



AFFN NEWS

Fall 2003

Armed Forces Financial Network, Suite 915, 5201 W. Kennedy Boulevard, Tampa, FL 33609

AFFN Participants Deploy Almost 10,000 Additional ATMs

Thanks to participants JPMorgan Chase & Co., Fifth Third Bank, and Wachovia Bank, AFFN is growing at an unprecedented rate. These three financial institutions, combined, recently brought almost 10,000 additional ATMs to the network. JPMorgan Chase is a new participant while Fifth Third Bank and Wachovia Bank are expanding their business relationships with AFFN.

While discussing the addition and expansion of these major banks' ATM services to AFFN, Henry (Hank) Neill, Jr., Executive Vice President of the Association of Military Banks of America (AMBA) stated "It is nice to know so many major banks are signing up with AFFN. It clearly demonstrates their support of our nation's armed forces." He also added: "As one of the founding partners of the AFFN, AMBA understands the value the network brings to military personnel and their families. Having more ATMs in the network greatly enhances this value." David O. Weber, AFFN's President and CEO agrees. "AFFN is extremely excited about the expanded access all these ATMs immediately provide to our cardholders. It says a great deal about their commitment to the United State's military community."

"We are honored to become a participant of the AMBA and the AFFN," said Patricia Preston, Senior Vice President and EZPay Business Executive for JPMorgan Treasury Services. "We are excited to have the opportunity to extend our services to the military by providing their cardholders with expanded access to their funds."

"Fifth Third is proud to expand our relationship with the Armed Forces Financial Network. This opportunity allows America's service personnel access to their accounts at any of Fifth Third's Jeanie® ATMs," offers George A. Schaefer, Jr., President and CEO of Fifth Third Bank. "We are honored to support those who defend our great nation."

"Our nation's military personnel serve our country every day, and so Wachovia is pleased that we can serve them in some small way by adding more than 2,300 additional ATMs to the Armed Forces Financial Network," said Ralph Perry, Head of Wachovia Bank's Retail Distribution.

AFFN would like to thank these participants, as well as all of our valued participants for their commitment to serve those who serve our great nation.



WACHOVIA

Wachovia Corporation is one of the largest providers of financial services to retail, brokerage and corporate customers throughout the East Coast and the nation, with assets of \$364 billion. Wachovia offers full-service banking offices in 11 East Coast states and Washington, D.C., and has retail brokerage services in 48 of the 50 states. Wachovia deploys over 4,450 ATMs within this footprint.



Fifth Third Bank Bancorp is a Super Regional Bank comprised of 17 affiliates located in Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee and West Virginia. The Bancorp, headquartered in Cincinnati, Ohio, has approximately \$88 billion in assets and 1,878 ATMs.



With over 1,825 domestic ATMs in CA, CT, NJ, NY, and TX, J.P. Morgan Chase & Co. is a leading global financial services firm with assets of \$803 billion and operations in more than 50 countries. The firm is a leader in investment banking, financial services for consumers and businesses, financial transaction processing, investment management, private banking and private equity.

AFFN NEWS is a publication of the
ARMED FORCES FINANCIAL NETWORK

Financial institutions who wish to serve the military community have found the Armed Forces Financial Network (AFFN) to be a valuable corollary to their other financial services.

AFFN was formed in 1985 at the request of the U.S. Army in support of the "Surepay" direct deposit system, to provide U.S. Military personnel (active, reserve, dependents, and retired) with access to their funds through ATM and POS terminals at or near U.S. Military bases worldwide. AFFN's mission is to increase the versatility of participating financial institutions to better serve the U.S. Military.

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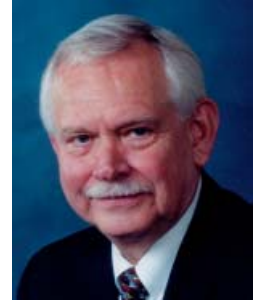
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Letter From The President

On my return flight from a business trip to California earlier this month, I had the opportunity to reflect on recent industry news and numerous AFFN developments taking place this year and am excited to share highlights of these initiatives with our participants.



AFFN continues to sign new banks and credit unions giving us the opportunity to extend our reach to the U.S. military community stationed throughout the country and the world. JPMorgan Chase recently joined the AFFN, veteran participant FifthThird is actively bringing on its affiliate banks and the First Union/Wachovia merger extends our reach throughout the eastern seaboard. Concurrently, we continue to sign new retailers - Kmart being the most recent - giving U.S. military personnel and their families more access to their funds nationwide. In addition, overall transaction volume continues to increase despite military personnel being deployed abroad.

Other highlights include:

Manhattan Expansion Post 9/11

Not only is our newest participant, JPMorgan Chase headquartered in NYC, but Wachovia opened its first two Manhattan retail financial centers earlier this summer. Plus, Eckerd's acquisition of Genovese (a northeast drugstore chain of 140 retail stores) greatly extends AFFN's footprint throughout the New York tri-state area.

On-Line Transactions: AFFN Blazes New Trails

We are the first network to offer debit transactions over the Internet - Kryptosima, a subsidiary of InstaPay System Inc., [www.kryptosima.com] allowing consumers to initiate Pin-based debit card transactions over the Internet from home using Kryptosima's payENKRYPT service. What is the impact on our AFFN cardholders? They can now purchase goods and services on the Web without a credit card. We are the first EFT network offering such a service and we are excited about being on the leading edge of making this innovative technology available to our AFFN cardholders. Continue to watch for further announcements and developments.

The Walmart Case

From our perspective, while the suit has been settled, the outcome of this case is going to affect your bottom line for the foreseeable future. The industry anticipates changes in both debit and credit card interchange over the next year. The reality is that this will impact your organization, our network, and retail participants. AFFN will continue to monitor industry practices and is committed to striking a balance between the card issuing and acquiring participant interchange.

Navy Cash Card Program

AFFN continues to work with our business partners, AMBA and DCUC, as well as industry and government sectors on the rollout of the Navy Cash Card Program.

As information on future developments is available, we are committed to communicating back out to our participants.

A Look Ahead

Our most recent Board of Directors meeting was quite productive on many different levels. AFFN staff spent months exploring various product and service offerings, potential business partnerships, and industry developments that were presented to the Board. They were discussed at great length and a strategic planning session is being arranged in the near future.

Exciting times lay ahead. Network consolidation is still taking place and will continue to impact us all. Yet, on behalf of our partnership with AMBA, DCUC and our participating banks and credit unions, we are stronger and more focused than ever before and, together, remain committed to serving the U.S. military community with the best financial services available.

David O. Weber
President and CEO
Armed Forces Financial Network [AFFN]

Defense Credit Union Council's (DCUC) 40th Annual Meeting Recently Held



Defense Credit Union Leadership at its Best

DCUC Board of Directors (L to R): Robert (Bob) E. Morgan, Board of Directors, ABNB FCU; Jean M. Yokum, President & CEO, Langley FCU; Ralph R. Story, Board of Directors, VyStar CU; Billie Blanchard, President & CEO, Military & Civilian FCU; Gordon A. Simmons, President & CEO, Service Credit Union; James (Jim) M. Bright, President & CEO, Scott Credit Union; Not Pictured - Lou L. DeCarlo, President & CEO, Pacific Marine CU.



"Happy Retirement" Stacey from your AFFN Friends and Family!

Roland (Arty) A. Arteaga, President, DCUC congratulating Stacey F. Carter, Director of Administration with DCUC.



AFFN & DCUC Working Together

John M. Broda, Vice President, AFFN and Billie Blanchard, President & CEO Military and Civilian (MAC) FCU / DCUC Board of Directors.



Proudly Serving Those Who Serve

Robert (Bob) E. Morgan, Immediate Past Chairman, DCUC / Member Board of Directors DCUC / Board of Directors ABNB FCU, Virginia Beach, VA and Roland (Arty) A. Arteaga, President, DCUC.



Kmart and AFFN Joint Launch New Service for AFFN Consumers

Kmart Corporation, the mass merchandising company that serves America with 1,512 Kmart and Kmart Super Center retail outlets in 49 states, Puerto Rico and the Virgin Islands recently joined The Armed Forces Financial Network (AFFN). As of July of this year, Kmart stores now process, nationwide, AFFN's ATM/POS, and Debit Cards for purchases with cash back.

AFFN is proud to welcome Kmart Corporation to our network. As a retailer with national scope and distribution, Kmart offers AFFN cardholders access for purchase and purchase with cash back at over 1,500 locations. "They are a great addition to our network," says David O. Weber, AFFN's President and CEO.

Kmart has approximately 170,000 associates, including 2,360 at its headquarters in Troy, Michigan. Pharmacy services are available in 1,157 Kmart stores.

Coming Soon: New Retailers To Join Network

Look for AFFN acceptance at these retailers soon.

RETAILER	WEB SITE ADDRESS
Barnes & Noble	www.barnesandnoble.com
CompUSA	www.compusa.com
GNC	www.gnc.com
Nordstrom	www.nordstrom.com
Office Depot, Inc.	www.officedepot.com
Pearle Vision	www.pearlevision.com

ATMs Continue to Evolve



A recent consumer study shows that 78% of consumers rate the convenience of using an ATM machine as an important part of everyday life. The research also shows that of those using ATMs, 54% use an ATM machine at least once a week, with 70% withdrawing \$20 - \$100 per visit.

The consumer survey, conducted by Harris Interactive and commissioned by eFunds, also reveals that American ATM/debit cardholders readily endorse additional ATM machine functionalities such as purchasing stamps (50%), cashing checks (48%) and purchasing tickets for bus, lottery, concerts or sporting events (36%).

These trends are setting the stage for the next generation of ATMs. In fact, Super-ATMs are currently being market tested in various cities throughout the U.S. According to Bankrate.com, Super-ATMs will have the power to cash and print checks, sell you everything from money orders and prepaid phone cards to concert and airline tickets. Plus, talk to you!

ATM Trivia

- According to Cash Technologies, Inc. there are nearly a quarter million ATMs in the U.S. alone!
- AFFN participants have been deploying ATMs worldwide since 1985.
- While the first voucher based cash-dispensing machine was installed in 1967 by Barclay's Bank in London, experts do not consider this an ATM. The first modern day ATM was introduced to consumers in 1969 by Chemical Bank, now JPMorgan Chase & Co, an AMBA/AFFN participant.