WILMINGTON TRUST CORP
Form 10-Q
May 15, 2002

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended March 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Transition Period From ------------ to -----------

Commission File Number: 1-14659

WILMINGTON TRUST CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	51-0328154
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890
(Address of principal executive offices) (Zip Code)

(302) 651-1000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

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

Number of shares of issuer's common stock ($1.00 par value) outstanding at March 31, 2002 - 32,817,009 shares

Wilmington Trust Corporation and Subsidiaries
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CONSOLIDATED STATEMENTS OF CONDITION (unaudited)
Wilmington Trust Corporation and Subsidiaries

(in thousands)	March 31, 2002	D
ASSETS		
Cash and due from banks	$ 171,307	$
Federal funds sold and securities purchased under agreements to resell	45,000	
Investment securities available for sale:		
U.S. Treasury and government agencies	716,912	
Obligations of state and political subdivisions	12,883	

Other securities	468,193	
Total investment securities available for sale	1,197,988	
Investment securities held to maturity:		
U.S. Treasury and government agencies	10,510	
Obligations of state and political subdivisions	4,541	
Other securities	824	
Total investment securities held to maturity (market values of $16,469 and $17,086, respectively)	15,875	
Loans:		
Commercial, financial and agricultural	1,858,744	
Real estate-construction	444,896	
Mortgage-commercial	1,017,491	
Mortgage-residential	822,584	
Consumer	1,394,808	
Unearned income	(716)	
Total loans net of unearned income	5,537,807	
Reserve for loan losses	(81,803)	
Net loans	5,456,004	
Premises and equipment, net	139,287	
Goodwill, net of accumulated amortization of $29,391 in 2002 and 2001	221,969	
Other intangible assets, net of accumulated amortization of $6,097 in 2002 and $5,698 in 2001	11,550	
Accrued interest receivable	46,485	
Other assets	115,022	
Total assets	$ 7,420,487	$

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(in thousands)	March 31, 2002	December 31, 2001
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$ 807,420	$ 1,258,322
Interest-bearing:		
Savings	360,286	356,182
Interest-bearing demand	1,818,118	1,410,280
Certificates under $100,000	894,276	900,059
Certificates $100,000 and over	1,538,856	1,665,942
Total deposits	5,418,956	5,590,785
Short-term borrowings:		
Federal funds purchased and securities sold		

under agreements to repurchase	949,291	828,261
U.S. Treasury demand	27,366	94,871
Line of credit	26,600	33,500
Total short-term borrowings	1,003,257	956,632
Accrued interest payable	39,519	34,540
Other liabilities	97,700	93,475
Long-term debt	160,500	160,500
Total liabilities	6,719,932	6,835,932
Minority interest	59	--
Stockholders' equity:		
Common stock ($1.00 par value) authorized 150,000,000 shares; issued 39,264,173	39,264	39,264
Capital surplus	84,705	78,190
Retained earnings	833,368	817,017
Accumulated other comprehensive income	6,113	10,078
Total contributed capital and retained earnings	963,450	944,549
Less: Treasury stock, at cost, 6,447,164 and 6,563,956 shares, respectively	(262,954)	(262,019)
Total stockholders' equity	700,496	682,530
Total liabilities and stockholders' equity	$ 7,420,487	$ 7,518,462

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)
Wilmington Trust Corporation and Subsidiaries

	For the three months ended March 31,	
(in thousands; except per share data)	2002	2001
NET INTEREST INCOME		
Interest and fees on loans	$ 80,748	$ 105,938
Interest and dividends on investment securities:		
Taxable interest	13,720	19,352
Tax-exempt interest	247	229
Dividends	1,441	2,000
Interest on federal funds sold and securities purchased under agreements to resell	112	246
Total interest income	96,268	127,765
Interest on deposits	22,547	47,432
Interest on short-term borrowings	5,902	15,376

Interest on long-term debt	2,641	2,756
Total interest expense	31,090	65,564
Net interest income	65,178	62,201
Provision for loan losses	(5,295)	(5,250)
Net interest income after provision for loan losses	59,883	56,951
OTHER INCOME		
Advisory fees	52,655	42,889
Service charges on deposit accounts	6,885	6,162
Loan fees and late charges	1,865	1,550
Card fees	2,420	2,345
Securities gains	--	711
Other operating income	846	3,020
Total other income	64,671	56,677
Net interest and other income	124,554	113,628
OTHER EXPENSE		
Salaries and employment benefits	46,974	42,893
Net occupancy	4,639	3,763
Furniture and equipment	6,588	5,729
Stationery and supplies	1,404	1,418
Advertising and contributions	1,656	1,481

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Servicing and consulting fees	2,624	2,089
Other operating expense	11,395	10,691
Total other expense	75,280	68,064
NET INCOME		
Income before income taxes, minority interest and cumulative effect of change in accounting principle	49,274	45,564
Applicable income taxes	17,119	15,497
Net income before minority interest and cumulative effect of change in accounting principle	32,155	30,067
Minority interest	(59)	--
Net income before cumulative effect of change in accounting principle	32,096	30,067
Cumulative effect of change in accounting principle (net of income taxes of $584)	--	1,130
Net income	$ 32,096	$ 31,197
Net income per share - basic:		
Before cumulative effect of change in accounting principle	$ 0.98	$ 0.93

Cumulative effect of change in accounting principle	--	0.03
Net income per share - basic	$ 0.98	$ 0.96
Net income per share - diluted:		
Before cumulative effect of change in accounting principle	$ 0.97	$ 0.92
Cumulative effect of change in accounting principle	--	0.03
Net income per share - diluted	$ 0.97	$ 0.95
Weighted average shares outstanding:		
basic	32,810	32,447
diluted	33,255	32,875
Cash dividends per share	$ 0.48	$ 0.45

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
Wilmington Trust Corporation and Subsidiaries

	For the three mo
(in thousands)	2002
OPERATING ACTIVITIES	
Net income	$ 32,096
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	5,295
Provision for depreciation	5,444
Minority interest in net income	59
Compensation expense - nonemployee stock options	30
Amortization of investment securities available for sale discounts and premiums	4,041
Amortization of investment securities held to maturity discounts and premiums	2
Deferred income taxes	4
Gross proceeds from sales of loans	40,499
Gains on sales of loans	(519)
Securities gains	--
(Increase)/decrease in other assets	(8,080)
Increase/(decrease) in other liabilities	11,745
Net cash provided by operating activities	90,616
INVESTING ACTIVITIES	
Proceeds from sales of investment securities available for sale	13,506

Proceeds from maturities of investment securities available for sale	211,937
Proceeds from maturities of investment securities held to maturity	575
Purchases of investment securities available for sale	(168,797)
Investments in affiliates	(2,375)
Cash paid for purchase of subsidiary	(1,151)
Purchases of loans	(85)
Net (increase)/decrease in loans	(94,019)
Net increase in premises and equipment	(4,507)
Net cash (used for)/provided by investing activities	(44,916)
FINANCING ACTIVITIES	
Net decrease in demand, savings and interest-bearing demand deposits	(38,960)
Net (decrease)/increase in certificates of deposit	(132,869)
Net increase/(decrease) in federal funds purchased and securities sold under agreements to repurchase	121,030
Net (decrease)/increase in U.S. Treasury demand	(67,505)
Net decrease in line of credit	(6,900)

Cash dividends	(15,745)
Proceeds from common stock issued under employment benefit plans, net of income taxes	3,965
Payments for common stock acquired through buybacks	(7,512)
Net cash used for financing activities	(144,496)
Decrease in cash and cash equivalents	(98,796)
Cash and cash equivalents at beginning of period	315,103
Cash and cash equivalents at end of period	$ 216,307
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the period for:	
Interest	$ 26,111
Taxes	2,711
Loans transferred during the period:	
To other real estate owned	$ 121
From other real estate owned	15
Common stock issued for purchase of subsidiary	$ 8,836

See Notes to Consolidated Financial Statements

Notes to Unaudited Consolidated Financial Statements

Note 1 - Accounting and Reporting Policies

The accounting and reporting policies of Wilmington Trust Corporation (the "Corporation"), a holding company that owns all of the issued and outstanding shares of capital stock of Wilmington Trust Company, Wilmington

Trust of Pennsylvania, Wilmington Trust FSB, WT Investments, Inc. ("WTI") and Rodney Square Management Corporation, conform to accounting principles generally accepted in the United States of America and practices in the banking industry for interim financial information. The information for the interim periods is unaudited and includes all adjustments that are of a normal recurring nature and that management believes to be necessary for fair presentation. Results for the interim periods are not necessarily indicative of the results that may be expected for the full year. The consolidated financial statements presented herein should be read in conjunction with the notes to the consolidated financial statements included in the Corporation's Annual Report to Shareholders for 2001.

Note 2 - Comprehensive Income

The following table depicts other comprehensive income as required by SFAS No. 130:

	For the three months en March	
(in thousands)	2002	2
Net income	$ 32,096	$ 31,
Other comprehensive income, net of income taxes:		
Net unrealized holding gains/(losses) on securities	(3,950)	10,
Reclassification adjustment for securities gains included in net income	--	(
Net unrealized holding gains arising during the period on derivatives used for cash flow hedge	--	1,
Reclassification adjustment for derivative gains included in net income	(15)	
Total comprehensive income	$ 28,131	$ 43,

Note 3 - Earnings Per Share

The following table sets forth the computation of basic and diluted net earnings per share:

	For the three months ended March 31,	
(in thousands; except per share data)	2002	2001
Numerator:		
Net income before cumulative effect of change in accounting principle	$ 32,096	$ 30,067
Cumulative effect of change in accounting principle (net of income taxes of $584)	--	1,130

Net income	$ 32,096	$ 31,197
Denominator:		
Denominator for basic earnings per share - weighted-average shares	32,810	32,447
Effect of dilutive securities:		
Employee stock options	445	428
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	33,255	32,875
Basic earnings per share		
Before cumulative effect of change in accounting principle	$ 0.98	$ 0.93
Cumulative effect of change in accounting principle	--	0.03
Basic earnings per share	$ 0.98	$ 0.96
Diluted earnings per share		
Before cumulative effect of change in accounting principle	$ 0.97	$ 0.92
Cumulative effect of change in accounting principle	--	0.03
Diluted earnings per share	$ 0.97	$ 0.95

Note 4 - Segment Reporting

For the purposes of reporting our results, we divide our business activities into two segments. Our banking and advisory fee-based segments comprise the services we provide to customers. The banking and advisory fee-based segments are managed separately but have overlapping markets, customers and systems. The Corporation's strategy to develop full relationships across a broad product array allows these two segments to market separate products and services to a common base of customers.

The banking segment includes lending, deposit-taking and branch banking in our primary banking markets of Delaware, Pennsylvania and Maryland, along with institutional deposit-taking on a national basis. Lending activities include commercial loans, commercial and residential mortgages and construction and consumer loans. Deposit products include demand checking, certificates of deposit, negotiable order of withdrawal accounts and various savings and money market accounts.

The advisory fee-based segment includes private client advisory services, asset management, mutual fund, corporate trust and corporate retirement plan services to individuals and corporations in the United States and more than 50 other countries. Private client advisory service activities include investment management, trust services, private banking, estate settlement, financial planning and tax preparation. Asset management activities include a broad range of portfolio management services, including fixed-income, short-term cash management and contributions resulting from affiliations with Cramer Rosenthal McGlynn, LLC and Roxbury Capital Management, LLC. Corporate trust activities include custody services, trusteeships for capital leases, collateralized securities, corporate restructurings and bankruptcies and corporate management services.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Corporation evaluates performance based on profit or loss from operations before income taxes and without including nonrecurring gains and losses. The Corporation generally records intersegment sales and transfers as if the sales or transfers were to third parties (i.e., at current market prices). Profit or loss from infrequent events such as the sale of a business are reported separately for each segment.

Financial data by segment for March 31, 2002 vs March 31, 2001 is as follows:

Year-to-Date March 31, 2002 (in thousands)	Banking Business	Fee-Based Business	T
Net interest income	$ 56,078	$ 9,100	$
Provision for loan losses	(5,146)	(149)	
Net interest income after provision	50,932	8,951	
Total advisory fees:			
Private client advisory services	1,587	28,821	
Corporate financial services	784	13,675	
Affiliate managers	--	7,870	
Amortization of other intangibles	--	(82)	
Other operating income	11,401	615	
Net interest and other income	64,704	59,850	
Other expense	(37,660)	(37,620)	
Segment profit from operations	27,044	22,230	
Segment profit before income taxes	$ 27,044	$ 22,230	$
Depreciation and amortization	$ 3,478	$ 2,979	$
Investment in equity method investees	--	226,126	
Segment average assets	6,242,005	1,133,757	7,

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Year-to-Date March 31, 2001 (in thousands)			
Net interest income	$ 54,476	$ 7,725	$
Provision for loan losses	(4,883)	(367)	
Net interest income after provision	49,593	7,358	
Total advisory fees:			
Private client advisory services	1,225	25,218	
Corporate financial services	360	11,911	
Affiliate managers	--	6,176	
Amortization of other intangibles and goodwill	--	(2,001)	
Other operating income	11,566	1,511	
Securities gains	569	142	

Net interest and other income	63,313	50,315	
Other expense	(35,963)	(32,101)	
Segment profit from operations	27,350	18,214	
Segment profit before income taxes	$ 27,350	$ 18,214	$
Depreciation and amortization	$ 3,108	$ 3,776	$
Investment in equity method investees	--	221,195	
Segment average assets	5,785,309	1,434,934	7,

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Note 5 - Accounting Pronouncements

Asset Retirement Obligations

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset, except for certain obligations of lessees. The Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

This Statement amends FASB Statement No. 19, Financial Accounting and Reporting by Oil and Gas Producing Companies, and it applies to all entities. It is effective for financial statements issued for fiscal years beginning after June 15, 2002. Earlier application is encouraged. The Corporation does not expect the adoption of the Statement to have an impact on its earnings, financial condition or equity.

Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. However, the Statement retains the fundamental provisions of Statement 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale.

This Statement supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. However, this Statement retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of (by sale, by abandonment or in distribution to owners) or is classified as held for sale. This Statement also amends ARB No. 51, Consolidated Financial Statements, to eliminate the exception to consolidation for a temporarily controlled subsidiary.

The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years, with earlier application encouraged. The provisions of this Statement generally are to be applied prospectively. The adoption of this Statement did not have an impact on the Corporation's earnings, financial condition or equity.

Note 6 - Derivative and Hedging Activities

The Corporation previously entered into interest rate swap and interest rate floor contracts in managing interest rate risk to reduce the impact of fluctuations in interest rates of identifiable asset categories, principally floating-rate commercial loans and commercial mortgage loans.

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Swaps are contracts to exchange, at specified intervals, the difference between fixed- and floating-rate interest amounts computed on contractual notional principal amounts.

Floors are contracts that generate interest payments to the Corporation based on the difference between the floating-rate index and a predetermined strike rate of the specific floor when the index is below the strike rate. When the index is equal to or above the strike rate, no payments are made or received by the Corporation.

Changes in the fair value of the floors attributed to the change in "time value" are excluded in assessing the hedge's effectiveness and are recorded to "Other Operating Income" in the Consolidated Statements of Income. Changes in the fair value that are determined to be ineffective are also recorded to "Other Operating Income" in the Consolidated Statements of Income. The effective portion of the change in fair value is recorded in "Other Comprehensive Income" in the Consolidated Statements of Condition. For the first quarter of 2002, approximately $72,000 of gains in "Accumulated Other Comprehensive Income" were reclassified to earnings. During the 12 months ending March 31, 2003, approximately $307,000 of gains in "Accumulated Other Comprehensive Income" are expected to be reclassified to earnings.

The Corporation does not hold or issue derivative financial instruments for trading purposes.

Note 7 - Goodwill and Other Intangible Assets

A summary of goodwill and other intangible assets at March 31, 2002 is as follows:

	As of March 31, 2002		
(in thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount

Goodwill (nonamortizing)	$251,360	29,391	$221,969
Other intangibles			
Amortizing:			
Purchased mortgage servicing rights	$ 4,915	$ 2,612	$ 2,303
Customer lists	7,904	1,900	6,004
Acquisition costs	1,635	1,218	417
Other intangibles	479	367	112
Nonamortizing			
Other intangible assets	2,714	--	2,714
Total other intangibles	$ 17,647	$ 6,097	$ 11,550

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Amortization expense of other intangible assets for the three months ended March 31, 2002 is as follows:

(in thousands)	For the three months ended March 31, 2002
Amortization expense	$ 399

The estimated amortization expense of other intangible assets for each of the five succeeding fiscal years is as follows:

Estimated annual amortization expense (in thousands)	
For the year ended December 31, 2003	$1,385
For the year ended December 31, 2004	1,124
For the year ended December 31, 2005	517
For the year ended December 31, 2006	433
For the year ended December 31, 2007	422

The changes in the carrying amount of goodwill for the three months ended March 31, 2002 are as follows:

(in thousands)	Banking Business	Fee-Based Business	Total
Balance as of January 1, 2002	$ 3,752	$ 209,099	$ 212,851
Goodwill acquired	--	9,694	9,694
Impairment loss	--	(576)	(576)
Balance as of March 31, 2002	$ 3,752	$ 218,217	$ 221,969

The goodwill acquired above includes $7.3 million recorded on the acquisition of Balentine Holdings, Inc. and $2.0 million recorded on the Corporation's investment in Camden Partners Holdings, LLC.

During the first quarter of 2002, a goodwill impairment loss of $575,582 was recognized due to underperformance of an equity investment. This loss is recorded in the "Other operating expense" line of the Corporation's Consolidated Statements of Income and is not considered to be a transitional impairment as of January 1, 2002, the date of the Corporation's adoption of SFAS No. 142, "Goodwill and Other Intangible Assets."

Other intangible assets acquired in the first three months of 2002 are as follows:

(in thousands)	Amount assigned	Residual value	Weighted average amortization period in years
Purchased mortgage servicing rights	$ 372	--	7
Customer lists	3,108	--	20
Other intangibles	1,650	--	--
Total	$ 5,130	--	

The following table sets forth the computation of basic and diluted earnings per share adjusted for the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets":

	For the three months ended March 31,	
(in thousands, except per share amounts)	2002	2001
Reported net income	$ 32,096	$ 31,197
Add back: goodwill amortization	--	2,094
Tax effect	--	(712)
Adjusted net income	$ 32,096	$ 32,579
Basic earnings per share		
Reported net income	$ 0.98	$ 0.96
Goodwill amortization	--	0.04
Adjusted basic earnings per share	$ 0.98	$ 1.00

Diluted earnings per share		
Reported net income	$ 0.97	$ 0.95
Goodwill amortization	--	0.04
Adjusted diluted earnings per share	$ 0.97	$ 0.99

Wilmington Trust Corporation and Subsidiaries

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

SUMMARY

Net income for the first quarter of 2002 was $32.1 million, or $0.98 per share, an increase of 3% over the $30.1 million, or $0.96 per share, reported for the first quarter of 2001. On a diluted basis, earnings per share were $0.97, compared to $0.95 reported for the first quarter of 2001. The 2001 results included a $1.1 million after-tax adjustment, or $0.03 per share, for the cumulative effect of a change in accounting principle related to the adoption of Financial Accounting Standards Board Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities."

These results reflect the Corporation's continued revenue growth even as the financial markets struggle to regain their March 2001 levels and with the ongoing market uncertainty. Revenues from our private client advisory services rose in the face of market declines, while corporate financial service fees continued to grow at double-digit rates and the loan portfolio reflected strong growth.

First quarter results reflect the consolidation of the operating results of Balentine Holdings, Inc., which was acquired on January 2, 2002, and the elimination of $1.9 million of goodwill amortization expense.

Combined assets under management at quarter-end reached $37.0 billion, with approximately two-thirds of those assets managed by the Corporation and the remainder managed by the its affiliate asset managers.

Improvement was realized in the major components of the Corporation's revenue as net interest income improved $3.0 million, or 5%, to $65.2 million, while noninterest revenues rose $8.0 million, or 14%, to $64.7 million.

The provision for loan losses was $5.3 million, unchanged from the first quarter of last year.

Operating expenses increased $7.2 million, or 11%, to $75.3 million and include the consolidation of the results of Balentine Holdings with the Corporation.

These results produced an annualized return on average stockholders' equity of 18.73% and a return on average assets of 1.76%. These ratios compare with 20.99% and 1.75%, respectively, for the first quarter of 2001.

STATEMENT OF CONDITION

Total assets at March 31, 2002 were $7.4 billion, down $98.0 million from year-end 2001 due to lower balances in cash, short-term investments and investment securities. Loan balances increased $49.8 million, partially offsetting these other declines in asset balances.

The investment portfolio at March 31, 2002 declined $67.5 million, or 5%, since year-end 2001 to $1.21 billion due to maturities, principal payments and sales.

The loan portfolio increased during the first quarter of 2002 $49.8 million, or 1%, to $5.54 billion. Real estate construction loans increased $44.4 million, or 11%, to $444.9 million, with approximately 78% of this growth in the Corporation's Delaware market. Commercial mortgage loans increased $8.0 million, or 1%, to $1.0 billion. Residential mortgage loans declined $42.7 million, or 5%, to $822.6 million, as $40.0 million of newly-originated fixed-rate mortgages were sold into the secondary markets. Consumer loans grew $43.0 million, or 3%, to $1.40 billion, as collateralized lending increased $46.3 million.

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The reserve for loan losses at March 31, 2002 was $81.8 million, or 1.48% of period-end loans outstanding. This compares with $80.8 million, or 1.47% of period-end loans outstanding, at year-end 2001.

The adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" has modified the balance sheet presentation of these items from prior periods. Prior periods have been adjusted to conform to the presentation requirements of the new pronouncement. At March 31, 2002, goodwill was $221.9 million, an increase of $9.1 million, or 4%, over the restated $212.9 million reported for December 31, 2001. This increase was associated with the Corporation's investments in Camden Partners Holdings, LLC, a Baltimore-based private equity firm, and Balentine Holdings, an Atlanta-based investment counseling firm. Other intangibles, previously reported as a component of other assets, were $11.6 million at March 31, 2002, an increase of $4.9 million, or 72%, over the $6.7 million at December 31, 2001. This increase over year-end was attributable to costs associated with the aforementioned investments during the first quarter. Other intangibles include items such as acquired customer lists, acquisition costs, purchased mortgage servicing rights and other items, which will continue to be amortized under the new accounting pronouncement.

Accrued interest receivable at March 31, 2002 increased $5.9 million, or 15%, to $46.5 million. This increase over the $40.6 million reported at year-end 2001 was due to interest income recorded but not yet received on U.S. government bonds and notes that are included in the Corporation's investment portfolio.

Total deposits at March 31, 2002 were $5.42 billion, $171.8 million, or 3%, below the year-end amount of $5.59 billion. Declines in noninterest bearing demand account balances and certificates of deposit $100,000 and over were primarily responsible for this decline. Noninterest-bearing demand account balances at March 31, 2002 were $807.4 million, $450.9 million, or 36%, below the year-end balance of $1.26 billion. Money market account balances, however, were up $409.6 million, or 30%, to $1.77 billion. Certificates of deposit $100,000 and over declined $127.1 million, or 8%, to $1.54 billion, as the Corporation shifted its funding to lower cost federal funds purchased.

Short-term borrowings at March 31, 2002 were $1.0 billion, an increase of $46.6 million, or 5%, over the $956.6 million at December 31, 2001. Federal funds purchased and securities sold under agreements to repurchase at quarter-end were $949.3 million, a $121.0 million, or 15%, increase over the $828.3 million at year-end 2001. U.S. Treasury demand balances declined $67.5 million, or 71%, from the year-end level of $94.9 million.

Stockholders' equity at March 31, 2002 was $700.5 million, a $17.9 million, or

3%, increase over the $682.6 million at year-end 2001. Earnings of $32.1 million and $13.1 million of stock issued were partially offset by cash dividends of $15.8 million, treasury stock acquisitions of $7.5 million and a $4.0 million decline, net of tax, in the market value of securities held for sale.

NET INTEREST INCOME

Net interest income is the difference between interest income received on earning assets, such as loans and investment securities, and interest expense paid on liabilities, such as deposits and short-term borrowings. Movements in interest rates and the relative levels of earning assets and interest-bearing liabilities held by the Corporation affect its net interest margin and the resulting net interest income. The net interest margin is determined by dividing fully tax-equivalent (FTE) net interest income by average total earning assets.

The Corporation's net interest income for the first quarter of 2002, on an FTE basis, was $66.5 million, an increase of $2.6 million, or 4%, over the first quarter of 2001. The Corporation's net interest margin for the quarter was 3.97%, an increase of 12 basis points over the 3.85% reported for the first quarter of last year. The Federal Reserve Board lowered short-term interest rates 11 times during 2001, reducing the discount rate to 1.25%, 475 basis points below the 6.00% at which it began the year. These rate reductions have caused both interest revenue and interest expense to decline.

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Interest revenue (FTE) for the first quarter of 2002 totaled $97.6 million, a decrease of $31.8 million, or 25%, from the $129.4 million reported for the first quarter of 2001. Interest revenue declined $34.7 million as the average rate earned on the Corporation's assets fell 199 basis points to 5.83%, while interest revenues increased $2.8 million due to a $71.2 million increase in the average level of earning assets to $6.7 billion. The Corporation's average prime lending rate (the rate at which banks lend to their most creditworthy customers) was 4.75%, 390 basis points below the 8.65% for the first quarter of 2001.

Interest expense for the first quarter of 2002 was $31.1 million, a decrease of $34.5 million, or 53%, from the $65.6 million for the first quarter of 2001. Interest expense declined $33.1 million as the average rate the Corporation paid on its interest-bearing liabilities fell 249 basis points to 2.20%. The aforementioned reductions in the discount rate by the Federal Reserve Board were responsible for this decrease. Interest expense declined an additional $1.4 million due to a $59.9 million decrease in the average level of interest-bearing liabilities to $5.67 billion. The average discount rate (the rate at which the Federal Reserve Banks lend money to their member banks) was 1.25%, compared with a corresponding average rate for the first quarter of 2001 of 5.11%. The following two tables present comparative net interest income data and a rate-volume analysis of changes in net interest income for the first quarters of 2002 and 2001, respectively.

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QUARTERLY ANALYSIS OF EARNINGS

	2002 First Quarter			
(in thousands; rates on	Average	Income/	Average	Avera

tax-equivalent basis)	balance	expense	rate	balan
Earning assets				
Federal funds sold and securities purchased under agreements to resell	$ 15,091	$ 112	2.97%	$ 17,0
U.S. Treasury and government agencies	749,269	8,891	4.85	865,5
State and municipal	17,515	378	8.95	20,2
Preferred stock	80,394	1,749	8.35	95,4
Asset-backed securities	255,142	3,757	6.05	292,9
Other	143,263	1,290	3.52	156,4
Total investment securities	1,245,583	16,065	5.23	1,430,7
Commercial, financial and agricultural	1,811,611	22,935	5.07	1,612,4
Real estate-construction	421,034	5,327	5.06	396,4
Mortgage-commercial	1,020,595	16,624	6.52	992,3
Mortgage-residential	841,819	14,910	7.08	921,7
Consumer	1,369,422	21,606	6.38	1,262,1
Total loans	5,464,481	81,402	5.98	5,185,1
Total earning assets	$ 6,725,155	97,579	5.83	$ 6,632,9
Funds supporting earning assets				
Savings	$ 348,671	216	0.25	$ 350,3
Interest-bearing demand	1,539,153	2,493	0.66	1,305,4
Certificates under $100,000	896,695	8,344	3.77	919,5
Certificates $100,000 and over	1,751,245	11,494	2.63	1,837,9
Total interest-bearing deposits	4,535,764	22,547	2.00	4,413,2
Federal funds purchased and securities sold under agreements to repurchase	918,163	5,694	2.48	993,9
U.S. Treasury demand	56,946	208	1.46	36,2
Total short-term borrowings	975,109	5,902	2.42	1,030,2
Long-term debt	160,500	2,641	6.58	168,0

Total interest-bearing Liabilities	5,671,373	31,090	2.20	5,611,4
Other noninterest funds	1,053,782	--	--	1,021,5
Total funds used to support earning assets	$ 6,725,155	31,090	1.86	$ 6,632,9
Net interest income/yield		66,489	3.97	
Tax-equivalent adjustment		(1,311)		

Net interest income	$ 65,178

Average rates are calculated using average balances based on historical cost and do not reflect the market valuation Adjustment required by Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective January 1, 1994.

RATE-VOLUME ANALYSIS OF NET INTEREST INCOME

	For the three months ended March 31,		
	2002/2001 Increase (Decrease) due to change in		
(in thousands)	1 Volume	2 Rate	Total
Interest income:			
Federal funds sold and securities purchased under agreements to resell	$ (29)	$ (105)	$ (134)
U.S. Treasury and government agencies	(1,889)	(1,912)	(3,801)
State and municipal *	(50)	90	40
Preferred stock *	(404)	26	(378)
Asset-backed securities	(675)	(66)	(741)
Other *	(192)	(1,198)	(1,390)
Total investment securities	(3,210)	(3,060)	(6,270)
Commercial, financial and agricultural *	4,016	(14,022)	(10,006)
Real estate-construction	536	(3,968)	(3,432)
Mortgage-commercial *	596	(5,229)	(4,633)
Mortgage-residential	(1,409)	(150)	(1,559)
Consumer	2,321	(8,126)	(5,805)
Total loans	6,060	(31,495)	(25,435)
Total interest income	$ 2,821	$(34,660)	$(31,839)
Interest expense:			
Savings	$ (6)	$ (1,014)	$ (1,020)
Interest-bearing demand	1,181	(5,273)	(4,092)
Certificates under $100,000	(291)	(3,119)	(3,410)
Certificates $100,000 and over	(1,313)	(15,050)	(16,363)

Total interest-bearing deposits	(429)	(24,456)	(24,885)
Federal funds purchased and securities sold under agreements to repurchase	(1,135)	(8,048)	(9,183)
U.S. Treasury demand	284	(575)	(291)
Total short-term borrowings	(851)	(8,623)	(9,474)
Long-term debt	(121)	6	(115)
Total interest expense	($ 1,401)	$(33,073)	$(34,474)
Changes in net interest income			$ 2,635

* Variances are calculated on a fully tax-equivalent basis, which includes the effects of any disallowed interest expense.

1 Changes attributable to volume are defined as change in average balance multiplied by the prior year's rate.

2 Changes attributable to rate are defined as a change in rate multiplied by the average balance in the applicable period of the prior year. A change in rate/volume (change in rate multiplied by change in volume) has been allocated to the change in rate.

NONINTEREST REVENUES AND OPERATING EXPENSES

Advisory fees for the first quarter of 2002 were $52.7 million, an increase of $9.8 million, or 18%, over the $42.9 million reported for the first quarter of last year. Revenues from private client advisory fees rose in the face of market declines, and corporate financial service fees continued to grow at double-digit rates. The percentage of operating revenues derived from these fee-based businesses continued to increase, accounting for 49.8% of operating revenues for the first quarter of 2002 compared with 48.2% for the first quarter of 2001.

(in thousands)	First Quarter 2002	% of Operating Revenues	First Quarter 2001
Net interest income	$65,178	50%	$62,201
Fee income:			
Advisory fees	52,737	41%	44,890
Service charges	6,885	5%	6,162
Other operating income	5,131	4%	6,915
Total fee income	64,753	50%	57,967

Total operating revenues	$129,931	100%	$120,168
Affiliate manager other intangibles and goodwill amortization	(82)		(2,001)
Securities gains / (losses)	0		711
Net interest and other income before loan loss provision	$129,849		$118,878

Private client advisory fees for the quarter were $30.4 million, an increase of $4.0 million, or 15%, over the $26.4 million for the first quarter of last year. This increase in revenues occurred in the face of declines in the major market indices that ranged from 6% to 24% lower than the year-ago first quarter. The Dow Jones Industrial Average was down 6.6%, while the S&P 500 was down 14.9% and the Nasdaq Composite Index was down 24.06%. Approximately 70% of the private client advisory fees are tied to securities valuations.

Corporate financial services revenues for the quarter were $14.5 million, an increase of $2.2 million, or 18%, over the $12.3 million for the first quarter of last year. Revenues were $6.8 million from the corporate trust business, which includes capital markets and large equipment leasing trusts. This was an increase of $1.9 million, or 40%, over the $4.8 million for the first quarter of last year. The majority of corporate financial services revenue is generated on a fee-for-service basis. The remainder, approximately 24%, is tied to asset valuations.

Revenues from our affiliate asset managers reached $7.9 million, a $1.7 million, or 27%, increase over the $6.2 million for the first quarter of 2001. Several factors contributed to this increase. Fees from Cramer Rosenthal McGlynn were $1.7 million, or 94%, higher than for the first quarter of last year, as the strength of value-style investing generated strong appreciation in the portfolio. Fees from growth-style affiliate Roxbury Capital Management were $4.3 million, 1% below those for the first quarter of last year, from their year-ago levels, despite an increase in the Corporation's equity interest in the firm. These fees included certain annual performance-based fees associated principally with hedge fund activity that exceeded estimates. Market conditions continue to hamper the Corporation's ability to grow its assets under management.

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Assets under management (in billions)

	March 31, 2002	December 31, 2001	March 31, 2001
Wilmington Trust	$25.0	$24.6	$25.5
Roxbury Capital Management	$6.9	$7.7	$9.0
Cramer Rosenthal McGlynn	$5.1	$4.6	$3.6
Totals	$37.0	$36.9	$38.1

Service charges on deposit accounts for the quarter were $6.9 million, a $723,000, or 12%, increase over the $6.2 million for the first quarter of 2001 due to increased rates.

Other operating income for the quarter was $846,000, $2.2 million, or 72%, below the $3.0 million for the first quarter of 2001. Year-ago income from asset dispositions included a $1.8 million gain on the disposition of real estate.

Operating expenses for the quarter were $75.3 million, an increase of $7.2 million, or 11%, over the $68.1 million for the first quarter of last year. Each category of expense includes expenses associated with the consolidation of the results of Balentine Holdings with the Corporation for the first quarter of 2002. Personnel expenses were $47.0 million, an increase of $4.1 million, or 10%, over the $42.9 million for the first quarter of a year ago. Salaries, incentives and bonuses of $38.6 million, an increase of 10%, contributed $3.5 million of this increase. Employment benefits expenses increased $627,000, or 8%, due to higher health insurance costs and pension expense. Net occupancy and furniture and equipment costs were $4.6 million and $6.6 million, respectively. These reflect the opening of new offices in Atlanta and Baltimore and the relocation of the Corporation's West Palm Beach office. Other operating expense for the quarter was $15.7 million, an increase of $1.5 million, or 10%, over the first quarter of last year. This increase included higher servicing and consulting expense. First quarter 2002 results also reflect the elimination of $1.9 million of goodwill amortization expense.

The provision for income taxes for the first quarter of 2002 was $17.1 million, a $1.6 million, or 11%, increase over the provision for the first quarter of last year. Federal income tax expense was $15.6 million, an increase of $827,000, or 6%, over the $14.8 million for the first quarter of a year ago. State income tax expense was $1.5 million, a increase of $220,000, or 17%. The Corporation's effective tax rate for the quarter was 34.8%, compared with 34.0% for the first quarter of 2001 due to an increase in pretax income.

LIQUIDITY

A financial institution's liquidity represents its ability to meet, in a timely manner, cash flow requirements that may arise from increases in demand for loans and other assets or from decreases in deposits or other funding sources. Liquidity management, therefore, contains both asset and liability components. The maturity and marketability of loans and investments provide liquidity, along with time deposits at other banks, federal funds sold and securities purchased under agreements to resell. Liquidity also results from the Corporation's internally generated capital, core deposits, large certificates of deposit, federal funds purchased, securities sold under agreements to repurchase and other credit facilities. In the first quarter of 2002, the proportion of funding provided by core deposits - demand deposits, interest-bearing demand deposits and certificates of deposit - was stable when compared to last year. Since average total assets were stable year-to-year, funding sources also were stable, with the relative proportions of core deposits and short-term borrowings (principally federal funds purchased and securities sold under agreements to repurchase) virtually unchanged. The Corporation is a guarantor of 57% - its ownership interest - of three obligations of its affiliate, Cramer Rosenthal McGlynn. The guaranty is for two lines of credit totaling $8 million, at LIBOR plus 2%, which expire December 8, 2002. The third credit facility is a $2 million amortizing term loan, at LIBOR plus 2%, the balance of which was $667,000 at March 31, 2002. Management continuously monitors the Corporation's existing and projected liquidity requirements. The Corporation believes that its acceptance in the national markets will permit it to obtain additional funding if the need arises in the future. The Bank is a member of the Federal Home Loan Bank of Pittsburgh, which provides an additional source of funds.

ASSET QUALITY AND LOAN LOSS PROVISION

The Corporation's provision for loan losses for the first quarter was $5.3

million. This was unchanged from the amount provided for the first quarter of 2001. The reserve for loan losses at March 31, 2002 was $81.8 million, an increase of $1.0 million, or 1%, over the $80.8 million at December 31, 2001. The reserve at quarter-end as a percentage of loans outstanding was 1.48%, an increase of one basis point over the 1.47% reported at year-end 2001. Net chargeoffs for the quarter were $4.3 million, an increase of $149,000, or 4%, over the $4.1 million reported for the first quarter of 2001. Loans past due 90 days or more, nonaccrual loans and restructured loans at March 31, 2002 totaled $41.3 million. This represented a decrease of $10.6 million, or 20%, from the $51.9 million reported at year-end 2001. Loans past due 90 days or more at quarter-end totaled $7.0 million, down $6.5 million, or 48%, from year-end 2001. Nonaccrual loans at quarter-end were $33.9 million, $4.1 million, or 11%, below the $38.0 million of nonaccrual loans at year-end 2001. At March 31, 2002, $369,000 of loans were classified as restructured, compared with $375,000 of loans at year-end 2001. Other real estate owned (OREO) at quarter-end was $504,000, up $106,000, or 27%, over the $398,000 at year-end 2001. The overall level of nonperforming loans at the end of the first quarter of 2002 decreased $4.0 million, or 10%, to $34.4 million.

The following table presents risk elements in the Corporation's loan portfolio:

(in thousands)	March 31, 2002	December 31, 2001	March 31, 2001
Nonaccruing loans	$33,932	$38,016	$40,015
Past due 90 days or more	6,981	13,524	8,476
Total	$40,913	$51,540	$48,491
Percent of loans at period-end	.75%	.94%	.94%
Other real estate owned	$504	$398	$578

Continued slow economic conditions or any further deterioration in markets the Corporation serves may further impair the ability of some borrowers to repay their loans in full on a timely basis. In that event, management would expect increased levels of nonperforming assets, credit losses and provisions for loan losses. To minimize the likelihood and impact of such conditions, management continually monitors the entire loan portfolio to identify potential problem loans and avoid disproportionately high concentrations of loans to individual borrowers and industries. An integral part of this process is a regular analysis of all past due loans. At March 31, 2002, loans past due 90 days or more totaled $7.0 million, approximately 58% of which were in the Corporation's commercial loan portfolio, 27% of which were in the residential mortgage loan portfolio and 15% of which were in the consumer loan portfolio. The corresponding ratios at December 31, 2001 were 68%, 23% and 9%, respectively. As a result of the Corporation's ongoing monitoring of its loan portfolios, at March 31, 2002, management identified approximately $64.6 million of loans about which serious doubt exists as to the borrowers' ability to continue to repay their loans on a timely basis. These loans are either currently performing in accordance with their terms or are less than 90 days past due. This compares with the $60.6 million of loans at year-end 2001 about which the Corporation had serious doubt.

In light of the current levels of past due, non-accrual and problem loans, management believes that the Corporation's reserve for loan losses is a reasonable estimate of the known and inherent losses in the loan portfolio. The Corporation's loan loss reserve methodology is sound and has provided an appropriate level of reserve adequacy over an extended period of time. The Corporation's reserve is reflective of estimated credit losses for specifically identified and estimated probable losses inherent in the remainder of the portfolio based on loan type and risk rating classification. The methodology includes an analysis of the business climate and the estimated effect on credit losses, which is the basis for an unallocated portion of the reserve assessment. The business climate includes shifts in current market conditions, loan growth in the Corporation's expansion markets, the average loan size and complexity within the portfolio, trends in delinquent payment performance, the direction of risk rating migration within the portfolio, the level of serious doubt loans, the impact of litigation and trends in bankruptcy

filings. The unallocated and allocated portions of the reserve are reassessed quarterly during the regular application of the reserve methodology. At March 31, 2002, approximately $6.3 million, or 8%, of the reserve for loan losses was unallocated. This amount was unchanged from the amount of the reserve that was unallocated at year-end 2001. Loan growth has been addressed through the allocation of reserves to the new loans within the parameters of the reserve methodology. While the serious doubt level has risen, delinquency trends have declined from year-end. The percentage of loans carrying a pass rating remained high, at 95%.

CAPITAL RESOURCES

Management continues to review the Corporation's capital position and make adjustments as needed to assure that the Corporation's capital base is sufficient to satisfy existing and impending regulatory requirements, as well as to meet appropriate standards of safety and provide for future growth. The Corporation's capital increased in the first quarter of 2002 due primarily to increased earnings and the issuance of shares in the acquisition of Balentine Holdings. The Corporation's annualized capital generation rate for the first quarter was 9.6%, a decrease from the 10.75% reported for 2001. First quarter earnings for 2002 of $32.1 million, net of $15.7 million in cash dividends, added $16.4 million to the Corporation's capital. An additional $8.8 million was provided by the issuance of shares in the acquisition of Balentine Holdings. The decline in the market value of the Corporation's available-for-sale investment portfolio reduced equity by $4.0 million, while the acquisition of treasury stock reduced equity further by $7.5 million.

The Federal Reserve Board's risk-based capital guidelines establish the minimum levels of capital for a bank holding company. The guidelines are intended to reflect the varying degrees of risk associated with different balance sheet and off-balance-sheet items. The Corporation has reviewed its balance sheet and off-balance-sheet items and calculated its capital position under the risk-based capital guidelines. At March 31, 2002, the Corporation's total risk-based capital ratio was 11.18%, compared with 11.16% reported at year-end 2001. The Corporation's Tier 1 risk-based capital ratio at that date was 7.83%, compared with 7.78% reported at year-end 2001, and its Tier 1 leverage capital ratio was 6.50%, compared with 6.49% reported at year-end 2001. Each of these ratios exceeded the minimum levels required for adequately capitalized institutions of 8%, 4% and 4%, respectively, as well as the levels required for well-capitalized institutions of 10%, 6% and 5%, respectively.

In April 2002, the Corporation's Board of Directors increased the quarterly dividend to $0.51 per share. This marked the twenty-first consecutive year of increased cash dividends. In addition, the Board of Directors declared a two-for-one stock split in the form of a 100% stock dividend, payable on June 17, 2002 to stockholders of record on June 3, 2002.

In April 2002, the Corporation's Board of Directors also authorized a new 4,000,000-share buyback program that will commence at the completion of its current program, which has 158,739 shares remaining. At March 31, 2002, 3,841,261 shares had been bought under the current program at a cost of $190.7 million.

INFLATION

The Corporation's asset and liability structure is substantially different from that of an industrial company, since virtually all assets and liabilities of a financial institution are monetary in nature. Accordingly, changes in interest rates may have a significant impact on a bank holding company's performance. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. The impact of inflation on a bank holding company's financial performance, therefore, is indeterminable.

OTHER INFORMATION

On April 23, 2002, the Corporation acquired SPV Management Limited, a leading European supplier of management services that support structured finance and asset securitization transactions. Headquartered in London, SPV Management has offices in Dublin and Milan, and provides services to companies in Luxembourg and

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the Netherlands. The acquisition is expected to complement the Corporation's specialized corporate financial services and strengthen its ability to serve its international client base.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Net interest income is an important determinant of the Corporation's financial performance. Through management of its interest rate sensitivity exposure, the Corporation seeks to maximize the growth of net interest income on a consistent basis by minimizing the effects of fluctuations associated with changing market interest rates.

The Corporation employs simulation models to measure the effect of variations in interest rates on net interest income. The composition of assets, liabilities and off-balance-sheet instruments and their respective repricing and maturity characteristics, as well as certain external factors such as the level of market interest rates, are evaluated in assessing the Corporation's exposure to changes in interest rates.

Net interest income is projected using multiple interest rate scenarios. The results are compared to net interest income projected using stable interest rates. The Corporation's model generally employs interest rate scenarios in which interest rates gradually move up or down 250 basis points over one year. As of March 31, 2002, the declining rate scenario would gradually move down 175 basis points until the federal funds rate equals zero. This change ensures that negative rates are not created within the simulation model. The rising rate scenario remains unchanged and would gradually increase 250 basis points. The simulation model projects, as of March 31, 2002, that a gradual 250 basis point increase in market interest rates would increase net interest income by 3.5% over a one-year period. This compares to an increase of 2.57% as measured at March 31, 2001. If interest rates were to decrease gradually 175 basis points, the simulation model projects, as of March 31, 2002, that net interest income would decrease 5.38% over a one-year period. This compares to a decrease of 5.18% the simulation projected would occur on a gradual 250-basis-point decline in market interest rates as measured at March 31, 2001. The movement in the rate sensitivity measurements over the past year has been driven by several changes. The relative proportion of fixed-rate and floating-rate assets has shifted, as loans matured or were repaid and mortgages sold, while new loans were originated that had a floating interest rate. In addition, the change in the absolute level of short-term interest rates affects the simulation results. For example, the rates currently offered on retail deposits are at historically low levels. This means that they are unlikely to adjust given any additional rate declines. The Corporation's objective is to keep any interest rate imbalance from reducing net interest income by 10% or more within a one-year period, as projected by its simulation model. If it is determined that a course of action is necessary based on the simulation model, strategies will be developed and presented to the Corporation's Board of Directors.

The preceding paragraph contains certain forward-looking statements regarding the anticipated effects on the Corporation's net interest income resulting from hypothetical changes in market interest rates. The assumptions that the Corporation uses regarding the effects of changes in interest rates on the adjustment of retail deposit rates and the prepayment of residential mortgages, asset-backed securities and collateralized mortgage obligations play a significant role in the results the simulation model projects. Rate and prepayment assumptions used in the Bank's simulation model differ for both assets and liabilities in rising as compared to declining interest rate environments. Nevertheless, these assumptions are inherently uncertain and, as a result, the simulation model cannot predict precisely the impact of changes in interest rates on net interest income. Management reviews the Corporation's exposure to interest rate risk regularly, and may employ a variety of strategies as needed to adjust its sensitivity. This includes changing the relative proportions of fixed-rate and floating-rate assets and liabilities, changing the number and maturity of funding sources and asset securitizations and utilizing derivative contracts such as interest rate swaps and interest rate floors.

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Part II. Other Information

Item 1 - Legal Proceedings

Not Applicable

Item 2 - Change In Securities and Use of Proceeds

On January 2, 2002, the Corporation issued to a total of nine individuals 141,496 shares of its common stock as the initial installment of the purchase price for Balentine Holdings. Additional installments will be payable in 2004, 2005, 2006 and 2007. These shares were issued in reliance on the exemption provided by Section 4(2) under the Securities Act of 1933, and their resale has subsequently been registered on Form S-3 filed with the Securities and Exchange Commission effective January 14, 2002.

On February 11, 2002, the Corporation issued to a total of 13 individuals not full-time employees of the Corporation non-statutory stock options to acquire a total of 23,500 shares of its stock at an exercise price of $65.97 per share. These options are first exercisable three years after grant and terminate ten years after grant, and were issued under the Corporation's 1999 Long-Term Incentive Plan in reliance on the exemption provided by Section 4(2) under the Securities Act of 1933. The proceeds from the exercise of these options will be used for general corporate purposes. The shares underlying the options are anticipated to be registered on Form S-3 to be filed with the Securities and Exchange Commission.

Item 3 - Defaults Upon Senior Securities

Not Applicable

Item 4 - Submission of Matters to a Vote of Security Holders

At the Corporation's Annual Shareholders' Meeting held on April 18, 2002 (the "Annual Meeting"), the nominees for directors of the Corporation proposed were elected. The votes cast for those nominees were as follows:

	For	Withheld
Carolyn S. Burger	26,759,035	447,818
Robert V. A. Harra, Jr.	27,089,967	116,886
Rex L. Mears	26,942,936	263,917
Robert W. Tunnell, Jr.	27,058,287	148,566

In addition, at the Annual Meeting, the Corporation's shareholders approved the Corporation's 2002 Long-Term Incentive Plan. That plan, designed primarily to assist the Corporation in attracting and retaining highly competent officers, other key employees and directors, is for a term of three years and authorizes the issuance of up to 2,000,000 shares of the Corporation's common stock. The vote in favor of that plan was as follows:

For	Against	Abstain	Broker Non-Vote
20,208,078	2,262,800	254,220	4,481,755

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Item 5 - Other Information

Not Applicable

Item 6 - Exhibits and Reports on Form 8-K

The Corporation filed a report on Form 8-K on April 25, 2002 reporting certain developments under Item 5.

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Signatures

Pursuant to the requirements 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.

Date: May 15, 2002

/s/ David R. Gibson

Name: David R. Gibson
Title: Executive Vice President and Chief Financial Officer

(Authorized Officer and Principal Financial Officer)