged our scale to provide a high level of customer service and a breadth of technology options, making it easy for customers to do business with us.

Broad market access for our vendor partners. We believe we are an attractive route to market for our vendor partners in part because we provide them with access to a cost-effective and highly knowledgeable sales and marketing organization that reaches over

250,000 customers. Our vendor partners recognize that, in addition to providing broad customer reach, our scale and scope enables us to sell, deliver and implement their products and services to customers with a high level of knowledge and consistency.

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Operational cost efficiencies and productivity. Our large scale provides us with operational cost efficiencies across our organization, including purchasing, operations, IT, sales, marketing and other support functions. We leverage these advantages through our two modern distribution centers, our efficient business processes and constant focus on productivity improvements, and our proprietary information systems, which has enabled us to provide cost-efficient service to our customers.

Coworker Culture

Our steadfast focus on serving customers and investing in coworkers has fostered a strong, get it done culture at CDW. Since our founding, we have adhered to a core philosophy known as the Circle of Service, which places the customer at the center of all of our actions. We have consistently and cost effectively invested in our coworkers by providing broad and deep coworker training, supplying resources that contribute to their success, and offering them broad career development opportunities. This constant focus on customers and coworkers has created a customer-centric, highly engaged coworker base, which ultimately benefits our customers and fosters customer loyalty.

Large and Knowledgeable Direct Selling Organization

We have a large and experienced sales force, consisting of more than 3,400 coworkers, including more than 2,700 account managers and field account executives. We believe our success is due, in part, to the strength of our account managers dedicated relationships with customers that are developed by calling on existing and new customers, providing advice on products, responding to customer inquiries and developing solutions to our customers complex technology needs. The deep industry knowledge of our dedicated sales, marketing and support resources within each of our customer channels allows us to understand and solve the unique challenges and evolving technology needs of our customers. Multiple customer surveys administered by independent parties consistently show that customers view CDW as a leader in customer service compared to other multi-brand resellers and solution providers.

Highly Skilled Technology Specialists and Engineers

Our direct selling organization is supported by a team of more than 700 technology specialists and approximately 500 service delivery engineers with more than 3,000 industry-recognized certifications who bring deep product and solution knowledge and experience to the technology challenges of our customers. We believe our technology specialists, who work with customers and our direct selling organization to design solutions and provide recommendations in the selection and procurement process, are an important resource and differentiator for us as we seek to expand our offerings of value-added services and solutions.

Large and Established Customer Channels

We have grown our customer channels within the Corporate and Public segments to sizeable businesses. Our government, education, healthcare and small business channels each has net sales that equal or exceed $1 billion. Our scale allows us to create specialized sales resources across multiple customer markets, which enables us to better understand and meet our customers evolving IT requirements. Our scale also provides us diversification benefits. For instance, our Public segment, which is comprised of our government, education and healthcare channels, has historically been less correlated to economic cycles, as evidenced by its 5% net sales growth in 2009 while overall technology spending declined in the U.S. market, according to IDC.

Strong, Established Vendor Partner Relationships

We believe that our strong vendor partner relationships differentiate us from other multi-brand technology solutions providers. In addition to providing a cost-effective route to market for vendor partners, we believe that many of our competitive strengths enhance our value proposition to our vendor partners. We believe we are an important extension of our vendor partners sales and marketing capabilities as we are the largest U.S. reseller for many of our vendor partners, including Hewlett-Packard. We have three vendor partners with whom we have annual $1 billion-plus relationships, and we have 14 vendor partners with whom we have relationships exceeding $100 million a year. As such, we are able to provide technology resources and insights to our customers that might otherwise be difficult for them to access independently or through other technology providers. Our direct selling organization, technology specialists and large customer channels allow us to develop intimate knowledge of our customers environments and their specific needs. Frequently, vendor partners will select CDW as a partner to develop and grow new customer solutions. We are regularly recognized with top awards from our vendor partners. We were recently named Microsoft s Volume Licensing Partner of the Year for the second straight year and received Cisco s Partner Summit global awards for U.S. and Canada Partner of the Year.

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Our Business Strategies

Our goal is to continue to strengthen our position as a leading multi-brand national provider of technology products and solutions by growing our revenues and driving profitability. We plan to achieve this objective by capitalizing on our competitive strengths and pursuing the following strategies:

Focus on Customer Requirements and Market Segmentation

We have grown our revenues faster than the market, which we attribute in large part to our focus on customer requirements and market segmentation. We believe our customer intimacy enables us to better understand our customers needs and to better identify profitable growth opportunities. We intend to maintain this focus with a goal of continuing to outpace our competitors in revenue growth in the markets we serve through increased share of wallet from existing customers, sales to new customers and expanded IT services offerings to both new and existing customers. We believe our efforts in these areas will be augmented as we improve our sales coverage and further segment our customer base, further leverage our knowledge of our customers environments and continue to help our customers adopt proven technologies that meet their needs and make the most of their IT investments.

Leverage our Superior Sales and Marketing Model

We intend to continue to leverage our large, highly productive sales and marketing organization to serve existing customer requirements, effectively target new customer prospects, improve our product and solutions offerings, maximize sales resource coverage, strategically deploy internal sales teams, technology specialists and field sales account executives, and strengthen vendor partner relationships, all with the end goal of creating profitable sales opportunities. Some of the initiatives we have implemented within the last few years, including our realignment of our medium and large corporate account managers into geographic regions, our addition of selling resources to our federal and healthcare customer channels and our addition of more technology specialists to facilitate sales of newer and more profitable technology solutions, have contributed to an increase in our annualized net sales per coworker from $1.338 million for the quarter ended March 31, 2007 to $1.507 million for the quarter ended June 30, 2011. We plan to continue to identify and pursue opportunities that further enhance productivity. Recently, we have added sales operations supervisors to handle administrative tasks for our direct sales force coworkers, which we believe will further enhance their productivity, and we have continued to align our compensation programs to drive profitable revenue growth.

Meet our Customers Changing Needs through Expanded Service Offerings and Solutions

We intend to expand the range of technology solutions we offer to continue to keep pace with the technology marketplace. As customers increasingly demand more elaborate services and solutions in addition to traditional hardware and software products, we believe that expanding the range of technology solutions that we offer will enhance our value proposition to our customers and help us to maximize our revenue and profit growth potential. We have quadrupled our number of technology specialists since mid-2004 and added over 400 services delivery engineers since mid-2006. CDW currently has more than 700 technology specialists, organized around core solutions and aligned with our selling organization, and more than 1,000 coworkers in 19 geographic markets across the U.S. focused on delivering customized engineering solutions. We plan to continue to invest resources and training in our technology specialists and services delivery coworkers to provide our customers with the expert advice and experience they need to make the most of their technology expenditures.

Leverage Relationships with Leading Vendor Partners

We intend to continue to leverage our long-standing relationships with major vendor partners to support the growth and profitability of our business. We plan to use our vendor partner relationships to ensure that our sales organization remains well-positioned and well-trained to market new and emerging technologies to end users. As one example, we are currently working with several large vendor partners to assist them in the development and sales of cloud solutions to the small and medium business marketplace. We believe our strong vendor partner relationships will also provide collaborative opportunities for our sales organization and vendor field sales representatives to identify and fulfill additional customer requirements, creating increased sales to both new and existing customers. In addition, we plan to leverage our significant scale to maximize the benefits from volume discounts, purchase or sales rebates, vendor incentive programs and marketing development funds.

Risk Factors

Our business is subject to a number of risks. These risks include, but are not limited to, the following:

- General economic conditions could negatively affect technology spending by our customers and put downward pressure on prices, which may have an adverse impact on our business, results of operations or cash flows.

- Our financial performance could be adversely affected by decreases in spending on technology products and services by our Public segment customers.

- Our business depends on our vendor partner relationships and the availability of their products.

- Our sales are dependent on continued innovations in hardware, software and services offerings by our vendor partners and the competitiveness of their offerings.

- Substantial competition could reduce our market share and significantly harm our financial performance.

- Our substantial indebtedness could limit our operating flexibility, place us at a competitive disadvantage compared to our less leveraged competitors and increase our vulnerability to both general and industry-specific adverse economic conditions.

If these or any of the other risks described in the section entitled Risk Factors were to occur, the trading price of the exchange notes would likely decline and we may become unable to make payments of interest and principal on the exchange notes, as a result of which you may lose all or part of your original investment.

The Acquisition Transactions and Related Financing Events

On October 12, 2007, Parent acquired Target in the Acquisition, a transaction having an aggregate value of approximately $7.4 billion, including fees and expenses. Parent is owned directly by CDW Holdings LLC (CDW Holdings), a company controlled by investment funds affiliated with Madison Dearborn and Providence Equity (collectively, the Equity

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Sponsors). The Acquisition was effected through the merger of VH MergerSub, Inc. (MergerSub), a newly formed, wholly owned subsidiary of Parent, with and into Target, which was the surviving corporation. Immediately following the merger, Target became a wholly owned direct subsidiary of Parent.

Substantially all of the equity interests of CDW Holdings are owned by investment funds affiliated with the Equity Sponsors, certain other co-investors and certain members of our management (the Management Investors, and together with the Equity Sponsors and certain other co-investors, the Equity Investors).

In order to fund the Acquisition, on October 12, 2007, MergerSub entered into an $800.0 million senior secured revolving credit facility (as in effect at the time of the Acquisition and as subsequently refinanced, the ABL Facility), a $2,200.0 million senior secured term loan facility (as in effect at the time of the Acquisition and as subsequently amended, the Term Loan Facility, and together with the ABL Facility, the Senior Credit Facilities), a $1,040.0 million senior bridge loan agreement (the Senior Bridge Loans) and a $940.0 million senior subordinated bridge loan agreement (the Senior Subordinated Bridge Loans, and together with the Senior Bridge Loans, the Bridge Loans). CDW has subsequently assumed this indebtedness as successor in interest to MergerSub. We were required to pay cash interest on $520.0 million of the outstanding principal of the Senior Bridge Loans (the Senior Cash Pay Loans) and could elect to pay cash or PIK interest on the remaining $520.0 million of the outstanding principal amount (the Senior PIK Election Loans). On June 24, 2011, we refinanced the ABL Facility, which, among other things, extended the final maturity of the ABL Facility from 2012 to 2016 and increased the size of the facility from $800.0 million to $900.0 million (the ABL Facility Refinancing). For a summary of the material terms of the ABL Facility, see Description of Certain Indebtedness. In 2008, we amended and restated the Term Loan Facility and in 2009, we entered into an additional amendment. In 2010, we entered into a further amendment of the Term Loan Facility to, among other things, extend the final maturity of a portion of the Term Loan Facility (the Extended Loans) and reduce the principal amounts outstanding thereunder, and in connection with this amendment, we issued $500.0 million of 8.0% senior secured notes due 2018 (the Senior Secured Notes) and used the proceeds to prepay a portion of indebtedness under the Term Loan Facility. For a summary of the material terms of the Term Loan Facility, see Description of Certain Indebtedness. In 2008, we amended and restated the Bridge Loans to, among other things, change the principal amounts outstanding thereunder, and in connection with these amendments, we prepaid a portion of our Senior Subordinated Bridge Loans. Under the terms of the Bridge Loans, holders were entitled to request the conversion of their Bridge Loans into notes. At the request of these holders, we issued $890.0 million of 11.00% senior cash pay exchange notes due 2015 (the Existing Senior Cash Pay Notes), $317.0 million of 11.50%/12.25% senior PIK election exchange notes due 2015 (the Existing Senior PIK Election Notes, and together with the Existing Senior Cash Pay Notes, the Existing Senior Notes) and $721.5 million of 12.535% senior subordinated exchange notes due 2017 (the Existing Senior Subordinated Notes, and together with the Existing Senior Notes, the Existing Notes) in exchange for all of our outstanding Bridge Loans, a process we completed on October 14, 2010. For a summary of the material terms of our Existing Notes, see Description of Certain Indebtedness.

On April 13, 2011, we completed a tender offer to purchase a total of $665.1 million in aggregate principal amount of the Existing Senior Notes. In connection with the tender offer, CDW Escrow Corporation, a wholly owned subsidiary of Parent (the Original Escrow Issuer), issued $725.0 million in aggregate principal amount of 8.5% senior notes due 2019 (the Senior Notes) in order to pay the consideration in the tender offer. On May 20, 2011, we completed a tender offer to purchase a total of $412.8 million in aggregate principal amount of the Existing Senior Notes. In connection with this tender offer, CDW Escrow Corporation, a newly formed, wholly owned subsidiary of Parent (the New Escrow Issuer, and together with the Original Escrow Issuer, the Escrow Issuers), issued an additional $450.0 million in aggregate principal amount of Senior Notes in order to pay the consideration in the tender offer. Following each issuance of Senior Notes, CDW LLC and CDW Finance Corporation (CDW Finance) assumed the Escrow Issuers respective obligations under the Senior Notes. The ABL Facility Refinancing, the tender offers, the purchase of Existing Senior Notes pursuant thereto and the issuances of the Senior Notes are collectively referred to herein as the 2011 Refinancing Transactions. The indentures governing the Existing Notes, the Senior Secured Notes and the Senior Notes are collectively referred to herein as the Indentures.

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Corporate Structure

The following chart summarizes our current corporate structure and our indebtedness as of June 30, 2011.

(1) Investment funds affiliated with Madison Dearborn and Providence Equity, along with two limited partnerships created by the Equity Sponsors to facilitate an investment in CDW Holdings, own approximately 94.8% of the outstanding voting interests of CDW Holdings as of July 31, 2011.

(2) As of June 30, 2011, we had approximately $160.0 million of outstanding indebtedness under our $900.0 million ABL Facility, could have borrowed an additional $705.9 million under this facility and had $21.8 million of issued and undrawn letters of credit and $12.3 million of reserves related to our floorplan sub-facility.

(3) Formed in 2010 for the sole purpose of serving as a corporate co-issuer, CDW Finance is a co-issuer of the Existing Notes and the outstanding notes and will be a co-issuer of the exchange notes offered hereby. CDW Finance does not hold any material assets or engage in any business activities or operations.

(4) Our non-guarantor subsidiary, CDW Canada, Inc., held approximately 1.8% of our total assets as of June 30, 2011 and generated approximately 4.2% of our net sales, approximately 6.9% of our net loss and approximately 2.7% of our Adjusted EBITDA (a non-GAAP financial measure defined below in Summary Historical Financial Data) for the six months ended June 30, 2011.

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Corporate Information

CDW LLC is an Illinois limited liability company and a subsidiary of CDW Corporation, a Delaware corporation. CDW Finance is a Delaware corporation and a subsidiary of CDW Corporation.

Our principal executive offices are located at 200 N. Milwaukee Avenue, Vernon Hills, Illinois 60061, and our telephone number at that address is (847) 465-6000. Our website is located at http://www.cdw.com. The information on our website is not part of this prospectus.

Equity Sponsors

Madison Dearborn, based in Chicago, is one of the most experienced and successful private equity investment firms in the United States. Madison Dearborn has raised over $18 billion of capital since its formation in 1992 and has invested in more than 100 companies. Madison Dearborn-affiliated investment funds invest in businesses across a broad spectrum of industries, including basic industries, communications, consumer, energy and power, financial services and health care.

Providence Equity is a leading global private equity firm focused on media, entertainment, communications and information investments. Providence Equity has over $22 billion of equity under management and has invested in more than 100 companies over its 20-year history. Providence Equity is headquartered in Providence, Rhode Island and has offices in New York, Los Angeles, London, Hong Kong and New Delhi.

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Summary of the Exchange Offers

The Initial Offerings of Outstanding Notes	We sold the Senior Secured Notes on December 17, 2010 to J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., Barclays Capital Inc. and Morgan Stanley & Co. Incorporated. We sold $725,000,000 in aggregate principal amount of Senior Notes on April 13, 2011 to J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Deutsche Bank Securities Inc. and Morgan Stanley & Co. Incorporated. We sold an additional $450,000,000 in aggregate principal amount of Senior Notes on May 20, 2011 to J.P. Morgan Securities LLC. Both issuances of Senior Notes have identical terms and are treated as a single class of notes. We refer to the initial purchasers of the outstanding notes in this prospectus collectively as the initial purchasers. The initial purchasers subsequently resold the outstanding notes to qualified institutional buyers pursuant to Rule 144A and Regulation S under the Securities Act.
Registration Rights Agreements	Simultaneously with the initial sales of the outstanding notes, we entered into three registration rights agreements (together, the Registration Rights Agreements), one with respect to each issuance of outstanding notes, pursuant to which we have agreed, among other things, to use commercially reasonable efforts to file with the SEC and cause to become effective a registration statement relating to offers to exchange the outstanding notes for SEC-registered notes with terms identical to the outstanding notes. The exchange offers are intended to satisfy your rights under the applicable Registration Rights Agreement. After the exchange offers are complete, you will, subject to only limited exceptions in limited circumstances, no longer be entitled to any exchange or registration rights with respect to your outstanding notes.
The Exchange Offers	We are offering to exchange: up to $500,000,000 aggregate principal amount of our new 8.0% Senior Secured Notes due 2018, Series B, which have been registered under the Securities Act (Senior Secured Exchange Notes), for any and all of our outstanding Senior Secured Notes; and up to $1,175,000,000 aggregate principal amount of our new 8.5% Senior Notes due 2019, Series B, which have been registered under the Securities Act (Senior Exchange Notes), for any and all of our outstanding Senior Notes. In order to be exchanged, an outstanding note must be properly tendered and accepted. All outstanding notes that are validly tendered and not validly withdrawn will be exchanged. We will issue exchange notes promptly after the expiration of the exchange offers. Interest on the outstanding notes accepted for exchange in the exchange offers will cease to accrue upon the issuance of the exchange notes. The exchange notes will bear interest from the date of issuance, and such interest will be payable,

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	together with accrued and unpaid interest on the outstanding notes accepted for exchange, on the first interest payment date following the closing of the exchange offers. Interest will continue to accrue on any outstanding notes that are not exchanged for exchange notes in the exchange offers.
Resales	Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third parties, we believe that the exchange notes issued to you in the exchange offers may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act provided that:
	the exchange notes are being acquired by you in the ordinary course of your business;
	you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes issued to you in the exchange offers; and
	you are not an affiliate of ours.
	If any of these conditions are not satisfied and you transfer any exchange notes issued to you in the exchange offers without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your exchange notes from these requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability.
	Each broker-dealer that is issued exchange notes in the exchange offers for its own account in exchange for outstanding notes that were acquired by that broker-dealer as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes. A broker-dealer may use this prospectus for an offer to resell, resale or other retransfer of the exchange notes issued to it in the exchange offers.
Expiration Date	The exchange offers will expire at 12:00 a.m., midnight, New York City time, on , 2011, unless we decide to extend the expiration date.
Conditions to the Exchange Offers	Each exchange offer is subject to customary conditions, which we may waive. See Exchange Offers Conditions.
Procedures for Tendering Outstanding Notes	If you wish to tender your outstanding notes for exchange in the exchange offers, you must transmit to the exchange agent on or before the expiration date either:
	an original or a facsimile of a properly completed and duly executed copy of the letter of transmittal, which accompanies this prospectus, together with your outstanding notes and any other documentation required by the letter of transmittal, at the address provided on the cover page of the letter of transmittal; or

if the outstanding notes you own are held of record by

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	The Depository Trust Company (DTC) in book-entry form and you are making delivery by book-entry transfer, a computer-generated message transmitted by means of the Automated Tender Offer Program System of DTC (ATOP), in which you acknowledge and agree to be bound by the terms of the letter of transmittal and which, when received by the exchange agent, forms a part of a confirmation of book-entry transfer. As part of the book-entry transfer, DTC will facilitate the exchange of your outstanding notes and update your account to reflect the issuance of the exchange notes to you. ATOP allows you to electronically transmit your acceptance of the exchange offers to DTC instead of physically completing and delivering a letter of transmittal to the exchange agent.
	In addition, you must deliver to the exchange agent on or before the expiration date:
	a timely confirmation of book-entry transfer of your outstanding notes into the account of the exchange agent at DTC if you are effecting delivery of book-entry transfer, or
	if necessary, the documents required for compliance with the guaranteed delivery procedures.
Special Procedures for Beneficial Owners	If you are the beneficial owner of book-entry interests and your name does not appear on a security position listing of DTC as the holder of the book-entry interests or if you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender the book-entry interest or outstanding notes in the exchange offers, you should contact the person in whose name your book-entry interests or outstanding notes are registered promptly and instruct that person to tender on your behalf.
Withdrawal Rights	You may withdraw the tender of your outstanding notes at any time prior to 12:00 a.m., midnight, New York City time, on , 2011.
Effect of Not Tendering in the Exchange Offers	Any notes now outstanding that are not tendered or that are tendered but not accepted will remain subject to the restrictions on transfer set forth in the outstanding notes and the Indenture under which they were issued. Since the outstanding notes have not been registered under the federal securities laws, they may bear a legend restricting their transfer absent registration or the availability of a specific exemption from registration. Upon completion of the exchange offers, we will have no further obligation to register, and currently we do not anticipate that we will register, the outstanding notes under the Securities Act except in limited circumstances with respect to specific types of holders of outstanding notes.
Federal Income Tax Considerations	The exchange of outstanding notes will not be a taxable event for United States federal income tax purposes.

Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offers. We will pay all of our expenses incident to the exchange offers.
Exchange Agent	U.S. Bank National Association is serving as the exchange agent in connection with the exchange offers.

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Summary of Terms of the Exchange Notes

The form and terms of the exchange notes are the same as the form and terms of the outstanding notes, except that the exchange notes will be registered under the Securities Act. As a result, the exchange notes will not bear legends restricting their transfer and will not contain the registration rights and liquidated damage provisions contained in the outstanding notes. The exchange notes represent the same debt as the outstanding notes. Both the outstanding notes and the exchange notes are governed by the same indentures. Unless the context otherwise requires, we use the term notes in this prospectus to collectively refer to the outstanding notes and the exchange notes.

Issuers	CDW LLC, an Illinois limited liability company, and CDW Finance Corporation, a Delaware corporation, as co-issuers.
Securities	Up to $500,000,000 in aggregate principal amount of Senior Secured Exchange Notes and up to $1,175,000,000 in aggregate principal amount of Senior Exchange Notes.
Maturity	The Senior Secured Exchange Notes will mature on December 15, 2018 and the Senior Exchange Notes will mature on April 1, 2019.
Interest	The Senior Secured Exchange Notes will bear interest at 8.0% per annum, payable semi-annually in arrears on June 15 and December 15 of each year until maturity, beginning on .
	The Senior Exchange Notes will bear interest at 8.5% per annum, payable semi-annually in arrears on April 1 and October 1 of each year until maturity, beginning on .
Security	The Senior Secured Exchange Notes and the guarantees will initially be secured equally and ratably with the Term Loan Facility by a first priority security interest in substantially all of our and the Guarantors assets, other than (i) cash, accounts receivable, deposit accounts, inventory and proceeds thereof (the ABL Priority Collateral), as to which the notes will be secured by a second priority security interest, (ii) certain accounts receivable and inventory securing certain trade financing agreements, as to which the notes will be secured by a third priority security interest, and (iii) certain excluded assets. We refer to the collateral securing the notes offered hereby as the Non-ABL Priority Collateral. See Description of Senior Secured Exchange Notes Security.
Optional Redemption	In the case of Senior Secured Exchange Notes:
	We may redeem all or part of the Senior Secured Exchange Notes at any time prior to December 15, 2014 at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described under Description of Senior Secured Exchange Notes Optional Redemption.

We may redeem all or part of the Senior Secured Exchange Notes at any time on or after December 15, 2014 at the redemption prices specified in Description of Senior Secured Exchange Notes Optional Redemption.

In addition at any time prior to December 15, 2013, we may redeem up to 35% of the aggregate principal amount of the Senior Secured Exchange Notes at a redemption price equal to 108.0% of the face amount thereof plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds that we raise in one or more equity offerings.

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	In the case of Senior Exchange Notes:
	We may redeem all or part of the Senior Exchange Notes at any time prior to April 1, 2015 at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described under Description of Senior Exchange Notes Optional Redemption.
	We may redeem all or part of the Senior Exchange Notes at any time on or after April 1, 2015 at the redemption prices specified in Description of Senior Exchange Notes Optional Redemption.
	In addition at any time prior to April 1, 2014, we may redeem up to 40% of the aggregate principal amount of the Senior Exchange Notes at a redemption price equal to 108.5% of the face amount thereof plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds that we raise in one or more equity offerings.
Mandatory Offers to Purchase	Upon the occurrence of specific kinds of changes of control, you will have the right, as holders of the notes, to cause us to repurchase some or all of your notes at 101% of their face amount, plus accrued and unpaid interest, if any, to the repurchase date.
	If we sell assets following the issue date, under certain circumstances, we will be required to use the net proceeds to make an offer to purchase the notes at an offer price in cash in an amount equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the repurchase date.
Guarantees	On the issue date, our obligations under the Senior Secured Exchange Notes will be fully and unconditionally guaranteed on a joint and several and senior secured basis, and our obligations under the Senior Exchange Notes will be fully and unconditionally guaranteed on a joint and several and senior unsecured basis, in each case, by Parent and each of our direct and indirect wholly owned domestic subsidiaries that guarantees our existing indebtedness or the existing indebtedness of the guarantors. If we fail to make payments on any series of the notes, our guarantors must make the payments instead. Each person that guarantees our obligations under the notes and the indentures is referred to as a Guarantor.
	As of and for the six months ended June 30, 2011, our non-guarantor subsidiary represented 1.8% of our total assets, 0.4% of our total liabilities, including trade payables, 4.2% of our net sales, 6.9% of our net loss and 2.7% of our Adjusted EBITDA, a non-GAAP financial measure, in each case after intercompany eliminations.
Ranking	The Senior Secured Exchange Notes and the guarantees thereof will be our and the Guarantors senior secured obligations and will:

- rank senior in right of payment to any of our and the Guarantors existing and future subordinated indebtedness, including our Existing Senior Subordinated Notes and the associated guarantees;

- rank equal in right of payment with all of our and the Guarantors existing and future senior indebtedness, including our Term Loan Facility, ABL Facility, Existing Senior Notes and Senior Notes and the associated guarantees;

- be secured equally and ratably with indebtedness under our Term Loan Facility and effectively senior to all other indebtedness to the extent of the value of the Non-ABL Priority Collateral;

- be effectively subordinated to indebtedness under our ABL Facility to the extent of the value of the ABL Priority Collateral securing such indebtedness on a first-priority basis and to obligations under our trade financing agreements to the extent of the value of the inventory securing such arrangements on a first-priority basis and the value of the accounts receivable securing such arrangements on a second-priority basis; and

- be structurally subordinated to all existing and future indebtedness and other liabilities of the issuers non-guarantor subsidiaries.

The Senior Exchange Notes and the guarantees thereof will be our and the Guarantors unsecured senior obligations and will:

- be effectively subordinated to all of our and the Guarantors existing and future secured debt, including our Senior Secured Notes, our ABL Facility and our Term Loan Facility, and to our trade financing agreements we have entered into with certain financial intermediaries in order to facilitate the purchase of certain inventory, in each case to the extent of the value of the assets securing such debt or other obligations;

- be structurally subordinated to all existing and future indebtedness and other liabilities of the issuers non-guarantor subsidiaries;

- rank equal in right of payment with all of our and the Guarantors existing and future unsecured senior debt, including our Existing Senior Notes and the related guarantees; and

- rank senior in right of payment to all of our and the Guarantors existing and future subordinated debt, including our Existing Senior Subordinated Notes and the related guarantees.

	In addition, the exchange notes and the guarantees of our obligations under the exchange notes will be effectively subordinated to all of the existing and future liabilities and obligations (including trade payables, but excluding intercompany liabilities) of each of our non-guarantor subsidiaries.
	As of June 30, 2011, we had $721.5 million in aggregate principal amount of outstanding Existing Senior Subordinated Notes, $1,540.5 million outstanding under our Term Loan Facility, $160.0 million outstanding under our ABL Facility, $129.0 million in aggregate principal amount of outstanding Existing Senior Notes, $1,175.0 million in aggregate principal amount of outstanding Senior Notes, $500.0 million in aggregate principal amount outstanding of Senior Secured Notes and $118.0 million of obligations outstanding under our trade financing agreements.
Covenants	The indentures under which the outstanding notes were issued will govern the exchange notes. These indentures contain certain covenants that, among other things, limit our ability to: incur or guarantee additional indebtedness, or issue disqualified stock or preferred stock; pay dividends on or make other distributions in respect of our membership interests or capital stock or make other restricted payments; create liens on certain assets to secure debt; make certain investments; sell certain assets; place restrictions on the ability of restricted subsidiaries to make payments to us; consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; enter into transactions with our affiliates; and designate our subsidiaries as unrestricted subsidiaries.
	These covenants are subject to a number of important exceptions and qualifications. For more details, see Description of Senior Secured Exchange Notes and Description of Senior Exchange Notes.

If the exchange notes are assigned an investment grade rating by Standard & Poor s Rating Services (Standard & Poor s) and Moody s Investors Service, Inc. (Moody s) and no default has occurred or is continuing, certain covenants will be suspended. If either rating on the exchange notes should subsequently decline to below investment grade, the suspended covenants will be reinstated.

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Summary Historical Financial Data

The following table sets forth our summary historical financial data for the periods ended and as of dates indicated below. We have derived the summary historical financial data presented below as of December 31, 2009 and December 31, 2010 and for the years ended December 31, 2008, December 31, 2009 and December 31, 2010 from our audited consolidated financial statements and related notes, which are included elsewhere in this prospectus. The summary historical financial data as of June 30, 2011 and for the six months ended June 30, 2011 and 2010 have been derived from the unaudited consolidated financial statements included elsewhere in this prospectus. Our summary historical financial data may not be a reliable indicator of future results of operations.

The summary historical financial data set forth below is only a summary and should be read in conjunction with Selected Historical Consolidated Financial and Operating Data, Risk Factors, Use of Proceeds, Capitalization, Management s Discussion and Analysis of Financia Condition and Results of Operations and our historical consolidated financial statements and related notes appearing elsewhere in this prospectus.

	Year Ended December 31,			Six Months Ended June 30,	
(in millions)	2008	2009	2010	2010	2011
Statement of Operations Data:					
Net sales	$ 8,071.2	$ 7,162.6	$ 8,801.2	$ 4,157.4	$ 4,541.7
Cost of sales	6,710.2	6,029.7	7,410.4	3,491.7	3,788.4
Gross profit	1,361.0	1,132.9	1,390.8	665.7	753.3
Selling and administrative expenses	894.8	821.1	932.1	454.0	474.8
Advertising expense	141.3	101.9	106.0	44.8	58.6
Goodwill impairment	1,712.0	241.8			
(Loss) income from operations	(1,387.1)	(31.9)	352.7	166.9	219.9
Interest expense, net	(390.3)	(431.7)	(391.9)	(183.5)	(157.8)
Net gain (loss) on extinguishments of long-term debt			2.0	9.2	(118.9)
Other income, net	0.2	2.4	0.2	0.1	0.5
Loss before income taxes	(1,777.2)	(461.2)	(37.0)	(7.3)	(56.3)
Income tax benefit	12.1	87.8	7.8	2.5	17.3
Net loss	$ (1,765.1)	$ (373.4)	$ (29.2)	$ (4.8)	$ (39.0)
Balance Sheet Data (at period end):					
Cash, cash equivalents and marketable securities	$ 94.4	$ 88.0	$ 36.6	$ 26.1	$ 44.6
Working capital	877.6	923.2	675.4	725.4	775.7
Total assets	6,276.3	5,976.0	5,943.8	6,005.8	6,021.9
Total secured debt (1)	2,693.5	2,681.9	2,361.5	2,434.3	2,200.5
Total debt and capitalized lease obligations (2)	4,633.5	4,621.9	4,290.0	4,362.8	4,226.0
Total shareholders equity (deficit)	262.2	(44.7)	(43.5)	(49.4)	(69.3)
Other Financial Data:					
Capital expenditures	$ 41.1	$ 15.6	$ 41.5	$ 10.5	$ 16.7
Depreciation and amortization	218.4	218.2	209.4	105.1	102.4
Gross profit as a percentage of net sales	16.9%	15.8%	15.8%	16.0%	16.6%
Ratio of earnings to fixed charges (3)	(a)	(a)	(a)	(a)	(a)
EBITDA (4)	(1,168.5)	188.7	564.3	281.3	203.9
Adjusted EBITDA (4)	570.6	465.4	601.8	292.3	343.0
Statement of Cash Flows Data:					
Net cash provided by (used in):					
Operating activities (5)	$ 215.4	$ 107.6	$ 423.7	$ 161.8	$ 129.8

Investing activities	(60.3)	(82.6)	(125.4)	(55.8)	(26.5)
Financing activities (5)	(75.8)	(31.9)	(350.1)	(167.7)	(95.7)

(1) Excludes secured borrowings of $34.1 million, $25.0 million, $9.6 million, $123.5 million and $57.7 million, as of December 31, 2008, December 31, 2009, December 31, 2010, June 30, 2010 and June 30, 2011, respectively, under our inventory floorplan arrangements. We do not include these borrowings in total secured debt because we have not in the past incurred, and in the future do not expect to incur, any interest expense or late fees under these agreements. For more information, see Description of Certain Indebtedness.

(2) Excludes items in footnote (1) and unsecured borrowings of $18.6 million and $60.3 million as of December 31, 2010 and June 30, 2011, respectively, under our inventory financing agreements. We do not include these borrowings in total debt because we have not in the past incurred, and in the future do not expect to incur, any interest expense or late fees under these agreements. For more information, see Description of Certain Indebtedness.

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(3) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of earnings before income taxes minus income from equity investees plus fixed charges. Fixed charges consist of interest expensed and the portion of rental expense we believe is representative of the interest component of rental expense.

(a) For the years ended December 31, 2008, 2009 and 2010, and the six months ended June 30, 2010 and 2011, earnings available for fixed charges were inadequate to cover fixed charges by $1,777.2 million, $461.2 million, $37.0 million, $7.2 million and $56.2 million, respectively.

(4) EBITDA is defined as consolidated net income (loss) before interest income (expense), income tax benefit (expense), depreciation, and amortization. Adjusted EBITDA, which is a measure defined in our Senior Credit Facilities, is calculated by adjusting EBITDA for certain items of income and expense including (but not limited to) the following: (a) non-cash equity-based compensation; (b) goodwill impairment charges; (c) sponsor fees; (d) certain consulting fees; (e) debt-related legal and accounting costs; (f) equity investment gains and losses; (g) certain severance and retention costs; (h) gains and losses from the early extinguishment of debt; (i) gains and losses from asset dispositions outside the ordinary course of business; (j) Acquisition-related costs; (k) equity compensation payroll taxes; and (l) non-recurring, extraordinary or unusual gains or losses or expenses.

We have included a reconciliation of EBITDA and Adjusted EBITDA in the table below. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company s performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance and cash flows including our ability to meet our future debt service, capital expenditures and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our Senior Credit Facilities.

The following unaudited table sets forth reconciliations of net loss to EBITDA and EBITDA to Adjusted EBITDA for the periods presented:

(in millions)	Year Ended December 31, 2008	2009	2010	Six Months Ended June 30, 2010	2011
Net loss	$ (1,765.1)	$ (373.4)	$ (29.2)	$ (4.8)	$ (39.0)
Depreciation and amortization	218.4	218.2	209.4	105.1	102.4
Income tax benefit	(12.1)	(87.8)	(7.8)	(2.5)	(17.3)
Interest expense, net	390.3	431.7	391.9	183.5	157.8
EBITDA	(1,168.5)	188.7	564.3	281.3	203.9
Non-cash equity-based compensation	17.8	15.9	11.5	8.4	8.1
Sponsor fees	5.0	5.0	5.0	2.5	2.5
Consulting and debt-related professional fees	4.3	14.1	15.1	5.6	4.1
Goodwill impairment	1,712.0	241.8			
Net (gain) loss on extinguishments of long-term debt			(2.0)	(9.2)	118.9
Other adjustments (a)		(0.1)	7.9	3.7	5.5
Adjusted EBITDA	$ 570.6	$ 465.4	$ 601.8	$ 292.3	$ 343.0

(a) Other adjustments include certain severance and retention costs, equity investment gains and losses and the gain related to the sale of Informacast software and equipment in 2009.

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The following unaudited table sets forth a reconciliation of EBITDA to net cash provided by operating activities for the periods presented:

(in millions)	Year Ended December 31, 2008	2009	2010	Six Months Ended June 30, 2010	2011
EBITDA	$ (1,168.5)	$ 188.7	$ 564.3	$ 281.3	$ 203.9
Depreciation and amortization	(218.4)	(218.2)	(209.4)	(105.1)	(102.4)
Income tax benefit	12.1	87.8	7.8	2.5	17.3
Interest expense, net	(390.3)	(431.7)	(391.9)	(183.5)	(157.8)
Net loss	(1,765.1)	(373.4)	(29.2)	(4.8)	(39.0)
Depreciation and amortization	218.4	218.2	209.4	105.1	102.4
Goodwill impairment	1,712.0	241.8			
Equity-based compensation expense	17.8	15.9	11.5	8.4	8.1
Amortization of deferred financing costs	38.6	16.2	18.0	9.0	7.7
Allowance for doubtful accounts	0.4	(0.2)	(1.3)	(1.3)	0.9
Deferred income taxes	(39.9)	(94.4)	(4.3)	(29.3)	(17.5)
Realized loss on interest rate swap agreements	18.6	103.2	51.5	12.8	2.8
Mark to market loss on interest rate derivatives			4.7	3.5	2.0
Net (gain) loss on extinguishment of long-term debt			(2.0)	(9.2)	118.9
Net loss (gain) on sale and disposals of assets	0.5	(1.7)	0.7		
Changes in assets and liabilities	14.1	(18.0)	165.3	67.6	(55.9)
Other			(0.6)		(0.6)
Net cash provided by operating activities (5)	$ 215.4	$ 107.6	$ 423.7	$ 161.8	$ 129.8

(5) Amounts have been revised. See Notes 1 and 20 to the Audited Financial Statements and Note 1 to the Unaudited Interim Financial Statements included in this prospectus for further information.

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RISK FACTORS

You should carefully consider each of the following risk factors and all of the other information set forth in this prospectus prior to participating in the applicable exchange offer. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. They are not, however, the only risks we face. Additional risks and uncertainties not presently known to us or that we currently believe not to be material may also adversely affect our business, financial condition or results of operations. If that were to occur, the trading price of the notes would likely decline and we may not be able to make payments of interest and principal on the notes, and you may lose all or part of your original investment.

Risks Relating to the Exchange Offers

Because there is no public market for the exchange notes, you may not be able to resell your exchange notes.

The exchange notes will be registered under the Securities Act, but will constitute a new issue of securities with no established trading market, and there can be no assurance as to:

- the liquidity of any trading market that may develop;
- the ability of holders to sell their exchange notes; or
- the price at which the holders would be able to sell their exchange notes.

If a trading market were to develop, the exchange notes might trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar securities and our financial performance.

Any holder of outstanding notes who tenders in the exchange offers for the purpose of participating in a distribution of the exchange notes may be deemed to have received restricted securities, and if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Your outstanding notes will not be accepted for exchange if you fail to follow the exchange offer procedures and, as a result, your outstanding notes will continue to be subject to existing transfer restrictions and you may not be able to sell your outstanding notes.

We will not accept your outstanding notes for exchange if you do not follow the proper exchange offer procedures. We will issue exchange notes as part of the exchange offers only after a timely receipt of your outstanding notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you want to tender your outstanding notes, please allow sufficient time to ensure timely delivery. If we do not receive your outstanding notes, letter of transmittal and other required documents by the expiration date of the exchange offers, we will not accept your outstanding notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of outstanding notes for exchange. If there are defects or irregularities with respect to your tender of outstanding notes, we may not accept your outstanding notes for exchange. For more information, see Exchange Offers Procedures for Tendering.

If you do not exchange your outstanding notes, your outstanding notes will continue to be subject to the existing transfer restrictions and you may not be able to sell your outstanding notes.

We did not register the outstanding notes, nor do we intend to do so following the exchange offers, except in the case of outstanding notes held by any of our affiliates. Outstanding notes that are not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under the securities laws. If you do not exchange your outstanding notes, you will lose your right to have your outstanding notes exchanged for exchange notes registered under the federal securities laws. As a result, if you hold outstanding notes after the exchange offers, you may not be able to sell your outstanding notes.

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Risks Relating to the Exchange Notes

Our substantial indebtedness could have a material adverse effect on our financial condition and prevent us from fulfilling our obligations under the notes.

We are a highly leveraged company, and our substantial level of indebtedness increases the risk that we may be unable to generate sufficient cash to pay amounts due in respect to our indebtedness. As of June 30, 2011, we had $4.2 billion of total debt and capitalized lease obligations outstanding and $118.0 million of obligations outstanding under our trade financing agreements and the ability to borrow an additional $705.9 million under our ABL Facility. Subject to the limits contained in our Senior Credit Facilities and the Indentures, we may be able to incur additional debt from time to time, including drawing on our ABL Facility, to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our business associated with our high level of debt could intensify. Specifically, our high level of debt could have important consequences to the holders of the notes, including the following:

- making it more difficult for us to satisfy our obligations with respect to the notes and our other debt;
- requiring us to dedicate a substantial portion of our cash flow from operations to debt service payments on our and our subsidiaries debt, which reduces the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- requiring us to comply with restrictive covenants in our Senior Credit Facilities and Indentures, which limit the manner in which we conduct our business;
- making it more difficult for us to obtain vendor financing from our vendor partners;
- limiting our flexibility in planning for, or reacting to, changes in the industry in which we operate;
- placing us at a competitive disadvantage compared to any of our less leveraged competitors;
- increasing our vulnerability to both general and industry-specific adverse economic conditions; and
- limiting our ability to obtain additional debt or equity financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements and increasing our cost of borrowing.

We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our net interest expense for the year ended December 31, 2010 was $391.9 million. Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the notes. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements, including the Senior Credit Facilities or the Indentures. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The Senior Credit Facilities and the Indentures restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. See Description of Certain Indebtedness, Description of Senior Secured Exchange Notes and Description of Senior Exchange Notes.

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If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our debt holders could declare all outstanding principal and interest to be due and payable;
- the lenders under our Senior Credit Facilities could terminate their commitments to lend us money and foreclose against the assets securing our borrowings from them; and
- we could be forced into bankruptcy or liquidation, which could result in holders of notes losing their investment in the notes.

Despite our indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt, including secured debt. This could further increase the risks associated with our leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of our Senior Credit Facilities and the Indentures do not fully prohibit us or our subsidiaries from doing so. To the extent that we incur additional indebtedness or such other obligations, the risks associated with our substantial indebtedness described above, including our possible inability to service our debt, will increase. As of June 30, 2011, we had approximately $705.9 million available for additional borrowing under our ABL Facility after taking into account borrowing base limitations (net of $21.8 million of issued and undrawn letters of credit and $12.3 million of reserves related to our floorplan sub-facility). See Description of Certain Indebtedness.

Restrictive covenants under our Senior Credit Facilities and the Indentures may adversely affect our operations and liquidity.

Our Senior Credit Facilities and the Indentures contain, and any future indebtedness we incur may contain, various covenants that limit our ability to, among other things:

- incur or guarantee additional debt;
- incur debt that is junior to senior indebtedness and senior to our Existing Senior Subordinated Notes;
- pay dividends or make distributions to holders of our capital stock or to make certain other restricted payments or investments;
- repurchase or redeem capital stock;
- make loans, capital expenditures or investments or acquisitions;
- incur restrictions on the ability of certain of our subsidiaries to pay dividends or to make other payments to us;
- enter into transactions with affiliates;
- create liens;

- merge or consolidate with other companies or transfer all or substantially all of our assets;
- transfer or sell assets, including capital stock of subsidiaries; and
- prepay, redeem or repurchase debt that is junior in right of payment to the notes.

As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, the restrictive covenants in our Term Loan Facility require us to maintain a specified senior secured leverage ratio. A breach of any of these covenants or any of the other restrictive covenants would result in a default under our Senior Credit Facilities. Upon the occurrence of an event of default under our Senior Credit Facilities, the lenders:

- will not be required to lend any additional amounts to us;

- could elect to declare all borrowings outstanding thereunder, together with accrued and unpaid interest and fees, to be due and payable;

- could require us to apply all of our available cash to repay these borrowings; or

- could prevent us from making payments on our Existing Senior Subordinated Notes;

any of which could result in an event of default under the notes.

If we were unable to repay those amounts, the lenders under our Senior Credit Facilities could proceed against the collateral granted to them to secure our borrowings thereunder. We have pledged a significant portion of our assets as collateral under our Senior Credit Facilities and our Senior Secured Notes. If the lenders under our Senior Credit Facilities or our Senior Secured Notes accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay our Senior Credit Facilities and our other indebtedness, including the notes, or borrow sufficient funds to refinance such indebtedness. Even if we were able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us. See Description of Certain Indebtedness.

In addition, under our ABL Facility we are permitted to borrow an aggregate amount of up to $900 million; however, our ability to borrow thereunder is limited by a borrowing base, which at any time will equal the sum of up to 85% of our and our subsidiary guarantors eligible accounts receivable (net of accounts reserves) (up to 30% of such eligible accounts receivable which can consist of federal government accounts receivable) plus the lesser of (i) 70% of our and our subsidiary guarantors eligible inventory (valued at cost and net of inventory reserves) and (ii) the product of 85% multiplied by the net orderly liquidation value percentage multiplied by eligible inventory (valued at cost and net of inventory reserves), less reserves (other than accounts reserves and inventory reserves).

Our borrowing base in effect as of June 30, 2011 was $970.2 million. Our ability to borrow under this facility is limited by a minimum liquidity condition, which provides that, if excess availability is less than the lesser of (i) $90 million or (ii) the greater of (A) ten percent (10%) of the borrowing base or (B) $60 million for more than five business days, the lenders are not required to lend any additional amounts under the ABL Facility (i) unless our pro forma consolidated fixed charge coverage ratio (as defined in the credit agreement for our ABL Facility) is at least 1.0 to 1.0 or (ii) until the availability exceeds the lesser of (i) $90 million or (ii) the greater of (A) ten percent (10%) of the borrowing base or (B) $60 million for 30 consecutive business days. Moreover, our ABL Facility provides discretion to the agent bank acting on behalf of the lenders to impose additional availability reserves, which could materially impair the amount of borrowings that would otherwise be available to us. We cannot assure you that the agent bank will not impose such reserves or, were it to do so, that the resulting impact of this action would not materially and adversely impair our liquidity.

The Senior Exchange Notes will be unsecured and will be effectively subordinated to our and the Guarantors secured debt and indebtedness of non-guarantor subsidiaries.

Our obligations under the Senior Exchange Notes and the Guarantors obligations under the guarantees of the Senior Exchange Notes will not be secured by any of our or our subsidiaries assets. Borrowings under our ABL Facility, our Term Loan Facility and our Senior Secured Notes are secured by a security interest in substantially all of our assets and the assets of the Guarantors. In addition, the Indentures permit us and our subsidiaries to incur additional secured debt. As a result, the Senior Exchange Notes and the guarantees will be effectively subordinated to all of our and the Guarantors secured debt and other obligations to the extent of the value of the assets securing such obligations. As of June 30, 2011, we had $2,200.5 million of secured debt outstanding under our ABL Facility, our Term Loan Facility and our Senior Secured Notes, and an additional $705.9 million of availability under our ABL Facility after taking into account borrowing base limitations (net of $21.8 million of issued and undrawn letters of credit and $12.3 million of reserves related to our floorplan sub-facility). If we and the Guarantors were to become insolvent or otherwise fail to make payments on the notes, holders of our and the Guarantors secured obligations would be paid first and would receive payments from the assets securing such obligations before the holders of the Senior Exchange Notes would receive any payments. You may therefore not be fully repaid in the event we become insolvent or otherwise fail to make payments on the notes.

The Senior Exchange Notes may not be guaranteed by all of our subsidiaries. For example, our immaterial subsidiaries are not required to guarantee the Senior Exchange Notes. Accordingly, claims of holders of the Senior Exchange Notes will be structurally subordinate to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or a Guarantor of the Senior Exchange Notes.

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Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Certain of our borrowings, primarily borrowings under our Senior Credit Facilities, are at variable rates of interest and expose us to interest rate risk. As of June 30, 2011, we had $1,700.5 million of variable rate debt outstanding. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. Although we have entered into interest rate cap agreements on our Term Loan Facility to reduce interest rate volatility, we cannot assure you we will be able to do so in the future on acceptable terms or that such caps or the caps we have in place now will be effective.

The notes are structurally subordinated to all indebtedness of our existing or future subsidiaries that are not or do not become Guarantors of the notes.

Holders of the notes do not have any claim as a creditor against any of our existing subsidiaries that are not Guarantors of the notes or against any of our future subsidiaries that do not become Guarantors of the notes. Indebtedness and other liabilities, including trade payables of those subsidiaries, are structurally senior to claims of holders of the notes against those subsidiaries. As of June 30, 2011, our non-guarantor subsidiary had approximately $26.6 million of total liabilities, all of which were effectively senior to the notes.

The notes are not guaranteed by our foreign subsidiary and will not be guaranteed by any future foreign subsidiaries. Our non-guarantor subsidiary is a separate and distinct legal entity and has no obligation, contingent or otherwise, to pay any amounts due under the notes, or to make any funds available therefor, whether by dividends, loans, distributions or other payments.

In the event of a bankruptcy, liquidation, reorganization or other winding up of this non-guarantor subsidiary or any future subsidiary that is not a Guarantor of the notes, these non-guarantor subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us (except to the extent we have a claim as a creditor of such non-guarantor subsidiary). Any right that we or the subsidiary Guarantors have to receive any assets of any non-guarantor subsidiaries upon the bankruptcy, liquidation, reorganization or other winding up of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries assets, will be effectively subordinated to the claims of those subsidiaries creditors, including trade creditors and holders of preferred equity interests of those subsidiaries.

As of and for the six months ended June 30, 2011, our non-guarantor subsidiary represented 1.8% of our total assets, less than 1% of our total liabilities, including trade payables, 4.2% of our net sales, 6.9% of our net loss and 2.7% of our Adjusted EBITDA, respectively, in each case after intercompany eliminations. Adjusted EBITDA is a non-GAAP financial measure.

In addition, the Indentures, subject to some limitations, permit these subsidiaries to incur additional indebtedness and do not contain any limitation on the amount of certain other liabilities, such as trade payables, that may be incurred by these subsidiaries.

Our ability to service our debt and meet our cash requirements depends on many factors, some of which are beyond our control.

Our ability to satisfy our obligations and meet our cash requirements for the foreseeable future will depend on our future operating performance and financial results, which will be subject, in part, to factors beyond our control, including interest rates and general economic, financial and business conditions. See Risk Factors Risks Relating to our Business. If we are unable to generate sufficient cash flow to service our debt, we may be required to:

- refinance all or a portion of our debt, including the notes;

- obtain additional financing;

- sell some of our assets or operations;
- reduce or delay capital expenditures and/or acquisitions; or
- revise or delay our strategic plan.

If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt instruments, including our Senior Credit Facilities and the Indentures. In addition, our Senior Credit Facilities and the Indentures restrict our ability to sell assets and to use the proceeds from the sales. We may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations, including our obligations on the notes. Furthermore, the Equity Sponsors have no obligation to provide us with debt or equity financing. Therefore, it may be difficult for us to make required payments on the notes in the event of an acceleration of the maturity of the notes.

Our ability to make payments on the notes depends on our ability to receive dividends and other distributions from our subsidiaries.

Our principal assets are the equity interests that we hold in our operating subsidiaries. As a result, we are dependent on dividends and other distributions from our subsidiaries to generate the funds necessary to meet our financial obligations, including the payment of principal and interest on our outstanding debt. Our subsidiaries may not generate sufficient cash from operations to enable us to make principal and interest payments on our indebtedness, including the notes. In addition, any payment of dividends, distributions, loans or advances to us by our subsidiaries could be subject to restrictions on dividends or, in the case of foreign subsidiaries, restrictions on repatriation of earnings under applicable local law and monetary transfer restrictions in the jurisdictions in which our subsidiaries operate. In addition, payments to us by our subsidiaries will be contingent upon our subsidiaries earnings. Our subsidiaries are permitted under the terms of our indebtedness, including the Indentures, to incur additional indebtedness that may restrict payments from those subsidiaries to us. We cannot assure you that agreements governing current and future indebtedness of our subsidiaries will permit those subsidiaries to provide us with sufficient cash to fund payments on the notes when due.

Our subsidiaries are legally distinct from us and, except for our existing and future subsidiaries that will be Guarantors of the notes, have no obligation, contingent or otherwise, to pay amounts due on our debt or to make funds available to us for such payment.

If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under our Senior Credit Facilities that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal, premium, if any, and interest on the notes and substantially decrease the value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in the Indentures and our Senior Credit Facilities), we could be in default under the terms of the agreements governing such indebtedness, including our Senior Credit Facilities and the Indentures. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our Senior Credit Facilities could elect to terminate their commitments thereunder and cease making further loans and lenders under our Senior Credit Facilities and holders of our Senior Secured Exchange Notes could institute foreclosure proceedings against our assets and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our Senior Credit Facilities to avoid being in default. If we breach our covenants under our Senior Credit Facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our Senior Credit Facilities, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation. See Description of Certain Indebtedness, Description of Senior Secured Exchange Notes and Description of Senior Exchange Notes.

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We may be unable to purchase the notes upon a change of control which would result in a default in the Indentures and would adversely affect our business.

Upon a change of control, as defined in the Indentures, we are required to offer to purchase all of the notes then outstanding for cash at 101% of the principal amount thereof, together with accrued and unpaid interest. If a change of control occurs under the Indentures, we may not have sufficient funds to pay the change of control purchase price, and we may be required to secure third party financing to do so. We may not be able to obtain this financing on commercially reasonable terms, or on terms acceptable to us, or at all. Further, we may be contractually restricted under the terms of our Senior Credit Facilities from repurchasing all of the notes tendered by holders of the notes upon a change of control. Accordingly, we may not be able to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under our Senior Credit Facilities. Our failure to repurchase the notes upon a change of control would cause a default under the Indentures and a cross-default under the Senior Credit Facilities and the Indentures. Our Senior Credit Facilities and the Indentures also provide that a change of control, as defined in such agreements, will be a default that permits lenders to accelerate the maturity of borrowings thereunder and, in the case of our Senior Credit Facilities and our Senior Secured Exchange Notes, if such debt is not paid, to enforce security interests in the collateral securing such debt, thereby limiting our ability to raise cash to purchase the notes.

The change of control provisions in the Indentures may not protect holders of the notes in the event we consummate a highly leveraged transaction, reorganization, restructuring, merger or other similar transaction, unless such transaction constitutes a change of control under the Indentures. Such a transaction may not involve a change in voting power or beneficial ownership or, even if it does, may not involve a change in the magnitude required under the definition of change of control in the Indentures to trigger our obligation to repurchase the notes. Except as otherwise described above, the Indentures do not contain provisions that permit the holders of the notes to require us to repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction. If an event occurs that does not constitute a Change of Control as defined in the Indentures, we will not be required to make an offer to repurchase the notes and holders may be required to continue to hold notes despite the event. See Description of Certain Indebtedness, Description of Senior Secured Exchange Notes Repurchase at the Option of Holders and Description of Senior Exchange Notes Repurchase at the Option of Holders.

Federal and state statutes allow courts, under specific circumstances, to void notes and adversely affect the validity and enforceability of the guarantees and require noteholders to return payments received.

The issuance of, and payments made under, the notes and the guarantees may be subject to review under federal and state fraudulent transfer and conveyance statutes. While the relevant laws may vary from state to state, generally under such laws the incurrence of an obligation (such as under the notes or guarantees) or the making of a payment or other transfer will be a fraudulent conveyance if (1) we or any of our Guarantors, as applicable, incurred such obligation or made such payment with the intent of hindering, delaying or defrauding creditors or (2) we or any of our Guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for incurring such obligation or making such payment and, in the case of (2) only, one of the following is also true:

- we or the applicable Guarantor were insolvent at the time of or rendered insolvent by reason of the incurrence of the obligation or the making of such payment; or

- the incurrence of the obligation or the making of such payment of the consideration left us or the applicable Guarantor with an unreasonably small amount of capital to carry on our or its business; or

- we or the applicable Guarantor intended to, or believed that we or it would, incur debts beyond our or its ability to pay them as they mature.

If a court were to find that the issuance of the notes or guarantees, or a payment made under the notes or guarantees, was a fraudulent conveyance, the court could void the payment obligations under the notes or such guarantees or subordinate the notes or such guarantees to presently existing and future indebtedness of ours or any such Guarantor, and require the holders of the notes to repay particular amounts or any amounts received with respect to the notes or such guarantees. In the event of a finding that a fraudulent conveyance occurred, you may not receive any repayment on the notes. Further, the voiding of the notes or the guarantees could result in an event of default with respect to our other debt and that of our Guarantors that could result in acceleration of such debt.

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The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. In general, however, a court would consider an issuer or a Guarantor insolvent if:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than all of its property, at a fair valuation;

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent unliquidated liabilities, as they become absolute and matured; or

- it could not pay its debts as they became due.

We cannot be certain as to the standards a court would use to determine whether or not we or the Guarantors were solvent at the relevant time, or regardless of the standard that a court uses, that the notes and the guarantees would not be subordinated to our or any Guarantor s other debt.

If the guarantees were legally challenged, any guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the Guarantor, the obligations of the applicable Guarantor were incurred for less than reasonably equivalent value or fair consideration. A court could thus void the obligations under the guarantees, subordinate them to the applicable Guarantor s other debt or take other action detrimental to the holders of the notes.

Each guarantee contains a provision intended to limit the Guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law, or may reduce or eliminate the Guarantor s obligation to an amount that effectively makes the guarantee worthless. A recent Florida bankruptcy court decision found that this kind of provision was ineffective to protect the guarantees.

We are controlled by the Equity Sponsors who will be able to make important decisions about our business and capital structure; their interests may differ from the interests of noteholders.

Substantially all of the common stock of Parent is held indirectly by investment funds affiliated with, or co-investment vehicles controlled by, the Equity Sponsors. As a result, the Equity Sponsors control us and have the power to elect all of the members of Parent s board of directors and approve any action requiring the approval of the holders of Parent s stock, including approving acquisitions or sales of all or substantially all of our assets. The directors appointed by the Equity Sponsors have the ability to control decisions affecting our capital structure, including the issuance of additional debt and capital stock, the declaration of dividends, and to appoint new management. The interests of the Equity Sponsors and our other equity holders may not be aligned with those of the holders of the notes. If we encounter financial difficulties, or we are unable to pay our debts as they mature, the interests of the Equity Sponsors and our other equity holders might conflict with those of the holders of the notes. In that situation, for example, the holders of the notes might want us to raise additional equity from the Equity Sponsors or other investors to reduce our leverage and pay our debts, while the Equity Sponsors might not want to increase their investment in us or have their ownership diluted and instead choose to take other actions, such as selling our assets. The Equity Sponsors may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to you as a holder of the notes. Additionally, the Equity Sponsors are in the business of investing in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. The Equity Sponsors may also separately pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. Since our equity securities, which are not registered under the Securities Exchange Act of 1934, as amended (the Exchange Act), are not listed on any U.S. securities exchange, we are not subject to any of the corporate governance requirements of any U.S. securities exchange.

The trading prices for the notes will be directly affected by many factors, including our credit rating.

Credit rating agencies continually revise their ratings for companies they follow or discontinue rating companies, including us. Any ratings downgrade or decisions by a credit rating agency to discontinue rating us could adversely affect the trading price of the notes, or the trading market for the notes, to the extent a trading market for the notes develops. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future and any fluctuation may impact the trading price of the notes.

Risks Relating to our Business

General economic conditions could negatively affect technology spending by our customers and put downward pressure on prices, which may have an adverse impact on our business, results of operations or cash flows.

Weak economic conditions generally, sustained uncertainty about global economic conditions or a prolonged or further tightening of credit markets could cause our customers and potential customers to postpone or reduce spending on technology products or services or put downward pressure on prices, which could have an adverse effect on our business, results of operations or cash flows. For example, during the economic downturn at the end of 2008 and in 2009, due to a number of factors, including declines in the availability of credit, weakening consumer and business confidence and increased unemployment, we experienced significantly reduced revenue and gross margins when our customers and potential customers reduced their spending on technology and put downward pressure on prices.

Our financial performance could be adversely affected by decreases in spending on technology products and services by our Public segment customers.

Our sales to our Public segment customers are impacted by government spending policies, budget priorities and revenue levels. Although our sales to the federal government are diversified across multiple agencies and departments, they collectively accounted for 11.0% of 2010 net sales. An adverse change in government spending policies, budget priorities or revenue levels could cause our Public segment customers to reduce their purchases or to terminate or not renew their contracts with us, which could adversely affect our business, results of operations or cash flows.

Our business depends on our vendor partner relationships and the availability of their products.

We purchase products for resale from vendor partners, which include OEMs and software publishers, and wholesale distributors. For the year ended December 31, 2010, we purchased approximately 47% of the products we sold directly from vendor partners and the remaining amount from wholesale distributors. We are authorized by vendor partners to sell all or some of their products via direct marketing activities. Our authorization with each vendor partner is subject to specific terms and conditions regarding such things as sales channel restrictions, product return privileges, price protection policies, purchase discounts and vendor incentive programs, including purchase rebates, sales volume rebates and cooperative advertising reimbursements. However, we do not have any long-term contracts with our vendor partners and many of these arrangements are terminable upon notice by either party. In addition, a reduction in the amount of credit granted to us by our vendor partners could increase our need for, and the cost of, working capital and could have an adverse effect on our business, results of operations or cash flows.

From time to time, vendor partners may terminate or limit our right to sell some or all of their products or change the terms and conditions or reduce or discontinue the incentives that they offer us. For example, there is no assurance that, as our vendor partners continue to sell directly to end users and through resellers, they will not limit or curtail the availability of their products to resellers like us. Any such termination or limitation or the implementation of such changes could have a negative impact on our business, results of operations or cash flows.

613,786 $479,285 $479,443 $667,393

Commercial Real Estate
815,004 559,384 494,192 440,900 415,304
Residential Mortgage
1,155,079 1,225,211 1,112,409 1,168,243 1,219,740
Loans Held for Sale
524 1,247 8,671 15,433
Home Equity
306,599 279,737 297,637 335,825 315,520
Consumer
64,403 65,437 64,888 68,010 73,158

Total Domestic	2,922,832	2,744,802	2,457,082	2,507,854	2,691,115
Foreign:					
Governments and Official Institutions	122,831	107,940	93,300	69,119	67,555
Banks and Other Financial Institutions	159	30	1,531	1,717	2,730
Commercial and Industrial	142,443	109,366	284,293	329,903	395,120
Other	33,622	41,954	36,717	37,086	51,607
Total Foreign	299,055	259,290	415,841	437,825	517,012
Total Loans	3,221,887	3,004,092	2,872,923	2,945,679	3,208,127
Net Deferred Loan Fees, Costs, Premiums and Discounts	3,267	3,813	(4,331)	(4,941)	(6,146)
Loans	$3,225,154	$3,007,905	$2,868,592	$2,940,738	$3,201,981
Reserve for Loan Losses	(28,285)	(25,958)	(29,540)	(36,197)	(41,455)
Total Net Loans	$3,196,869	$2,981,947	$2,839,052	$2,904,541	$3,160,526

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TABLE D:

YEAR-END MATURITIES AND RATE SENSITIVITY

DECEMBER 31, 2003

(IN THOUSANDS)	LESS THAN 1 YEAR	1-5 YEARS	OVER 5 YEARS	TOTAL
Maturities:				
Commercial and Financial	$246,880	$140,310	$ 194,033	$ 581,223
Commercial Real Estate	90,446	544,880	179,678	815,004
Residential Mortgage	24,938	108,969	1,021,172	1,155,079
Loans Held for Sale			524	524
Home Equity	265,538	21,146	19,915	306,599
Consumer	52,611	11,792		64,403
Foreign	122,875	131,864	44,316	299,055
Total Loans	$803,288	$958,961	$1,459,638	$3,221,887
Rate Sensitivity:				
With Fixed Interest Rates	123,720	227,151	772,625	1,123,496
With Floating and Adjustable Interest Rates	679,569	731,809	687,013	2,098,391
Total Loans	$803,289	$958,960	1,459,638	3,221,887

TABLE E:

CROSS-BORDER OUTSTANDINGS THAT EXCEED 1% OF TOTAL ASSETS[1]

(IN THOUSANDS)	BANKS AND OTHER FINANCIAL INSTITUTIONS	COMMERCIAL AND INDUSTRIAL	OTHER	TOTAL
As of December 31, 2003				
United Kingdom	$ 29,325	$ 13,939	$83,850	$127,114
United States[2]	54,019		23,592	77,611
Portugal	55,932		7,593	63,525
As of December 31, 2002				
United States[2]	$ 35,010	$	$48,904	$ 83,914
Saudi Arabia	41		75,475	75,516
As of December 31, 2001				
United Kingdom	$ 15,750	$234,443	$ 3,870	$254,063
United States[2]	149,860		18,328	168,188
Saudi Arabia	28		89,268	89,296

1 *Cross-border outstandings include loans, acceptances, investments, accrued interest and other monetary assets, net of interest-bearing deposits with other banks that are denominated in U.S. dollars or other non-local currencies.*

2 *United States cross-border outstandings consist of deposits placed by the Company in foreign branches of United States banks.*

TABLE F:

CROSS-BORDER OUTSTANDINGS THAT EXCEED 1% OF TOTAL ASSETS WITH NONPERFORMING OR PAST-DUE LOANS

(IN THOUSANDS)	NONACCRUAL LOANS	TOTAL NONPERFORMING LOANS	PAST-DUE LOANS
As of December 31, 2003			
United Kingdom	$2,193	$	$ 68
As of December 31, 2002	$	$	$
As of December 31, 2001			
United Kingdom	$1,4301	$1,430	$2,406

1 As of December 31, 2001, $529 thousand of nonaccrual loans were classified as renegotiated loans.

TABLE G:

MATURITIES OF SECURITIES AVAILABLE FOR SALE

DECEMBER 31, 2003

(IN THOUSANDS)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
U.S. Treasury Securities:				
Due within 1 year	$ 25,103	$	$ 29	$ 25,074
State & Municipal Securities				
Due after 5 years but within 10 years	17,076	123	33	17,167
Due after 10 years	7,841	22	11	7,851
Government Agencies Securities:				
Due within 1 year	137,514	8		137,522
Due after 1 year but within 5 years	582,698	498	3,191	580,005
Mortgage-Backed Securities:				
Due after 10 years	1,012,635	1,547	6,933	1,007,249
Other Securities:				
Due within 1 year	16,563			16,563
Due after 10 years	35,268	119		35,387
Total Securities Available for Sale	1,834,698	$2,317	$10,197	1,826,818

This table reflects the carrying values, by contractual maturity, of securities available for sale. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

TABLE H:

**RESERVE FOR LOAN LOSSES AND SUMMARY OF CHARGE-OFFS (RECOVERIES)
DECEMBER 31,**

(IN THOUSANDS)	2003	2002	2001	2000	1999
Balance, January 1	$25,958	$29,540	$36,197	$41,455	$54,455
Provision for Loan Losses	5,146	421	2,526	18,791	2,500
Loans Charged Off:					
Commercial and Financial	854	69	4,071	9,059	12,251
Commercial Real Estate		255		148	90
Residential Mortgage			10	30	178
Home Equity	9	81	48	63	220
Consumer	2,085	2,473	2,422	2,699	2,238
Foreign	2,932	4,094	4,913	14,168	1,970
Total Loans Charged Off	5,880	6,972	11,464	26,167	16,947
Recoveries on Charged-Off Loans:					
Commercial and Financial		62	70	568	399
Commercial Real Estate	204	341	85	548	207
Residential Mortgage			37	49	
Home Equity	68	62	126	117	105
Consumer	676	950	791	715	472
Foreign	1,862	837	1,376	626	526
Total Recoveries on Charged-Off Loans	2,810	2,252	2,485	2,623	1,709
Net Charge-offs (Recoveries)	3,070	4,720	8,979	23,544	15,238
Foreign Exchange Translation Adjustments	251	717	(204)	(505)	(262)
Balance, December 31	$28,285	$25,958	$29,540	$36,197	$41,455
Ratio of Net Charge-Offs (Recoveries) to Average Loans	0.10%	0.17%	0.31%	0.76%	0.48%
Ratio of Reserve for Loan Losses to Total Loans	0.88%	0.86%	1.03%	1.23%	1.29%

TABLE I:

RESERVE FOR LOAN LOSSES ALLOCATION AND LOAN DISTRIBUTION

DECEMBER 31,

(IN THOUSANDS)

Allocation of the Reserve for Loan Losses	2003	2002	2001	2000	1999
Commercial and Financial	$ 5,353	$ 6,390	$ 5,518	$15,755	$21,807
Commercial Real Estate	8,199	5,995	4,015	5,446	3,768
Residential Mortgage	1,718	2,416	1,112	1,176	1,218
Home Equity and Consumer	2,991	3,581	3,709	2,851	2,780

Foreign	3,573	3,334	8,243	7,036	6,006
Based on Qualitative Factors	6,451	4,242	6,943	3,933	5,876
Balance, December 31	28,285	25,958	29,540	36,197	41,455

Distribution of Year-End Loans	**2003**	**2002**	**2001**	**2000**	**1999**
Commercial and Financial	18.0%	20.4%	16.7%	16.3%	20.8%
Commercial Real Estate	25.3	18.6	17.2	15.0	13.0
Residential Mortgage	35.9	40.9	39.0	40.1	38.0
Home Equity and Consumer	11.5	11.5	12.6	13.7	12.1
Foreign	9.3	8.6	14.5	14.9	16.1
Total, December 31	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE J:

NONPERFORMING ASSETS AND PAST-DUE LOANS

DECEMBER 31,

(IN THOUSANDS)	**2003**	**2002**	**2001**	**2000**	**1999**
Nonperforming Assets:					
Nonaccrual Loans:					
Domestic	$ 115	$ 87	$ 472	$ 34,228	$ 40,559
Foreign	2,193	461	901	957	975
Total Nonaccrual Loans	2,308	548	1,373	35,185	41,534
Renegotiated Loans:					
Domestic				31	53
Foreign			529	822	1,210
Total Renegotiated Loans			529	853	1,263
Other Real Estate & Repossessed Assets					
Domestic			600	1,133	908
Foreign	40	122	1,156		
Total Other Real Estate & Repossessed Assets	40	122	1,756	1,133	908
Total Nonperforming Assets, Net	$ 2,348	$ 670	$ 3,658	$ 37,171	$ 43,705
Past-Due Loans:					
Domestic	$ 9,590	$ 10,457	$ 10,909	$ 11,100	$ 7,429
Foreign	2,588	588	2,406	19	
Total Past-Due Loans	$ 12,178	$ 11,045	$ 13,315	$ 11,119	$ 7,429
Total Loans	$3,225,154	$3,007,905	$2,868,592	2,940,738	$3,201,981
Ratio of Nonaccrual Loans to Total Loans	0.07%	0.02%	0.05%	1.20%	1.30%
Ratio of Nonperforming Assets to Total Loans and Other Real Estate Owned, Net	0.07%	0.02%	0.13%	1.26%	1.36%

TABLE K:

INTEREST INCOME ON NONACCRUAL AND RENEGOTIATED LOANS

DECEMBER 31,

(IN THOUSANDS)	**2003**	**2002**	**2001**	**2000**	**1999**
Interest Income at Original Terms:					

Nonaccrual Loans:					
Domestic	$ 20	$ 46	$1,151	$3,346	$3,168
Foreign	195	17	228	332	
Renegotiated Loans		23	109	201	222
Total	$215	$ 86	$1,488	$3,879	$3,390
Actual Interest Income Recognized:					
Nonaccrual Loans:					
Domestic	$ 4	$ 49	$ 105	$ 41	$ 249
Foreign					
Renegotiated Loans			10	19	
Total	$ 4	$ 49	$ 115	$ 60	$ 249

TABLE L:

SHORT-TERM BORROWINGS

(IN THOUSANDS, EXCEPT RATES)	FEDERAL FUNDS PURCHASED AND REPURCHASE AGREEMENTS 2003	2002	2001	OTHER SHORT-TERM BORROWINGS 2003	2002	2001
Balance, December 31	$518,711	$459,098	$584,706	$11,671	$11,274	$11,914
Average Amount Outstanding[1]	436,264	437,934	482,412	5,916	13,134	10,870
Weighted-Average Rate Paid[1]	1.10%	1.54%	3.53%	0.63%	1.52%	3.16%
Maximum Amount Outstanding at any Month- End	518,711	567,286	584,706	13,544	11,832	16,632

1 Average amounts are based on daily balances. Average rates are computed by dividing actual interest expense by average amounts outstanding.

TABLE M:

INTEREST-RATE SENSITIVITY ANALYSIS[1]

MOVEMENTS IN INTEREST RATES FROM DECEMBER 31, 2003

(IN THOUSANDS, EXCEPT RATES)	SIMULATED IMPACT OVER NEXT TWELVE MONTHS		SIMULATED IMPACT OVER NEXT THIRTY-SIX MONTHS	
(IN THOUSANDS)	+100BP	-100BP	+300BP	-300BP
Simulated Impact Compared with a Most Likely Scenario:				
Net Interest Income				
Increase (Decrease)	(1.3)%	2.7%	(3.6)%	4.4%
Net Interest Income				
Increase (Decrease)	$(2,170)	$4,348	$(17,650)	$21,527

1 Key Assumptions:

Assumptions with respect to the model s projection of the effect of changes in interest rates on net interest income include:

1. *Target balances for various asset and liability classes, which are solicited from the management of the various units of the Company.*
2. *A most likely federal funds rate and U.S. Treasury yield curve which are determined by an authorized committee and variances from this rate which are established by policy.*
3. *Spread relationships between various interest rate indices which are generated by the analysis of historical data and committee consensus.*
4. *Assumptions about the effect of embedded options and prepayment speeds: instruments that are callable are assumed to be called at the first opportunity if an interest rate scenario makes it advantageous for the owner of the call to do so. Prepayment assumptions for mortgage products are derived from accepted industry sources.*
5. *Reinvestment rates for funds replacing assets or liabilities that are assumed (through early withdrawal, prepayment, calls, etc.) to run off the balance sheet, which are generated by the spread relationships.*
6. *Maturity strategies with respect to assets and liabilities, which are solicited from the management of the various units of the Company.*

TABLE N:

CAPITAL RATIOS

DECEMBER 31,

	2003	2002	REQUIRED MINIMUMS	WELL CAPITALIZED
Riggs National Corporation				
Tier I	12.52%	14.13%	4.00%	6.00%
Combined Tier I and Tier II	17.81	20.25	8.00	10.00
Leverage	8.41	7.85	4.00	5.00
Riggs Bank National Association				
Tier I	11.08%	12.76%	4.00%	6.00%
Combined Tier I and Tier II	11.82	13.52	8.00	10.00
Leverage	7.52	7.17	4.00	5.00

TABLE O:

CONTRACTUAL OBLIGATIONS

AT DECEMBER 31, 2003

(IN THOUSANDS)	TOTAL	LESS THAN ONE YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Long-Term Debt	$1,850,665	$191,426	$483,052	$172,768	$1,003,419
Capital Lease Obligations					
Operating Leases	44,478	8,472	13,560	9,479	12,967
Purchase Obligations	61,336	26,070	16,126	10,272	8,868
Other Long-Term Liabilities	361,993	17,852	16,946	16,672	310,523
Total	$2,318,472	$243,820	$529,684	$209,191	$1,335,777

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2003	2002	2001
INTEREST INCOME			
Interest and Fees on Loans	$157,339	$176,799	$204,797
Interest and Dividends on Securities Available for Sale	67,418	71,045	68,630
Interest and Dividends on Securities Held to Maturity	2,357		
Interest on Time Deposits with Other Banks	5,475	3,146	12,712
Interest on Federal Funds Sold and Reverse Repurchase Agreements	4,053	8,547	15,823
Total Interest Income	236,642	259,537	301,962
INTEREST EXPENSE			
Interest on Deposits:			
Savings, NOW and Money Market Accounts	12,420	19,238	27,935
Time Deposits in Domestic Offices	16,195	26,561	32,071
Time Deposits in Foreign Offices	5,335	7,313	26,974
Total Interest on Deposits	33,950	53,112	86,980
Interest on Short-Term Borrowings and Long-Term Debt:			
Repurchase Agreements and Other Short-Term Borrowings	4,842	6,944	17,394
Long-Term Debt	26,242	6,673	6,472
Total Interest on Short-Term Borrowings and Long-Term Debt	31,084	13,617	23,866
Total Interest Expense	65,034	66,729	110,846
Net Interest Income	171,608	192,808	191,116
Provision for Loan Losses	5,146	421	2,526
Net Interest Income after Provision for Loan Losses	166,462	192,387	188,590
NONINTEREST INCOME			
Trust and Investment Advisory Income	37,505	42,729	50,290
Service Charges and Fees	49,474	45,401	43,591
Venture Capital Investment Losses, Net	(4,206)	(14,822)	(31,103)
Other Noninterest Income	14,186	10,642	10,494
Securities Gains, Net	13,331	9,450	12,037
Total Noninterest Income	110,290	93,400	85,309
NONINTEREST EXPENSE			
Salaries and Wages	93,660	86,794	90,971
Pension and Other Employee Benefits	23,968	23,236	18,852
Occupancy, Net	21,332	21,360	21,092
Data Processing Services	19,661	21,124	20,916
Furniture, Equipment and Software	13,681	15,335	19,119
Credit Card Processing	10,121	9,092	8,118
Consultants and Outsourcing Fees	20,783	13,486	12,880
Advertising and Public Relations	3,900	4,585	4,175
Restructuring Expense			4,327
Legal Fees	4,918	4,127	2,769

Communications Expense	3,491	3,123	2,558
Other Noninterest Expense	45,293	38,122	60,564
Total Noninterest Expense	260,808	240,384	266,341
Income before Taxes and Minority Interest	15,944	45,403	7,558
Applicable Income Tax Expense	4,386	15,471	11,075
Minority Interest in Income of Subsidiaries, Net of Taxes	10,579	16,911	19,860
Net Income (Loss)	$ 979	$ 13,021	$ (23,377)
EARNINGS (LOSS) PER SHARE-			
Basic	$ 0.03	$ 0.46	$ (0.82)
Diluted	0.03	0.45	(0.82)

The Accompanying Notes Are An Integral Part Of These Statements

CONSOLIDATED STATEMENTS OF CONDITION

DECEMBER 31,

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	**2003**	**2002**
ASSETS		
Cash and Due from Banks	$ 325,975	$ 244,703
Federal Funds Sold and Reverse Repurchase Agreements		610,000
Total Cash and Cash Equivalents	325,975	854,703
Time Deposits with Other Banks	287,077	203,267
Securities Available for Sale	1,826,818	2,319,917
Securities Held to Maturity (Fair Value-$115,319)	107,891	
Venture Capital Investments	43,356	49,419
Loans	3,225,154	3,007,905
Reserve for Loan Losses	(28,285)	(25,958)
Total Net Loans	3,196,869	2,981,947
Premises and Equipment, Net	226,502	203,253
Other Assets	355,070	213,189
Total Assets	$6,369,558	$6,825,695
LIABILITIES		
Deposits:		
Noninterest-Bearing Demand Deposits	$ 673,610	$ 683,338
Interest-Bearing Deposits:		
Savings and NOW Accounts	294,546	331,656
Money Market Deposit Accounts	2,378,779	2,165,449
Time Deposits in Domestic Offices	585,260	1,723,474
Time Deposits in Foreign Offices	354,037	335,080
Total Interest-Bearing Deposits	3,612,622	4,555,659
Total Deposits	4,286,232	5,238,997
Short-Term Borrowings	530,382	470,372
Other Liabilities	127,091	119,976
Long-Term Borrowings	1,052,333	358,525
Total Liabilities	5,996,038	6,187,870
GUARANTEED PREFERRED BENEFICIAL INTERESTS IN JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES		248,584
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Common Stock-$2.50 Par Value		

2003	**2002**

Authorized	50,000,000	50,000,000		
Issued	31,998,260	31,812,022		
Outstanding	28,680,138	28,510,224	79,996	79,530
Treasury Stock	3,318,122	3,301,798		
Additional Paid in Capital			174,396	170,747
Retained Earnings			200,131	204,865
Accumulated Other Comprehensive Income (Loss)			(9,380)	5,468
Treasury Stock			(71,623)	(71,369)
Total Shareholders Equity			373,520	389,241
Total Liabilities and Shareholders Equity			$6,369,558	$6,825,695

The Accompanying Notes Are An Integral Part Of These Statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	COMMON STOCK $2.50 PAR	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL SHAREHOLDERS EQUITY
Balance, January 1, 2001	$79,254	$162,206	$226,616	$(13,973)	$(71,357)	$382,746
Comprehensive Income:						
Net Loss			(23,377)			(23,377)
Other Comprehensive Income, Net of Tax:						
Unrealized Gain on Securities Available for Sale, Net of Reclassification Adjustments				9,247		9,247
Unrealized Loss on Derivatives, Net of Reclassification Adjustments				(2,231)		(2,231)
Foreign Exchange Translation Adjustments				(1,022)		(1,022)
Total Other Comprehensive Income						5,994
Total Comprehensive Loss						(17,383)
Issuance of Common Stock for Stock Option Plans-94,239 Shares	235	919				1,154
Cash Dividends Declared, $.20 per share			(5,694)			(5,694)
Balance, December 31, 2001	$79,489	$163,125	$197,545	$ (7,979)	$(71,357)	$360,823
Comprehensive Income:						
Net Income			13,021			13,021
Other Comprehensive Income, Net of Tax:						
Unrealized Gain on Securities Available for Sale, Net of Reclassification Adjustments				12,815		12,815
Unrealized Loss on Derivatives, Net of Reclassification Adjustments				(893)		(893)
Foreign Exchange Translation Adjustments				1,525		1,525
Total Other Comprehensive Income						13,447
Total Comprehensive Income						26,468
Issuance of Common Stock for Stock Option Plans-16,319 Shares	41	174				215
Repurchase of Trust Preferred Securities		7,448				7,448
Repurchase of 1,000 shares of Common Stock					(12)	(12)
Cash Dividends Declared, $.20 per share			(5,701)			(5,701)

Balance, December 31, 2002	$79,530	$170,747	$204,865	$ 5,468	$(71,369)	$389,241
Comprehensive Income:						
Net Income			979			979
Other Comprehensive Income, Net of Tax:						
Unrealized Loss on Securities Available for Sale, Net of Reclassification Adjustments				(17,949)		(17,949)
Unrealized Gain on Derivatives, Net of Reclassification Adjustments				1,634		1,634
Foreign Exchange Translation Adjustments				1,467		1,467
Total Other Comprehensive Loss						(14,848)
Total Comprehensive Loss						(13,869)
Issuance of Common Stock for Stock Option Plans-186,238 Shares	466	3,746				4,212
Repurchase of Trust Preferred Securities		(97)				(97)
Repurchase of 16,324 shares of Common Stock					(254)	(254)
Cash Dividends Declared, $.20 per share			(5,713)			(5,713)
Balance, December 31, 2003	$79,996	$174,396	$200,131	$ (9,380)	$(71,623)	$373,520

The Accompanying Notes Are An Integral Part Of These Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

(IN THOUSANDS)	**2003**	**2002**	**2001**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income (Loss)	$ 979	$ 13,021	$ (23,377)
Adjustments to Reconcile Net Income to Cash Provided By Operating Activities:			
Non-cash Restructuring and Other Charges			39,977
Provision for Loan Losses	5,146	421	2,526
Provision for Other Real Estate Owned Losses, Net of Realized Gains			251
Unrealized (Gains) Losses on Venture Capital Investments	(4,691)	11,690	31,284
(Gains) Losses on Sales of Venture Capital Investments	8,897	3,132	(181)
Depreciation Expense and Other Amortization	19,994	17,688	18,920
Net Gains on Sales of Securities Available for Sale	(13,331)	(9,450)	(12,037)
(Increase) Decrease in Other Assets	11,807	(47,077)	(8,082)
Increase (Decrease) in Other Liabilities	1,266	15,045	(3,526)
Total Adjustments	29,088	(8,551)	69,132
Net Cash Provided By Operating Activities	30,067	4,470	45,755
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (Increase) Decrease In Time Deposits with Other Banks	(83,810)	86,197	76,437
Proceeds from Maturities of Securities Available for Sale	8,353,744	12,155,976	5,962,451
Proceeds from Sales of Securities Available for Sale	682,368	531,157	245,895
Purchases of Securities Available for Sale	(8,669,248)	(13,359,434)	(6,570,717)
Purchases of Securities Held to Maturity	(6,475)		
Purchases of Venture Capital Investments	(3,145)	(9,327)	(14,180)
Proceeds from Sale of OREO	812	3,926	
Proceeds from Sale of Venture Capital Investments	5,002	1,405	10,491
Net (Increase) Decrease in Loans	(221,043)	(148,355)	63,167
Net Increase in Premises and Equipment	(54,798)	(11,262)	(16,241)
Other, Net	253	551	78
Net Cash Provided By (Used in) Investing Activities	3,660	(749,166)	(242,619)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Increase in Non-Time Deposits	166,492	257,298	236,660
Net Increase (Decrease) in Time Deposits	(1,119,257)	459,416	209,646
Net Increase (Decrease) in Short-Term Borrowings	60,010	(126,248)	13,788
Proceeds from the Issuance of Common Stock	1,800	215	1,154
Proceeds from Federal Home Loan Bank Borrowings	333,000	292,000	
Dividend Payments	(5,713)	(5,701)	(5,694)
Repurchase of Common Stock	(254)		
Repurchase of Guaranteed Preferred Beneficial Interests in Junior Subordinated Deferrable Interest Debentures and Common Stock		(87,849)	
Net Cash (Used In) Provided By Financing Activities	(563,922)	789,131	455,554
Effect of Exchange Rate Changes	1,467	1,525	(1,022)

Net (Decrease) Increase in Cash and Cash Equivalents	(528,728)	45,960	257,668
Cash and Cash Equivalents at Beginning of Period	854,703	808,743	551,075
Cash and Cash Equivalents at End of Period	$ 325,975	$ 854,703	$ 808,743
SUPPLEMENTAL DISCLOSURES:			
Interest Paid	$ 64,581	$ 68,247	$ 114,156
Income Tax Payments	11	3,670	146
Trade Dated Securities Purchases	8,350		100,188
Trade Dated Securities Sales	120,426		

The Accompanying Notes Are An Integral Part Of These Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Riggs National Corporation (the Company or Riggs), a Delaware Corporation, is a bank holding company that provides financial services to a wide variety of customers. These services include community banking, corporate and institutional banking, international banking and trust and investment management services.

These services are provided through the Company s wholly-owned subsidiary and principal operating unit, Riggs Bank N.A. (the Bank or Riggs Bank), and its operating subsidiaries and divisions: Riggs Bank Europe Ltd. (RBEL), Riggs & Co., Riggs & Co. International Ltd. (RCIL) and Riggs Real Estate Investment Corporation (RREIC).

In addition, the Company has invested in two partnerships that make venture capital investments. The Company has a 99% interest in each of these partnerships.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company s accounting and reporting policies are in conformity with accounting principles generally accepted in the United States of America, are applied on a consistent basis and follow general practice within the banking industry.

The consolidated financial statements include the accounts of the Company and all subsidiaries except two wholly-owned trusts which have been deconsolidated effective October 1, 2003, at which date the Company adopted Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities or FIN 46R. These consolidated financial statements include all adjustments necessary to fairly present the Company s results of operations, financial condition and cash flows. All significant intercompany transactions and balances have been eliminated. Certain prior period amounts have been reclassified to conform to the current year s presentation. None of these reclassifications affect net income (loss) or earnings per share for the periods presented.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Material estimates particularly susceptible to near term changes include the adequacy of the reserve for loan losses, the valuation of venture capital investments, the realizability of deferred tax assets and the assessment of asset impairment.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include cash on hand, amounts due from banks, federal funds sold and collateralized reverse repurchase agreements. Cash equivalents have original maturities of 30 days or less.

Securities

Securities are designated as trading securities, securities held to maturity or securities available for sale at the time of purchase and remain in that category until sale or maturity. Security purchases are made in accordance with a policy established by the Board of Directors.

At December 31, 2003 and 2002, 94% and 100%, respectively of the Company s securities are classified as available for sale and, as such, are carried at their fair values with any unrealized gains and losses, net of taxes, reported as a separate component of other comprehensive income (loss) within shareholders equity. Fair values are generally obtained from quoted market values or independent sources. Short-term securities, generally those with initial maturities of three months or less, are carried at cost as cost is deemed to approximate market value. At December 31, 2003, the Company has $107.9 million of securities classified as held to maturity which consists of the Company s repurchase of trust preferred securities issued by two previously consolidated entities. These securities are reflected in the Consolidated Statements of Condition at amortized cost.

The specific identification method is used to determine the gain or loss of any security sold.

Income on securities available for sale and held to maturity is recognized as earned and any purchase premiums or discounts from par value are amortized or accreted so as to approximate income recognition on a level yield basis. The Company suspends income recognition and eliminates from revenue any previously accrued income related to any security

that has significant uncertainty regarding collection of principal or interest. The Company invests in investment grade securities and there were no nonperforming investments during the three year period ended December 31, 2003.

Loans

Loans are carried at the principal amount outstanding plus or minus any associated premium or discount. Loan origination fees and direct costs are deferred and the net amount is amortized as an adjustment of loan yield. Income is recognized as earned using methods that generally result in level rates of return on principal amounts outstanding over the estimated lives of the loans.

The Company evaluates each past due commercial loan (commercial and financial loans and commercial real estate loans) and discontinues the accrual of interest based on the delinquency status, an evaluation of any collateral and the financial condition of the borrower. If there is doubt as to the collection of either principal or interest, or when interest or principal is 90 days past due and the loan is not well-secured and in the process of collection, it is placed into non-accrual status. A non-accrual loan may be restored to accrual status when interest and principal payments are brought current and the collection of future payments is not in doubt.

Income recognition on non-commercial loans is discontinued and the loans are generally charged off or foreclosure begun after a delinquency period of 120 days or as permitted by laws and other regulations. At that point, any uncollected interest is eliminated from income.

The Company originates with the intent to sell certain residential mortgage loans. These loans are carried at the lower of cost or fair value and are sold servicing released. The amount of these loans at December 31, 2003 and 2002 was $524 thousand and $1.2 million, respectively.

Reserve for Loan Losses

The reserve for loan losses is maintained at a level deemed adequate to absorb probable losses in the loan portfolio. The determination of the adequacy of the reserve for loan losses is based upon an on-going, analytical review of the loan portfolio. This analysis requires application of judgment, evaluation of economic uncertainties and assessment of business conditions that may change. Because of these and other factors, adjustments to the reserve for loan losses may be required. Any such adjustments would impact future operating results.

The analytical review of the loan portfolio performed to determine the adequacy of the reserve for loan losses includes a review of large balance loans for impairment, an analysis of historical loss experience by loan type and, for groups of loans with similar characteristics, an evaluation of current economic conditions and all other factors deemed pertinent to the analysis. Impaired loans are defined as specifically reviewed loans for which it is probable that Riggs will be unable to collect all amounts due in accordance with the loan agreement. Impaired loans are generally commercial and financial loans and commercial real estate loans and are usually on non-accrual status. Each impaired loan with an outstanding balance equal to or greater than $250 thousand has a specific, identified loan loss reserve associated with it or has been written down to its estimated net realizable value. Impaired loans do not include groups of smaller balance homogeneous loans with similar collateral characteristics, such as residential mortgage and home equity loans. Loss reserves for these types of loans are established on an aggregate basis using historical loss experience. Balances related to impaired loans are excluded when applying historical loss ratios to determine loan loss reserves.

The specific reserves for impaired loans are included in the reserve for loan losses. Impaired loans are valued based upon the fair value of the related collateral if the loans are collateral dependent. For all other impaired loans, the specific reserves are based on the present values of expected cash flows discounted at each loan s initial effective interest rate.

Provisions to the reserve for loan losses are charged against, or credited to, earnings in amounts necessary to maintain an adequate reserve for loan losses. Commercial loans are charged-off when it is determined that the loan cannot be fully recovered and, as noted previously, non-commercial loans are generally charged-off at the time of loan foreclosure. Recoveries of loans previously charged-off are credited to the reserve for loan losses.

The Company maintains its reserve for loan losses in accordance with a policy approved by the Board of Directors. The Company has an established methodology for analyzing its reserve for loan losses that includes an internal loan classification policy. The Company periodically reviews its methodology to ascertain that it produces accurate assessments of probable loan losses. Domestic and foreign loans are subjected to substantially identical review procedures.

Premises and Equipment

Land is recorded and carried at cost. Premises, leasehold improvements and furniture and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Ranges of useful lives for computing depreciation and amortization are generally twenty-five to thirty-five years for premises, five to twenty years for leasehold improvements and four to fifteen years for furniture and equipment. Software is generally amortized over three to seven years.

Major improvements and alterations to premises and leaseholds are capitalized. Leasehold improvements are amortized over the shorter of the terms of the respective leases or the estimated useful lives of the improvements. Interest costs relating to the construction of certain fixed assets are capitalized at the Bank s weighted-average cost of interest-bearing liabilities.

Impairment of Long-Lived Assets

Long-lived assets to be held and used, including premises and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying value or fair value less selling costs.

Goodwill and other intangible assets with indefinite lives are tested at least annually for impairment by comparing their fair values with their recorded amounts. At December 31, 2003, the Company had $5.9 million of goodwill and other intangibles and in the fourth quarter of 2003 recorded a $950 thousand goodwill impairment.

Venture Capital Investments

Venture capital investments, which include both direct investments and investments in venture capital funds, are accounted for at fair value with gains and losses included in noninterest income in the Consolidated Statements of Operations.

The valuation of venture capital investments was arrived at using a variety of factors including, but not limited to: market prices, where available, and discounted, if necessary, to reflect trading history, lock-up provisions, lack of market liquidity and other factors; cost, if there is no readily determinable market price and there has not been a material event, such as a follow-on round of financing or strategic sale; a value higher than cost if indicated by additional financing which fulfills certain requirements; and analysis and commentary from a fund s Investment Manager/ General Partner.

The Company does not intend to sell or liquidate the venture capital portfolio and the valuation of venture capital investments is subject to uncertainties in that it does not represent a negotiated value between the Company, as seller, and an independent, willing buyer that has the necessary knowledge and financial ability to complete the purchase. Additionally, if the Company attempted to sell the venture capital portfolio, particularly if it deemed it necessary to liquidate the investments within a short period of time, the actual proceeds from the sale could differ significantly from the carrying value. The market for the type of venture capital investments held has since 2000 been impacted by a slowing economy, a depressed domestic equity market in which the values of publicly traded companies have declined, and, because of these market conditions, a decline in the number of initial public offerings and acquisitions of private companies by publicly traded firms. The gradual improvement in these sectors has begun to afford the Company better liquidation opportunities and it continues to actively manage the portfolio to maximize current valuations. Although these and other factors have been assessed in determining the values, because of the subjectivity in determining values, it is possible that the Company would experience a material loss if it chose to liquidate its venture capital portfolio, particularly if it attempted to do so quickly. The loss, if any, would be recorded in the Riggs Capital Partners segment.

Income Taxes and Deferred Tax Assets on Venture Capital Losses

A provision for income taxes is recorded based upon the amounts of current taxes payable or refundable and the change in net deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognized for the tax effects of differing carrying values of assets and liabilities for tax and financial statement reporting purposes that will reverse in future periods. When substantial uncertainty exists concerning the recoverability of a deferred tax asset, the carrying value of the asset is reduced by a valuation allowance. Establishing a valuation allowance results in an increase in income tax expense.

Unrealized losses in the venture capital operations have resulted in the maintenance of $12.9 million of deferred tax assets as of December 31, 2003. Of this amount, $1.5 million was established in 2003. These assets can be utilized to reduce taxes payable on future capital gains but must be utilized within five years of the year in which the loss is realized for tax return

purposes. Because of continuing losses in the venture capital portfolio and the lack of current suitability of alternatives to generate capital gains, Riggs has established a valuation allowance of $6.9 million against the deferred tax assets at December 31, 2003. Of this amount, $1.5 million was established in 2003. The Company believes that the unreserved deferred tax asset balance of $6.0 million at December 31, 2003, which includes a deferred tax asset related to realized losses of $3.3 million, will be realized through generation of future net capital gains within its venture capital operations or the implementation of alternative business strategies that generate net capital gains. Management has identified several alternative business strategies that could produce sufficient capital gains to allow the remaining net deferred tax asset balance to be realized.

If sufficient net capital gains within the Company s venture capital operations are not realized in a timely manner, or if business conditions make it impossible, impractical or imprudent to implement the identified alternative strategies, an additional valuation allowance, resulting in a charge against income, for that portion of the deferred tax asset which will not be utilized, will be recorded in the Other segment.

In addition, uncertainty related to the utilization of deferred tax amounts generated by foreign subsidiaries resulted in the maintenance of a 100% valuation allowance of $7.6 million and $6.4 million as of December 31, 2003 and 2002, respectively.

Benefit Plans

Effective February 28, 2002, the Company froze its domestic non-contributory defined benefit pension plan. Participants will no longer earn additional benefits under the plan for service after February 28, 2002. Salary increases and service with the Company will not increase participants benefits already accrued under the plan, although service after this date may allow participants to become vested in benefits earned before February 28, 2002 or to qualify for early retirement benefits under the plan. Net periodic pension expense is actuarially determined and includes service cost and interest cost components that reflect the long term expected return on plan assets and the effect of deferring and amortizing actuarial gains and losses and the prior service costs. On an annual basis Riggs contributes at least the minimum funding requirements to the pension plan as determined by the actuary.

The Company also provides health insurance benefits to retired employees and, to employees who retired prior to January 1, 1998, life insurance benefits. The estimated cost of retiree health insurance benefits is accrued during the employment period and a transition asset, recognized when the current accounting treatment for postretirement benefits was adopted, is being amortized over a 20 year period.

The Company sponsors a 401(k) Plan that is available to all domestic employees who meet certain age and length of service requirements. In 2002 Riggs began fully matching employee contributions up to a maximum of 6% of an employee s eligible yearly earnings. Prior to 2002, the Company matched employee contributions for the first $100 the employee contributed and 50% thereafter up to a maximum of 6% of an employee s eligible yearly earnings.

During 2002, the Company terminated a Supplemental Executive Retirement Plan (SERP) which it had maintained to provide supplemental income and postretirement death benefits to certain key employees. Upon termination of this plan, the actuarially determined liability for active participants with greater than one year of service prior to retirement was transferred into the Company s Executive Deferred Compensation Plan. Vested participants who are no longer employed by the Company were paid an amount equal to the current value of their benefit. Vested participants who were receiving benefits prior to plan termination will continue to receive these benefits. This supplemental plan has no assets (see Note 14 of Notes to Consolidated Financial Statements).

Stock-Based Employee Compensation Plans

At December 31, 2003, the company had five stock-based employee compensation plans which are described more fully in Note 14 of Notes to Consolidated Financial Statements. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, SFAS 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement 123, and related Interpretations. There is no stock-based compensation expense for these plans reflected in the Consolidated Statements of Operations as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

In 2003 and 2002, the Company approved for award 210,407 and 161,909 shares, respectively, of its common stock to certain key executives under a Deferred Stock Award Agreement which are subject to performance and time vesting. Based on achieved 2003 and 2002 performance targets, 76,466 shares were awarded at December 31, 2003 and none at December 31, 2002. The 76,466 deferred shares earned at December 31, 2003 will vest in three equal annual installments, beginning in January of 2004. A total of $325 thousand in compensation expense was recorded in 2003 related to this award.

In 2003 and 2002, the Company granted 73,000 and 370,000, respectively, of its common stock to certain key executives under a Deferred Stock Award Agreement that are subject to time vesting. These shares vest in equal annual installments over a period of four to five years, beginning in January 2003 and January 2004. A total of $1.2 million and $646 thousand in expense was recognized for these awards in 2003 and 2002, respectively.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	Year Ended December 31,		
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND RATES)	2003	2002	2001
Net income, as reported	$ 979	$ 13,021	$ (23,377)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	1,012	420	
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(6,754)	(3,068)	(3,040)
Pro forma net income	$ (4,763)	$ 10,373	$ (26,417)
Earnings per share:			
Basic as reported	$ 0.03	$ 0.46	$ (0.82)
Basic pro forma	$ (0.17)	$ 0.36	$ (0.93)
Diluted as reported	$ 0.03	$ 0.45	$ (0.82)
Diluted pro forma	$ (0.16)	$ 0.36	$ (0.93)
Weighted-Average Fair Value of Options Granted	$ 5.20	$ 6.03	$ 7.21
Weighted-Average Assumptions:			
Expected Lives (Years)	9.00	9.00	9.00
Risk-Free Interest Rate	4.18%	4.97%	5.32%
Expected Volatility	29.92%	38.70%	37.27%
Expected Dividends (Annual Per Share)	$ 0.20	$ 0.20	$ 0.20

The fair values of the stock options outstanding are used to determine the proforma impact of the options on compensation expense over their vesting period. Proforma net income and earnings per share were based on the Black-Scholes options pricing model for each grant made, using the key assumptions detailed above.

Earnings Per Common Share

Basic earnings per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding. Diluted earnings per share is calculated by dividing net income by the weighted-average number of shares of common stock and common stock equivalents, unless determined to be anti-dilutive. The following is a reconciliation of the weighted average common shares for basic and diluted per share calculations:

	2003	2002	2001
Basic average common shares	28,609,296	28,505,405	28,470,953
Dilutive effect of stock options and unvested deferred stock awards	967,789	398,794	
Dilutive average common shares	28,577,085	28,904,199	28,470,953

Stock options not included in the above per share calculations because inclusion would be anti-dilutive were 2,777,248 in 2003, 3,762,710 in 2002 and 437,532 in 2001.

Foreign Currency Translation

The functional currency amounts of assets and liabilities of foreign entities are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated using appropriate weighted-average exchange rates for the period. Functional currency to U.S. dollar translation gains and losses, net of related hedge transactions, are credited or charged directly to the accumulated other comprehensive income section of shareholders equity.

Foreign Exchange Income

Open foreign currency trading and exchange positions, including spot and forward exchange contracts, are valued daily and recorded monthly; the resulting trading gains and losses are recorded in other noninterest income. The amount of net foreign exchange trading gains included in the accompanying Consolidated Statements of Operations were $5.8 million for 2003, $4.7 million for 2002 and $4.3 million for 2001.

Interest Rate and Foreign Currency Risk

The Company maintains a risk management policy that includes the use of derivative instruments. Use of these instruments is in accordance with a formal policy that is monitored by a committee that has delegated responsibility for the interest rate and foreign exchange risk management function. These instruments are utilized to reduce fluctuations in earnings and equity values caused by interest rate or foreign exchange fluctuations.

The derivative instruments that Riggs uses include interest rate swaps, futures contracts and option contracts that relate to the pricing of specific assets and liabilities. Interest rate swaps involve the exchange of fixed and variable interest rate payments based upon a notional principal amount and maturity date. Interest rate futures generally involve exchange-traded contracts to buy or sell U.S. Treasury bonds or notes in the future at specified prices. Interest options represent contracts that give the owner the option to receive cash or purchase, sell or enter into a financial instrument at a specified price within a specified time period. Certain of these contracts grant the right to enter into interest rate swaps and cap and floor agreements with the writer of the option.

Riggs also enters into foreign exchange derivative contracts, including foreign currency forward contracts, to manage its exchange risk associated with the translation of foreign currency into U.S. dollars.

As a result of the use of derivative instruments the Company is exposed to credit and market risk. If the fair value of the derivative contract is positive, the counterparty owes Riggs and, hence, a repayment or credit risk exists. If the fair value of the derivative contract is negative, Riggs owes the counterparty and, therefore, there is no repayment risk. The Company attempts to minimize repayment risk by entering into transactions with financially stable counterparties that are specified in the Company s policy and reviewed periodically by the Company s credit committee. Derivative contracts are governed by an International Swap Dealers Association Master Agreement and, depending on the nature of the agreements, bilateral collateral arrangements also may be obtained. When Riggs has multiple derivative transactions with a counterparty, the net mark-to-market exposure represents the netting of positive and negative exposures with the same counterparty. The net mark-to-market exposure with a counterparty is a measure of credit risk when there is a legally enforceable master netting agreement between Riggs and the counterparty. Riggs uses master netting agreements with the majority of its counterparties.

Market risk is the adverse effect that a change in interest rates or comparative currency values has on the fair value of a financial instrument or expected cash flows. Riggs manages the market risk associated with interest rate and foreign exchange hedge contracts by establishing formal policy limits concerning the types and degree of risk that may be undertaken. The Company s Treasury segment monitors compliance with this policy.

Accounting for Derivatives

All derivatives are recorded at fair value in the Consolidated Statements of Condition within other assets or other liabilities. When a derivative contract is entered into, Riggs determines if it qualifies as a hedge. If it does, the derivative is designated as a hedge of the fair value of a recognized asset or liability, a hedge of cash flows or a hedge of a net investment in a foreign operation. Changes in the fair value of a derivative that is designated a fair value hedge and qualifies as a highly effective hedge, along with any gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in current earnings. The effective portion of changes in fair value of a derivative that is designated a cash flow hedge and that qualifies as a highly effective hedge is recorded in other comprehensive income until such time as periodic settlements on a variable rate hedged item are recorded in earnings. The ineffective portion of changes in fair value of cash-flow derivatives is recorded in current earnings. Changes in the fair value of a derivative designated as a foreign currency hedge and that qualifies as a highly effective hedge, are either recorded in current earnings, other comprehensive income, or both, depending on whether the transaction is a fair value hedge or a cash flow hedge. If a derivative is used as a hedge of a net investment in a foreign operation, changes in its fair value, to the extent effective as a hedge, are recorded in other comprehensive income.

When entering into hedging transactions, the relationships between hedging instruments and hedged items is documented as is the risk management objective and strategy. This process links all derivatives that are designated as fair value, cash flow or foreign currency hedges to specific assets and liabilities on the Consolidated Statements of Condition or to forecasted transactions. The Company evaluates, both at inception of the transaction and on an on-going basis, the effectiveness of all hedges in offsetting changes in fair values or cash flows of hedged items.

Riggs discontinues hedge accounting prospectively when the derivative is no longer effective in offsetting changes in fair values or cash flows of a hedged item, the derivative matures or is sold, terminated or exercised or the derivative is de-designated as a hedge instrument.

When hedge accounting is discontinued because the derivative no longer qualifies as an effective fair value hedge, it will continue to be carried on the Consolidated Statements of Condition at its fair value and the hedged asset or liability will no longer be adjusted to reflect changes in fair value. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, Riggs continues to carry the derivative in the Consolidated Statements of Condition at its fair value and any gains or losses accumulated in other comprehensive income will be recognized immediately in earnings. In all situations in which hedge accounting is discontinued, the derivative will be carried at fair value with changes in fair value recognized in income. The Company also enters into derivative transactions which do not qualify for hedge accounting. Generally these transactions are intended to protect the Company from fluctuations in foreign currency exchange rates.

Treasury Stock

The Company periodically purchases shares of its own common stock. These treasury shares are recorded at cost and are accounted for as a component of shareholders equity. If, at a future date, the Company uses this stock, the treasury stock account will be relieved based upon the average cost of all treasury shares.

NOTE 2. RESTRUCTURING AND OTHER CHARGES

In December 2001 the Company announced plans to upgrade its technology and infrastructure and realign several of its business operations and, as a result of these decisions, recorded a $4.3 million restructuring charge. At December 31, 2002, the Company had remaining accrued employee severance payments of $334 thousand which were paid during 2003.

Also in 2001, the Company recorded various other charges including $25.7 million to write-down the carrying value of various assets because of significant uncertainties concerning their recoverability, $3.6 million to discharge its obligation under an employment contract and a $500 thousand penalty to exit a domestic technology-related contract. In 2001 the Company also established a $5.9 million valuation allowance against deferred tax assets.

NOTE 3: SECURITIES AVAILABLE FOR SALE

Securities available for sale at December 31 are as follows:

	2003				2002			
(IN THOUSANDS)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
U.S. Treasury Securities	$ 25,103	$	$ 29	$ 25,074	$ 4,998	$	$	$ 4,998
State and Municipal Securities	24,917	145	44	25,018				
Government Agencies Securities	720,212	506	3,191	717,527	1,268,874	4,499	9	1,273,364
Mortgage-Backed Securities	1,012,635	1,547	6,933	1,007,249	970,386	15,109	11	985,484
Other Securities	51,831	119		51,950	56,049	22		56,071
Total Securities Available for Sale	$ 1,834,698	$ 2,317	$ 10,197	$ 1,826,818	$ 2,300,307	$ 19,630	$ 20	$ 2,319,917

Realized gains from the sale of securities totaled $13.3 million during 2003 and realized losses totaled $12 thousand, compared with realized gains of $9.7 million and realized losses of $207 thousand in 2002 and realized gains of $14.3 million and realized losses of $2.3 million in 2001. At December 31, 2003, a $5.2 million unrealized loss, net of tax, was recorded in shareholders equity and included in accumulated other comprehensive income (loss), compared to a $12.7 million unrealized gain, net of tax, in 2002. Unrealized gains and losses are attributable to changes in market interest rates since the securities were purchased.

The following table details unrealized losses in the Company s securities available for sale portfolio.

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
(IN THOUSANDS)	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
U.S. Treasury Securities	$ 25,074	$ 29	$	$	$ 25,074	$ 29
State and Municipal Securities	6,468	44			6,468	44
Government Agencies Securities	448,231	3,191			448,231	3,191
Mortgage-Backed Securities	602,581	6,933			602,581	6,933
Total Securities Available for Sale with Unrealized Losses	$ 1,082,354	$ 10,197	$	$	$ 1,082,354	$ 10,197

Securities available for sale that were pledged to secure deposits and other borrowings were $660.1 million at December 31, 2003 and $1.69 billion at December 31, 2002. The decline in pledged assets was due to a change in the way the U.S. Treasury compensates financial agent banks such as Riggs. Under the prior compensation methodology, Riggs was compensated by net interest earned on Treasury deposit balances which was reflected in net interest income. Under the new compensation methodology, Riggs uses zero cost Treasury deposits to purchase a non-marketable Treasury-issued depositary compensation security (DCS). The pledged asset balance has declined because under the old methodology Riggs was required to purchase securities to collateralize any Treasury deposit. The DCS balance is netted against the Treasury deposit balance in the Statements of Financial Condition in accordance with FIN 39 (Offsetting of Amounts Related to Certain Contracts) and the income from the DCS is recorded as a component of noninterest income.

The Other Securities category consists of Federal Home Loan Bank of Atlanta (FHLB) and Federal Reserve stock, money market mutual funds and other equity securities. The FHLB and Federal Reserve stock are valued at cost which approximates fair value. Equity securities are valued at fair value.

The contractual maturity distribution of securities available for sale at December 31 follows. Actual maturities may differ from contractual maturities because issuers may have the right to call obligations and mortgages underlying mortgage-backed securities may be repaid more quickly than scheduled.

(IN THOUSANDS)	2003 AMORTIZED COST	2003 GROSS UNREALIZED GAINS	2003 GROSS UNREALIZED LOSSES	2003 FAIR VALUE	2002 AMORTIZED COST	2002 GROSS UNREALIZED GAINS	2002 GROSS UNREALIZED LOSSES	2002 FAIR VALUE
Within 1 year	$ 179,179	$ 8	$ 29	$ 179,158	$ 493,328	$ 8	$ 3	$ 493,333
After 1 but within 5 years	582,698	498	3,191	580,005	706,150	4,120	6	710,264
After 5 but within 10 years	17,077	123	33	17,167	109,821	371	11	110,181
After 10 years	1,055,744	1,688	6,944	1,050,488	991,008	15,131		1,006,139
Total Securities Available for Sale	$1,834,698	$2,317	$10,197	$1,826,818	$2,300,307	$19,630	$ 20	$2,319,917

Interest earned on securities available for sale for the years ended December 31 is as follows:

(IN THOUSANDS)	2003	2002	2001
U.S. Treasury Securities	$ 244	$ 619	$ 8,635
State and Municipal Securities	28		
Government Agencies Securities	24,873	32,045	27,046
Mortgage-Backed Securities	40,570	36,506	30,343
Other Securities	1,703	1,875	2,606
Total Securities Available for Sale	$67,418	$71,045	$68,630

See Note 11 of Notes to Consolidated Financial Statements for discussion of securities held to maturity.

NOTE 4: LOANS AND RESERVE FOR LOAN LOSSES

The composition of the loan portfolio at December 31 is as follows.

(IN THOUSANDS)	2003	2002
Commercial and Financial	$ 581,223	$ 613,786
Commercial Real Estate	815,004	559,384
Residential Mortgage	1,155,079	1,225,211
Loans Held for Sale	524	1,247
Home Equity	306,599	279,737
Consumer	64,403	65,437
Foreign	299,055	259,290
Total Loans	3,221,887	3,004,092
Net Deferred Loan Fees, Costs, Premiums and Discounts	3,267	3,813
Loans	$3,225,154	$3,007,905

A summary of nonperforming and loans contractually past-due 90 days or more at December 31 follows.

(IN THOUSANDS)	2003	2002
Nonaccrual Loans	$ 2,308	$ 548
Past-Due Loans	12,178	11,045

Nonaccrual loans at December 31, 2003 is comprised of two foreign loans both of which were placed on nonaccrual status during 2003. Nonaccrual loans at December 31, 2002 consists of another foreign loan which repaid during 2003. There were no renegotiated loans at December 31, 2003 or 2002. Nonaccrual and renegotiated loans may include certain impaired loans. The two foreign loans mentioned previously were the Company s only impaired loans at December 31, 2003. Charge-offs were taken on these loans and at year end they are reflected at net realizable value, and accordingly, there are no specific reserves at December 31, 2003. There were no impaired loans as of December 31, 2002. The 2003 average investment in impaired loans was $2.9 million, entirely in foreign loans. For 2002, the average investments in impaired loans was $309 thousand, also entirely in foreign loans.

An analysis of the changes in the reserve for loan losses follows:

(IN THOUSANDS)	2003	2002	2001
Balance, January 1	$25,958	$29,540	$36,197
Provision for Loan Losses	5,146	421	2,526
Loans Charged-Off	5,880	6,972	11,464
Less: Recoveries of Charged-Off Loans	2,810	2,252	2,485
Net Charge-Offs	3,070	4,720	8,979
Foreign Exchange Translation Adjustments	251	717	(204)
Balance, December 31	$28,285	$25,958	$29,540

The Company s reserve for loan losses at December 31, 2003 was $28.3 million, an increase from the December 31, 2002 balance of $26.0 million. A provision of $5.1 million was taken for the year, primarily to cover loan growth in the commercial real estate portfolio and for one of the foreign impaired loans that was placed on nonaccrual status during the year.

Cash payments received on impaired loans are generally applied to principal. The interest income that would have been earned in 2003, 2002 and 2001 if such loans had not been classified as impaired and therefore on nonaccrual status, was $215 thousand, $20 thousand, and $820 thousand, respectively. $4 thousand of interest was included in net interest income for impaired loans in 2003 while none was included in 2002.

Geographically, the Company s domestic loans are concentrated in the Washington, D.C. metropolitan area. Loans originated by the Company s United Kingdom operations represent 57% of foreign loans at December 31, 2003 and are predominantly to borrowers located in the United Kingdom.

At December 31, 2003, approximately $816.2 million or 25% of the Company s loan portfolio consisted of loans secured by real estate, excluding single-family residential loans, of which almost 100% was secured by properties located in the Washington, D.C. area. Approximately 45% of the Company s loan portfolio is secured by the primary residence of the borrower at December 31, 2003 compared to 50% at December 31, 2002.

NOTE 5: TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of banking business, loans are made to officers and directors of the Company and its affiliates as well as to their associates. These loans are underwritten at the Bank level consistent with standard banking practices and regulatory requirements and do not involve more than the normal risk of collectibility. At December 31, 2003 and 2002, loans to executive officers and directors of the Company and its affiliates, including loans to their associates, totaled $95.5 million and $140.9 million, respectively. During 2003 loan additions were $46.2 million and loan repayments were $91.7 million. In addition, there was an addition of $65 thousand due to changes in the composition of our Board of Directors and executive officers. In addition to the transactions set forth above, the Bank had $2.3 million in letters of credit outstanding at December 31, 2003 to related parties compared with $1.9 million at December 31, 2002. There were no related party loans that were impaired, on nonaccrual status, past due, restructured or deemed potential problem loans at December 31, 2003 and 2002.

At December 31, 2003, the Company had one $34.0 million repurchase agreement with a related party. The customer was considered a related party because a member of one of the Company s subsidiaries Board of Directors was in a senior management position at the customer. There were no repurchase agreements with related parties at December 31, 2002.

In 2003, the Company, through two venture capital investment partnerships each in which it has 99% interest, paid approximately $750 thousand in management fees to entities controlled by a director of the Company. In 2002 and 2001 the Company paid approximately $2.6 million and $4.0 million to these entities, respectively. These entities reimbursed the Bank approximately $660 thousand in 2003, $1.4 million in 2002 and $2.0 million in 2001 for rent, salaries and other services provided by the Bank to these entities while also incurring additional operating expense with non-related parties. These venture capital partnerships also have an obligation to repay all management fees to the Company prior to any profits being accrued by the partnerships.

In 2001, the Company used a corporate aircraft that is owned by two entities directly or indirectly controlled by an individual who is both a member of the Board of Directors and a significant shareholder of the Company, and paid $86 thousand to the owners for its use. The aircraft owned by these two entities was not substantially used by the Company in 2003 or 2002. The Company, through an agency, purchased advertising time on two television stations indirectly owned by this board member and shareholder in the amount of $185 thousand in 2001. There were no such transactions in 2003 or 2002. In addition, another entity indirectly controlled by this individual leases space in a Company-owned facility through 2007. Lease payments received were $469 thousand, $433 thousand and $397 thousand in 2003, 2002 and 2001, respectively. The Company was also reimbursed by the same entity in the amount of $81 thousand in each of these same years for use of a sports entertainment suite. In 2003 and 2002 the Company was reimbursed $146 thousand and $68 thousand for the use of a second sports entertainment suite.

The above transactions with related parties were reviewed by the Board of Directors.

NOTE 6. PREMISES AND EQUIPMENT

Investments in premises and equipment at year-end were as follows:

(IN THOUSANDS)	2003	2002
Premises and Land	$ 191,908	$ 194,542
Furniture and Equipment	130,985	116,895
Leasehold Improvements	45,738	41,724
Purchased and Capitalized Software	73,081	48,589
Accumulated Depreciation and Amortization	(215,210)	(198,497)
Total Premises and Equipment, Net	$ 226,502	$ 203,253

Depreciation and amortization expense amounted to $19.0 million in 2003, $17.6 million in 2002 and $18.9 million in 2001.

During 2003 and 2002 Riggs continued to streamline and consolidate its London based operations. As a result, it is attempting to sell a facility there and, because of a continued depressed real estate market in the City of London, wrote down the carrying value of this building by $3.8 million in the second quarter of 2003. This was in addition to a write down of this building by $1.3 million in the fourth quarter of 2002. These write downs were based upon consultation with real estate experts and are included in other noninterest expense in the Consolidated Statements of Operations.

At December 31, 2003, Riggs is committed to the following future minimum lease payments under non-cancelable operating lease agreements overing equipment and premises. These commitments expire intermittently through 2024.

(IN THOUSANDS)	MINIMUM LEASE PAYMENTS
2004	$ 8,472
2005	7,198
2006	6,362
2007	5,157
2008	4,322
2009 and thereafter	12,967
Total Minimum Lease Payments	$44,478

Total minimum operating lease payments included in the preceding table have not been reduced by future minimum payments from sublease rental agreements that expire through 2005. Minimum sublease rental income for 2004 is expected

to be approximately $211 thousand. Rental expense for all operating leases (cancelable and non-cancelable), less rental income on these properties, consisted of the following:

(IN THOUSANDS)	2003	2002	2001
Rental Expense	$9,563	$9,114	$ 9,439
Sublease Rental Income	(300)	(481)	(1,007)
Net Rental Expense	$9,263	$8,633	$ 8,432

In the normal course of business, Riggs also leases space to others in buildings it owns. This rental income amounted to $2.4 million in 2003, and $2.3 million in 2002 and 2001 and it is accounted for as a credit to occupancy expense. For 2004, the Company anticipates that minimum rental income from the leasing of space in owned buildings will be approximately $2.1 million.

NOTE 7: TIME DEPOSITS $100 THOUSAND OR MORE

The aggregate amount of time deposits in domestic offices, each with a minimum balance of $100 thousand, was $315.0 million and $1.42 billion at December 31, 2003 and 2002, respectively. This decrease of $1.12 billion was due primarily to the previously described change in the method by which the U.S. Treasury compensates financial agent banks such as Riggs.

Approximately 96% of time deposits in foreign offices were in denominations of $100 thousand or more at December 31, 2003 compared to about 89% at December 31, 2002.

Total time deposits at December 31, 2003 had the following scheduled maturities:

(IN THOUSANDS)	
2004	$799,884
2005	95,943
2006	25,599
2007	13,940
2008	3,925
2009 and thereafter	6
Total	$939,297

NOTE 8: BORROWINGS

Short-Term Borrowings

Short-term borrowings consist of the following at December 31:

(IN THOUSANDS)	2003	2002
Federal Funds Purchased	$ 64,500	$ 10,150
Repurchase Agreements	454,211	448,948
Other Short-Term Borrowings	11,671	11,274
Total Short-Term Borrowings	$530,382	$470,372

Additional information regarding short-term borrowings is as follows:

(IN THOUSANDS, EXCEPT RATES)	2003	2002	2001
Average Outstanding[1]	$442,180	$451,068	$493,282
Maximum Outstanding at any Month-End	530,382	578,463	596,620
Weighted-Average Rate Paid[1]	1.10%	1.54%	3.53%
Year-End Rate	0.60%	0.63%	1.14%

1 Average amounts are based on daily balances. Average rates are computed by dividing actual interest expense by average amounts outstanding.

The Company has a credit facility with the Federal Home Loan Bank of Atlanta (FHLB) in the amount of $815.0 million that is secured by a blanket lien agreement. The Company has $396.0 million of available credit under this facility at December 31, 2003. The Company also has a credit facility with the Federal Reserve for $127.0 million which is secured by an assignment of commercial loans and has not been drawn on at December 31, 2003. The Company also has two short-term, unsecured bank credit lines totaling $109.5 million of which $64.5 million is utilized at December 31, 2003. The blanket lien agreement with the FHLB and the collateral assignment to the Federal Reserve are applicable to both short and long term borrowings.

Long-Term Borrowings

Long-term borrowings consists of the following at December 31:

(IN THOUSANDS)	2003	2002
Subordinated Debentures	$ 66,525	$ 66,525
FHLB Advances	419,000	292,000
Repurchase Agreements	206,000	
Payable to Issuers of Trust Preferred Securities	360,808	
	$1,052,333	$358,525

The $66.5 million of subordinated debentures have a 9.65% fixed rate, mature in 2009 and cannot be called. Issuance costs related to this debt are being amortized as a component of interest expense making the effective cost of this debt 9.73%. These debentures qualify as tier II regulatory capital.

In 2003 and 2002, Riggs borrowed $127.0 million and $292.0 million, respectively from the FHLB. These advances have maturity dates through 2007 and carry a blended interest rate of 2.58%. Of the $419.0 million total of FHLB advances, $50.0 million is callable in 2004 and $25.0 million is callable in 2005. This debt matures as follows:

(IN THOUSANDS, EXCEPT RATES)	TOTAL ADVANCE AMOUNTS	WEIGHTED-AVERAGE RATE
2004	$140,000	2.37%
2005	67,000	3.15
2006	162,000	2.45
2007	50,000	2.80
	$419,000	2.58%

In 2003 the Company borrowed $206.0 million under long-term repurchase agreements. These repurchase agreements have maturity dates through 2007 and carry a blended interest rate of 1.64%. Of the $206.0 million, $100.0 million is callable in 2004. This debt matures as follows:

(IN THOUSANDS, EXCEPT RATES)	TOTAL REPURCHASE AMOUNTS	WEIGHTED-AVERAGE RATE
2005	$ 11,000	1.63%
2006	150,000	1.25
2007	45,000	2.97
	$206,000	1.64%

NOTE 9: COMMITMENTS AND CONTINGENCIES

Riggs issues primarily two types of letters of credit: commercial and stand-by. Commercial letters of credit are normally short-term instruments used to finance a commercial contract for the shipment of goods from a seller to a buyer. Commercial letters of credit are contingent upon the satisfaction of specified conditions and, therefore, they represent a loss exposure if the customer defaults on the underlying transaction.

Stand-by letters of credit can be either financial or performance-based. Financial stand-by letters of credit obligate the Company to disburse funds to a third party if the Riggs customer fails to repay an outstanding loan or debt instrument.

Performance stand-by letters of credit obligate the Company to disburse funds if the Riggs customer fails to perform a contractual obligation including obligations of a non-financial nature. The Company s policies generally require that all stand-by letter of credit arrangements contain security and debt covenants similar to those contained in loan agreements.

Commitments to extend credit and letters of credit outstanding at December 31 are as follows:

(IN THOUSANDS)	**2003**	**2002**
Commitments to extend credit	$ 1,327,070	$ 1,039,724
Commercial letters of credit	46,273	70,479
Stand-by letters of credit	60,115	53,540

The above commitment amounts are not reflected in the Consolidated Statements of Condition and many of the commitments will expire without being drawn upon. Such commitments are issued upon careful evaluation of the financial condition of the customer.

The Company is also committed to fund future venture capital investments. At December 31, 2003 and 2002, these commitments totaled $9.5 million and $15.9 million, respectively.

The Company has change of control agreements with 17 executive officers. The maximum amount payable under these contracts is approximately $9.5 million at December 31, 2003. The Company also has one employment contract that will expire on March 31, 2006. At December 31, 2003, the commitment for payment under this contract is approximately $743 thousand.

The Company has fully and unconditionally guaranteed the trust preferred securities issued by two subsidiary business trusts, as discussed in Note 11 of Notes to Consolidated Financial Statements.

In the normal course of business the Company is involved in various types of litigation and disputes which may lead to litigation. The Company, based upon an assessment of the facts and circumstances of actual, threatened and unasserted legal actions, and, when deemed necessary, after consultation with outside counsel, has determined that pending legal actions will not have a material impact on its financial condition or future operations. Losses involving actual, threatened and unasserted legal actions are reflected in the financial statements when it is determined a loss is probable and the amount of such loss can be reasonably estimated.

Consent Order and Notification of Possible Assessment of Civil Money Penalties

In July 2003, the Bank entered into a Stipulation and Consent to the Issuance of a Consent Order and a Consent Order (collectively the Consent Order) with the OCC. The provisions of the Consent Order are effective until such time as they are amended, suspended, waived or terminated by the OCC. The Consent Order requires the Bank to take various actions to ensure compliance and improve the monitoring of compliance with BSA and related rules and regulations. The Consent Order allows the OCC to take whatever future actions it deems necessary to fulfill its regulatory responsibilities. These actions could include the imposition of a monetary penalty, including a civil money penalty.

On March 2, 2004, the OCC advised the Bank that it was considering whether to institute a civil money penalty action against the Bank and that such action would be based upon the OCC s allegations that the Bank violated the BSA and related rules and regulations, failed to comply with the Consent Order discussed above and failed to implement adequate controls to ensure that the Bank operates in a safe and sound manner with respect to BSA matters. The amount of the civil money penalty being considered was not specified by the OCC. The OCC also informed the Bank that it may seek unspecified modifications to the Consent Order and/or an additional consent order. Many of the regulatory violations alleged by the OCC predate the Consent Order. Under OCC procedures, the Bank is afforded the opportunity to submit information bearing on the appropriate amount of any penalty to be assessed before the imposition of such a penalty.

The OCC also informed the Bank that it is considering whether to take measures that would generally subject the Bank to increased regulatory supervision and operational restrictions. In particular, the OCC advised the Bank that primarily as a direct result of its BSA criticisms, that it expects to designate the Bank as being in a troubled condition. A bank that is classified as being in a troubled condition must have any new director or executive officer approved in advance by the OCC and is subject, along with its holding company, to a prohibition on making severance payments to the Bank s directors, officers and employees under the FDIC s golden parachute rules. The increased regulatory supervision is expected to result in more frequent and intensive examinations.

Also on March 2, 2004, the Bank was advised by the Financial Crimes Enforcement Network (FinCEN) of the United States Department of the Treasury that it was evaluating whether it is appropriate for FinCEN to assess a civil monetary penalty and/or take additional enforcement action against the Bank for alleged apparent willful violations of BSA and related rules and regulations. FinCEN generally categorizes its concerns as (1) failure to establish and implement an adequate anti-money laundering program, (2) failure to properly prepare and file suspicious activity reports, and (3) failure to file accurate currency transaction reports. The amount of the civil money penalty being considered was not specified by FinCEN. Under FinCEN s procedures, before it makes a determination as to the existence and willfulness of the Bank s violations, the Bank is allowed to submit further information that is relevant to FinCEN s evaluation of whether a civil money penalty and/or additional enforcement action is warranted for the alleged violations. The Company understands that the OCC and FinCEN are reviewing the involvement of employees, officers, and directors of the Bank with respect to the foregoing.

The Company cannot currently estimate the amount of any civil monetary penalty, if any, that either the OCC or FinCEN may assess.

The Bank expects these actions will increase the Bank s costs of doing business.

NOTE 10: REGULATORY REQUIREMENTS

The Company and its subsidiaries, including the Bank, are subject to various regulatory restrictions including:

The Bank must maintain non-interest earning reserves with the Federal Reserve against its deposits and Eurocurrency liabilities. At December 31, 2003 and 2002, the Company s reserves with the Federal Reserve were $167.3 million and $95.3 million, respectively. The average of such reserves was $70.1 million in 2003 and $53.3 million in 2002.

There are limitations on the amount of loans or advances that the Bank can make to the Company and any non-bank subsidiaries or affiliates. In addition, such loans and advances must be secured by collateral. At December 31, 2003, the Bank had total equity capital of $427.2 million, of which $121.6 million is retained earnings.

Regulations impose limitations on dividends that the Bank can pay to the Company. Generally, such dividends are limited to the earnings of the Bank for the current and prior two years less any dividend payments during the same period. However, dividends payable by the Bank and its subsidiaries are further limited by requirements for the maintenance of adequate capital. This limitation on dividends that the Bank can pay to the Company could adversely impact the Company s cash flow and its ability to pay future debt payments and dividends. Since regulatory authorities maintain that a holding company should be a source of financial strength for its subsidiary bank, dividends paid by the Bank to the Company may be restricted if the regulators conclude that the Company s operating expenses and debt servicing requirements place the Bank s capital position at risk. At December 31, 2003, the retained earnings of the Bank were not available for payment of dividends to the Company.

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and additional discretionary actions by regulators that could have a material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company s and the Bank s capital amounts and regulatory classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established and defined by regulation to ensure capital adequacy require the Company and the Bank maintain minimum ratios for total and tier I capital to risk-weighted assets and of tier I capital to average assets. As of December 31, 2003, the Company and the Bank exceed all applicable capital adequacy requirements.

As of December 31, 2003, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and the Bank must maintain total risk-based, tier I risk-based, and tier I leverages ratios as set forth in the table below.

(Dollar Amounts In Millions)	ACTUAL		MINIMUM REQUIREMENTS FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
AS OF DECEMBER 31, 2003						
Total Capital (to Risk-Weighted Assets):						
Consolidated	$708	17.81%	$318	8.00%	$397	10.00%
Riggs Bank	456	11.82	309	8.00	386	10.00
Tier I Capital (to Risk-Weighted Assets):						
Consolidated	497	12.52	159	4.00	238	6.00
Riggs Bank	428	11.08	154	4.00	232	6.00
Tier I Leverage (to Average Assets):						
Consolidated	497	8.41	237	4.00	296	5.00
Riggs Bank	428	7.52	228	4.00	285	5.00
AS OF DECEMBER 31, 2002						
Total Capital (to Risk-Weighted Assets):						
Consolidated	$710	20.25%	$280	8.00%	$350	10.00%
Riggs Bank	462	13.52	273	8.00	342	10.00
Tier I Capital (to Risk-Weighted Assets):						
Consolidated	495	14.13	140	4.00	210	6.00
Riggs Bank	436	12.76	137	4.00	205	6.00
Tier I Leverage (to Average Assets):						
Consolidated	495	7.85	252	4.00	315	5.00
Riggs Bank	436	7.17	243	4.00	304	5.00

NOTE 11: GUARANTEED PREFERRED BENEFICIAL INTERESTS IN JUNIOR SUBORDINATED DEFERRABLE INTEREST DEBENTURES

The Company owns two business trusts, Riggs Capital and Riggs Capital II, each of which is a qualifying special purpose entity created for the purpose of issuing trust preferred securities. The trusts have used the proceeds from the issuance of the trust preferred securities to purchase the Company s subordinated debentures with comparable interest and repayment terms as the trust preferred securities. The following summarizes the terms of the trust preferred securities:

	Series A	Series C	Total
Amount Originally Issued	$150.0 million	$200.0 million	$350.0 million
Rate	8.625%	8.875%	8.768%
Liquidation Preference	$1,000/share	$1,000/share	
Earliest Redemption	12/31/06	3/15/07	
Maturity	12/31/26	3/15/27	
Dividends	semi-annual	semi-annual	

In the third quarter of 2003 the Company repurchased for cash $6.5 million of these trust preferred securities which had a blended coupon rate of 8.80%. $4.0 million of these repurchases were at par and $2.5 million of the repurchases were at a premium, which resulted in a direct after-tax decrease to shareholders equity of $97 thousand. During 2002 the Company repurchased for cash $101.4 million of these trust preferred securities which had a blended coupon rate of 8.73%. These repurchases were at a discount and resulted in a direct after-tax increase to shareholders equity of $7.4 million. There were no trust preferred security repurchases in the fourth quarter of 2003.

As a result of the above repurchases, the amounts of trust preferred securities outstanding at September 30, 2003 were as follows:

	Series A	Series C	Total
Amount Outstanding	$89.7 million	$152.4 million	$242.1 million
Rate	8.625%	8.875%	8.782%

Through September 30, 2003, dividends on trust preferred securities were reflected in the Consolidated Statements of Operations as minority interest in income of subsidiaries, net of taxes. The trust preferred securities, with certain limitations, qualify as tier I capital.

Effective October 1, 2003, and in accordance with FIN 46R, the Company no longer consolidates Riggs Capital and Riggs Capital II. At the time of the adoption of FIN 46R and at December 31, 2003, Riggs owned $60.3 million of the Series A trust preferred securities and $47.6 million of the Series C trust preferred securities. In financial statements issued prior to October 1, 2003, the amount of trust preferred securities owned by Riggs was netted against the outstanding debt of Riggs Capital and Riggs Capital II and reported as minority interest in the Consolidated Statements of Condition. And, prior to October 1, 2003, the interest earned by the Company on the trust preferred securities it owned was reflected in the Consolidated Statements of Operations as a reduction of minority interest in income of subsidiaries, net of taxes. Beginning in the fourth quarter of 2003, the trust preferred securities owned by Riggs are classified as securities held to maturity in the Consolidated Statements of Condition and $360.8 million of debt that the Company has that is payable to Riggs Capital and Riggs Capital II is included in long-term debt. Commencing in the fourth quarter of 2003, interest earned on the trust preferred securities that the Company owns is reflected as a component of interest income and the cost of the debt payable to Riggs Capital and Riggs Capital II is included in interest expense.

During the first quarter of 2004, the Company acquired more than 50% of the debentures of one of the series and the Company intends to reconsolidate the subsidiary that issued the guaranteed preferred beneficial interests in junior subordinated deferrable interest debentures. At December 31, 2003, the fair market value of repurchased securities classified as held to maturity is $115.3 million.

NOTE 12: DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each major class of financial instruments for which it is practicable to estimate that value:

Cash and Short-Term Investments

For short-term investments that reprice or mature within 90 days, the carrying amounts are deemed a reasonable estimate of fair value.

Securities

Fair values are generally based on quoted market prices or other independent sources. Federal Reserve and FHLB-Atlanta stock are included at carrying value which approximates fair value.

Venture Capital Investments

Fair values are based on quoted market prices when available. If a quoted market price is not available, information and techniques that estimate the fair value are utilized as described in Note 1 of Notes to Consolidated Financial Statements. The Company has commitments to fund future venture capital investments of $9.5 million and $15.9 million at December 31, 2003 and 2002, respectively. The Company does not assign a fair value to these commitments.

Loans

The fair values of loans are estimated by discounting the expected future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. For short-term loans, defined as those maturing or repricing in 90 days or less, the carrying amounts are deemed to be a reasonable estimate of fair value.

Deposit Liabilities

The fair values of demand deposit, savings and NOW accounts and money market deposit accounts are the amounts payable at the reporting date. The fair values of investment and negotiable certificates of deposit and foreign time deposits with a repricing or maturity date extending beyond 90 days are estimated using discounted cash flows at the rates currently offered for deposits of similar remaining maturities.

Short-Term Borrowings

For short-term liabilities, defined as those repricing or maturing in 90 days or less, the carrying amounts are deemed a reasonable estimate of fair value.

Long-Term Debt

The fair values of the Company s subordinated debentures are based on dealer quotes. For FHLB advances, repurchase agreements and the debt payable to the two trusts which issued trust preferred securities, fair values are based on market prices obtained from a national quotation system.

Guaranteed Preferred Beneficial Interests in Junior Subordinated Deferrable Interest Debentures

In 2002, the fair value of these securities are assumed to equal their carrying values.

Derivative Instruments

Financial derivatives, including foreign exchange contracts and interest rates swaps, are carried at fair value, determined by reference to independent sources.

Commitments to Extend Credit and Other Off-Balance Sheet Financial Instruments

The Company does not assign a value to loan commitments and commercial letters of credit. A liability for stand-by letters of credit has been established in accordance with FIN 45 (Guarantor s Accounting and Disclosure Requirements for Guarantors, including Indirect Guarantees of Indebtedness of Others: an Interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34). This liability, which amounts to $167 thousand at December 31, 2003, is deemed to be the fair value of the stand-by letters of credit.

Accrued Interest Receivable and Accrued Interest Payable

The carrying value of accrued interest receivable and accrued interest payable is deemed to approximate fair value.

Estimated Fair Values of Financial Instruments

Changes in interest rates, assumptions or estimation methodologies may have a material effect on these estimated fair values. As a result, Riggs ability to realize these derived values cannot be assured. Reasonable comparability between financial institutions may not be likely because of the wide range of permitted valuation techniques and numerous estimates and assumptions that must be made. In addition, the estimated fair values exclude non-financial assets, such as premises and equipment, and certain intangibles. Thus, the aggregate fair values presented do not represent the value of the Company.

The estimated fair values of the Company s financial instruments are as follows:

	DECEMBER 31, 2003		DECEMBER 31, 2002	
(IN THOUSANDS)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial Assets:				
Cash and Due from Banks	$ 325,975	$ 325,975	$ 244,703	$ 244,703
Federal Funds Sold and Reverse Repurchase Agreements			610,000	610,000
Time Deposits with Other Banks	287,077	287,077	203,267	203,267
Securities Available for Sale	1,826,818	1,826,818	2,319,917	2,319,917
Securities Held to Maturity	107,891	115,319		
Venture Capital Investments	43,356	43,356	49,419	49,419
Total Net Loans	3,196,869	3,326,883	2,981,947	3,092,333
Accrued Interest Receivable	22,907	22,907	23,026	23,026
Financial Liabilities:				
Deposits	4,286,232	4,290,538	5,238,997	5,244,858
Short-Term Borrowings	530,382	530,382	470,372	470,372
Long-Term Debt	1,052,333	1,088,349	358,525	363,078
Guaranteed Preferred Beneficial Interests in Junior Subordinated Deferrable Interest Debentures			248,584	248,584
Accrued Interest Payable	1,378	1,378	3,281	3,281
Derivative Instruments	$ (3,862)	$ (3,862)	$ (2,867)	$ (2,867)
Off-Balance Sheet Commitments:				
Commitments to Extend Credit				
Letters of Credit-Commercial				
Letters of Credit-Stand-By	167	167		
Venture Capital Commitments				

NOTE 13: INCOME TAXES

Deferred income taxes are recorded using enacted tax laws and rates for the years in which taxes are expected to be paid. In addition, deferred tax assets are recognized for tax losses and tax credit carryforwards to the extent that realization of such assets is more likely than not.

Income before taxes and minority interest relating to the operations of domestic offices and foreign offices are as follows:

(IN THOUSANDS)	2003	2002	2001
Domestic Offices	$17,307	$43,335	$15,026
Foreign Offices	(1,363)	2,068	(7,468)
Total	$15,944	$45,403	$ 7,558

Components of income tax provision (benefit) are as follows:

(IN THOUSANDS)	2003	2002	2001
Current Provision (Benefit):			
Federal	$10,364	$16,144	$ (2,093)
State	11	114	297
Foreign	9	70	
Total Current Provision (Benefit):	10,384	16,328	(1,796)
Deferred Provision (Benefit):			
Federal	(5,998)	(857)	13,784
State			(913)
Total Deferred Provision	(5,998)	(857)	12,871
Provision for Income Tax Expense	$ 4,386	$15,471	$11,075

The income tax benefit recorded in shareholders equity reflecting the benefit of the return deduction relating to employee stock option exercises was $200 thousand, $15 thousand and $151 thousand for 2003, 2002 and 2001, respectively.

At December 31, 2003 and 2002, the Company maintained a valuation allowance against deferred tax assets of approximately $7.6 million and $6.4 million respectively, as a result of uncertainty related to the utilization of deferred tax amounts generated by foreign subsidiaries. In addition, the Company maintained a valuation allowance of approximately $6.9 million and $5.4 at December 31, 2003 and 2002, respectively, attributable to capital losses on venture capital investments. The Company has concluded that it is more likely than not that the remaining deferred tax assets which are attributable to losses from venture capital operations will be realized through capital gains generated by its venture capital operations or through capital gains generated elsewhere within the Company. Riggs also established a valuation allowance of approximately $1.3 million and $230 thousand during 2003 and 2002 attributable to write-downs on other capital assets. The Company has concluded that it is more likely than not that the remaining deferred tax asset attributable to this asset write-down will be realized through capital gains generated elsewhere within the Company or through other tax planning strategies.

Income tax expense related to minority interest was $5.7 million, $9.1 million and $10.7 million in 2003, 2002 and 2001, respectively.

Reconciliation of Statutory Tax Rates to Effective Tax Rates:

(IN THOUSANDS, EXCEPT PERCENTAGES)	2003	2002	2001
Income Tax Computed at Federal Statutory Rate of 35%	$ 5,580	$15,891	$ 2,645
Add (Deduct):			
State Tax, Net of Federal Tax Benefit	7	74	(400)
Tax-Exempt Interest	(2,878)	(2,477)	(1,760)
Increase in Tax Credits	(1,893)	(242)	(394)
Increase of Valuation Allowance	4,528	726	9,334
Nontaxable Life Insurance	(1,143)	(432)	(319)
Other, Net	185	1,931	1,969
Provision for Income Tax Expense	4,386	15,471	11,075
Effective Tax Rate	27.5%	34.1%	146.5%

At December 31, 2003 and 2002, the Company maintained a domestic net operating loss carryforward of approximately $49.3 million and $45.7 million, respectively. The domestic net operating loss carryforward will begin expiring in the year 2020. A portion of the domestic net operating loss carryforward is subject to separate return limitation year restrictions. However, we believe it is more likely than not the full domestic net operating loss carryforward will be fully utilized. At December 31, 2003 and 2002, the Company maintained a foreign net operating loss carryforward of approximately $20.8 million and $15.0 million, respectively.

The net deferred tax liability is included in other liabilities in the Consolidated Statements of Condition. The Company believes that it is more likely than not that deferred tax assets will be realized, except in cases where valuation allowances have been established against these assets. The components of income tax liabilities (assets) that result from temporary differences in the recognition of revenue and expenses for income tax and financial reporting purposes at December 31, 2003 and 2002 are detailed below:

Sources of Temporary Differences Resulting in Deferred Tax Liabilities (Assets):

(IN THOUSANDS)	2003	2002
Excess Tax Over Book Depreciation-Domestic	$ 741	$ 2,010
Pension Plan and Post-Retirement	15,370	16,648
Capitalized Costs	2,962	1,553
Subsidiary Dividend Deferral	9,184	14,135
Unrealized Hedging Gains and Losses-Foreign	23	(7)
Other, Net-Domestic	326	504
Other, Net-Foreign	89	181
Total Deferred Tax Liabilities	28,695	35,024
Unrealized Venture Capital Losses	(8,720)	(11,833)
Unrealized Securities Gains and Losses	(2,677)	6,864
Excess Tax Over Book Depreciation-Foreign	(1,021)	(1,138)
Allowance for Loan Losses-Domestic	(9,346)	(8,038)
Allowance for Loan Losses-Foreign	(490)	(911)
Accrual to Cash Basis Conversion	(1,601)	(2,043)
Charitable Contribution Carryforward	(222)	
Capital Loss Carryforward	(2,716)	
Tax Credit Carryforward	(3,599)	(1,706)
Net Operating Loss Carryforward-Domestic	(17,260)	(15,982)
Net Operating Loss Carryforward-Foreign	(6,073)	(4,308)
Unrealized Hedging Gains and Losses-Domestic	(831)	(1,673)
Other, Net-Domestic	(2,019)	(1,214)
Other, Net-Foreign	(103)	(257)
Total Deferred Tax Assets	(56,678)	(42,239)
Valuation Allowances (Foreign and Domestic)	16,593	12,065
Net Deferred Tax (Asset) Liability	$(11,390)	$ 4,850

NOTE 14: BENEFIT PLANS

Pension Plans

Riggs Bank Europe Ltd.

Prior to October 1, 1998, RBEL had operated a defined benefit pension plan. Effective October 1, 1998, future service benefits are provided on a defined contribution basis. Upon adoption of the defined contribution plan, some active plan participants and retirees, but not all participants and retirees, opted to convert past service rights to the defined contribution plan. The assets of the prior defined benefit plan are held separately from the Bank in trust-administered funds and are maintained for the benefit of those participants in the defined benefit plan who opted not to convert to the defined contribution plan. No further pension benefits accrue under the prior plan effective October 1, 1998.

Riggs National Corporation

Effective February 28, 2002, the Company froze its non-contributory defined benefit pension plan and, therefore, participants will no longer earn benefits under the plan for service after February 28, 2002. Salary increases and service with the Company will not increase participants benefits already accrued under the plan, although future service may allow participants to become vested in benefits earned before February 28, 2002 or to qualify for early retirement benefits under the plan. Net periodic pension expense is actuarially determined and includes service cost and interest cost components that reflect the long-term expected return on plan assets and the effect of deferring and amortizing actuarial gains and losses and any prior service costs.

The Company s funding policy is to contribute an amount equal to the greater of the minimum annual required contribution according to ERISA and the IRS and the amount necessary to ensure the market value of assets are at least as great as the Unfunded Accumulated Benefit Obligation according to SFAS 87-Employers Accounting for Pensions.

The assets of the pension plan consist primarily of equity and fixed income mutual funds, which are held in trust. Some of these mutual funds are part of an Immediate Participation Guarantee contract with a life insurance company. Over the past two pension plan years, approximately 14% of plan assets were invested in the Riggs Funds, mutual funds which were an affiliate of the Company.

The allocation of pension plan assets at December 31 were:

	2003	**2002**
Cash and cash equivalents	2%	2%
Domestic equity mutual funds	49	44
International equity mutual funds	10	9
High grade fixed income mutual funds	35	41
High yield fixed income mutual funds	4	4
	100%	100%

Health and Insurance Benefits

The Company provides certain health care and, for employees who retired prior to January 1, 1998, life insurance benefits for retired employees. Substantially all active employees may become eligible for medical and dental insurance benefits if they reach age 65 with five or more years of service or if they retire at or after age 55 with at least 10 years of service. Effective January 1, 2004, employees that retire prior to age 65 will pay 100% of the cost of health insurance until the retiree reaches age 65. Effective January 1, 2008, healthcare benefits will only be available to those employees who retire at age 65 or greater with at least five years of service.

Similar benefits for active employees are provided through an insurance company and several health maintenance organizations. The Company recognizes the cost of providing benefits by expensing the annual insurance premiums, which, net of employee contributions, were $6.6 million in 2003, $5.2 million in 2002, and $4.8 million in 2001.

Riggs accounts for postretirement benefits under SFAS 106, Employers Accounting for Postretirement Benefits Other than Pensions. SFAS 106 requires accrual of the expected cost of benefits during the years that the employee renders the necessary service. Adoption of SFAS 106 in 1993 resulted in an accumulated transition obligation of $13.0 million which is being recognized over a 20-year period. Riggs incurred $2.2 million in 2003 for postretirement health and life insurance expenses, which included $357 thousand relating to the amortization of the transition obligation. This compares to $4.2 million in health and life insurance expenses for 2002 and $2.0 million for 2001, with transition obligation amortization of $357 thousand in each of those years.

The yearly benefits expected to be paid to participants in the domestic pension plan and the retiree health and life insurance plans are as follows:

(IN MILLIONS)	Domestic Pension Plan	Postretirement Plans
2004	$ 6.8	$ 1.4
2005	6.8	1.4
2006	6.7	1.4
2007	6.8	1.4
2008 and thereafter	236.4	82.0

The expected benefits to be paid are based on the same assumptions used to measure the Company s benefit obligations at December 31, 2003 and include estimated future employee service.

The measurement date for the pension and postretirement plans is December 31, 2003.

At December 31, 2003, the Company attempted to maintain approximately 60% of the pension plan assets in equity securities and 40% in fixed income securities. This target allocation is adjusted periodically based upon the Company s assessment of such factors as equity market conditions and trends, current and anticipated interest rates, the shape of the yield curve, the interest rate futures market and general domestic and international economic conditions and trends. Consideration is given to the demographics of the retiree population and active employees approaching retirement.

The pension plan has an investment policy that includes investment guidelines for equity, fixed income, cash, and cash equivalents and other investments. These guidelines include the minimum and maximum percentage of the plan assets that may be invested in various types of investments. The policy also specifies the maximum amount that can be invested in a single issuer and industry and identifies prohibited types of investments and transactions. The goal of the investment policy is to preserve the capital of the plan s assets and maximize investment earnings in excess of inflation, while maintaining acceptable levels of volatility.

The long-term expected rate of return on plan assets was 8.0% in 2003 and 2002 but will be reduced to 7.5% in 2004. The discount rate for valuing plan liabilities was 6.0% and 6.5% at December 31, 2003 and 2002, respectively, and is projected to be 6.0% at December 31, 2004. The Company believes that the assumed return on plan assets of 7.5% is reasonable over the long-term given the investment flexibility in the plan investment policy and long-term historical returns achieved on the types of assets in which the plan invests. The Company further believes that the targeted long-term return on investments is appropriate given the current funding status relative to its benefit obligation and the fact that participation in the plan and benefits accruing under the plan have been frozen.

CHANGE IN PENSION BENEFIT OBLIGATION

(IN THOUSANDS)	RIGGS NATIONAL CORPORATION		RBEL	
	2003	2002	2003	2002
Benefit Obligation at Beginning of Year	$100,241	$ 96,929	$6,013	$4,793
Service Cost	240	388		
Interest Cost	6,320	6,398	336	272
Actuarial Loss	13,288	9,991	2,182	916
Benefits and Expenses Paid	(10,701)	(7,078)	(430)	(465)
Curtailment		(6,387)		
Other[1]			665	497
Benefit Obligation at End of Year	$109,388	$100,241	$8,766	$6,013

1 *Represents Foreign Exchange Translation Adjustments*

CHANGE IN PLAN ASSETS

(IN THOUSANDS)	RIGGS NATIONAL CORPORATION		RBEL	
	2003	2002	2003	2002
Fair Value of Plan Assets at Beginning of Year	$101,692	$ 94,695	$ 4,327	$ 5,441
Actual Return on Plan Assets	18,643	(6,925)	793	(1,051)
Employer Contributions	1,500	21,000		
Plan Participants Contribution				(66)
Benefits and Expenses Paid	(10,701)	(7,078)	(430)	(465)
Other[1]			517	468
Fair Value of Plan Assets at End of Year	$111,134	$101,692	$ 5,207	$ 4,327

Funded Status	$ 1,746	$ 1,451	$ (3,559)	$ (1,686)
Unrecognized Net Actuarial Loss	54,285	57,083	4,033	2,449
Unrecognized Prior Service Cost	(124)	(244)		
Prepaid Pension Cost	$ 55,907	$ 58,290	$ 474	$ 763

1 Represents Foreign Exchange Translation Adjustments

WEIGHTED-AVERAGE ASSUMPTIONS AS OF DECEMBER 31,

	RIGGS NATIONAL CORPORATION			RBEL		
	2003	2002	2001	2003	2002	2001
Discount Rate	6.00%	6.50%	7.25%	5.50%	5.50%	5.75%
Expected Return on Plan Assets	8.00%	8.00%	8.00%	5.50%	5.50%	5.75%
Rate of Compensation Increase	N/A	N/A	5.25%	N/A	N/A	N/A

COMPONENTS OF NET PERIODIC PENSION COST

(IN THOUSANDS)

Service Cost	$ 240	$ 388	$ 1,433	$ 424	$ 507	$ 549
Interest Cost	6,320	6,398	5,886	337	272	298
Expected Return on Plan Assets	(7,875)	(7,595)	(6,300)	(243)	(308)	(364)
Amortization of Prior Service Cost	(120)	(137)	(112)			101
Recognized Net Actuarial Loss (Gain)	5,319	3,622	1,405	250	9	(85)
Other[1]				2	102	5
Net Periodic Cost	$ 3,884	$ 2,676	$ 2,312	$ 770	$ 582	$ 504

1 Represents Foreign Exchange Translation Adjustments

The funded status of the postretirement projected benefit obligation is as follows:

(IN THOUSANDS)	RIGGS NATIONAL CORPORATION	
	2003	2002
Benefit Obligation at Beginning of Year	$ 28,105	$ 20,282
Service Cost	518	861
Interest Cost	1,664	1,725
Actuarial Loss	9,144	6,297
Benefits Paid	(1,222)	(1,060)
Plan Amendments	(9,207)	
Benefit Obligation at End of Year	$ 29,002	$ 28,105
Unrecognized Net Actuarial Loss	(20,492)	(14,036)
Unrecognized Prior Service Cost	6,138	
Unrecognized Transition Obligation	(3,211)	(3,567)
Accrued Postretirement Benefit Cost	$ 11,437	$ 10,502

The net periodic costs for postretirement health and life insurance benefits are as follows:

(IN THOUSANDS)	RIGGS NATIONAL CORPORATION		
	2003	2002	2001
Service Cost	$ 518	$ 861	$ 437
Interest Cost	1,664	1,725	1,141
Amortization of Transition Amount	357	357	357
Amortization of Prior Service Costs	(3,069)		(348)
Recognized Net Actuarial Loss	2,688	1,173	427
Net Periodic Cost	$ 2,158	$4,116	$2,014

The assumed health care cost trend rate averaged 11.0% for 2003, gradually decreasing to 5.0% by the year 2009 and remaining constant thereafter. An average rate of 12.0% was used in 2002. A discount rate of 6.0% was used at December 31, 2003 and a rate of 6.50% was used at December 31, 2002 to determine the projected postretirement benefit obligation. Increasing the assumed health care cost trend rate by one percentage point would increase the net periodic postretirement benefit cost for 2003 by $384 thousand and increase the accumulated postretirement benefit obligation at December 31, 2003, by $4.6 million. Decreasing the assumed health care cost trend rate by one percentage point would decrease the net periodic postretirement benefit cost for 2003 by $309 thousand and decrease the accumulated postretirement benefit obligation at December 31, 2003 by $3.7 million.

Stock Option Plans

The Board of Directors and shareholders of the Company approved stock option plans in 1993, 1994, and 1996 under which options to purchase shares of common stock were granted to key employees. The exercise price could not be less than the fair market value of the common stock at the date of grant. For options under these plans, the vesting periods have ranged from zero to three years. All stock options have a life of 10 years. The total number of shares of common stock reserved for issuance upon exercise of options granted were 1,250,000, 1,250,000, and 9,000,000 for the 1993, 1994, and 1996 Plans, respectively. In 2002, the Board of Directors terminated these plans. The Board and shareholders of the Company in 2002 approved a 2002 Long-Term Incentive Plan. As options under the 1993, 1994 and 1996 plans are terminated, a corresponding amount is added to the total number of shares of common stock reserved for issuance upon exercise of options granted under the new 2002 Plan.

A summary of the stock option activity under the 1993, 1994, 1996 and 2002 Plans follows:

	STOCK OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at December 31, 2000	6,254,954	$ 18.97
Granted	1,315,625	15.36
Exercised	84,218	10.38
Terminated	1,464,188	29.00
Outstanding at December 31, 2001	6,022,173	$ 15.86
Granted	1,582,202	13.19
Exercised	16,319	12.20
Terminated	202,896	17.52
Outstanding at December 31, 2002	7,385,160	$ 15.25
Granted	1,506,369	13.86
Exercised	158,561	12.09
Terminated	437,520	15.30
Outstanding at December 31, 2003	8,295,448	$ 15.05

Prior to 2002, members of the Board of Directors of the Company were eligible to participate in the 1997 Non-employee Directors Stock Option Plan (the 1997 Plan). Under the 1997 Plan, options to purchase up to 600,000 shares of common stock could be granted to non-employee directors of the Company or a subsidiary. The exercise price could not be less than the fair market value of the common stock at the date of grant, with vesting occurring at the date of grant. This 1997 Plan also was terminated by the Board of Directors in 2002. Non-employee directors are eligible to participate in the 2002 Long-Term Incentive Plan.

A summary of the stock option activity under the 1997 Plan follows:

	STOCK OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at December 31, 2000	375,000	$ 19.02
Granted	40,000	17.00
Exercised	7,500	13.13
Terminated		
Outstanding at December 31, 2001	407,500	$ 18.98
Granted		
Exercised		
Terminated	32,500	19.63
Outstanding at December 31, 2002	375,000	$ 18.87
Granted		
Exercised		
Terminated		
Outstanding at December 31, 2003	375,000	$ 18.87

At December 31, 2003, weighted-average details for all stock options outstanding follow:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	NUMBER OUTSTANDING AT DECEMBER 31, 2003	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DECEMBER 31, 2003	WEIGHTED-AVERAGE EXERCISE PRICE
$ 9.38 TO $12.38	2,090,500	2.9	$ 11.50	2,090,500	$ 11.50
$ 13.13 TO $17.56	4,249,782	9.2	14.07	2,328,135	14.20
$ 19.50 TO $20.50	2,120,666	5.7	19.86	2,120,666	19.86
$ 25.88 TO $30.25	209,500	5.5	28.60	209,500	28.60
$ 9.38 TO $30.25	8,670,448	6.7	$ 15.22	6,748,801	$ 15.59

Other Benefit Plans

During 2002, the Company terminated the Supplemental Executive Retirement Plan that provided supplemental retirement income and preretirement death benefits to certain key employees. The amount of benefits was based on the participant s corporate title, functional responsibility and service as a key employee. Upon the later of a participant s termination of employment or attainment of age 62, the participant would have received the vested portion of the supplemental retirement benefit, payable for the life of the participant, but for no more than 15 years. Upon Plan termination, the current liability for active participants with greater than one year of service prior to their retirement was transferred into our Executive Deferred Compensation Plan. Vested participants who are no longer employed by the Company have been paid an amount equal to the current value of their benefit. Vested participants who were receiving benefits will continue to receive them. At December 31, 2003 the Company had a $642 thousand pension benefit obligation for this supplemental plan, compared with $1.1 million at year-end 2002. Accrued pension costs were $690 thousand at year-end 2003 and $1.1 million at year-end 2002. This supplemental plan has no assets and incurred $41 thousand in net periodic costs in 2003, compared with $306 thousand and $298 thousand for 2002 and 2001, respectively. Payments from this plan will be approximately $97 thousand per year through 2007 and $523 thousand thereafter.

Riggs sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code that is available to all domestic employees who meet certain age and length of service requirements (the 401(k) Plan). In 2002 Riggs began match funding employee contributions 100% up to a maximum of 6% of an employee s eligible yearly earnings. Prior to 2002, Riggs match funded employee contributions 100% on the first $100 the employee contributed and 50% thereafter up to a maximum of 6% of an employee s eligible yearly earnings. In addition, the Board of Directors may elect to make discretionary contributions to the 401(k) Plan. An expense of $3.3 million in 2003 related to the Company s match of employees 401(k) Plan contributions is included in pension and other employee benefits in the Consolidated Statements of Operations. The comparable expense in 2002 and 2001 was $3.2 million and $1.1 million, respectively.

The Company grants awards to certain key executives under Deferred Time Vested Stock and Performance Time Vested Stock Agreements which are discussed in Stock-Based Compensation Plans in Note 1.

The Company has an Executive Deferred Compensation Plan to allow certain employees to defer wages and non-employee directors to defer directors fees. Under the plan, non-employee directors may elect to defer fees and have the deferred amounts treated as having been invested in cash, shares of the Company s common stock, or a combination of cash and stock.

NOTE 15: FOREIGN ACTIVITIES

Foreign activities are those conducted with customers domiciled outside of the United States, regardless of the location of the banking office utilized by these customers. Because foreign activity is integrated within the Company, it is not possible to definitively classify the customers activities as entirely domestic or foreign.

The following table reflects changes in the reserve for loan losses on loans to foreign-domiciled customers. Allocations of the provision for loan losses are based upon actual charge-off experience and the risk inherent in the foreign loan portfolio.

FOREIGN RESERVE FOR LOAN LOSSES

(IN THOUSANDS)	2003	2002	2001
Balance, January 1	$4,930	$11,651	$ 9,449
Provision for Loan losses	181	(4,182)	5,943
Loans Charged-Off	2,932	4,094	4,913
Less: Recoveries on Charged-Off Loans	1,862	838	1,376
Net Charge-Offs	1,070	3,256	3,537
Foreign Exchange Translation Adjustments	251	717	(204)
Balance, December 31	$4,292	$ 4,930	$11,651

The 2002 reversal in the foreign portfolio was taken as those reserves were no longer necessary since foreign nonperforming assets decreased by $2.0 million, or 77%, from the prior year end, aggregate loan balances decreased due to significant pay-downs and maturities and the Company sold $138.3 million in commercial loans and commitments at its London operations.

The following table reflects foreign assets by geographical location for the last three years and selected categories of the Consolidated Statements of Operations. Loans made to, or deposits placed with, a branch of a foreign bank located outside the foreign bank s home country are considered as loans to, or deposits with, the foreign bank. To measure profitability of foreign activity, Riggs has established a funds pricing system for business units that are net users or providers of funds. When identifiable, noninterest income and expense are reflected in specific regions and the remainder is allocated based on earning assets identified in each geographical area.

GEOGRAPHICAL PERFORMANCE

(IN THOUSANDS)		TOTAL ASSETS DECEMBER 31,	TOTAL REVENUE	TOTAL EXPENSES	INCOME BEFORE TAXES AND MINORITY INTEREST	NET INCOME (LOSS)
Middle East and Africa	2003	$109,983	$ 6,265	$ 2,656	$ 3,609	$ 2,938
	2002	136,206	5,463	3,633	1,830	1,094
	2001	129,563	9,576	7,172	2,404	1,563
Europe	2003	$360,686	$16,410	$34,826	$(18,416)	$(14,990)
	2002	245,950	20,487	35,911	(15,424)	(9,219)
	2001	405,726	40,220	71,157	(30,937)	(32,705)
Asia/Pacific	2003	$ 8,501	$ 458	$ 194	$ 264	$ 215
	2002	7,885	322	214	108	65
	2001	10,284	754	566	188	123
South and Central America	2003	$ 51,182	$ 1,936	$ 2,163	$ (227)	$ (185)
	2002	24,476	919	1,161	(242)	(145)
	2001	15,416	1,228	976	252	164
Caribbean	2003	$ 28,411	$ 1,652	$ 975	$ 677	$ 551
	2002	18,871	1,945	1,822	123	73
	2001	115,828	13,607	10,816	2,791	1,814
Other	2003	$ 25,158	$ 1,331	$ 564	$ 767	$ 624
	2002	22,662	937	623	314	188
	2001	961	142	106	36	23
Total Foreign	2003	$583,921	$28,052	$41,378	$(13,326)	$(10,847)
	2002	456,050	30,073	43,364	(13,291)	(7,944)
	2001	677,778	65,527	90,793	(25,266)	(29,018)
Percentage of Foreign to Consolidated	2003	9%	10%	16%	N/A	N/A
	2002	7	9	13	N/A	N/A
	2001	11	17	24	N/A	124%

Notes to Table

1) *Foreign assets at December 31, 2003, 2002 and 2001 exclude net pool funds contributed by foreign activities to fund domestic activities.*
2) *N/A-Due to losses posted by foreign business segments, percentage of income before taxes, minority interest and percentage of net income are not applicable.*
3) *Total expenses for Europe in 2001 includes $12.4 million of restructuring and other charges. See Note 2 of Notes to Consolidated Financial Statements.*
4) *Total assets for Middle East and Africa include $3.0 million and $19.9 million of overdrawn account balances for 2003 and 2002, respectively, approved under a guidance line of credit, to a single country.*

NOTE 16: PARENT COMPANY FINANCIAL STATEMENTS[1]

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31,

(IN THOUSANDS)	2003	2002	2001
Revenues			
Dividends from Subsidiaries	$(15,174)	$ 54,019	$
Equity in Undistributed Earnings of Subsidiaries	35,621	(23,329)	(17,211)
Interest on Time Deposit Placements	679	1,117	5,098
Interest on Reverse Repurchase Agreements	22	44	118
Interest and Dividends on Securities Available for Sale	888	1,514	3,824
Interest and Dividends on Securities Held to Maturity	2,356		
Other Operating Income	2,462	2,572	14,804
Total Revenues	26,854	35,937	6,633
Operating Expenses			
Interest Expense	38,094	33,610	38,107
Other Operating Expenses	4,872	3,575	5,159
Total Operating Expenses	42,966	37,185	43,266
Loss before Taxes	(16,112)	(1,248)	(36,633)
Applicable Income Tax Benefit[2]	(17,091)	(14,269)	(13,256)
Net Income (Loss)	$ 979	$ 13,021	$(23,377)

STATEMENTS OF CONDITION DECEMBER 31,

(IN THOUSANDS)	2003	2002
Assets		
Cash	$ 1,762	$ 853
Time Deposits with Other Banks	54,000	45,000
Intercompany Reverse Repurchase Agreements	6,000	6,200
Securities Available for Sale	81,994	81,952
Securities Held to Maturity	107,891	
Loans		12,500
Investment in Subsidiaries	470,061	518,196
Other Assets	82,623	54,893
Total Assets	$804,331	$719,594
Liabilities		
Other Liabilities	$ 3,478	$ 4,436
Long-Term Borrowings:		
Subordinated Debentures due 2009	66,525	66,525
Junior Subordinated Deferrable Interest Debentures, Series A, due 2026	154,640	96,174
Junior Subordinated Deferrable Interest Debentures, Series C, due 2027	206,168	163,218
Total Long-Term Borrowings	427,333	325,917

Total Liabilities	430,811	330,353
Shareholders Equity	373,520	389,241
Total Liabilities and Shareholders Equity	$804,331	$719,594

(1) Parent Company financial statements reflect the adoption of FIN 46R as of October 1, 2003. FIN 46R does not allow restatement of prior year financial statements.

(2) Applicable income taxes are provided for based on parent corporation income only, and do not reflect the tax expense or benefit of the subsidiaries operations.

PARENT COMPANY FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,

(IN THOUSANDS)	2003	2002	2001
Cash Flows from Operating Activities:			
Net Income (Loss)	$ 979	$ 13,021	$ (23,377)
Adjustments to Reconcile Net Income to Net Cash			
Provided by Operating Activities:			
Depreciation Expense and Amortization	(861)	(1,485)	(2,297)
Increase in Other Assets, excluding Premises & Equipment	(10,517)	(13,728)	(32)
Dividends in Excess of Earnings	15,174	23,328	17,211
Increase (Decrease) in Other Liabilities	(471)	(1,563)	3,519
Gain on Securities Sales			(11,308)
Total Adjustments	3,325	6,552	7,093
Net Cash Provided by (Used in) Operating Activities	4,304	19,573	(16,284)
Cash Flows from Investing Activities:			
Purchase of Securities Available for Sale	(1,515,155)	(1,318,461)	(1,808,280)
Proceeds from Sales of Securities Available for Sale			21,900
Proceeds from Maturities of Securities for Sale	1,516,000	1,338,000	1,800,000
Purchase of Securities Held to Maturity	(6,500)		
Net Decrease in Loans	12,500		
Net Decrease in Premises & Equipment	1	2	24
Net Decrease (Increase) in Investments in Subsidiaries	18,350	508	(16,408)
Net Increase in Investments in Unconsolidated Subsidiaries	(17,351)		
Net Cash (Used in) Provided by Investing Activities	7,845	20,049	(2,764)
Cash Flows from Financing Activities:			
Net Decrease in Long-Term Debt		(87,837)	
Net Proceeds from Issuance of Common Stock	3,526	215	1,154
Dividend Payments	(5,713)	(5,701)	(5,694)
Repurchase of Common Stock	(254)	(12)	
Net Cash Used in Financing Activities	(2,441)	(93,335)	(4,540)
Effect of Exchange Rate Change	1		
Net Increase (Decrease) in Cash and Cash Equivalents	9,709	(53,713)	(23,588)
Cash and Cash Equivalents at Beginning of Year	52,053	105,766	129,354
Cash and Cash Equivalents at End of Year	$ 61,762	$ 52,053	$ 105,766
Supplemental Disclosures:			
Interest Paid	$ 38,042	$ 33,558	$ 38,055
Income Tax Payments			146

NOTE 17: SEGMENT INFORMATION

DECEMBER 31, 2003

(IN THOUSANDS)	BANKING	INTERNATIONAL BANKING	RIGGS & CO.	TREASURY	RIGGS CAPITAL PARTNERS	OTHER	RECONCILIATION	RIGGS NATIONAL CORPORATION
NET INTEREST INCOME								
Interest Income	$ 145,298	$ 22,077	$ 5,488	$ 76,146	$ 13	$ 27,702	$ (40,082)	$ 236,642
Interest Expense	22,047	19,213	2,452	23,289		38,115	(40,082)	65,034
Funds Transfer Income (Expense)	10,686	39,048	10,434	(75,007)	(3,167)	18,006		
Net Interest Income (Loss), Tax-Equivalent	133,937	41,912	13,470	(22,150)	(3,154)	7,593		171,608
Provision for Loan Losses	(5,452)	390	(81)			(3)		(5,146)
Net Interest Income (Loss)	128,485	42,302	13,389	(22,150)	(3,154)	7,590		166,462
NONINTEREST INCOME								
Noninterest Income-External Customers	46,256	5,997	42,501	16,499	(4,060)	3,097		110,290
Intersegment Noninterest Income	2,763	6,024	2,991			2,030	(13,808)	
Total Noninterest Income	49,019	12,021	45,492	16,499	(4,060)	5,127	(13,808)	110,290
NONINTEREST EXPENSE								
Depreciation and Amortization	3,913	1,083	1,236	23		9,852		16,107
Direct Expense	70,445	38,723	31,830	3,930	793	112,788		258,509
Overhead and Support	66,193	16,676	16,251	2,624	320	(102,064)	(13,808)	(13,808)
Total Noninterest Expense	140,551	56,482	49,317	6,577	1,113	20,576	(13,808)	260,808
Income (Loss) Before Taxes and Minority Interest	36,953	(2,159)	9,564	(12,228)	(8,327)	(7,859)		15,944
Taxes	10,280	869	3,336	(3,738)		(6,361)		4,386
Minority Interest					(33)	10,612		10,579
Net Income	$ 26,673	$ (3,028)	$ 6,228	$ (8,490)	$ (8,294)	$ (12,110)	$	$ 979
Total Average Assets	$ 3,333,966	$ 674,742	$ 246,394	$ 2,853,710	$ 58,639	$ 757,206	$ (1,573,512)	$ 6,351,145

The Company s reportable segments are strategic business units that provide diverse products and services within the financial services industry. Riggs has six reportable segments: Banking, International Banking, Riggs & Co. (wealth management), Treasury, Riggs Capital Partners (venture capital) and Other. These segments are described in further detail on the following pages.

Except for utilization of funds transfer pricing methodologies, the accounting policies for the segments are generally the same as those described in Note 1 of Notes to Consolidated Financial Statements. Riggs accounts for intercompany transactions as if the transactions were to third parties under market conditions. Overhead and support expenses are allocated to each operating segment based on number of employees, service usage and other factors relevant to the expense incurred. Geographic financial information is provided in Note 15 of Notes to Consolidated Financial Statements. The 2001 restructuring and other charges described in Note 2 of Notes to Consolidated Financial Statements are recorded in the Other segment as this presentation reflects how the Company manages and evaluates its segments.

Revenue and expense allocation formulas and funds transfer pricing methodologies may change. If necessary, prior periods are restated to reflect material changes in the components of the segments. Prior periods have not been restated to reflect changes in the Company s revenue and cost allocations and funds transfer pricing methodologies. In addition, revenues and expenses which are unusual or noncontrollable may be reflected in the Other segment, which is consistent with internal financial reporting, if management believes such presentation most accurately represents the remaining operating segments performance.

Reconciliations are provided from the segment totals to the consolidated financial statements. The reconciliations of noninterest income and noninterest expense offset as these items result from intercompany transactions and the reconciliation of total average assets represents the elimination of intercompany balances.

DECEMBER 31, 2002

(IN THOUSANDS)	BANKING	INTERNATIONAL BANKING	RIGGS & CO.	TREASURY	RIGGS CAPITAL PARTNERS	OTHER	RECONCILIATION	RIGGS NATIONAL CORPORATION
NET INTEREST INCOME								
Interest Income	$ 160,316	$ 27,860	$ 5,938	$ 92,195	$ 216	$ 34,324	$ (61,312)	$ 259,537
Interest Expense	41,254	26,733	4,049	17,615		38,390	(61,312)	66,729
Funds Transfer Income (Expense)	14,660	39,945	11,559	(77,220)	(3,600)	14,656		
Net Interest Income (Loss), Tax-Equivalent	133,722	41,072	13,448	(2,640)	(3,384)	10,590		192,808
Provision for Loan Losses	(3,644)	4,663				(1,440)		(421)
Net Interest Income (Loss)	130,078	45,735	13,448	(2,640)	(3,384)	9,150		192,387
NONINTEREST INCOME								
Noninterest Income-External Customers	43,991	4,576	45,890	13,147	(14,505)	301		93,400
Intersegment Noninterest Income	2,677	32,656	3,769			1,980	(41,082)	
Total Noninterest Income	46,668	37,232	49,659	13,147	(14,505)	2,281	(41,082)	93,400
NONINTEREST EXPENSE								
Depreciation and Amortization	5,216	2,183	578	13	27	9,671		17,688
Direct Expense	69,444	65,369	35,412	3,538	2,659	87,356	(41,082)	222,696
Overhead and Support	53,383	12,781	12,595	2,331	454	(81,544)		
Total Noninterest Expense	128,043	80,333	48,585	5,882	3,140	15,483	(41,082)	240,384
Income (Loss) Before Taxes and Minority Interest	48,703	2,634	14,522	4,625	(21,029)	(4,052)		45,403
Taxes	14,501	1,402	5,074	1,615	(7,361)	240		15,471
Minority Interest					(112)	17,023		16,911
Net Income	$ 34,202	$ 1,232	$ 9,448	$ 3,010	$ (13,556)	$ (21,315)	$	$ 13,021
Total Average Assets	$ 3,142,762	$ 650,846	$ 231,091	$ 3,148,078	$ 72,510	$ 785,376	$ (1,968,086)	$ 6,062,577

Following are brief descriptions of our segments:

Banking

The Banking segment provides traditional banking services to retail, corporate and commercial customers. Within this segment is included Corporate & Institutional Banking, which concentrates its business in the corporate, commercial real estate, government contracting and not-for-profit sectors. Its services include lines of credit, secured and unsecured term loans, letters of credit, credit support facilities and cash management. Also included within this segment is the Community Banking Group. Community Banking provides traditional retail banking services, such as deposit taking and mortgage and home equity lending, and it continually expands its alternative delivery channels such as automated teller machines, the Internet and the telephone customer sales and service center. It primarily conducts its business through forty-seven branches in the Washington, D.C., metropolitan area and 143 ATM locations.

International Banking

The International Banking segment includes the Company s Washington, D.C. based embassy banking business, the London based banking subsidiary, RBEL, and a branch in Berlin. Among the services provided are letters of credit, foreign exchange, taking of deposits, private banking and cash management. The International Banking segment also includes international private-client services division, which has offices in London and in Jersey (Channel Islands) and Riggs Bank & Trust Company (Channel Islands), which provides credit, treasury and investment management services to affluent international clients.

DECEMBER 31, 2001

(IN THOUSANDS)	BANKING	INTERNATIONAL BANKING	RIGGS & CO.	TREASURY	RIGGS CAPITAL PARTNERS	OTHER	RECONCILIATION	RIGGS NATIONAL CORPORATION
NET INTEREST INCOME								
Interest Income	$ 176,378	$ 45,782	$ 4,608	$ 120,463	$ 434	$ 40,699	$ (86,402)	$ 301,962
Interest Expense	51,431	57,368	6,907	35,944		45,598	(86,402)	110,846
Funds Transfer Income (Expense)	(139)	49,934	13,798	(84,329)	(4,762)	25,498		
Net Interest Income (Loss), Tax-Equivalent	124,808	38,348	11,499	190	(4,328)	20,599		191,116
Provision for Loan Losses	3,444	(5,970)						(2,526)
Net Interest Income (Loss)	128,252	32,378	11,499	190	(4,328)	20,599		188,590
NONINTEREST INCOME								
Noninterest Income-External Customers	42,713	4,650	53,025	3,331	(31,103)	12,693		85,309
Intersegment Noninterest Income	3,266	7,858	2,312	1		2,565	(16,002)	
Total Noninterest Income	45,979	12,508	55,337	3,332	(31,103)	15,258	(16,002)	85,309
NONINTEREST EXPENSE								
Depreciation and Amortization	8,026	1,658	932	16	29	8,259		18,920
Direct Expense	67,580	53,076	37,472	3,901	4,210	97,184	(16,002)	247,421
Overhead and Support	53,052	603	10,875	2,318	367	(67,215)		
Total Noninterest Expense	128,658	55,337	49,279	6,235	4,606	38,228	(16,002)	266,341
Income (Loss) Before Taxes and Minority Interest	45,573	(10,451)	17,557	(2,713)	(40,037)	(2,371)		7,558
Taxes	14,460	(2,992)	6,057	(966)	(14,012)	8,528		11,075
Minority Interest					(87)	19,947		19,860
Net Income	$ 31,113	$ (7,459)	$ 11,500	$ (1,747)	$ (25,938)	$ (30,846)	$	$ (23,377)
Total Average Assets	$ 2,778,192	$ 849,250	$ 93,767	$ 2,676,990	$ 87,795	$ 862,976	$ (1,811,563)	$ 5,537,407

Riggs & Co.

Riggs & Co. is the domestic private client services division that provides trust, private banking and investment management services to a broad customer base. Other services are tax planning, estate planning, and trust administration. Included in this division are the Company s brokerage operations, the Company s domestic portfolio management business and the Company s investment management group, Riggs Investment Advisors, Inc.

Treasury

The Treasury segment is responsible for asset and liability management throughout the Company. This includes management of the securities portfolio, foreign exchange activities, wholesale funding, overall management of interest rate risk, and facilitation of the funds transfer pricing methodology for segment reporting purposes.

Riggs Capital Partners

Riggs Capital Partners represents the Company s venture capital operations, which specialize in equity investments in privately-held high-tech and high-growth companies.

Other

The Other segment consists of our unallocated parent company income and expense, net interest income from unallocated equity, long-term debt, trust preferred securities, foreclosed real estate activities and other revenue or expenses not attributable to one of the other segments.

NOTE 18: COMPREHENSIVE INCOME OTHER COMPREHENSIVE INCOME (LOSS)

(IN THOUSANDS)	BEFORE TAX AMOUNT	TAX (EXPENSE) BENEFIT	NET OF TAX AMOUNT
Twelve Months Beginning January 1, 2001:			
Foreign Currency Translation Adjustments	$ (1,572)	$ 550	$ (1,022)
Unrealized Gain (Loss) on Securities:			
Unrealized Holding Gain Arising During Period	14,956	(5,235)	9,721
Reclassification Adjustment for Gains Included in Net Income	(729)	255	(474)
Net Unrealized Gain on Securities	14,227	(4,980)	9,247
Unrealized Holding Gain (Loss) Arising During Period	(2,217)	776	(1,441)
Reclassification Adjustment for Gains Included in Net Income	(1,215)	425	(790)
Net Unrealized Loss on Derivatives	(3,432)	1,201	(2,231)
Other Comprehensive Income	$ 9,223	$ (3,229)	$ 5,994
Twelve Months Beginning January 1, 2002:			
Foreign Currency Translation Adjustments	$ 2,346	$ (821)	$ 1,525
Unrealized Gain (Loss) on Securities:			
Unrealized Holding Gain Arising During Period	28,879	(10,108)	18,771
Reclassification Adjustment for Gains Included in Net Income	(9,163)	3,207	(5,956)
Net Unrealized Gain on Securities	19,716	(6,901)	12,815
Unrealized Gain (Loss) on Derivatives:			
Unrealized Holding Loss Arising During Period	(4,013)	1,405	(2,608)
Reclassification Adjustment for Gains Included in Net Income	2,639	(924)	1,715
Net Unrealized Loss on Derivatives	(1,374)	481	(893)
Other Comprehensive Income	$ 20,688	$ (7,241)	$ 13,447
Twelve Months Beginning January 1, 2003:			
Foreign Currency Translation Adjustments	$ 2,257	$ (790)	$ 1,467
Unrealized Gain (Loss) on Securities:			
Unrealized Holding Loss Arising During Period	(14,159)	4,875	(9,284)
Reclassification Adjustment for Gains Included in Net Income	(13,331)	4,666	(8,665)
Net Unrealized Loss on Securities	(27,490)	9,541	(17,949)
Unrealized Gain (Loss) on Derivatives:			
Unrealized Holding Gain Arising During Period	2,514	(880)	1,634

Net Unrealized Gain on Derivatives	2,514	(880)	1,634
Other Comprehensive Income	$(22,719)	$ 7,871	$(14,848)

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BALANCES

(IN THOUSANDS)	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN (LOSS) ON SECURITIES	UNREALIZED GAIN (LOSS) ON DERIVATIVES	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Twelve Months Ended December 31, 2001				
Balance, January 1, 2001	$ (4,657)	$ (9,316)	$	$ (13,973)
Current Period Change	(1,022)	9,247	(2,231)	5,994
Balance, December 31, 2001	(5,679)	(69)	(2,231)	(7,979)
Twelve Months Ended December 31, 2002				
Balance, January 1, 2002	$ (5,679)	$ (69)	$ (2,231)	$ (7,979)
Current Period Change	1,525	12,815	(893)	13,447
Balance, December 31, 2002	(4,154)	12,746	(3,124)	5,468
Twelve Months Ended December 31, 2003				
Balance, January 1, 2003	$ (4,154)	$ 12,746	$ (3,124)	$ 5,468
Current Period Change	1,467	(17,949)	1,634	(14,848)
Balance, December 31, 2003	(2,687)	(5,203)	(1,490)	(9,380)

NOTE 19: INTEREST RATE AND FOREIGN EXCHANGE RISK MANAGEMENT

The Company has the following hedging instruments at December 31, 2003 and 2002:

Fair-Value Hedges In prior years, Riggs entered into pay fixed, receive floating interest rate swaps to hedge changes in fair value of certain fixed rate loans attributable to changes in benchmark interest rates. At the beginning of 2002, Riggs had seven interest rate swaps classified as fair value with a total notional value of $29.7 million. During 2002, all of the hedged loans were reclassified as Held for Sale based upon a signed sales agreement which called for the loans to be sold at a small discount to face value. Upon reclassification of these loans, the Company ceased hedge accounting. There were no fair value hedges for the remainder of 2002 or during 2003. During 2002 and 2001, the Company recognized a net gain of $22 thousand and $20 thousand, respectively. These amounts represented the ineffective portion of all fair value hedges and are included in other noninterest income in the 2002 and 2001 Consolidated Statements of Operations.

Cash Flow Hedges Riggs uses interest rate swaps to hedge its exposure to variability in expected future cash outflows on floating rate liabilities attributable to changes in interest rates. At December 31, 2003 the Company had seven such interest rate swaps with a total notional value of $47.0 million compared to six interest rate swaps with a total notional value of $42.7 million at December 31, 2002. The Company also uses foreign currency forward contracts to hedge the foreign exchange risk associated with principal and interest payments on loans denominated in a foreign currency. At December 31, 2003 Riggs had one contract with a total notional value of $517 thousand compared to two contracts with a total notional value of $8.1 million at December 31, 2002. For the twelve months ended December 31, 2003 and 2002, there was no impact to other noninterest income in the Consolidated Statements of Operations for the ineffective portion of all cash flow hedges.

Gains or losses on derivatives that are reclassified from accumulated other comprehensive income to income are included in the line in the Consolidated Statement of Operations in which the income or expense related to the hedged item is recorded. At December 31, 2003, $56 thousand of net deferred losses on derivative instruments recorded in accumulated other comprehensive income is expected to be reclassified as expense during the next twelve months compared to the $497 thousand of net losses at December 31, 2002. The maximum term over which the Company was hedging its exposure to the variability of cash flows was 18 months as of December 31, 2003 and 30 months as of December 31, 2002.

The Company uses forward exchange contracts to hedge substantially all of its net investment in a foreign subsidiary. The purpose of this hedge is to protect against adverse movements in currency exchange rates, in this case pounds sterling. At December 31, 2003, $695 thousand of net deferred losses related to the existing net investment forward exchange contract are included in accumulated other comprehensive income compared to the $251 thousand of net deferred losses at December 31, 2002. The corresponding notional values at year-end 2003 and 2002 were $76.1 million and $75.4 million, respectively.

Other As of December 31, 2003 and 2002, the Company had certain derivative instruments used to manage interest rate and foreign exchange risk that were not designated to specific hedge relationships. The carrying value of these items is a net liability of $219 thousand and $592 thousand at December 31, 2003 and 2002, respectively. The impact to the Consolidated Statements of Operations from these derivatives was a gain of $400 thousand in 2003 and a gain of $606 thousand in 2002. At December 31, 2003 the Company had ten interest rate contracts and four forward contracts with a total notional value of $56.0 million compared to twenty-six interest rate contracts and seven forward contracts with a total notional value of $140.4 million at December 31, 2002. These instruments are marked to market through current period earnings. In addition, at December 31, 2003, the Company had a notional amount of $33.7 million in commitments to purchase foreign currency and a related amount of $32.8 million in commitments to sell foreign currency which have an insignificant net impact on the Statement of Operations and Statement of Condition.

NOTE 20: GOODWILL

SFAS 142, Goodwill and Other Intangible Assets, was issued in June 2001. It discontinues amortization of intangible assets unless these assets have finite useful lives, and, instead, requires that they be tested at least annually for impairment by comparing their fair values with their recorded amounts. SFAS 142 also requires disclosure of the changes in the carrying amounts of goodwill from period to period, the carrying amounts of intangible assets by major intangible asset class for those subject to and not subject to amortization, and the estimated intangible asset amortization expense for the next five years. Since SFAS 142 was required to be implemented starting with fiscal years beginning after December 15, 2001, Riggs discontinued the amortization of goodwill beginning on January 1, 2002.

In 2003, the Company s annual impairment test resulted in a $950 thousand write-down of goodwill.

Data concerning various intangible assets is as follows (in thousands):

	DECEMBER 31, 2003		DECEMBER 31, 2002	
	GROSS CARRYING VALUE	ACCUMULATED AMORTIZATION	GROSS CARRYING VALUE	ACCUMULATED AMORTIZATION
Amortizable Core Deposit Intangibles	$ 10,881	$ (10,829)	$ 10,881	$ (10,765)
Amortizable Fair Value of Leasehold Improvements	3,955	(3,838)	3,955	(3,764)
Unamortizable Goodwill	11,652	(5,908)	12,602	(5,908)

Amortization Expense:	LEASEHOLD FAIR VALUE ADJUSTMENT	CORE DEPOSIT INTANGIBLES	GOODWILL
Actual:			
Year Ended December 31, 2003	$ 74	$ 64	$
Year Ended December 31, 2002	74	92	
Year Ended December 31, 2001	302	127	645
Expected:			
Year Ended December 31, 2004	$ 74	$ 36	$
Year Ended December 31, 2005	22	16	
Year Ended December 31, 2006	21		

NOTE 21: SUBSEQUENT EVENT

On February 18, 2004, the Company announced that it is eliminating 87 positions from its domestic work force, 45 of which are currently filled, and, in addition, closing its Berlin (Germany) Embassy Banking office by mid-2004 and, as a result, eliminating an additional 10 positions. Because of these actions, the Company will accrue approximately $650 thousand of severance benefits in the first quarter of 2004. Deposits at the Berlin Embassy Banking office are approximately $20.0 million.

See also Consent Order and Notification of Possible Assessment of Civil Money Penalties in Note 9.

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INDEPENDENT AUDITORS REPORT

THE BOARD OF DIRECTORS

RIGGS NATIONAL CORPORATION:

We have audited the accompanying consolidated statements of condition of Riggs National Corporation and subsidiaries (the Company) as of December 31, 2003 and 2002, and the related consolidated statements of operations, changes in shareholders equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The 2001 consolidated financial statements were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 23, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2003 and 2002 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Riggs National Corporation and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

McLean, Virginia

March 9, 2004

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO RIGGS NATIONAL CORPORATION:

We have audited the accompanying consolidated statements of condition of Riggs National Corporation (a Delaware corporation) and its subsidiaries (the Company) as of December 31, 2001 and 2000, and the related consolidated statements of operations, changes in shareholders equity and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Riggs National Corporation and its subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Vienna, VA
January 23, 2002

Note: This is a copy of the audit report previously issued by Arthur Andersen LLP in connection with the Riggs National Corporation s filing on Form 10-K for the year ended December 31, 2001. This audit report has not been reissued by Arthur Andersen LLP in connection with this filing on Form 10-K. See Exhibit 23.2 for further discussion.

SUPPLEMENTAL FINANCIAL DATA (UNAUDITED)

QUARTERLY FINANCIAL INFORMATION

Unaudited for the Years Ended December 31, 2003, 2002 and 2001 *(In Thousands, Except Per Share Amounts)*	2003 FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Interest Income	$64,253	$61,320	$52,863	$58,206
Interest Expense	16,053	15,604	12,902	20,475
Net Interest Income	48,200	45,716	39,961	37,731
Less: Provision for Loan Losses	926	815	580	2,825
Net Interest Income after Provision for Loan Losses	47,274	44,901	39,381	34,906
Noninterest Income	26,129	30,085	28,655	25,421
Noninterest Expense	58,946	65,484	66,188	70,190
Income before Taxes and Minority Interest	14,457	9,502	1,848	(9,863)
Applicable Income Tax Expense (Benefit)	4,997	4,189	(1,833)	(2,967)
Minority Interest in Income of Subsidiaries, Net of Taxes	3,531	3,544	3,542	(38)
Net Income (Loss)	5,929	1,769	139	(6,858)
Earnings (Loss) Per Share				
Basic	$ 0.21	$ 0.06	$	$ (0.24)
Diluted	0.20	0.06		(0.24)

	2002 FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Interest Income	$64,421	$64,917	$64,922	$65,277
Interest Expense	17,179	16,204	17,517	15,829
Net Interest Income	47,242	48,713	47,405	49,448
Less: Provision for Loan Losses	(1,668)		1,400	689
Net Interest Income after Provision for Loan Losses	48,910	48,713	46,005	48,759
Noninterest Income	18,528	23,049	27,130	24,693
Noninterest Expense	56,782	59,865	59,305	64,432
Income before Taxes and Minority Interest	10,656	11,897	13,830	9,020
Applicable Income Tax Expense	4,315	3,821	4,424	2,911
Minority Interest in Income of Subsidiaries, Net of Taxes	4,916	4,074	4,015	3,906
Net Income	1,425	4,002	5,391	2,203

Earnings Per Share				
Basic	$ 0.05	$ 0.14	$ 0.19	$ 0.08
Diluted	0.05	0.14	0.19	0.08

Note to Quarterly Tables: The sum of quarterly earnings per share may not equal year-to-date earnings per share due to continuous changes in average shares outstanding.

	2001			
(In Thousands, Except Per Share Amounts)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Interest Income	$81,389	$76,903	$75,199	$ 68,471
Interest Expense	34,963	28,452	26,901	20,530
Net Interest Income	46,426	48,451	48,298	47,941
Less: Provision for Loan Losses	115		838	1,573
Net Interest Income after Provision for Loan Losses	46,311	48,451	47,460	46,368
Noninterest Income	27,721	22,267	17,799	17,522
Noninterest Expense	56,519	57,162	57,524	95,136
Income before Taxes and Minority Interest	17,513	13,556	7,735	(31,246)
Applicable Income Tax Expense (Benefit)	6,984	4,408	3,198	(3,515)
Minority Interest in Income of Subsidiaries, Net of Taxes	4,923	4,960	4,932	5,045
Net Income (Loss)	5,606	4,188	(395)	(32,776)
Earnings (Loss) Per Share				
Basic	$ 0.20	$ 0.15	$ (0.01)	$ (1.15)
Diluted	0.19	0.14	(0.01)	(1.15)

CONSOLIDATED FINANCIAL RATIOS AND OTHER INFORMATION

	2003	**2002**	**2001**	**2000**	**1999**
Net Income to Average:					
Earning Assets	0.02%	0.24%	(0.47)%	0.43%	0.62%
Total Assets	0.02	0.21	(0.42)	0.39	0.57
Shareholders Equity	0.26	3.48	(5.92)	6.06	9.14
Average:					
Loans to Deposits	65.89%	60.26%	70.02%	74.66%	77.50%
Shareholders Equity to Loans	12.68	13.10	13.64	11.55	10.79
Shareholders Equity to Deposits	8.36	7.90	9.55	8.62	8.36
Shareholders Equity to Assets	6.02	6.18	7.13	6.36	6.19
At December 31:					
Reserve for Loan Losses to Total Loans	0.88%	0.86%	1.03%	1.23%	1.29%
Common Shareholders	1,753	1,868	2,016	2,162	2,315
Employees	1,450	1,522	1,613	1,558	1,589
Banking Offices	56	57	59	60	60
Per Share Data:					
Dividend Payout Ratio	583.55%	43.78%	N/A	26.32%	18.35%
Average Common Shares Outstanding	28,609,296	28,505,405	28,470,953	28,348,699	28,463,825
Book Value per Common Share	$ 13.02	$ 13.65	$ 12.66	$ 13.48	$ 11.93

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THREE-YEAR FOREIGN AVERAGE CONSOLIDATED STATEMENTS OF CONDITION AND RATES

	2003			2002			2001		
(IN THOUSANDS)	AVERAGE BALANCE	INCOME/ EXPENSE	YIELDS/ RATE	AVERAGE BALANCE	INCOME/ EXPENSE	YIELDS/ RATE	AVERAGE BALANCE	INCOME/ EXPENSE	YIELDS/ RATE
ASSETS									
Loans, Net of Unearned Discounts	$ 204,743	$ 10,585	5.17%	$ 329,320	$ 18,997	5.77%	$ 416,112	$ 28,804	6.92%
Time Deposits with Other Banks	240,427	5,397	2.24	180,532	4,601	2.55	246,979	10,705	4.33
Pool Funds Provided, Net[1]	884,991	16,815	1.90	461,888	8,222	1.78	510,929	19,109	3.74
Total Earning Assets and Average Rate Earned(5)	1,330,161	32,797	2.47	971,740	31,820	3.27	1,174,020	58,618	4.99
Less: Reserve for Loan Losses	3,096			6,459			9,144		
Cash and Due from Banks	35,342			31,369			29,359		
Premises and Equipment, Net	12,594			14,825			16,488		
Other Assets	9,097			13,127			25,418		
Total Assets	$ 1,384,098			$ 1,024,602			$ 1,236,141		
LIABILITIES AND SHAREHOLDERS EQUITY									
Interest-Bearing Deposits Savings and NOW Accounts	$ 544,449	$ 3,637	0.67%	$ 240,126	$ 2,452	1.02%	$ 216,929	$ 4,093	1.89%
Other Time	460,746	9,094	1.97	374,578	9,164	2.45	629,109	28,369	4.51
Total Interest-Bearing Deposits	1,005,195	12,731	1.27	614,704	11,616	1.89	846,038	32,462	3.84
Short-Term Borrowings:	95,401	1,290	1.35	144,578	2,059	1.42	127,741	3,799	2.97
Total Interest-Bearing Funds & Average Rate Incurred	1,100,596	14,021	1.27	759,282	13,675	1.80	973,779	36,261	3.72
Demand Deposits	169,957			154,117			146,892		
Other Liabilities & Shareholders Equity	113,545			111,203			115,470		
Total Liabilities and Shareholders Equity	$ 1,384,098			$ 1,024,602			$ 1,236,141		
NET INTEREST INCOME AND SPREAD		$ 18,776	1.20%		$ 18,145	1.47%		$ 22,357	1.27%
NET INTEREST MARGIN ON EARNING ASSETS			1.41%			1.87%			1.90%

1 Pool Funds Provided, Net, are amounts contributed by foreign activities to fund domestic activities.

ITEM 9.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Information required under this Item with respect to the change in the Company s independent accountants is contained in the Company s Proxy Statement for the 2004 Annual Meeting of Shareholders (the 2004 Proxy Statement), under the caption Ratification of Independent Public Accountants and is incorporated herein by reference.

ITEM 9A. CONTROLS AND PROCEDURES

Any control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that its objectives will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. The Company will evaluate its internal controls and procedures in light of comments recently received from banking regulators regarding compliance with the BSA and related rules and regulations as discussed on pages 10 and 61.

Disclosure Controls and Procedures

The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company s disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Internal Control Over Financial Reporting

There have not been any changes in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the last fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required under this Item with respect to directors of the Company is contained in the 2004 Proxy Statement, under the captions Election of Directors-Nominees for Director, Audit Committee, Nominating/Corporate Governance Committee and Section 16(a) Beneficial Ownership Reporting Compliance and is incorporated herein by reference. Information required under this Item with respect to executive officers of the Company is included in Item 1 of Part I of this Annual Report.

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Ethics is available through the Company s website at www.riggsbank.com. The Company intends to satisfy the disclosure requirements under the Securities Exchange Act of 1934, as amended, regarding an amendment to, or a waiver from, the Company s Code of Ethics regarding its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions by posting such information on its website at www.riggsbank.com.

ITEM 11. EXECUTIVE COMPENSATION

Information required under this Item is contained in the 2004 Proxy Statement under the captions The Board, Its Committees and Its Compensation-Director Compensation, Compensation of Executive Officers, Compensation Committee Report on Executive Compensation, Compensation Committee Interlocks and Insider Participation, and Stock Performance Graph and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required under this Item is contained in the 2004 Proxy Statement under the caption Stock Ownership of Certain Beneficial Owners and Management and is incorporated herein by reference.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	9,083,914	$ 15.25	6,217,190

Equity compensation plans not approved by security holders			
Total	9,083,914	$ 15.25	6,217,190

See Note 14 of Notes to Consolidated Financial Statements for additional information on these Plans.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required under this Item is contained in the 2004 Proxy Statement under the caption Transactions with Management and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required under this Item is contained in the 2004 Proxy Statement under the caption Audit Committee and in Appendix B Audit Firm Fee Summary and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The following documents are filed as part of this report:

(a) List of Financial Statements

Riggs National Corporation

Financial Statements

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Independent Auditors Report	84
Report of Independent Public Accountants	85
Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001	44
Consolidated Statements of Condition as of December 31, 2003 and 2002	45
Consolidated Statements of Changes in Shareholders Equity for the years ended December 31, 2003, 2002 and 2001	46
Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001	47
Notes to Consolidated Financial Statements	48-83

(b) List of Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed as part of this Annual Report.

(c) Reports on Form 8-K

On October 24, 2003, the Company furnished a Form 8-K to announce earnings for the quarter ended September 30, 2003.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RIGGS NATIONAL CORPORATION

/s/ ROBERT L. ALLBRITTON

Robert L. Allbritton
Chairman of the Board and Chief Executive Officer

March 11, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ TIMOTHY C. COUGHLIN Timothy C. Coughlin	President and Director
/s/ STEVEN T. TAMBURO Steven T. Tamburo	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
JOE L. ALLBRITTON* Joe L. Allbritton	Vice Chairman of the Board
J. CARTER BEESE, JR.* J. Carter Beese, Jr.	Director
CHARLES A. CAMALIER, III* Charles A. Camalier, III	Director
LAWRENCE I. HEBERT* Lawrence I. Hebert	Director
STEVEN B. PFEIFFER* Steven B. Pfeiffer	Director
ROBERT L. SLOAN* Robert L. Sloan	Vice Chairman of the Board
JACK VALENTI* Jack Valenti	Director
WILLIAM L. WALTON* William L. Walton	Director

EDDIE N. WILLIAMS*	Director
Eddie N. Williams	

*By: /s/ JOSEPH M. CAHILL

Joseph M. Cahill, Attorney-in-Fact
March 11, 2004

INDEX TO EXHIBITS

Exhibit No.	Description	Pages
(3.1)	Restated Certificate of Incorporation of Riggs National Corporation, dated April 19, 1999 (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended June 30, 1999, SEC File No. 0-9756)	
(3.2)	By-laws of the Registrant with amendments through January 23, 2002 (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2001, SEC File No. 0-9756)	
(4.1)	Indenture dated June 1, 1989 with respect to $100 million 9.65% Subordinated Debentures due 2009 (Incorporated by reference to the Registrant s Form 8-K dated June 20, 1989, SEC File No. 0-9756)	
(4.2)	Indenture dated December 13, 1996 with respect to $150 million, 8.625% Trust Preferred Securities, Series A due 2026 (Incorporated by reference to the Registrant s S-3 dated February 6, 1997, SEC File No. 333-21297)	
(4.3)	Indenture dated March 12, 1997, with respect to $200 million, 8.875% Trust Preferred Securities, Series C due 2027 (Incorporated by reference to the Registrant s S-3 dated May 2, 1997, SEC File No. 333-26447)	
(10.1)	Indemnification Agreement of Chief Executive Officer dated January 22, 2003 (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2002, SEC File No. 0-9756)	
(10.2)	Indemnification Agreement of Chief Financial Officer dated November 19, 2002 (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2002, SEC File No. 0-9756)	
(10.3)	Indemnification Agreement of Director dated April 16, 2003	95-105
(10.4)	Indemnification Agreement of Director dated April 16, 2003	106-116
(10.5)	Indemnification Agreement of Director dated April 16, 2003	117-127
(10.6)	Indemnification Agreement of Director dated April 16, 2003	128-138
(10.7)	Indemnification Agreement of Director dated April 16, 2003	139-149
(10.8)	Indemnification Agreement of Director dated April 16, 2003	150-160
(10.9)	Time Sharing Agreement for lease of Gulfstream V by Perpetual Corporation/ Lazy Lane Farms, Inc. and Allbritton Communications companies (Incorporated by reference to the Registrant s Form 10-Q dated March 31, 2001, SEC File No. 0-9756)	
(10.10)	Time Sharing Agreement for the lease of the Gulfstream V between Perpetual Corporation/ Lazy Lane Farms, Inc, Allbritton Communications Company and Riggs Bank N.A. (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended September 30, 2002, SEC File No. 0-9756)	
(10.11)	Time Sharing Agreement for lease of Beechcraft King Air 300 between Allbritton Communications Company and Riggs Bank N.A. (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended June 30, 2001, SEC File No. 0-9756)	
(10.12)	Time Sharing Agreement for lease of the Beechcraft King Air 300 between Allbritton Communications and Riggs Bank N.A. (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended September 30, 2002, SEC File No. 0-9756)	
(10.13)	Time Sharing Agreement for the lease of the Gulfstream III between Perpetual Corporation/ Lazy Lane Farms, Inc. and Riggs Bank N.A. (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended September 30, 2002, SEC File No. 0-9756)	
(10.14)	Joe L. Allbritton Settlement Agreement, dated December 31, 2001 (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2001, SEC File No. 0-9756)	
(10.15)	Riggs National Corporation s Senior Executive Change of Control and Retention Agreement (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2001, SEC File No. 0-9756)	

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Exhibit No.	Description	Pages
(10.16)	Trust Under the Riggs National Corporation s Senior Executive Change of Control and Retention Agreement, dated November 8, 2001 (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2001, SEC File No. 0-9756)	
(10.17)	Riggs National Corporation s Executive Deferred Compensation Plan (Incorporated by reference to the Registrant s Form S-8 dated December 6, 2001, SEC File No. 333-74644)	
(10.18)	Trust under the Riggs National Corporation s Executive Deferred Compensation Plan (Incorporated by reference to the Registrant s Form S-8 dated December 6, 2001, SEC File No. 333-74644)	
(10.19)	Second Amendment to Operating Agreement of Riggs Capital Partners LLC (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2001, SEC File No. 0-9756)	
(10.20)	Third Amendment and Joinder to the Operating Agreement of Riggs Capital Partners, LLC (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended September 30, 2002, SEC File No. 0-9756)	
(10.21)	Operating Agreement of Riggs Capital Partners II, LLC (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2001, SEC File No. 0-9756)	
(10.22)	First Amendment and Joinder to the Operating Agreement of Riggs Capital Partners II, LLC (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended September 30, 2002, SEC File No. 0-9756)	
(10.23)	Riggs Capital Partners II, LLC Investment and Management Agreement (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2001, SEC File No. 0-9756)	
(10.24)	First Amendment and Joinder to the Investment and Management Agreement of Riggs Capital Partners II, LLC (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended September 30, 2002, SEC File No. 0-9756)	
(10.25)	Riggs Capital Partners Operating and Services Agreement with RCP Investments L.P. (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2001, SEC File No. 0-9756)	
(10.26)	First Amendment to Riggs Capital Partners Operating and Services Agreement (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2001, SEC File No. 0-9756)	
(10.27)	Second Amendment and Joinder to the Operating and Services Agreement between Riggs Bank N.A. and Riggs Capital Partners Investments, L.P. and Riggs Capital Partners Investments II, L.P. (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended September 30, 2002, SEC File No. 0-9756)	
(10.28)	First Amendment and Joinder to the Investment and Management Agreement of Riggs Capital Partners, LLC (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended September 30, 2002, SEC File No. 0-9756)	
(10.29)	Lease Agreement, dated February 1, 2002, between Allbritton Communications Company and Riggs National Corporation (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended March 31, 2002, SEC File No. 0-9756)	
(10.30)	Riggs Bank N.A. 2002 Executive Managerial Bonus Program (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended June 30, 2002, SEC File No. 0-9756)	
(10.31)	Real Estate Investment Advisory Agreement, dated May 24, 2002, between Riggs Bank N.A. and Kennedy Associates Real Estate Counsel, Inc. (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended June 30, 2002, SEC File No. 0-9756)	
(10.32)	Fourth Amendment to the Operating Agreement of Riggs Capital Partners, LLC, dated January 1, 2003 (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2002, SEC File No. 0-9756)	

Exhibit No.	Description	Pages
(10.33)	Second Amendment to the Operating Agreement of Riggs Capital Partners II, LLC, dated January 1, 2003 (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2002, SEC File No. 0-9756)	
(10.34)	Master Professional Services Agreement between Crowe Chizek and Company LLP and Riggs Bank N.A. dated December 27, 2002 (Incorporated by reference to the Registrant s Form 10-K for the year ended December 31, 2002, SEC File No. 0-9756)	
(10.35)	Amendment to Riggs National Corporations Deferred Compensation Plan, dated April 1, 2003 (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended June 30, 2003, SEC File No. 0-9756)	
(10.36)	Banking Information Technology Services Agreement between Fidelity Information Services Inc. and Riggs Bank N.A. dated June 13, 2003 (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended June 30, 2003, SEC File No. 0-9756)	
(10.37)	2003 Riggs Executive Officer Short-Term Bonus Plan (Incorporated by reference to the Registrant s Form 10-Q for the quarter ended June 30, 2003, SEC File No. 0-9756)	
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(23.1)	Consent of KPMG LLP	163
(23.2)	Explanation Concerning Absence of Current Written Consent of Arthur Andersen LLP	164
(24)	Powers of Attorney	165
(31.1)	Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a)	166
(31.2)	Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a)	167
(32.1)	Chief Executive Officer Certification pursuant to Section 1350	168
(32.2)	Chief Financial Officer Certification pursuant to Section 1350	169
(99.1)	Consent Order with the Office of the Comptroller of the Currency, dated July 16, 2003 (Incorporated by reference to the Registrant s Form 8-K dated July 17, 2003)	

Management contract of compensatory plan or arrangement
Exhibits omitted are not required or not applicable