

Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

WILMINGTON TRUST CORP  
Form 10-Q  
November 09, 2006

2006 Q3 10-Q #5

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

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)

NONE

(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

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

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 by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12-b-2 of the Exchange Act.

[X] Large Accelerated Filer    [ ] Accelerated Filer    [ ] Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [X] No

### APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. [ ] Yes [ ] No

### APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class -----	Outstanding as of September 30, 2006 -----
COMMON STOCK - PAR VALUE \$1.00	68,431,543

2006 Q3 10-Q #5

### WILMINGTON TRUST CORPORATION AND SUBSIDIARIES

### THIRD QUARTER 2006 FORM 10-Q

### TABLE OF CONTENTS

	PAGE -----
PART I. FINANCIAL INFORMATION	
Item 1 Financial Statements (unaudited)	
Consolidated Statements of Condition	1
Consolidated Statements of Income	3
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	7
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3 Quantitative and Qualitative Disclosures About Market Risk	70

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Item 4	Controls and Procedures	76
PART II. OTHER INFORMATION		
Item 1	Legal Proceedings	77
Item 1A	Risk Factors	77
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	77
Item 3	Defaults upon Senior Securities	78
Item 4	Submission of Matters to a Vote of Security Holders	78
Item 5	Other Information	78
Item 6	Exhibits	78

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

## ITEM 1. FINANCIAL STATEMENTS

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

(In millions, except share amounts)	September 30, 2006	December 31, 2005
<hr/>		
ASSETS		
Cash and due from banks	\$ 268.4	\$ 264.0
Federal funds sold and securities purchased under agreements to resell	38.4	14.3
Investment securities available for sale:		
U.S. Treasury	230.8	161.1
Government agencies	533.0	410.8
Obligations of state and political subdivisions	7.8	9.0
Other securities	1,208.8	1,345.4
Total investment securities available for sale	1,980.4	1,926.3
Investment securities held to maturity:		
Obligations of state and political subdivisions (market values of \$1.7 and \$2.1, respectively)	1.6	2.0
Other securities (market values of \$0.3 and \$0.5, respectively)	0.3	0.5
Total investment securities held to maturity	1.9	2.5
Loans:		
Commercial, financial, and agricultural	2,378.1	2,461.3

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Real estate - construction	1,610.9	1,233.9
Mortgage - commercial	1,254.5	1,223.9
<hr/>		
Total commercial loans	5,243.5	4,919.1
<hr/>		
Mortgage - residential	518.7	455.5
Consumer	1,489.7	1,438.3
Secured with liquid collateral	528.3	584.8
<hr/>		
Total retail loans	2,536.7	2,478.6
<hr/>		
Total loans net of unearned income	7,780.2	7,397.7
Reserve for loan losses	(93.6)	(91.4)
<hr/>		
Net loans	7,686.6	7,306.3
<hr/>		
Premises and equipment, net	151.6	147.6
Goodwill, net of amortization	291.1	348.3
Other intangible assets, net of amortization	38.8	36.2
Accrued interest receivable	63.9	54.5
Other assets	176.1	132.8
<hr/>		
Total assets	\$10,697.2	\$10,232.8
<hr/>		

1

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

	September 30, 2006	December 31, 2005
<hr/>		
(In millions, except share amounts)		
<hr/>		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 861.3	\$ 1,014.8
Interest-bearing:		
Savings	292.5	326.3
Interest-bearing demand	2,417.5	2,360.0
Certificates under \$100,000	995.5	923.0
Local CDs \$100,000 and over	574.7	436.5
<hr/>		
Total core deposits	5,141.5	5,060.6
National CDs \$100,000 and over	2,742.7	2,228.6
<hr/>		
Total deposits	7,884.2	7,289.2
<hr/>		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	1,146.7	1,355.6
U.S. Treasury demand	7.0	18.1
Line of credit	15.0	--

Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Total short-term borrowings	1,168.7	1,373.7
Accrued interest payable	77.1	45.7
Other liabilities	107.4	105.9
Long-term debt	395.2	400.4
Total liabilities	9,632.6	9,214.9
Minority interest	0.3	0.2
Stockholders' equity:		
Common stock (\$1.00 par value) authorized		
150,000,000 shares; issued 78,528,346	78.5	78.5
Capital surplus	165.8	145.0
Retained earnings	1,104.5	1,071.7
Accumulated other comprehensive loss	(18.6)	(21.8)
Total contributed capital and retained earnings	1,330.2	1,273.4
Less: Treasury stock, at cost, 10,096,803 and		
10,625,067 shares, respectively	(265.9)	(255.7)
Total stockholders' equity	1,064.3	1,017.7
Total liabilities and stockholders' equity	\$10,697.2	\$10,232.8

See Notes to Consolidated Financial Statements

2

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

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

	For the three months ended September 30,		For the nine months ended September 30,	
(In millions, except share amounts)	2006	2005	2006	2005
NET INTEREST INCOME				
Interest and fees on loans	\$152.6	\$114.3	\$427.6	\$311.8
Interest and dividends on investment securities:				
Taxable interest	20.5	18.6	59.7	52.9
Tax-exempt interest	0.1	0.1	0.4	0.5
Dividends	1.5	1.4	4.5	4.5
Interest on federal funds sold and securities purchased under agreements to resell	0.3	0.5	0.7	0.7

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Total interest income	175.0	134.9	492.9	370.4
Interest on deposits	61.8	36.5	164.0	89.4
Interest on short-term borrowings	13.5	9.2	38.6	24.7
Interest on long-term debt	6.7	5.5	19.6	14.9
Total interest expense	82.0	51.2	222.2	129.0
Net interest income	93.0	83.7	270.7	241.4
Provision for loan losses	(6.6)	(2.9)	(14.8)	(9.8)
Net interest income after provision for loan losses	86.4	80.8	255.9	231.6
NONINTEREST INCOME				
Advisory fees:				
Wealth Advisory Services:				
Trust and investment advisory fees	33.0	32.7	100.4	92.9
Mutual fund fees	5.3	4.4	15.0	13.2
Planning and other services	8.8	6.4	25.1	23.3
Total Wealth Advisory Services	47.1	43.5	140.5	129.4
Corporate Client Services:				
Capital markets services	8.2	8.3	25.4	23.7
Entity management services	6.8	5.7	19.8	17.5
Retirement services	3.4	3.2	9.8	9.1
Investment/cash management services	2.7	1.9	7.3	5.4
Total Corporate Client Services	21.1	19.1	62.3	55.7
Cramer Rosenthal McGlynn	4.6	3.4	14.1	11.8
Roxbury Capital Management	--	0.3	1.1	0.8
Advisory fees	72.8	66.3	218.0	197.7
Amortization of affiliate other intangibles	(1.1)	(1.0)	(3.1)	(3.1)
Advisory fees after amortization of affiliate other intangibles	71.7	65.3	214.9	194.6
Service charges on deposit accounts	7.3	7.4	21.1	20.9
Loan fees and late charges	2.1	2.0	5.9	5.3
Card fees	2.4	2.0	6.7	6.0
Other noninterest income	1.0	3.0	5.0	5.9
Securities gains	0.1	--	--	0.8
Total noninterest income	84.6	79.7	253.6	233.5
Net interest and noninterest income	171.0	160.5	509.5	465.1

Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

	For the three months ended September 30,		For the nine months ended September 30,	
(in millions, except share amounts)	2006	2005	2006	2005
<hr/>				
NONINTEREST EXPENSE				
Salaries and wages	39.5	35.4	114.1	103.3
Incentives and bonuses	8.9	9.3	29.5	29.1
Employment benefits	11.4	11.6	36.8	35.8
Net occupancy	6.7	5.5	19.0	16.3
Furniture, equipment, and supplies	9.2	8.7	28.2	26.3
Advertising and contributions	2.2	2.4	6.2	6.6
Servicing and consulting fees	2.8	2.3	7.5	7.3
Subadvisor expense	2.7	2.7	8.4	6.9
Travel, entertainment, and training	2.5	2.6	7.0	6.2
Originating and processing fees	2.8	2.8	8.0	7.7
Legal and auditing fees	1.7	1.6	4.9	5.2
Impairment write-down	72.3	--	72.3	--
Other noninterest expense	8.2	8.6	24.9	24.9
<hr/>				
Total noninterest expense	170.9	93.5	366.8	275.6
<hr/>				
NET INCOME				
Income before income taxes and minority interest	0.1	67.0	142.7	189.5
Income tax (benefit)/expense	(5.0)	24.1	46.3	68.8
<hr/>				
Net income before minority interest	5.1	42.9	96.4	120.7
Minority interest	(0.1)	0.1	0.1	0.2
<hr/>				
Net income	\$ 5.2	\$ 42.8	\$ 96.3	\$ 120.5
<hr/>				
Net income per share:				
Basic	\$ 0.08	\$ 0.63	\$ 1.41	\$ 1.78
<hr/>				
Diluted	\$ 0.07	\$ 0.62	\$ 1.38	\$ 1.76
<hr/>				
Weighted average shares outstanding:				
Basic (000s)	68,647	67,788	68,399	67,630
Diluted (000s)	69,933	68,699	69,716	68,440

See Notes to Consolidated Financial Statements

Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

	For the nine months ended September 30,	
(In millions)	2006	2005
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 96.3	\$ 120.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	14.8	9.8
Provision for depreciation and other amortization	15.0	14.5
Impairment write-down	72.3	--
Amortization of other intangible assets	4.0	4.0
Minority interest in net income	0.1	0.2
Amortization of investment securities available for sale discounts and premiums	0.9	3.1
Deferred income taxes	(11.8)	(0.1)
Employer pension contribution	(15.0)	(25.0)
Originations of residential mortgages available for sale	(62.4)	(79.1)
Gross proceeds from sales of residential mortgages	63.0	80.3
Gains on sales of residential mortgages	(0.6)	(1.2)
Securities gains	--	(0.8)
Tax benefits realized from stock-based awards	(4.3)	(0.2)
Increase in interest rate floor contracts	(19.9)	--
Increase in other assets	(25.0)	(17.0)
Increase in other liabilities	46.5	21.7
Net cash provided by operating activities	173.9	130.7
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales of investment securities available for sale	21.2	27.2
Proceeds from maturities of investment securities available for sale	660.7	397.8
Proceeds from maturities of investment securities held to maturity	0.6	0.5
Purchases of investment securities available for sale	(732.4)	(561.8)
Purchases of investment securities held to maturity	--	(0.1)
Cash paid for purchase of subsidiary	(2.6)	(0.6)
Investment in affiliate	(15.9)	--
Purchase of client list	(0.6)	--
Purchases of residential mortgages	(10.7)	(7.6)
Net increase in loans	(384.4)	(528.3)
Purchases of premises and equipment	(20.3)	(11.9)
Dispositions of premises and equipment	1.6	0.8
Net cash used for investing activities	(482.8)	(684.0)



Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

	For the nine months ended September 30,	
(In millions)	2006	2005
FINANCING ACTIVITIES		
Net decrease in demand, savings, and interest-bearing demand deposits	(129.8)	(205.8)
Net increase in certificates of deposit	724.8	882.8
Net decrease in federal funds purchased and securities sold under agreements to repurchase	(208.9)	(15.8)
Net decrease in U.S. Treasury demand	(11.1)	(24.2)
Net increase in Line of credit	15.0	--
Cash dividends	(63.5)	(59.9)
Distributions to minority shareholders	--	(0.1)
Proceeds from common stock issued under employment benefit plans	35.4	16.9
Tax benefits realized from stock-based awards	4.3	0.2
Payments for common stock acquired through buybacks	(29.1)	(1.7)
Net cash provided by financing activities	337.1	592.4
Effect of foreign currency translation on cash	0.3	(0.2)
Increase in cash and cash equivalents	28.5	38.9
Cash and cash equivalents at beginning of period	278.3	311.9
Cash and cash equivalents at end of period	\$ 306.8	\$ 350.8

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the period for:		
Interest	\$ 190.7	\$ 112.7
Taxes	79.9	54.4

Liabilities were assumed in conjunction with the acquisition of PwC Corporate Services (Cayman) Limited; Cramer Rosenthal McGlynn, LLC; GTBA Holdings, Inc.; and Wilmington Trust SP Services (London) Limited as follows:

Book value of assets acquired	\$ 0.3	\$ 0.1
Goodwill and other intangible assets from acquisitions	19.7	8.2
Fair value of assets acquired	20.0	8.3
Cash paid	(19.1)	(0.6)
Liabilities assumed	\$ 0.9	\$ 7.7

See Notes to Consolidated Financial Statements

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

#### NOTE 1 - ACCOUNTING AND REPORTING POLICIES

We have prepared the accompanying consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), and with practices generally accepted within the banking industry. We maintain our accounting records and prepare our financial statements using the accrual basis of accounting. We have applied our critical accounting policies and estimation methods consistently in all periods presented, and we have discussed these policies with our Audit Committee. Our critical accounting policies preclude us from choosing among alternative methods of accounting.

The information for interim periods, such as the period covered by this report, is unaudited, and includes all adjustments of a normal recurring nature that we believe are necessary for fair presentation. We have reclassified certain prior-year amounts to conform to the current-year presentation.

Our consolidated financial statements include the accounts of Wilmington Trust Corporation (Corporation); Wilmington Trust Company (WTC); Wilmington Trust of Pennsylvania; Wilmington Trust FSB; WT Investments, Inc. (WTI); Rodney Square Management Corporation; Wilmington Trust (UK) Limited; Wilmington Trust Investment Management, LLC; GTBA Holdings, Inc.; Wilmington Trust CI Holdings Limited; and WTC's subsidiaries. We eliminate intercompany balances and transactions in consolidation.

In the course of applying our critical accounting policies, we make subjective judgments, estimates, and assumptions about uncertainties and trends. These estimates affect the reported amounts of assets and liabilities; the 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. We make estimates concerning revenue recognition, the reserve for loan losses, stock-based employee compensation, affiliate fee income, impairment of goodwill, loan origination fees, and mortgage servicing assets. We evaluate these estimates on an ongoing basis.

The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and range of possible outcomes. Actual circumstances that differ significantly from our judgments and estimates could have a material impact on our financial results. Our financial results could be affected by, among other things, changes in national or regional economic conditions; changes in market interest rates; significant changes in banking laws or regulations; the impact of accounting pronouncements; increased competition for business; higher-than-expected credit losses; the effects of acquisitions; the effects of integrating acquired entities; a substantial and permanent loss of either client accounts and/or assets under management at Wilmington Trust and/or our affiliate money managers, Cramer Rosenthal McGlynn and Roxbury Capital Management; unanticipated changes in the regulatory, judicial, legislative, or tax treatment of business transactions; and uncertainty created by unrest in other parts of the world.

The consolidated financial statements presented in this report should be read in conjunction with the "Consolidated Financial Statements" and the "Notes to Consolidated Financial Statements" in our 2005 Annual Report to Shareholders.

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

NOTE 2 - STOCK-BASED COMPENSATION PLANS

We offer a long-term stock-based incentive plan, an executive incentive plan, and an employee stock purchase plan, as described below. The Compensation Committee and the Select Committee of our Board of Directors administer these plans.

- Long-term stock-based incentive plans. Under our 2005 long-term incentive plan, we may grant incentive stock options, nonstatutory stock options, restricted stock, and other stock-based awards to officers, other key staff members, directors, and advisory board members for up to 4 million shares of common stock. Under this plan and its predecessors, the exercise price of each option equals the last sale price of our common stock on the date of the grant. Options are subject to a vesting period, which is normally three years (or such other term as our Compensation Committee or Select Committee may determine). Options have a maximum term of 10 years.
- Executive incentive plan. Our 2004 executive incentive plan, which was approved by shareholders on April 15, 2004, authorizes cash bonuses and the issue of up to 300,000 shares of our common stock with a par value of \$1.00 per share. The stock awards we have granted under this plan are for restricted stock and are subject to vesting at the sole discretion of the Compensation Committee.
- Employee stock purchase plan. Under our employee stock purchase plan, substantially all staff members may purchase our common stock at the beginning of the stock purchase plan year through payroll deductions of up to 10% of their annual base pay, or \$21,250, whichever is less. Plan participants may terminate their participation at any time. The price per share is 85% (or such greater percentage as our Compensation Committee may determine) of the stock's fair market value at the beginning of the plan year.

When option recipients exercise their options, we issue shares and record the proceeds as additions to capital. When restricted stock grants are forfeited before they vest, we reacquire the shares, hold them in our treasury, and use them to grant new awards. The stock-based compensation expense we record includes estimates of forfeitures. When stock option or restricted stock awards vest, we adjust both retained earnings and stock-based compensation expense to reflect actual forfeitures that occurred prior to the vesting date.

For the employee stock purchase plan, we record stock-based compensation expense that represent the fair value of plan participants' options to purchase shares, amortized over the plan's fiscal year.

At September 30, 2006, we held approximately 10.1 million shares of our stock in our treasury. This is more than adequate to meet the share requirements of our current stock-based compensation plans. We may repurchase additional shares under our current 8-million-share repurchase program, which commenced in April 2002. As of September 30, 2006, there were 6,649,923 shares available for repurchase under this program.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Prior to January 1, 2006, we accounted for stock-based compensation expense under the intrinsic value method permitted by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The intrinsic value method limited the compensation expense to the excess of a stock option's market price on its grant date over the option's exercise price. Since the stock options we award have exercise prices equal to market values on the grant date, there was no excess, and we recognized no stock-based compensation expense in our income statement.

Prior to January 1, 2006, in accordance with the fair value provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," we provided pro forma disclosures of our stock-based compensation expense as if we had followed the fair value approach.

Effective January 1, 2006, we adopted SFAS No. 123 (revised), "Share-Based Payment," using the modified retrospective method. SFAS No. 123 (revised) requires us to recognize the expense, or fair value, in our income statement of stock-based compensation and stock option awards over their vesting periods. The vesting period is the

8

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

amount of time after the grant of stock-based compensation and/or stock option awards that recipients must remain employed by us before they may exercise their options and/or realize such compensation.

Our decision to use the modified retrospective method of adopting SFAS No. 123 (revised) required us to adjust our financial results back to 1995, the effective date of SFAS No. 123.

The following tables present other information about stock-based compensation awards.

(In millions)	For the three months ended		For the nine months ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Compensation expense	\$1.7	\$1.7	\$5.1	\$5.1
Tax benefit	0.6	0.1	1.8	1.8
Net income effect	\$1.1	\$1.6	\$3.3	\$3.3

### STOCK OPTION AWARDS

	Weighted	Weighted average	Aggregated intrinsic value
--	----------	------------------	----------------------------

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Stock option activity for the three months ended September 30, 2006	Stock options	average exercise price	remaining contractual term	value opt outstand
Outstanding at July 1, 2006	6,493,846	\$33.11		
Granted	41,736	42.72		
Exercised	(272,510)	35.73		
Expired	(1,300)	27.86		
Forfeited	(44,415)	36.93		
Outstanding at September 30, 2006	6,217,357	\$33.35	6.4 years	\$5.89
Exercisable at September 30, 2006	3,339,608	\$29.28	4.6 years	\$5.44

Stock option activity for the three months ended September 30, 2005	Stock options	Weighted average exercise price	Weighted average remaining contractual term	Aggreg intrin value opt outstand
Outstanding at July 1, 2005	6,444,056	\$30.47		
Granted	19,100	36.62		
Exercised	(97,391)	27.86		
Expired	--	--		
Forfeited	(52,450)	30.82		
Outstanding at September 30, 2005	6,313,315	\$30.53	6.8 years	\$5.47
Exercisable at September 30, 2005	2,999,073	\$28.54	4.9 years	\$5.32

9

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Stock option activity for the nine months ended September 30, 2006	Stock options	Weighted average exercise price	Weighted average remaining contractual term	Aggrega intrinsic value p opti outstandi
Outstanding at January 1, 2006	6,335,292	\$30.56		
Granted	998,202	43.19		
Exercised	(1,026,890)	27.21		
Expired	(2,100)	27.38		
Forfeited	(87,147)	35.87		

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Outstanding at September 30, 2006	6,217,357	\$33.35	6.4 years	\$5.89
Exercisable at September 30, 2006	3,339,608	\$29.28	4.6 years	\$5.44

Stock option activity for the nine months ended September 30, 2005	Stock options	Weighted average exercise price	Weighted average remaining contractual term	Aggrega intrinsic value p opti outstandi
---	---------------	--	---	--

Outstanding at January 1, 2005	5,862,054	\$29.70		
Granted	969,321	33.98		
Exercised	(330,935)	25.49		
Expired	--	--		
Forfeited	(187,125)	31.00		

Outstanding at September 30, 2005	6,313,315	\$30.53	6.8 years	\$5.47
Exercisable at September 30, 2005	2,999,073	\$28.54	4.9 years	\$5.32

	For the three months ended		For the nine months ended	
Options exercised (dollars in millions)	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005

Number of options exercised	272,510	97,391	1,026,890
Total intrinsic value of options exercised	\$ 1.4	\$ 0.5	\$ 4.7
Cash received from options exercised	\$ 9.8	\$ 4.7	\$ 35.4
Tax deduction realized from options exercised	\$ 1.4	\$ 0.3	\$ 5.7

At September 30, 2006, total unrecognized compensation cost related to nonvested options was \$8.6 million. We expect to record that expense over a weighted average period of 1.4 years.

Nonvested stock options for the three months ended September 30, 2006	Stock options	Weighted average fair value at gr
--	---------------	-----------------------------------

Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Nonvested at July 1, 2006	2,880,863	\$6.63
Granted	41,736	6.03
Vested	(6,035)	5.93
Exercised	--	--
Expired	--	--
Forfeited	(38,815)	5.78

Nonvested at September 30, 2006	2,877,749	\$6.41
---------------------------------	-----------	--------

Nonvested stock options  
for the three months ended September 30, 2005

Nonvested at July 1, 2005	3,330,092	\$5.59
Granted	19,100	5.71
Vested	(3,000)	5.43
Exercised	(1,800)	4.81
Expired	--	--
Forfeited	(30,150)	5.46

Nonvested at September 30, 2005	3,314,242	\$5.59
---------------------------------	-----------	--------

Nonvested stock options  
for the nine months ended September 30, 2006

Nonvested at January 1, 2006	3,287,608	\$5.63
Granted	998,202	7.10
Vested	(1,329,314)	4.95
Exercised	--	--
Expired	--	--
Forfeited	(78,747)	5.81

Nonvested at September 30, 2006	2,877,749	\$6.41
---------------------------------	-----------	--------

Nonvested stock options  
for the nine months ended September 30, 2005

Nonvested at January 1, 2005	2,811,022	\$5.69
Granted	969,321	5.40
Vested	(310,576)	5.92
Exercised	(3,000)	4.81
Expired	--	--
Forfeited	(152,525)	5.54

Nonvested at September 30, 2005	3,314,242	\$5.59
---------------------------------	-----------	--------

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

### VALUATION OF STOCK OPTIONS

Since adopting SFAS No. 123 (revised), we made no modifications to stock options already outstanding as of January 1, 2006. For stock options granted after January 1, 2006, we modified our valuation methodology by segregating the awards into two groups: one for designated senior managers and one for all other staff members. This enabled us to employ valuation methodologies for each group based on the amount of time that typically lapses

11

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

between option grant dates and option exercise dates. It also enabled us to apply different forfeiture rates for each group.

Senior managers tend to hold their options for longer periods of time than other staff members do. Compared to options held for short periods of time, options held for longer periods of time are likely to incur a greater degree of volatility in share price and, therefore, a greater degree of volatility in valuation.

To estimate the fair value of stock option awards, we use the Black-Scholes valuation method. This method is dependent upon certain assumptions, as summarized below:

	----- For the three months ended -----		For the nine months -----	
Black-Scholes valuation assumptions	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005
Risk-free interest rate	4.53 - 4.85%	3.84 - 4.26%	4.51 - 4.94%	3.53 - 4.26%
Volatility of Corporation's stock	14.39 - 14.82%	19.38 - 20.85%	14.39 - 20.82%	19.38 - 20.85%
Expected dividend yield	2.79 - 2.83%	3.12 - 3.22%	2.72 - 2.86%	3.12 - 3.22%
Expected life of options	4.3 - 8.4 years	4 years	4.3 - 8.4 years	4 years

In the table above:

- The risk-free interest rate is the U.S. Treasury rate commensurate with the expected life of options on the date of their grant.
- We based the volatility of our stock on historical volatility over a span of time equal to the expected life of options.
- We based the expected life of stock option awards on historical experience. Expected life is the period of time we estimate that stock options granted will remain outstanding.

### RESTRICTED STOCK GRANTS

We amortize the value of restricted stock grants into stock-based compensation expense on a straight-line basis over the requisite service period for the



## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

entire award. At September 30, 2006, total unrecognized compensation cost related to restricted stock grants was \$1.8 million. We expect to record that expense over a weighted average period of 2.5 years.

Restricted stock activity for the three months ended September 30, 2006	Restricted shares	Weighted average fair value a
Outstanding at July 1, 2006	53,719	\$40.75
Granted	3,000	42.31
Vested	--	--
Forfeited	(984)	40.60
Outstanding at September 30, 2006	55,735	\$40.84

Restricted stock activity for the three months ended September 30, 2005	Restricted shares	Weighted average fair value a
Outstanding at July 1, 2005	25,730	\$34.84
Granted	--	--
Vested	--	--
Forfeited	--	--
Outstanding at September 30, 2005	25,730	\$34.84

12

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Restricted stock activity for the nine months ended September 30, 2006	Restricted shares	Weighted average fair value a
Outstanding at January 1, 2006	25,730	\$34.84
Granted	40,860	43.23
Vested	(9,871)	35.12
Forfeited	(984)	40.60
Outstanding at September 30, 2006	55,735	\$40.84

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

## Restricted stock activity

for the nine months ended September 30, 2005      Restricted shares      Weighted average fair value a

Outstanding at January 1, 2005	12,638	\$37.02
Granted	18,003	33.90
Vested	(4,911)	37.02
Forfeited	--	--
Outstanding at September 30, 2005	25,730	\$34.84

## EMPLOYEE STOCK PURCHASE PLAN

For the employee stock purchase plan, we record stock-based compensation expense that represent the fair value of plan participants' options to purchase shares, amortized over the plan's fiscal year.

	Shares reserved for future subscriptions	Subscriptions outstanding	Price per
Balance at January 1, 2005	693,011	106,989	
Subscriptions entered into on June 1, 2005	(110,266)	110,266	
Forfeitures	7,545	(7,545)	\$30.54 -
Shares issued	--	(102,874)	
Balance at December 31, 2005	590,290	106,836	
Subscriptions entered into on June 1, 2006	(95,569)	95,569	
Forfeitures	4,488	(4,488)	
Shares issued	--	(102,348)	
Balance at June 30, 2006	499,209	95,569	
Forfeitures	677	(677)	
Balance at September 30, 2006	499,886	94,892	

For the nine months ended September 30, 2006, total recognized compensation cost related to the employee stock purchase plan was \$0.5 million and total unrecognized compensation cost related to this plan was \$0.5 million.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Other comprehensive income (as required by SFAS No. 130) (in millions)	2006	2005	2006	2005
Net income	\$ 5.2	\$42.8	\$96.3	\$120.0
Other comprehensive income, net of income taxes:				
Net unrealized holding gains/(losses) on securities	20.1	(7.8)	2.9	(12.0)
Reclassification adjustment for securities gains included in net income	(0.1)	--	--	(0.0)
Net unrealized holding gains/(losses) arising during the period on derivatives used for cash flow hedge	5.3	--	(0.5)	--
Reclassification adjustment for derivative gains included in net income	--	--	--	(0.0)
Foreign currency translation adjustments	0.1	(0.1)	0.8	(0.0)
Total comprehensive income	\$30.6	\$34.9	\$99.5	\$107.0

### NOTE 4 - EARNINGS PER SHARE

Computation of basic and diluted net earnings per share (in millions, except share amounts)	For the three months ended September 30, 2006	For the three months ended September 30, 2005	For the nine months ended September 30, 2006	For the nine months ended September 30, 2005
Numerator:				
Net income	\$ 5.2	\$42.8	\$96.3	\$120.0
Denominator for basic earnings per share - weighted-average shares	68.6	67.8	68.4	67.0
Effect of dilutive securities:				
Employee stock options	1.3	0.9	1.3	0.0
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	69.9	68.7	69.7	68.0
Basic earnings per share	\$ 0.08	\$0.63	\$1.41	\$ 1.77
Diluted earnings per share	\$ 0.07	\$0.62	\$1.38	\$ 1.77
Cash dividends per share	\$0.315	\$0.30	\$0.93	\$0.88

The number of anti-dilutive stock options excluded was 0.2 and 0.6 million, respectively, for the three- and nine-month periods ended September 30, 2006. The number of anti-dilutive stock options excluded was 0.0 and 0.7 million, respectively, for the three- and nine-month periods ended September 30, 2005.

### NOTE 5 - SEGMENT REPORTING

For segment reporting purposes, we discuss our business in four segments. There is a segment for each of our three businesses, which are Regional Banking, Wealth Advisory Services, and Corporate Client Services. The fourth segment combines the results from our affiliate money managers, Cramer Rosenthal McGlynn (CRM) and Roxbury Capital Management (RCM).

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

The Regional Banking segment includes lending, deposit taking, and branch banking in our primary banking markets of Delaware, southeastern Pennsylvania, and Maryland. It also includes institutional deposit taking on a national

14

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

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 Wealth Advisory Services (WAS) segment includes financial planning, asset management, investment counseling, trust services, estate settlement, private banking, tax preparation, mutual fund services, broker-dealer services, insurance services, business management services, and family office services. We provide WAS services to clients throughout the United States and around the world.

The Corporate Client Services (CCS) segment includes a variety of trust, custody, and administrative services that support capital markets transactions, entity management, and retirement plan assets. We provide CCS services to clients around the world.

The Affiliate Money Managers segment represents the combined contributions from CRM and RCM. These contributions are based on our partial ownership interest in each firm. Services provided by these two affiliates include fixed income and equity investing services and investment portfolio management services. Neither CRM's nor RCM's results are consolidated in our financial statements. The \$72.3 million impairment write-down recorded for the third quarter of 2006 is included in the noninterest expense reported for this segment.

The segment reporting methodology employs activity-based costing principles to assign corporate overhead expenses to each segment. Funds transfer pricing concepts are used to credit and charge segments for funds provided and funds used.

The accounting policies of the segments are the same as those described in Note 1, "Summary of significant accounting policies," which begins on page 62 of our 2005 Annual Report to Shareholders. We evaluate performance based on profit or loss from operations before income taxes and without including nonrecurring gains and losses. We generally record intersegment sales and transfers as if the sales or transfers were to third parties (e.g., at current market prices). We report profit or loss from infrequent events, such as the sale of a business, separately for each segment.

The following tables present financial data by segment for the three- and nine-month periods ended September 30, 2006 and 2005.

15

2006 Q3 10-Q #5

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Three months ended September 30, 2006 (in millions)	Regional Banking	Wealth Advisory Services	Corporate Client Services	Affiliate Money Managers
Net interest income	\$ 85.7	\$ 6.4	\$ 4.4	\$ (3.5)
Provision for loan losses	(6.7)	0.1	--	--
Net interest income after provision	79.0	6.5	4.4	(3.5)
Total advisory fees:				
Wealth Advisory Services	0.5	44.0	2.6	--
Corporate Client Services	0.3	--	20.8	--
Affiliate Money Managers	--	--	--	4.6
Advisory fees	0.8	44.0	23.4	4.6
Amortization of other intangibles	--	(0.8)	(0.1)	(0.2)
Advisory fees after amortization of of other intangibles	0.8	43.2	23.3	4.4
Other noninterest income	12.2	0.4	0.2	--
Securities gains	0.1	--	--	--
Net interest and noninterest income	92.1	50.1	27.9	0.9
Noninterest expense	(39.9)	(38.9)	(19.8)	(72.3)
Segment profit/(loss) before income taxes	52.2	11.2	8.1	(71.4)
Applicable income taxes and minority interest	18.4	3.7	2.9	(30.1)
Segment net income/(loss)	\$ 33.8	\$ 7.5	\$ 5.2	\$ (41.3)
Depreciation and amortization	\$ 3.1	\$ 2.4	\$ 1.3	\$ 0.2

Three months ended September 30, 2005 (in millions)	Regional Banking	Wealth Advisory Services	Corporate Client Services	Affiliate Money Managers
Net interest income	\$ 77.4	\$ 6.2	\$ 2.6	\$ (2.5)
Provision for loan losses	(2.7)	(0.2)	--	--
Net interest income after provision	74.7	6.0	2.6	(2.5)
Total advisory fees:				
Wealth Advisory Services	0.4	40.8	2.3	--
Corporate Client Services	0.2	--	18.9	--
Affiliate Money Managers	--	--	--	3.7
Advisory fees	0.6	40.8	21.2	3.7
Amortization of other intangibles	--	(0.7)	(0.1)	(0.2)
Advisory fees after amortization				

Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

of other intangibles	0.6	40.1	21.1	3.5
Other noninterest income	13.5	0.6	0.3	--
Net interest and noninterest income	88.8	46.7	24.0	1.0
Noninterest expense	(39.6)	(35.5)	(18.4)	--
Segment profit before income taxes	49.2	11.2	5.6	1.0
Applicable income taxes and minority interest	17.0	4.0	2.4	0.8
Segment net income	\$ 32.2	\$ 7.2	\$ 3.2	\$ 0.2
Depreciation and amortization	\$ 3.8	\$ 2.1	\$ 1.3	\$ 0.2

16

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Nine months ended September 30, 2006 (in millions)	Regional Banking	Wealth Advisory Services	Corporate Client Services	Affiliate Money Managers
Net interest income	\$ 250.5	\$ 19.1	\$ 10.7	\$ (9.6)
Provision for loan losses	(14.1)	(0.7)	--	--
Net interest income after provision	236.4	18.4	10.7	(9.6)
Total advisory fees:				
Wealth Advisory Services	1.4	131.9	7.2	--
Corporate Client Services	0.8	--	61.5	--
Affiliate Money Managers	--	--	--	15.2
Advisory fees	2.2	131.9	68.7	15.2
Amortization of other intangibles	--	(2.1)	(0.3)	(0.7)
Advisory fees after amortization of other intangibles	2.2	129.8	68.4	14.5
Other noninterest income	36.1	1.8	0.8	--
Net interest and noninterest income	274.7	150.0	79.9	4.9
Noninterest expense	(117.4)	(117.9)	(59.0)	(72.5)
Segment profit/(loss) before income taxes	157.3	32.1	20.9	(67.6)
Applicable income taxes and minority interest	55.4	11.2	7.6	(27.8)
Segment net income/(loss)	\$ 101.9	\$ 20.9	\$ 13.3	\$ (39.8)
Depreciation and amortization	\$ 9.0	\$ 6.4	\$ 3.8	\$ 0.7
Investment in equity method investees	--	--	--	199.0
Segment average assets	\$8,508.0	\$1,377.0	\$205.1	\$264.3

Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

17

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Nine months ended September 30, 2005 (in millions)	Regional Banking	Wealth Advisory Services	Corporate Client Services	Affiliate Money Managers
Net interest income	\$ 223.3	\$ 17.3	\$ 7.8	\$ (7.0)
Provision for loan losses	(9.3)	(0.5)	--	--
Net interest income after provision	214.0	16.8	7.8	(7.0)
Total advisory fees:				
Wealth Advisory Services	1.2	121.9	6.3	--
Corporate Client Services	0.7	--	55.0	--
Affiliate Money Managers	--	--	--	12.6
Advisory fees	1.9	121.9	61.3	12.6
Amortization of other intangibles	--	(2.2)	(0.4)	(0.5)
Advisory fees after amortization of other intangibles	1.9	119.7	60.9	12.1
Other noninterest income	35.9	1.4	0.8	--
Securities gains	0.8	--	--	--
Net interest and noninterest income	252.6	137.9	69.5	5.1
Noninterest expense	(112.7)	(107.9)	(55.0)	--
Segment profit before income taxes	139.9	30.0	14.5	5.1
Applicable income taxes and minority interest	49.7	10.8	5.6	2.9
Segment net income	\$ 90.2	\$ 19.2	\$ 8.9	\$ 2.2
Depreciation and amortization	\$ 10.8	\$ 6.5	\$ 3.8	\$ 0.5
Investment in equity method investees	--	--	--	259.8
Segment average assets	\$7,920.0	\$1,320.6	\$ 189.6	\$ 259.1

Segment data for prior periods may differ from previously published figures due to changes in reporting methodology and/or organizational structure.

NOTE 6 - DERIVATIVE AND HEDGING ACTIVITIES

We enter into interest rate swap and interest rate floor contracts to manage interest rate risk, and to reduce the impact of fluctuations in interest rates of identifiable asset categories, principally floating-rate commercial loans and commercial mortgage loans. We also have used interest rate swaps in conjunction with our issues of subordinated long-term debt.

We do not hold or issue derivative financial instruments for trading purposes.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

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 us that are 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, we do not receive or make any payments. We amortize the premiums paid for interest rate floors over the life of each floor.

We employ interest rate swaps so that clients may convert floating-rate loan payments to fixed-rate loan payments without exposing us to interest rate risk. In these arrangements, we retain the credit risk associated with the potential

18

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

failure of counter-parties. As of September 30, 2006, we had entered into a total of \$987.6 million notional amount of interest rate swaps as follows:

- \$431.3 million of swaps were associated with loan clients for whom we exchanged floating rates for fixed rates.
- To offset the exposure from changes in the market value of those swaps, \$431.3 million of swaps were made with other financial institutions that exchanged fixed rates for floating rates.
- \$125.0 million of swaps associated with our long-term subordinated debt issues were made with other financial institutions.

On March 31, 2006, we sold \$250.0 million of interest rate swap contracts associated with the \$250.0 million of subordinated long-term debt we issued on April 4, 2003. We realized a loss of \$12.7 million in this transaction. We will recognize the amount of the loss over the remaining life of the debt, which matures in 2013, and record it in our income statement as interest expense on long-term debt.

We employ interest rate floors to hedge the interest revenue of floating rate loans against declines in market interest rates. At September 30, 2006, we had purchased a total of \$1.0 billion of interest rate floor contracts.

We record changes in fair value that are determined to be ineffective in "Other noninterest income" in the Consolidated Statements of Income. We record the effective portion of the change in fair value in "Other comprehensive income" in the Consolidated Statements of Condition.

#### NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS

	September 30, 2006			December 31, 2005		
	Gross		Net	Gross		
Goodwill and other intangible assets	carrying	Accumulated	carrying	carrying	Accumulated	car



# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

(in millions)	amount	amortization	amount	amount	amortization	a
Goodwill (nonamortizing)	\$320.9	\$29.8	\$291.1	\$378.1	\$29.8	\$3
Other intangibles						
Amortizing:						
Mortgage servicing rights	\$ 8.3	\$ 6.3	\$ 2.0	\$ 8.0	\$ 5.6	\$
Client lists	49.1	15.2	33.9	43.0	12.0	
Acquisition costs	1.7	1.7	--	1.7	1.7	
Other intangibles	1.8	1.1	0.7	1.6	1.0	
Nonamortizing						
Other intangible assets	2.2	--	2.2	2.2	--	
Total other intangibles	\$ 63.1	\$24.3	\$ 38.8	\$ 56.5	\$20.3	\$

	For the three months ended September 30,		For the nine months ended September 30,	
(In millions)	2006	2005	2006	2005
Amortization expense of other intangible assets	\$1.4	\$1.3	\$4.0	\$4.0

19

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Estimated annual amortization expense of other intangible assets (in millions)

For the year ended December 31, 2007	\$5.3
For the year ended December 31, 2008	5.0
For the year ended December 31, 2009	4.0
For the year ended December 31, 2010	3.4
For the year ended December 31, 2011	3.0

Changes in the carrying amount of goodwill by business segment for nine months ended September 30

2006		
Wealth	Corporate	Affiliate

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

(In millions)	Regional Banking	Advisory Services	Client Services	Money Managers	Total
Balance as of January 1, 2006	\$ 3.8	\$ 86.7	\$ 19.2	\$238.6	\$348.3
Goodwill from acquisitions	--	--	1.3	12.4	13.7
Impairment write-down				(72.3)	(72.3)
Increase in carrying value due to foreign currency translation adjustments	--	--	1.4	--	1.4
Balance as of September 30, 2006	\$ 3.8	\$ 86.7	\$ 21.9	\$178.7	\$291.1

The goodwill from acquisitions recorded for 2006 consists of:

- \$12.4 million recorded under Affiliate Money Managers in connection with an increase in WTI's equity interest in Cramer Rosenthal McGlynn, LLC.
- \$1.3 million recorded under Corporate Client Services in connection with the acquisition of PwC Corporate Services (Cayman) Limited.

During the 2006 third quarter, we reassessed the valuation of our investment in RCM, one of our affiliate money managers, after RCM terminated its micro-cap fund and decided to exit its fixed income fund by the end of 2006. Because these actions reduced current and future levels of assets under management and numbers of client accounts at RCM, we determined that our investment in RCM was other than temporarily impaired, and that the carrying value of the firm should be reduced from \$137.6 million to \$65.3 million, as of September 30, 2006. We recorded the difference of \$72.3 million in our income statement as an impairment write-down for the 2006 third quarter. The impairment write-down reduced the amount of goodwill associated with RCM from \$131.3 million to \$59.0 million, as of September 30, 2006.

20

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

	2006			2005		
Other intangible assets acquired during the nine months ended September 30 (in millions)	Amount assigned	Residual value	Weighted average amortization period in years	Amount assigned	Residual value	amort
Mortgage servicing rights	\$0.3	--	8	\$ 0.8	--	
Client lists	5.9	--	16	--	--	
Client list increase/(decrease) in carrying value due to foreign currency translation adjustments	0.2	--	--	(0.4)	--	

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Other intangibles	0.2	--	6	--	--
	-----			-----	
	\$6.6	--		\$ 0.4	--
	=====			=====	

## NOTE 8 - COMPONENTS OF NET PERIODIC BENEFIT COST

The following table presents the net periodic benefit cost of the pension plan, supplemental executive retirement plan (SERP), and other postretirement benefits for the three- and nine-month periods ended September 30, 2006 and 2005. Descriptions of these plans are contained in Note 17, "Pension and other postretirement benefits," which begins on page 78 of our 2005 Annual Report to Shareholders.

For the three months ended September 30 (in millions)	Pension benefits		SERP benefits		Postretirement benefits	
	2006	2005	2006	2005	2006	2005
-----						
Components of net periodic benefit cost:						
Service cost	\$ 2.1	\$ 2.0	\$0.2	\$0.2	\$ 0.3	\$0.2
Interest cost	2.6	2.4	0.3	0.3	0.5	0.6
Expected return on plan assets	(3.6)	(3.1)	--	--	--	--
Amortization of prior service cost	0.2	0.2	0.1	0.1	(0.1)	--
Recognized actuarial (gain)/loss	0.5	0.4	0.1	0.1	0.2	0.1
-----						
Net periodic benefit cost	\$ 1.8	\$ 1.9	\$0.7	\$0.7	\$ 0.9	\$0.9
=====						
Employer contributions	\$15.0	\$25.0	\$0.1	\$0.2	\$ 1.0	\$1.1

21

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

For the nine months ended September 30 (in millions)	Pension benefits		SERP benefits		Postretirement benefits	
	2006	2005	2006	2005	2006	2005
-----						
Components of net periodic benefit cost:						
Service cost	\$ 6.2	\$ 5.6	\$0.6	\$0.6	\$ 0.9	\$0.6
Interest cost	7.7	7.6	1.0	1.0	1.6	1.7
Expected return on plan assets	(10.6)	(9.3)	--	--	--	--
Amortization of prior service cost	0.6	0.6	0.3	0.3	(0.3)	--
Recognized actuarial (gain)/loss	1.5	1.2	0.2	0.3	0.6	0.5
-----						
Net periodic benefit cost	\$ 5.4	\$ 5.7	\$2.1	\$2.2	\$ 2.8	\$2.8

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

	=====					
Employer contributions	\$15.0	\$25.0	\$0.4	\$0.5	\$ 3.2	\$3.3
Expected annual contribution	\$15.0		\$0.6		\$ 4.2	

### NOTE 9 - TEMPORARILY IMPAIRED INVESTMENT SECURITIES

We periodically review the debt and equity securities in our investment portfolio in order to determine if their market value is equal to, less than, or in excess of their book value (the value at the time of initial investment). When the market value of a security falls below its book value, the security is considered temporarily impaired. When this happens, we report an unrealized loss that represents the difference between the security's market value and its book value.

For debt securities, the key determinants of market value are long-term market interest rates and the yield curve. When long-term market interest rates rise, the market values of debt securities typically decline, and unrealized losses increase. Conversely, when long-term market interest rates fall, the market values of debt securities typically increase. As their market values rise, the unrealized loss diminishes or disappears.

When we classify a debt security as temporarily impaired, we do so because we have both the intent and the ability to hold it until it matures, at which point its market value equals its book value. We retain temporarily impaired debt securities because we know when they will mature, they have no credit delinquencies, and they generate strong cash flows.

The primary risk associated with temporarily impaired debt securities is interest rate risk. An extended period of increases in long-term interest rates could further reduce the market values of these securities, and create additional unrealized losses.

The temporarily impaired equity securities in our investment portfolio are dividend-paying preferred stocks with perpetual maturities. The key determinants of preferred stock market values are market interest rates and credit spreads, which can be affected by investor perceptions. As market interest rates decline or as credit spreads tighten, the valuations of preferred stocks typically increase and unrealized losses decline. Conversely, when interest rates rise or when credit spreads widen, the valuations of preferred stocks typically decline and unrealized losses increase.

We consider the impairments on preferred stock to be temporary because they continue to pay dividends, they have investment-grade credit ratings, and their valuation levels normalize over the course of market interest rate cycles.

The primary risks associated with temporarily impaired equity securities are interest rate risk and credit erosion. An extended period of increases in long-term interest rates, or a decline in a preferred stock's creditworthiness, could further reduce the market values of these securities and create additional unrealized losses.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

The following table shows the estimated market value and gross unrealized loss of debt and marketable equity securities that were temporarily impaired as of September 30, 2006.

(In millions)	Less than 12 months		12 months or longer		E
	Estimated market value	Unrealized losses	Estimated market value	Unrealized losses	
Balance at September 30, 2006					
U.S. Treasury	\$142.0	\$ (0.2)	\$ 86.8	\$ (1.4)	
Government agencies	88.4	(0.4)	338.3	(5.6)	
Other securities:					
Preferred stock	38.0	(0.7)	5.5	(0.4)	
Mortgage-backed securities	3.0	0.0	697.6	(24.6)	
Other debt securities	72.3	(0.7)	58.6	(1.1)	
Total temporarily impaired securities	\$343.7	\$ (2.0)	\$1,186.8	\$ (33.1)	

### NOTE 10 - ACCOUNTING PRONOUNCEMENTS

Following are recent accounting pronouncements that affect our financial condition and results of operations.

SFAS NO. 155. In February 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments." SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to permit fair value remeasurement of any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the entire instrument is accounted for on the fair value basis. Also, SFAS No. 155 amends SFAS No. 140, "Accounting for the Impairment or Disposal of Long-Lived Assets," by eliminating the prohibition on a qualified special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest in other than another derivative financial instrument. SFAS No. 155 will be effective for all financial instruments acquired or issued in our fiscal year beginning January 1, 2007. A great deal of uncertainty exists throughout the banking community regarding the impact that SFAS No. 155 will have on certain types of securitizations. Requests have been made to the FASB to clarify these issues. Due to this uncertainty, we are still evaluating the effect that SFAS No. 155 will have on our financial statements, but we do not expect it to have a material effect.

SFAS NO. 156. In March 2006, FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140." Along with addressing the recognition and measurement of separately recognized servicing assets and servicing liabilities, SFAS No. 156 provides for fair value measurement of servicing assets and liabilities at each reporting period, with changes in fair value reported in earnings in the period in which changes occur. The fair value measurement method provides an approach to simplify efforts to obtain hedge-like accounting for servicing assets and servicing liabilities. SFAS No. 156 will be effective for us with the fiscal year that begins on January 1, 2007. We have not completed our initial assessment of the impact, if any, that SFAS No. 156 may have on our financial statements.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

FIN 48. In June 2006, FASB issued Financial Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." FIN 48 provides guidance on financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. According to the Interpretation, a tax position is recognized if it is more likely than not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the more-likely-than-not recognition threshold, the position is measured to determine the amount of benefit to recognize and should be measured at the largest amount of benefit that is greater

23

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

than 50 percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 will be effective for us with the fiscal year that begins on January 1, 2007. We have not completed our initial assessment of the impact, if any, that FIN 48 may have on our financial statements.

SFAS NO. 157. In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, provides a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures related to fair value measurements. The definitions, framework, and disclosures required by SFAS No. 157 apply to other accounting pronouncements that require or permit fair value measurement. This Statement does not require any new fair value measurements and will be effective for us with the fiscal year that begins on January 1, 2008. We have not completed our initial assessment of the impact, if any, that SFAS No. 157 may have on our financial statements or current practices regarding fair value measurements.

SFAS NO. 158. In September 2006, FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132R." SFAS No. 158 requires an employer to recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; measure a plan's assets and obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur as other comprehensive income. The requirement to recognize the funded status of our benefit plans will be effective for our fiscal year ending December 31, 2006. The requirement to measure plan assets and benefit obligations as of the date of our fiscal year-end statement of financial position will be effective for our fiscal year ending December 31, 2008. Adopting the requirement to recognize the funded status of our benefit plans will result in an increase in the balance of pension liabilities (which we record in other liabilities) at December 31, 2006, with a corresponding adjustment to accumulated other comprehensive income. Our preliminary estimates are that this will increase liabilities by approximately \$60 million on a pre-tax basis, and that it will decrease other comprehensive income by approximately \$39 million on an after-tax basis.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

SAB 108. In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 addresses SEC staff concerns regarding the methods companies use to quantify misstatements on their financial statements. It concludes that prior year misstatements should be considered in quantifying misstatements in current year financial statements. SAB 108 will be effective for us with the fiscal year that begins on January 1, 2007. We do not expect the adoption of SAB 108 to have a material impact on our financial statements.

24

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

#### COMPANY OVERVIEW

Wilmington Trust Corporation (the Corporation) is (we are) a Delaware corporation and a financial holding company under the Bank Holding Company Act. We are a relationship management company that helps clients increase and preserve their wealth. We do this by engaging in fiduciary, wealth management, investment advisory, financial planning, insurance, and broker-dealer services, and in lending and deposit-taking activities.

Our mission is to help our clients succeed. Our driving force is sustainable earnings growth and consistent profitability with low volatility. Our strategy is to deliver consistent results by investing in businesses that have the most potential for long-term growth or high operating profit margins; being the market leader in each of our businesses; and increasing profitability without compromising our overall risk profile.

We manage our company through three businesses: Regional Banking, Corporate Client Services, and Wealth Advisory Services.

#### Regional Banking

We offer Regional Banking services throughout the Delaware Valley region, which we define as the state of Delaware; areas that are geographically adjacent to Delaware along the I-95 corridor from Princeton, New Jersey, to the Baltimore-Washington, D.C., area; and Maryland's Eastern Shore. We offer commercial banking services throughout this region, and target family-owned or closely held businesses with annual sales of up to \$250 million. We target our retail banking activities to clients in the state of Delaware.

Our lending services include commercial loans, commercial and residential mortgages, and construction and consumer loans. Our deposit products include demand checking, certificates of deposit, negotiable order of withdrawal accounts, and various savings and money market accounts.

#### Corporate Client Services

This business serves national and multinational institutions in 81 countries with a variety of trust, custody, and administrative services, plus investment management and cash management services that support capital markets

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

transactions, entity management, and retirement plans.

The capital markets component of this business provides services that support structured finance transactions like securitizations and leveraged leases.

The entity management component helps clients establish "nexus," or legal presence, in jurisdictions in the United States, Caribbean, and Europe with favorable legal and tax considerations, and provides captive insurance management services.

The retirement services component provides trust and custodian services for retirement plans.

### Wealth Advisory Services

This business serves high-net-worth clients in all 50 states and 21 other countries. We target clients with liquid assets of \$10 million or more.

We offer financial planning, asset management, investment counseling, trust services, estate settlement, private banking, tax preparation, mutual fund services, broker-dealer services, insurance services, business management services, and family office services.

Our investment services feature a combination of proprietary and independent advisors; forward-looking asset allocation; a blend of active and index funds; and tactical rebalancing.

Our planning services help high-net-worth individuals and families preserve and protect their wealth; minimize taxes; transfer wealth to future generations; support charitable endeavors; and manage their business affairs.

25

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

Each of these businesses targets specific types of clients, provides different kinds of services, and has a different geographic scope. Because we actively seek to deepen our client relationships to the fullest extent possible, each of these businesses uses services from the other two. Collectively, they generate a balanced and diversified revenue stream that has helped us produce consistent growth and profitability, with low volatility, throughout 103 years of economic cycles.

We provide our services through various legal entities and subsidiaries that we own wholly or in part. Our primary wholly owned subsidiary is Wilmington Trust Company (WTC), a Delaware-chartered bank and trust company that was formed in 1903. At September 30, 2006, WTC had 47 branch offices in Delaware - more than any other bank in the state.

We own two other depository institutions through which we conduct business in the United States outside of Delaware:

- Wilmington Trust of Pennsylvania (WTPA), a Pennsylvania-chartered bank and trust company. WTPA has five offices: one each in center city Philadelphia, Bethlehem, Doylestown, Villanova, and West Chester, Pennsylvania.



## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

- Wilmington Trust FSB (WTFBSB), a federally chartered savings bank and registered investment advisor, through which we conduct business from two offices in California, four offices in Florida, two offices in Maryland, and one office each in Georgia, Nevada, New Jersey, and New York.

We also own other registered investment advisors:

- Rodney Square Management Corporation (RSMC), which oversees the Wilmington family of mutual funds.
- Wilmington Trust Investment Management, LLC (WTIM), which sets our investment and asset allocation policies, and selects the independent asset managers we use in our investment consulting services. Prior to January 2005, WTIM was known as Balentine & Company, LLC.
- Grant Tani Barash & Altman, LLC (GTBA) and Grant, Tani, Barash & Altman Management, Inc. GTBA is the Beverly Hills-based firm through which we offer business management and family office services.

We also own four investment holding companies:

- WT Investments, Inc. (WTI), which holds interests in five asset management firms: our two affiliate money managers, Cramer Rosenthal McGlynn, LLC (CRM) and Roxbury Capital Management, LLC (RCM); Clemente Capital, Inc.; Camden Partners Holdings, LLC; and Camden Partners Private Equity Advisors, LLC. WTI also holds our interest in Wilmington Trust Conduit Services, LLC (WTCS), which provides conduit servicing for special purpose vehicles.
- Wilmington Trust (UK) Limited (WTL), through which we conduct business outside the United States through Wilmington Trust SP Services (London) Limited and its subsidiaries. Prior to January 2006, Wilmington Trust SP Services (London) Limited was known as SPV Management Limited.
- GTBA Holdings, Inc. (GTBAH), through which we conduct the business of GTBA, Grant, Tani, Barash & Altman Management, Inc., and Wilmington Family Office, Inc.
- Wilmington Trust CI Holdings Limited (WTCIH), which owns Wilmington Trust Corporate Services (Cayman) Limited and its subsidiaries.

In addition to the locations noted above, we and our affiliates have offices in South Carolina, Vermont, the Cayman Islands, the Channel Islands, Dublin, Ireland, London, England, and Frankfurt, Germany.

We compete for deposits, loans, assets under management, and the opportunity to provide trust, brokerage, and other services related to financial planning and management. Our competitors include other trust companies, full-service banks, deposit-taking institutions, mortgage lenders, credit card issuers, credit acceptance corporations, securities dealers, asset managers, investment advisors, mutual fund companies, insurance companies, captive insurance management companies, and other financial institutions.

We are subject to the regulations of, and undergo periodic examinations by, the Federal Reserve Bank, Federal Deposit Insurance Corporation, Office of Thrift Supervision, Delaware Department of Banking, Pennsylvania

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Department of Banking, other U.S. federal and state regulatory agencies, and the regulatory agencies of other countries in which we conduct business.

When we discuss our businesses, we report income and assets from CRM and RCM separately. For meeting the requirements of segment reporting, we combine results from CRM and RCM into one segment named "Affiliate Money Managers." For more information about segment reporting, please refer to Note 5, "Segment reporting," in this report.

RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006

### EXECUTIVE SUMMARY

Net income for the three months ended September 30, 2006 (the third quarter of 2006) was \$5.2 million and earnings per share (on a diluted basis) were \$.07 per share. These were declines of 88% and 89%, respectively. For the first nine months of 2006, net income was \$96.3 million and earnings per share (diluted) were \$1.38. These were declines of 20% and 22%, respectively. Results for the third quarter and first nine months of the year were affected by a \$72.3 million impairment write-down of the carrying value of our investment in affiliate money manager Roxbury Capital Management (RCM).

This impairment write-down, which we recorded as a non-cash charge, reduced operating net income for the quarter by \$41.7 million and reduced earnings per share (on a diluted basis) by \$0.60 per share. In addition to reducing net income and earnings per share, the impairment write-down increased noninterest expense, reduced income tax expense, and reduced the returns on average assets and equity.

Absent the impairment write-down, operating net income for the 2006 third quarter would have been \$46.9 million and earnings per share (diluted) would have been \$0.67 per share. These amounts would have been increases of 10% and 8%, respectively, from the year-ago third quarter.

Operating net income for the first nine months of 2006, absent the impairment write-down, would have been \$138.0 million and earnings per share (diluted) would have been \$1.98. These amounts would have been increases of 15% and 13%, respectively, from the first nine months of 2005.

Throughout this report we discuss results that include the impairment write-down as well as results that exclude its effects, and we provide a reconciliation between the two at the end of the executive summary section of this report. We believe our operating results - those that exclude the non-cash charge - are the better measure of the trends we see in each of our businesses and how our company is performing overall. We also believe our operating results give investors a more relevant and comparative basis on which to evaluate our quarterly and year-to-date performance.

### EVENTS THAT TRIGGERED THE IMPAIRMENT WRITE-DOWN

RCM is a growth-style manager headquartered in Santa Monica, California. During the 2006 third quarter, RCM terminated its micro-cap fund and decided to exit its fixed income fund by the end of 2006. Because these actions reduced current and future levels of assets under management and numbers of client accounts at

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

RCM, we decided to reassess the valuation of our investment in the firm.

Since we use the equity method of accounting to account for our investment in RCM, we performed our assessment of the firm's valuation in accordance with APB No. 18, "The Equity Method of Accounting for Investments in Common Stock." We used a discounted cash flow methodology in our assessment.

27

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

As a result of that reassessment, we determined that our investment in RCM was other than temporarily impaired, and that the carrying value of the firm should be reduced from \$137.6 million to \$65.3 million, as of September 30, 2006. We recorded the difference of \$72.3 million in our income statement as an impairment write-down for the 2006 third quarter.

Most of RCM's carrying value is recorded as goodwill. As a result of the impairment write-down, the amount of goodwill associated with RCM decreased from \$131.3 million to \$59.0 million, as of September 30, 2006.

The impairment write-down on RCM's carrying value and the non-cash charge did not:

- Decrease our capital ratios;
- Cause us to violate any of our debt covenants;
- Interfere with our ability to pay dividends; or
- Cause us to change our ownership position in the firm.

As of September 30, 2006, our investment in RCM consisted of 41.23% of the firm's common shares and a preferred profits interest equal to 30% of the firm's revenues. There has been no change in our ownership position since the fourth quarter of 2003, and none is currently planned. Ted T. Cecala, Wilmington Trust's chairman and chief executive officer, and David R. Gibson, Wilmington Trust's chief financial officer, remain members of RCM's board of managers.

RCM's results are not consolidated with ours, and RCM is not part of our Wealth Advisory Services business. The amount of revenue we receive from RCM is based on our ownership position. It is recorded in our income statement net of expenses. For segment reporting purposes, we record our investment in RCM in the Affiliate Money Managers segment, which also includes our investment in value-style manager Cramer Rosenthal McGlynn. For more information about RCM's contributions to our results, please refer to Note 5, "Segment reporting," and the section on affiliate money managers in the noninterest income discussion in this report.

Our 1998 investment in RCM gave us access to growth-style investment management capabilities and helped us establish a physical presence in southern California without having to open an office on a de-novo basis. Since then, the investment in RCM has generated \$58.8 million of revenue for Wilmington Trust. RCM continues to be profitable and, although we have reduced its carrying value, RCM continues to be an important investment for our company.

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

## COMPARISON OF RESULTS WITH AND WITHOUT THE IMPAIRMENT WRITE-DOWN

	Three months ended September 30, 2006			Nine months ended September 30, 2006	
	With impairment	Without impairment	Impairment	With impairment	Without impairment
OPERATING RESULTS (in millions)					
Net interest income	\$ 93.0	\$93.0	\$ --	\$270.7	\$270.7
Provision for loan losses	(6.6)	(6.6)	--	(14.8)	(14.8)
Noninterest income	84.6	84.6	--	253.6	253.6
Noninterest expense	170.9	98.6	72.3	366.8	294.5
Income before taxes and minority interest	0.1	72.4	(72.3)	142.7	215.0
Applicable income taxes	(5.0)	25.6	(30.6)	46.3	76.9
Net income before minority interest	5.1	46.8	(41.7)	96.4	138.1
Minority interest	(0.1)	(0.1)	--	0.1	0.1
Net income	\$ 5.2	\$46.9	\$ (41.7)	\$ 96.3	\$138.0

28

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

## PER SHARE DATA

Diluted shares outstanding (in millions)	69.9	69.9	--	69.7	69.7	--
Per-share earnings	\$ 0.07	\$ 0.07	\$ (0.60)	\$ 1.38	\$ 1.98	\$ (0.60)

## STATISTICS AND RATIOS (dollars in millions)

Total assets, on average	\$10,522.2	\$10,523.0	\$ (0.8)	\$10,354.4	\$10,354.6	\$ (0.2)
Stockholders' equity, on average	1,081.7	1,082.2	(0.5)	1,056.3	1,056.4	(0.1)
Return on average assets	0.20%	1.77%	(1.57)%	1.24%	1.78%	(0.54)%
Return on equity	1.91%	17.23%	(15.32)%	12.19%	17.47%	(5.28)%

Net interest income  
before provision and

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

noninterest income	\$ 177.6	\$ 177.6	\$ --	\$ 524.3	\$ 524.3	\$ --
Tax-equivalent interest income	1.1	1.1	--	3.2	3.2	--
<hr/>						
Noninterest expense	\$ 178.7	\$ 178.7	\$ --	\$ 527.5	\$ 527.5	\$ --
	\$ (170.9)	\$ (98.6)	\$ (72.3)	\$ (366.8)	\$ (294.5)	\$ (72.3)
<hr/>						
Efficiency ratio	95.64%	55.18%	40.46%	69.54%	55.83%	13.71%

## OPERATING RESULTS WERE POSITIVE

Absent the impairment write-down, our 2006 third quarter results were positive and each of our three businesses recorded good growth. Compared to the year-ago third quarter:

- Total loan balances were \$7.76 billion, on average, up 9%.
- On average, commercial loan balances rose 11% and consumer loan balances rose 7%.
- Balance sheet assets surpassed \$10.5 billion for the first time on an average balance basis.
- Net interest income, before the provision for loan losses, was 11% more than for third quarter last year.
- The net interest margin was 3.83%, up 3 basis points on a linked-quarter basis, and 17 basis points year over year.
- Wealth Advisory revenue rose 8%; Corporate Client revenue increased 11%; and revenue from affiliate money manager Cramer Rosenthal McGlynn was 35% higher.
- Expense growth, excluding the impairment write-down, was less than 6%. Including the impairment write-down, expenses rose 83%.

For the first nine months of 2006, compared to the first nine months of last year:

- Total loan balances were \$7.63 billion, on average, a 10% increase.
- On average, commercial loan balances were \$5.14 billion, up 12%, and consumer loan balances were \$1.45 billion, up 11%.
- Net interest income, before the provision for loan losses, was \$270.7 million, a 12% increase.
- The net interest margin was 3.80%, up 15 basis points.

- Wealth Advisory revenue was \$140.5 million, up 9%.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

- Corporate Client revenue was \$62.3 million, up 12%.
- Revenue from the affiliate money managers totaled \$15.2 million, a 21% increase.
- Absent the impairment write-down, noninterest expenses were \$294.5 million, an increase of less than 7%. Including the impairment write-down, noninterest expenses increased 33%.

We continued to invest in expansion, acquisitions, staff, and products that strengthen our relationships with clients. Since the end of September 2005, we:

- Launched the Wilmington Family Office practice on the East Coast.
- Opened new offices in Pennsylvania, New Jersey, Connecticut, and Frankfurt, Germany.
- Expanded existing offices in Delaware, Pennsylvania, Maryland, and New York.
- Acquired the corporate services book of business from PricewaterhouseCoopers in the Cayman Islands.
- Invested in technology and added staff to expand services that support collateralized debt obligations.

Credit quality trends for the third quarter and first nine months of 2006 remained positive overall, and the percentage of loans with pass ratings in the internal risk rating analysis continued to exceed 97%. One commercial loan charge-off during the 2006 third quarter increased net charge-offs and the net charge-off ratio, and led to an increase in the provision for loan losses. More details on this are in the credit quality section of this report.

The impairment write-down, all of which was attributed to the Affiliate Managers business segment, reduced our consolidated efficiency ratio for the third quarter and first nine months of 2006. The table below shows that, for every dollar of revenue recorded for the 2006 third quarter, we spent slightly more than 55 cents, excluding the non-cash charge. It also shows that, compared to the third quarter and first nine months of last year, our efficiency improved, excluding the impairment write-down.

EFFICIENCY RATIOS	2006 Q3	2005 Q3	2006 YTD	2005 YTD
-----	-----	-----	-----	-----
Regional Banking	40.02%	42.86%	40.25%	42.61%
Wealth Advisory Services	77.64%	75.53%	78.13%	77.85%
Corporate Client Services	70.71%	76.67%	73.75%	79.02%
Wilmington Trust consolidated	95.64%	56.87%	69.54%	57.68%
Wilmington Trust consolidated, excluding impairment	55.18%	56.87%	55.83%	57.68%

The efficiency ratio is a measure of profitability that reflects how much it costs a company to generate revenue. Low efficiency ratios are desirable because they indicate high profitability. More information about the efficiency ratios and profitability of each business is included in their respective sections of this report.

On an annualized basis, third quarter 2006 results produced a return on average assets of 0.20% and a return on average equity of 1.91%. Excluding the

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

impairment write-down for RCM, the return on average assets would have been 1.77% and the return on average equity would have been 17.23%. The corresponding returns for the third quarter of 2005 were 1.70% and 17.65%, respectively.

Stockholders' equity, on average, was 13% higher for the first nine months of 2006 than for the comparable year-ago period, and our capital position remained strong. On October 19, 2006, our Board of Directors declared a regular quarterly cash dividend of \$0.315 per share. This quarterly dividend will be paid on November 15, 2006, to shareholders of record on November 1, 2006. The amount of the quarterly dividend is 5% higher than the cash dividend paid in November 2005, reflecting the Board's decision on April 20, 2006, to raise the dividend, on an annualized basis, from \$1.20 per share to \$1.26 per share. This action marked our 25th consecutive year of dividend increases. According to Mergent's Dividend Achievers, Wilmington Trust is one of only 112 companies, among the 10,000 listed on North American exchanges, to raise cash dividends for 25 or more consecutive years.

30

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

### STATEMENT OF CONDITION

This section discusses the changes in our balance sheet between December 31, 2005, and September 30, 2006. We present amounts as of September 30, 2005, for historical reference. All balances cited are period-end balances unless otherwise noted. Year-to-date (YTD) references are as of September 30.

### ASSETS

At September 30, 2006, balance sheet assets totaled \$10.70 billion. This was \$464.4 million, or 5%, more than at December 31, 2005. On a percentage basis, our mix of assets remained relatively unchanged. Loans comprised 73% of assets at September 30, 2006, compared with 72% at December 31, 2005.

ASSET BALANCES (in millions)	AT 9/30/06	AT 12/31/05	AT 9/30/05
Investment securities	\$ 1,982.3	\$ 1,928.8	\$ 1,927.0
Loans	7,780.2	7,397.7	7,292.8
Other assets	737.2	649.4	727.7
Reserve for loan losses	(93.6)	(91.4)	(93.4)
Goodwill	291.1	348.3	344.3
	-----	-----	-----
Total assets	\$10,697.2	\$10,232.8	\$10,198.4
	=====	=====	=====

We discuss the changes in investment securities, loans, and the reserve for loan losses in the pages that follow. As for the other two balance sheet items listed above, the rise in other assets during the first nine months of 2006 reflected increased levels of short-term investments, derivative valuation adjustments, and higher accruals for interest receivable and advisory fees receivable. Goodwill declined because we reduced the carrying value of our investment in

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

RCM, as discussed in the executive summary section of this report.

Most of our assets generate interest. These assets are called earning assets. They comprise loans before subtracting the reserve for loan losses; investment securities; and federal funds sold and securities purchased under agreements to resell.

Loans continued to account for more than three-fourths of our total earning assets, and loan growth accounted for most of the \$460.1 million increase in earning assets during the first nine months of 2006.

COMPOSITION OF EARNING ASSETS -----	AT 9/30/06 -----	AT 12/31/05 -----	AT 9/30/05 -----
Total earning assets (in millions)	\$9,800.9	\$9,340.8	\$9,283.8
% represented by loans	79.4%	79.2%	78.6%
% represented by investment securities	20.2%	20.6%	20.8%
% represented by other	0.4%	0.2%	0.6%

### INVESTMENT SECURITIES PORTFOLIO

The investment securities portfolio was \$1,982.3 million at September 30, 2006. This was \$53.5 million higher than at December 31, 2005.

On a percentage basis, the composition of the portfolio remained relatively unchanged, with mortgage-backed instruments continuing to comprise the largest concentration of securities in the portfolio. We invest only in securities with an investment grade of "A" or better, as assigned by Standard & Poor's or Moody's Investors Service.

31

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

COMPOSITION OF INVESTMENT SECURITIES PORTFOLIO -----	AT 9/30/06 -----	AT 12/31/05 -----	AT 9/30/05 -----
Collateralized mortgage obligations	14%	18%	18%
Mortgage-backed securities	22%	26%	26%
Corporate issues	18%	19%	19%
U.S. government agencies	26%	21%	21%
U.S. Treasury	12%	8%	8%
Money market preferred stocks	5%	5%	5%
Municipal bonds	1%	1%	1%
Other	2%	2%	2%

As of September 30, 2006, approximately 80% of the portfolio was invested in fixed rate instruments.



# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

FIXED VS. FLOATING RATE INVESTMENTS	AT 9/30/06	AT 12/31/05	AT 9/30/05
Percentage of portfolio in fixed rate investments	80%	79%	80%
Percentage of portfolio in floating rate investments	20%	21%	20%

Almost all of the mortgage-backed securities we held at September 30, 2006, were invested in fixed rate instruments with terms of 15 years or less. We believe we can manage duration and interest rate risk more efficiently by investing in mortgage-related instruments, rather than by retaining individual residential mortgage loans on our balance sheet. We are among the largest originators of residential mortgages in Delaware, but we sell most newly originated fixed-rate residential mortgages into the secondary market, as part of our interest rate risk management strategy.

The following tables compare changes in the portfolio in average life and duration.

AVERAGE LIFE IN THE INVESTMENT SECURITIES PORTFOLIO (in years)	AT 9/30/06	AT 12/31/05	AT 9/30/05
Mortgage-backed instruments	4.20	4.30	4.30
Total portfolio	5.39	6.14	6.14

DURATION IN THE INVESTMENT SECURITIES PORTFOLIO (in years)	AT 9/30/06	AT 12/31/05	AT 9/30/05
Mortgage-backed instruments	3.90	3.92	3.92
Total portfolio	2.39	2.63	2.63

During the 2006 third quarter, we purchased short-term U.S. Treasury and government agencies, which contributed to the year-to-date declines in the average life and duration of the total portfolio. The rising market interest rate environment in the first half of the year was also a factor in the declines.

## LOANS

Loan balances rose for the 22nd consecutive quarter, reaching \$7.78 billion at September 30, 2006. This was a 5% increase from December 31, 2005. Commercial loans continued to account for more than two-thirds of total loan balances, and accounted for 85% of the growth in total loan balances during the first nine months of 2006.

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

PERIOD-END LOAN BALANCES (in millions)	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Commercial loans	\$5,243.5	\$4,919.1	\$4,804.2
Retail loans	\$2,536.7	\$2,478.6	\$2,488.6
	-----	-----	-----
Total loans outstanding	\$7,780.2	\$7,397.7	\$7,292.8
	=====	=====	=====

In addition to discussing balances on a period-end basis, we present average balances as a point of comparison. We believe that average balances, rather than period-end balances, offer a better measure of trends in our Regional Banking business. The factors that caused average balances to change were also the main factors that caused period-end balances to change. For more detail on average balances, please refer to the "Quarterly Analysis of Earnings" section of this report.

LOAN BALANCES, ON AVERAGE (dollars in millions)	9 MONTHS ENDED 9/30/06	FULL YEAR 2005	9 MONTHS ENDED 9/30/05
-----	-----	-----	-----
Commercial loans	\$5,143.8	\$4,673.5	\$4,608.3
Retail loans	\$2,484.2	\$2,373.6	\$2,338.5
Total loans	\$7,628.0	\$7,047.1	\$6,946.8
Delaware market loans	\$5,703.8	\$5,312.8	\$5,242.8
Delaware market loans as a % of total loans	75%	75%	75%
Pennsylvania market loans	\$1,698.5	\$1,525.7	\$1,496.9
Pennsylvania market loans as a % of total loans	22%	22%	22%
Other market loans as a % of total loans	3%	3%	3%

The Delaware market continued to account for the majority of loans outstanding, with balances rising 7%, on average, since the end of 2005. Balances from the Pennsylvania market rose at a faster pace, up 11% since the end of 2005, on average.

A primary factor in our ability to generate loan growth is the stable and well diversified economy in the Delaware Valley region, where economic indicators remained positive. According to the Federal Reserve Bank of Philadelphia, economic activity over the past 12 months (as of August 2006, the most recent data available) increased in Delaware and was stable in Pennsylvania and New Jersey. Delaware's unemployment rate for September 2006 was 3.7%, below the U.S. rate of 4.6%. For more information about the regional economy, please refer to the discussion on economic risk in the "Quantitative and qualitative disclosures about market risk" section of this report.

## COMMERCIAL LOANS

We offer commercial banking services in Delaware and surrounding areas, including eastern Pennsylvania, central and southern New Jersey, northeastern Maryland, and the Baltimore-Washington, D.C., area. We target our commercial banking services to middle-market businesses (family-owned or closely held businesses with annual sales of up to \$250 million) in these areas.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Commercial loan balances, which surpassed the \$5 billion mark for the first time in our history as of March 31, 2006, totaled \$5.24 billion at September 30, 2006. This was an increase of \$324.4 million, or 7%, from December 31, 2005.

33

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

PERIOD-END COMMERCIAL LOANS (in millions)	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Commercial and industrial (C&I)	\$2,378.1	\$2,461.3	\$2,465.9
Commercial real estate/construction (CRE)	1,610.9	1,233.9	1,098.9
Commercial mortgage	1,254.5	1,223.9	1,239.4
	-----	-----	-----
Total commercial loans	\$5,243.5	\$4,919.1	\$4,804.2
	=====	=====	=====

Almost all of the loan growth during the first nine months of 2006 was in the commercial real estate/construction (CRE) portfolio, which was \$377.0 million, or 31% larger at September 30, 2006, than at December 31, 2005. More than two-thirds of this amount was for single family residential tract developments, and more than half came from the Delaware market. The remainder of the growth was for a variety of industrial, retail, office, and other commercial and residential projects.

CONTRIBUTION TO CRE LOAN GROWTH BY MARKET	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Delaware	58%	59%	52%
Pennsylvania	26%	24%	31%
Maryland	8%	9%	7%
New Jersey	6%	7%	8%
Other	2%	1%	2%

The increase in CRE loan balances continued to reflect population growth and demand for housing, especially in Delaware. Published reports attest to this growth:

- In its summer 2006 profile of Delaware, the FDIC reported that Delaware's population growth exceeds that of neighboring states, and that, unlike other states in the region, Delaware's population growth is the result of domestic in-migration (people relocating from other states).
- According to the University of Delaware's Center for Applied Demography, Delaware's new residents include retirees attracted by the state's relatively low property taxes and lack of a sales tax, as well as working-age people from New Jersey and Pennsylvania who are willing to trade longer commuting time for lower housing prices. A July 28, 2006, ranking by USA Today using U.S. Census Bureau statistics listed Delaware as

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

having the eighth lowest property taxes per capita for 2004, the most recent data available.

- Mayflower Transit's 2006 relocation report ranked Delaware as the second most popular relocation destination in the United States.

For more information about population growth and housing demand in Delaware, please refer to the discussion on economic risk in the "Quantitative and qualitative disclosures about market risk" section of this report.

The pace of CRE loan growth slowed somewhat during the 2006 third quarter, which we believe reflected a return to more normal conditions in the housing market. In September 2006, several housing industry groups, including the National Association of Realtors, Moody's Economy.com, and multiple listing service Trend, predicted that any housing downturn in Delaware would be short-lived and less severe than elsewhere in the United States. Trend reported that in Delaware, as of August 2006, the median sales price of single-family homes for the first eight months of 2006 was between 6% and 12% higher than for the first eight months of 2005, depending on location.

In considering the risks associated with CRE lending, we take into account the facts that:

- Most of our CRE loans are for single-family, permanent (not vacation) residences.
- The housing demand reflects population growth.
- We prefer to work with local developers who are based in the Delaware Valley region, whose projects are in the Delaware Valley region, and with whom we have long-standing relationships. These developers own their businesses and have solid reputations, diverse cash flow streams, personal liquidity, and experience in a variety of market cycles.

34

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Our CRE underwriting standards call for:

- A maximum term of two years on unimproved land and three years on development loans, which means that approximately 33% of our total residential project loans outstanding are repaid in any given year.
- A target loan size of \$1 million to \$10 million.
- Personal guarantees.
- An evaluation of the cash flow and financial position of CRE borrowers on a client basis, not on a project basis.
- Maximum loan-to-value requirements of 65% on unimproved land; 75% on land development; and 80% on residential construction and income property loans.
- Limiting construction activity on residential tract projects to pre-sold inventory, plus a maximum of six unsold single family homes or 10 unsold

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

townhomes.

The relatively short terms of our construction loans provide us the ability to adjust our loan mix, if necessary, to mitigate the effects of a downturn in any single market segment.

Net charge-offs from CRE loans have been minimal over the past five years, as the following table shows. Negative numbers (numbers in parentheses) reflect loan recoveries.

(In millions)	2001	2002	2003	2004	2005	2006 YTD
-----	----	-----	----	-----	----	-----
CRE NET CHARGE-OFFS	\$0.1	\$(1.4)	\$0.0	\$(0.8)	\$0.1	\$0.3

For more details about net charge-offs and other credit quality metrics, please refer to the "Asset quality" section of this report.

### RETAIL LOANS

Our retail loan portfolio consists of three categories of loans: residential mortgages, consumer loans, and loans secured with liquid collateral. Most of our residential mortgages and consumer loans are associated with clients in Delaware, which is where we focus our branch banking activities. Loans secured with liquid collateral are associated mainly with Wealth Advisory Services (WAS) clients throughout the United States.

Retail loan balances totaled \$2,536.7 million at September 30, 2006, which was slightly higher than at December 31, 2005. Residential mortgage and consumer loan balances rose during the first nine months of 2006, but these increases were offset by a decline in the balance of loans secured with liquid collateral, which change according to WAS client demand. Consumer loans continued to account for more than half of total retail loan balances.

PERIOD-END RETAIL LOANS (in millions)	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Residential mortgage	\$ 518.7	\$ 455.5	\$ 450.9
Consumer	\$1,489.7	\$1,438.3	\$1,414.8
Secured with liquid collateral	\$ 528.3	\$ 584.8	\$ 622.9
	-----	-----	-----
Total retail loans	\$2,536.7	\$2,478.6	\$2,488.6
	=====	=====	=====

### RESIDENTIAL MORTGAGE LOANS

Residential mortgage balances rose 14% during the first nine months of 2006, mainly because origination volumes increased. Origination volumes (dollar amounts) were 10% higher for the first nine months of 2006 than for the corresponding period in 2005, and the number of originated loans was 6% lower. As of September 30, 2006, residential mortgages comprised 7% of total loans outstanding, compared with 6% at December 31, 2005.

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

RESIDENTIAL MORTGAGE ACTIVITY (dollar amounts in millions)	9 MONTHS ENDED 9/30/06	FULL YEAR 2005	9 MONTHS 9/30/06
Residential mortgage originations (number of loans)	728	1,077	77
Residential mortgage originations (dollar amount)	\$173.0	\$221.0	\$156.0
Residential mortgage balances (at period-end)	\$518.7	\$455.5	\$450.0

Changes in residential mortgage balances may not correspond with changes in origination volumes. Although we are among the leading residential mortgage originators in Delaware, we sell most newly originated fixed-rate production into the secondary market instead of recording these loans on our balance sheet. This ongoing practice is part of our interest rate risk management strategy. We discuss this strategy more fully in the "Quantitative and qualitative disclosures about market risk" section of this report.

During the first nine months of 2006, residential mortgage balances rose but origination volumes declined in large part because:

- We retain mortgages that qualify as low income mortgages for Community Reinvestment Act (CRA) purposes in the portfolio. CRA loans originated during the 2006 third quarter were nearly twice as high as for the year-ago third quarter.
- The average loan size increased. In the 2006 third quarter, the average loan amount originated was 12% higher than for the year-ago third quarter.
- The pace of refinancings and paydowns slowed.

There are no interest-only mortgages, payment option adjustable rate mortgages, negatively amortizing adjustable rate mortgages, or other types of nontraditional mortgages in our residential mortgage portfolio.

## CONSUMER LOANS

Consumer loan balances increased 4% during the first nine months of 2006. Most of this growth occurred in indirect loans and the category of consumer loans recorded as "other consumer" loans. The majority of consumer loans continued to come from the Delaware market.

PERIOD-END CONSUMER LOANS (in millions)	AT 9/30/06	AT 12/31/05	AT 9/30/05
Home equity (lines of credit)	\$ 321.3	\$ 326.4	\$ 326.4
Indirect	668.3	651.3	651.3
Credit card	75.5	74.5	74.5
Other consumer	424.6	386.1	386.1
Total consumer loans	\$1,489.7	\$1,438.3	\$1,438.3
Percentage booked in Delaware	79%	81%	81%

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Percentage booked in Pennsylvania	7%	6%
Percentage booked in Maryland	14%	13%

"Other consumer" loans comprise a variety of personal and installment loans to individuals, and include home equity loans. Most of the "other consumer" loans are fixed rate loans. Higher volumes of home equity loans accounted for much of the growth in "other consumer" balances, as the market interest rate environment increased client demand for fixed rate loans.

36

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

These same interest rate dynamics decreased client demand for home equity lines of credit, most of which are floating rate loans, and caused home equity line of credit balances to decrease.

The increase in indirect loan balances reflected our expansion in the New Jersey and Pennsylvania markets, as the percentage of indirect loans originated in those two markets increased substantially during the 2006 third quarter. The pace of growth in indirect lending slowed compared to the first nine months of 2005, mainly because of the low-rate financing promotions that auto manufacturers have offered this year. Most of our indirect loans are auto loans made through auto dealers, and are mainly for late-model used cars. These loans typically have shorter terms and higher yields than new car loans.

### RESERVE FOR LOAN LOSSES

During the first nine months of 2006, total loan balances increased \$382.5 million, or 5%. This loan growth was our main reason for increasing the reserve for loan losses to \$93.6 million, which was \$2.2 million, or 2%, more than at December 31, 2005. The loan loss reserve ratio at September 30, 2006, was 1.20%, compared with 1.24% at December 31, 2005. For information about other metrics of our credit quality, please refer to the "Asset Quality" section of this report.

### LIABILITIES AND STOCKHOLDERS' EQUITY

Total liabilities increased \$417.7 million, or 5%, during the first nine months of 2006. The mix of liabilities remained relatively unchanged. Deposits accounted for 82% of total liabilities as of September 30, 2006, the same percentage as at September 30, 2005.

Stockholders' equity rose \$46.6 million, or 5%, during the first nine months of 2006. The portion of year-to-date earnings that we added to capital, plus the proceeds of stock option exercises, were the main factors in this increase. For more details on the changes in stockholders' equity, please refer to the "Capital Resources" section of this report.

LIABILITIES AND STOCKHOLDERS' EQUITY (IN MILLIONS)	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Total deposits	\$ 7,884.2	\$ 7,289.2	\$ 7,548.9

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Short-term borrowings	1,168.7	1,373.7	1,117.3
Other liabilities	579.7	552.0	559.3
Total liabilities	\$ 9,632.6	\$ 9,214.9	\$ 9,225.5
Minority interest	0.3	0.2	0.2
Stockholders' equity	1,064.3	1,017.7	972.7
	-----	-----	-----
Total liabilities and stockholders' equity	\$10,697.2	\$10,232.8	\$10,198.4
	=====	=====	=====

### DEPOSITS

We record two types of deposits:

- Core deposits, which are deposits from our clients. Core deposits include noninterest-bearing demand, interest-bearing demand, and savings deposits; and certificates of deposit (CDs). We record two categories of CDs in core deposits: CDs under \$100,000 and local CDs \$100,000 and over.
- National CDs \$100,000 and over. These are wholesale CDs we purchase, primarily from money center banks. These deposits are not associated with client activity.

37

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

To evaluate deposit trends fully, it is important to understand our business model and our funding strategies. We make loans primarily in four states: Delaware, Pennsylvania, Maryland, and New Jersey. In comparison, we gather core deposits mainly in Delaware, which is where we focus our retail banking activities, and which is the smallest of these four states by far. In our business model, therefore, loan growth outpaces core deposit growth.

To fund loan growth, we augment core deposits with national CDs and short-term borrowings, which consist of U.S. Treasury demand deposits and federal funds purchased and securities sold under agreements to repurchase. We adjust the mix of national CDs and short-term borrowings depending on which instruments offer more favorable rates. As a result, in periods when national CD balances decline, it is likely that short-term borrowing will increase, and vice versa.

Although rates on wholesale funds may be somewhat higher than core deposit rates, we use wholesale funds because:

- We believe wholesale funds are a cost-effective and efficient way to support loan growth. To acquire significantly higher levels of core deposits, we would need to undertake a large-scale expansion of our branch office network beyond Delaware, which would require us to invest capital and increase our annual operating costs.
- Using wholesale funding helps us manage interest rate risk, because we are able to match closely the repricing characteristics of wholesale funds with those of our floating rate loans.

The efficiency of this funding model is evident in the efficiency ratio of the



## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Regional Banking business, which we discuss in this report at the end of the section on deposits. For more details on our funding, please refer to the "Liquidity and Funding" section and the discussion of interest rate risk in the "Quantitative and Qualitative Disclosures about Market Risk" section of this report. For more information about rates and yields, please refer to our discussion of interest rate risk management in this report.

As the table below shows, total deposit balances rose \$595.0 million, or 8%, during the first nine months of 2006. Almost all of this growth was in national CD balances, with core deposits contributing \$80.9 million of the increase. The year-to-date growth in core deposits and wholesale funding, combined, was 5%, which matched the year-to-date growth in loan balances.

LOAN AND DEPOSIT GROWTH COMPARISON (in millions)	AT 9/30/06	AT 12/31/05	CHANGE
-----	-----	-----	-----
Total loans	\$7,780.2	\$7,397.7	5%
Total deposits	\$7,884.2	\$7,289.2	8%
Core deposits	\$5,141.5	\$5,060.6	2%
National CDs \$100,000 and over	\$2,742.7	\$2,228.6	23%
Short-term borrowings	1,168.7	1,373.7	(15)%
Total wholesale funding	\$3,911.4	\$3,602.3	9%
Total core deposits and wholesale funding	\$9,052.9	\$8,662.9	5%

### CORE DEPOSITS

At September 30, 2006, core deposit balances were \$80.9 million higher than at December 31, 2005. CD and interest-bearing demand deposit balances rose, but these increases were offset by decreases in noninterest-bearing demand and savings deposits. The majority of core deposits continued to come from consumer and commercial banking clients in Delaware.

38

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

PERIOD-END CORE DEPOSITS (in millions)	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Noninterest-bearing demand	\$ 861.3	\$1,014.8	\$1,060.8
Savings	292.5	326.3	332.7
Interest-bearing demand	2,417.5	2,360.0	2,317.5
CDs under \$100,000	995.5	923.0	840.6
Local CDs \$100,000 and more	574.7	436.5	411.0
	-----	-----	-----
Total core deposits	\$5,141.5	\$5,060.6	\$4,962.6
	=====	=====	=====

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

The decreases in savings and noninterest-bearing demand deposits appeared to reflect the rising market interest rate environment during the first half of the year, with clients opting to deposit funds in higher-yielding instruments. In addition, the decrease in noninterest-bearing demand deposits reflected a practice we instituted in December 2005 of sweeping commercial noninterest-bearing demand account balances into money market deposits. By sweeping these commercial accounts daily, we lower the deposit reserve requirements mandated by the Federal Reserve, and ultimately reduce our borrowing costs and uninvested cash balances. These sweeps accounted for approximately \$188 million of the year-to-date decrease in noninterest-bearing demand balances.

We record local CDs as core deposits because they are client deposits, not brokered or wholesale deposits. The majority of local CDs are associated with clients in the Delaware Valley region, including commercial banking clients and municipalities, which frequently use these CDs to generate returns on their excess cash.

LOCAL CDS > or = \$100,000 BY CLIENT CATEGORY	AT 9/30/06	AT 12/31/05	AT 9/30/05
Consumer clients in Delaware	73%	65%	66%
Commercial banking clients in Delaware	10%	12%	11%
Commercial banking clients in Pennsylvania	10%	9%	6%
Wealth Advisory clients	7%	14%	16%
Corporate Client Services clients	--%	--%	1%

In addition to discussing core deposit balances on a period-end basis, we present average balances as a point of comparison. Period-end core deposit balances frequently differ from average core deposit balances, mainly due to Corporate Client Services (CCS) activity. CCS clients frequently deposit funds for very short amounts of time near the ends of financial reporting periods. Since these deposits are not from Regional Banking clients, we believe that average core deposit balances, rather than period-end balances, are the better indicator of trends in our Regional Banking business.

On an average-balance basis, core deposits increased 1% during the first nine months of 2006. While noninterest-bearing demand and savings balances declined, interest-bearing demand deposits increased 3%; CDs under \$100,000 rose 18%, and local CD balances were 29% higher.

CORE DEPOSITS (on average, in millions)	9 MONTHS ENDED 9/30/06	FULL YEAR 2005	9 MONTHS ENDED 9/30/05
Noninterest-bearing demand	\$ 747.5	\$ 992.0	\$ 983.4
Savings	317.0	344.9	351.3
Interest-bearing demand	2,361.8	2,303.8	2,298.0
CDs under \$100,000	969.4	824.4	398.5
Local CDs \$100,000 and more	516.9	401.5	386.2
Total core deposits	\$4,912.6	\$4,866.6	\$4,817.4
% from Delaware clients	94%	94%	94%
% from Pennsylvania clients	5%	5%	5%
% from other markets	1%	1%	1%

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

REGIONAL BANKING PROFITABILITY

The efficiency ratio of the Regional Banking business, compared with the efficiency ratio of the company overall, reflected the efficiency of our funding model and use of wholesale funds to support loan growth. The Regional Banking efficiency ratio improved from prior periods, mainly because income growth far exceeded expense growth.

EFFICIENCY RATIOS -----	2006 Q3 -----	2005 Q3 -----	2006 YTD -----	2005 YTD -----
Regional Banking	40.02%	42.86%	40.25%	42.61%
Wilmington Trust consolidated	95.64%	56.87%	69.54%	57.68%
Wilmington Trust consolidated, excluding impairment	55.18%	56.87%	55.83%	57.68%

For more information about the profitability of the Regional Banking business, please refer to Note 5, "Segment reporting," in this report.

INCOME STATEMENT

This section compares our income and expenses for the third quarter and first nine months of 2006 with the corresponding periods in 2005. Year-to-date (YTD) references are as of September 30.

Net income for the third quarter of 2006 was \$5.2 million and earnings per share (on a diluted basis) were \$0.07. For the first nine months of 2006, net income was \$96.3 million and earnings per share (diluted) were \$1.38. These amounts were lower than for the corresponding year-ago periods because we recorded a non-cash impairment write-down of \$72.3 million during the 2006 third quarter, which reflected the reduced carrying value of our investment in affiliate money manager RCM. We discuss this write-down in detail in the executive summary section of this report.

NET INCOME -----	2006 Q3 -----	2005 Q3 -----	2006 YTD -----	2005 YTD -----
Net income (in millions)	\$ 5.2	\$ 42.8	\$ 96.3	\$ 120.5
Earnings per share (diluted)	\$ 0.07	\$ 0.62	\$ 1.38	\$ 1.76
Average shares outstanding (diluted, in thousands)	69,933	68,699	69,716	68,440

Absent the impairment write-down, net income for the 2006 third quarter would have been \$46.9 million and earnings per share (diluted) would have been \$0.67 per share. These amounts would have been increases of 10% and 8%, respectively,

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

from the year-ago third quarter.

Net income for the first nine months of 2006, excluding the impairment write-down, would have been \$138.0 million and earnings per share (diluted) would have been \$1.98. These amounts would have been increases of 15% and 13%, respectively, from the first nine months of 2005.

The main factors in the third quarter and year-to-date growth in net income (excluding the impairment write-down) were:

- Higher amounts of net interest income due to loan growth, relatively modest deposit pricing pressure, and the combination of our asset sensitivity and the rising market interest rate environment;
- Increases in advisory business revenue;
- Carefully managed expense growth and credit quality; and
- Leverage from the expansion investments we have made in recent years to add people and capabilities in markets and businesses where we see the greatest potential for growth.

40

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

### SOURCES OF INCOME

We generate two types of revenue: Net interest income and noninterest income. These two sources of revenue generate a diversified stream of income that we believe enables us to deliver consistent profitability and growth, with low volatility, in a variety of economic conditions.

During the first nine months of 2006, our sources of income remained diversified and balanced between net interest and noninterest income. The advisory businesses generated the majority of our noninterest income.

NET INTEREST AND NONINTEREST INCOME (1)	2006 Q3	2005 Q3	2006 YTD
-----	-----	-----	-----
Total net interest and noninterest income (in millions)	\$171.0	\$160.5	\$509.5
Portion from net interest income	51%	50%	50%
Portion from advisory business income	42%	41%	42%
Portion from total noninterest income	49%	50%	50%

(1) After amortization and the provision for loan losses.

### NET INTEREST INCOME

Net interest income is the difference between the interest revenue we receive on earning assets, such as loans and investments, and the interest expense we pay on liabilities, such as deposits and short-term borrowings. We generate net interest income mainly through banking and funding activities.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Net interest income for the 2006 third quarter, after the provision for loan losses, was \$86.4 million. This was 7% higher than for the year-ago third quarter. For the first nine months of 2006, net interest income was \$255.9 million, 10% higher than for the corresponding period in 2005.

NET INTEREST INCOME (in millions)	2006 Q3	2005 Q3	2006 YTD
-----	-----	-----	-----
Interest income	\$175.0	\$134.9	\$492.9
Interest expense	82.0	51.2	222.2
Net interest income	\$ 93.0	\$ 83.7	\$270.7
Provision for loan losses	(6.6)	(2.9)	(14.8)
Net interest income (after provision)	\$ 86.4	\$ 80.8	\$255.9

The primary reasons for the third quarter and year-to-date increases in net interest income were:

- Loan growth. Loan balances were 7% higher at September 30, 2006, than at September 30, 2005.
- Our asset-sensitive interest rate position, in which assets continued to reprice at a faster pace than liabilities.
- Credit quality. The growth in net interest income far exceeded the increases in the provision for loan losses. For more information about the provision for loan losses, please refer to the asset quality section of this report.

CREDIT QUALITY EFFECT ON NET INTEREST INCOME	Q3 2006 VS. 2005	YTD 2006
-----	-----	-----
Increase in net interest income before the provision (in millions)	\$9.3	\$29.3
Increase in the provision (in millions)	\$3.7	\$ 5.0

The Regional Banking business generated 92% of our net interest income for the 2006 third quarter, and 93% of our year-to-date net interest income, the same percentages as for the corresponding year-ago periods. We attribute portions of net interest income to the Wealth Advisory Services and Corporate Client Services businesses, because these businesses have clients who use our banking services. For more information about how we allocate net interest income among our businesses, please refer to Note 5, "Segment reporting," in this report.

### NET INTEREST MARGIN

As market interest rates increased, we remained asset sensitive, and assets

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

continued to reprice faster than liabilities. This helped generate a net interest margin of 3.83% for the 2006 third quarter, which was 17 basis points higher than for the year-ago third quarter. The year-to-date net interest margin was 3.80%, 15 basis points higher than for the first nine months of 2005.

NET INTEREST MARGIN -----	2006 Q3 -----	2006 Q2 -----	2006 Q1 -----	2005 Q3 -----
Net interest margin	3.83%	3.80%	3.77%	3.74%

The 2006 third quarter was the first quarter to reflect the full effects of the short-term rate increase the Federal Open Market Committee (FOMC) made on June 29, 2006, which was the FOMC's sixth short-term rate increase since the end of the 2005 third quarter. At September 30, 2006, short-term rates were:

- 100 basis points higher than at December 31, 2005.
- 150 basis points higher than at September 30, 2005.

For the third quarter and first nine months of 2006, asset yields continued to rise at a faster pace than deposit costs. Deposit pricing pressure was relatively modest, except on CDs. For example:

- Between June 30, 2006, and September 30, 2006, loan yields increased 30 basis points, compared with an increase of 18 basis points in core interest-bearing deposit rates.
- Between December 31, 2005, and September 30, 2006, loan yields rose 105 basis points, while core-interest-bearing deposit rates rose 52 basis points.
- Comparing the third quarter of 2006 with the third quarter of 2005, loan yields rose 143 basis points, while core interest-bearing deposit rates increased 71 basis points.

BASIS POINT (BPS) CHANGES IN YIELDS/RATES -----	9/30/06 VS. 6/30/06 -----	9/30/06 VS. 12/31/05 -----	9/30/06 VS. 9/30/05 -----
Investment securities	11 bps	34 bps	51 bps
Commercial loans	34 bps	119 bps	164 bps
Total loans	30 bps	105 bps	143 bps
Total earning assets	25 bps	93 bps	124 bps
Core interest-bearing deposits	18 bps	52 bps	71 bps
National CDs	32 bps	129 bps	170 bps
Total interest-bearing deposits	28 bps	88 bps	111 bps
Funds to support earning assets	22 bps	84 bps	111 bps

One of the reasons for our asset sensitivity is the fact that, while more than 90% of our floating rate loans reprice within 30 days of an FOMC rate change, deposit repricing does not occur as quickly. When market interest rates stabilize after a series of increases, most asset repricing slows or stabilizes, but deposit repricing continues and may outpace asset repricing. When this happens, the net interest margin may decrease.

As of the date of this report (November 9, 2006), the FOMC had not changed

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

short-term interest rates since the June 29, 2006, move. As a result, we expect our deposit rates to increase further, and we expect our net interest margin to decline modestly from its year-to-date level of 3.80%.

For more information on how we match the repricing of our assets and liabilities, please refer to the discussions on funding and interest rate risk management in this report.

42

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

To compute the quarterly net interest margin, we subtract the weighted average rate on our cost of funds from the weighted average rate on earning assets.

To calculate the weighted average rate on earning assets, we use weighted average rates on federal funds sold and securities purchased under agreements to resell, the investment securities portfolio, and the loan portfolio, each of which is based on an underlying day-weighting of 360 or 365 days, depending on the asset's pricing characteristics.

To calculate the weighted average rate on the cost of funds, we use weighted average rates on interest-bearing deposits, short-term borrowings, and long-term debt, each of which is based on an underlying day-weighting of 360 or 365 days, depending on the liability's pricing characteristics.

DOLLAR AMOUNTS IN MILLIONS	2006 Q3	2005 Q3	2006 YTD	2005 YTD
-----	-----	-----	-----	-----
FTE (1) net interest income	\$ 94.1	\$ 84.7	\$ 273.9	\$ 244.4
Earning assets (on average)	\$9,645.1	\$9,111.3	\$9,501.0	\$8,844.6
Weighted average rate on earning assets	7.15%	5.87%	6.88%	5.58%
Weighted average rate on cost of funds	3.32%	2.21%	3.08%	1.93%
Net interest margin	3.83%	3.66%	3.80%	3.65%

(1) Fully tax-equivalent

For more details about the weighted average rates, please refer to the analysis of earnings on the pages that follow.

#### ANALYSIS OF EARNINGS

On the following pages, we present the consolidated comparative rate/volume and net interest income data for the third quarters and first nine months of 2006 and 2005.

43

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

## QUARTERLY ANALYSIS OF EARNINGS

	2006 Third Quarter			2005 Third Quarter		
(Dollars in millions; rates on tax-equivalent basis)	Average balance	Income/ expense	Average rate	Average balance	Income/ expense	Average rate
Earning assets						
Federal funds sold and securities purchased under agreements to resell	\$ 28.8	\$ 0.3	4.55%	\$ 52.9	\$ 0.5	3.45%
U.S. Treasury	157.0	1.6	4.06	134.4	1.1	3.17
Government agencies	475.9	5.1	4.23	390.7	3.8	3.87
State and municipal	9.6	0.1	8.75	11.3	0.2	8.76
Preferred stock	89.4	1.7	7.63	92.5	1.7	7.58
Mortgage-backed securities	735.1	7.8	4.05	931.9	9.5	4.02
Other	390.0	6.3	6.42	369.2	4.5	4.84
Total investment securities	1,857.0	22.6	4.78	1,930.0	20.8	4.27
Commercial, financial, and agricultural	2,407.7	48.9	7.96	2,449.3	39.5	6.32
Real estate - construction	1,588.7	34.9	8.60	1,022.8	18.1	6.94
Mortgage - commercial	1,238.5	25.3	7.98	1,232.8	20.6	6.55
Total commercial loans	5,234.9	109.1	8.16	4,704.9	78.2	6.51
Mortgage - residential	507.8	7.4	5.81	443.8	6.6	5.99
Consumer loans	1,470.5	27.2	7.31	1,369.7	22.2	6.43
Secured with liquid collateral	546.1	9.5	6.78	610.0	7.6	4.89
Total retail loans	2,524.4	44.1	6.89	2,423.5	36.4	5.96
Total loans net of unearned income	7,759.3	153.2	7.75	7,128.4	114.6	6.32
Total earning assets	\$9,645.1	\$176.1	7.15%	\$9,111.3	\$135.9	5.87%

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006



Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

(Dollars in millions; rates on tax-equivalent basis)	2006 Third Quarter			2005 Third Quarter		
	Average balance	Income/ expense	Average rate	Average balance	Income/ expense	Average rate
Funds supporting earning assets						
Savings	\$ 304.1	\$ 0.3	0.42%	\$ 345.1	\$ 0.2	0.28%
Interest-bearing demand	2,374.1	6.6	1.10	2,257.2	5.1	0.90
Certificates under \$100,000	988.1	9.7	3.87	825.0	5.5	2.64
Local CDs \$100,000 and over	546.5	6.5	4.65	409.3	3.2	3.04
Total core interest-bearing deposits	4,212.8	23.1	2.16	3,836.6	14.0	1.45
National CDs \$100,000 and over	2,864.6	38.7	5.30	2,500.6	22.5	3.51
Total interest-bearing deposits	7,077.4	61.8	3.43	6,337.2	36.5	2.26
Federal funds purchased and securities sold under agreements to repurchase	1,048.8	13.4	4.98	1,056.7	9.1	3.37
U.S. Treasury demand	6.8	0.1	5.09	12.1	0.1	3.41
Total short-term borrowings	1,055.6	13.5	4.98	1,068.8	9.2	3.37
Long-term debt	394.2	6.7	6.85	408.7	5.5	5.39
Total interest-bearing liabilities	8,527.2	82.0	3.78	7,814.7	51.2	2.58
Other noninterest funds	1,117.9	--	--	1,296.6	--	--
Total funds used to support earning assets	\$9,645.1	\$82.0	3.32%	\$9,111.3	\$51.2	2.21%
Net interest income/yield		94.1	3.83%		84.7	3.66%
Tax-equivalent adjustment		(1.1)			(1.0)	
Net interest income		\$93.0			\$83.7	

In order to ensure the comparability of yields and rates and their impact on net interest income, average rates are calculated using average balances based on historical cost and do not reflect the market valuation adjustment required by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

## YEAR-TO-DATE ANALYSIS OF EARNINGS

(Dollars in millions; rates on tax-equivalent basis)	Year-to-date 2006			Year-to-date 2005		
	Average balance	Income/ expense	Average rate	Average balance	Income/ expense	Average rate
Earning assets						
Federal funds sold and securities purchased under agreements to resell	\$ 21.8	\$ 0.7	4.54%	\$ 31.5	\$ 0.7	3.05%
U.S. Treasury	149.5	4.2	3.67	121.3	2.7	2.97
Government agencies	423.9	13.1	4.04	349.4	10.1	3.83
State and municipal	10.2	0.7	8.77	11.7	0.7	8.74
Preferred stock	90.0	5.3	7.61	95.4	5.3	7.48
Mortgage-backed securities	780.9	25.3	4.13	940.6	29.1	4.06
Other	396.7	17.8	6.02	347.9	11.8	4.52
Total investment securities	1,851.2	66.4	4.66	1,866.3	59.7	4.23
Commercial, financial, and agricultural	2,439.7	140.4	7.61	2,460.8	109.7	5.88
Real estate-construction	1,477.0	92.7	8.26	921.9	45.5	6.47
Mortgage-commercial	1,227.1	71.5	7.68	1,225.6	57.1	6.17
Total commercial loans	5,143.8	304.6	7.81	4,608.3	212.3	6.07
Mortgage-residential	485.2	21.1	5.81	434.5	19.3	5.92
Consumer loans	1,445.5	76.7	7.08	1,301.2	61.3	6.28
Secured with liquid collateral	553.5	26.6	6.34	602.8	20.1	4.40
Total retail loans	2,484.2	124.4	6.67	2,338.5	100.7	5.73
Total loans net of unearned income	7,628.0	429.0	7.44	6,946.8	313.0	5.96
Total earning assets	\$9,501.0	\$496.1	6.88%	\$8,844.6	\$373.4	5.58%

46

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Year-to-date 2006	Year-to-date 2005
-------------------	-------------------

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

(Dollars in millions; rates on tax-equivalent basis)	Average balance	Income/ expense	Average rate	Average balance	Income/ expense	Average rate
-----						
Funds supporting earning assets						
Savings	\$ 317.0	\$ 0.9	0.38%	\$ 351.3	\$ 0.7	0.26%
Interest-bearing demand	2,361.8	18.6	1.05	2,298.0	14.3	0.83
Certificates under \$100,000	969.4	25.8	3.56	798.5	14.4	2.41
Local CDs \$100,000 and over	516.9	16.9	4.30	386.2	8.1	2.75
-----						
Total core interest-bearing deposits	4,165.1	62.2	1.99	3,834.0	37.5	1.30
National CDs \$100,000 and over	2,723.6	101.8	4.93	2,249.7	51.9	3.05
-----						
Total interest-bearing deposits	6,888.7	164.0	3.15	6,083.7	89.4	1.95
-----						
Federal funds purchased and securities sold under agreements to repurchase	1,092.1	38.2	4.61	1,095.7	24.4	2.94
U.S. Treasury demand	11.5	0.4	4.63	12.8	0.3	2.75
-----						
Total short-term borrowings	1,103.6	38.6	4.61	1,108.5	24.7	2.93
Long-term debt	395.5	19.6	6.60	407.3	14.9	4.87
-----						
Total interest-bearing liabilities	8,387.8	222.2	3.51	7,599.5	129.0	2.25
-----						
Other noninterest funds	1,113.2	--	--	1,245.1	--	--
-----						
Total funds used to support earning assets	\$9,501.0	\$222.2	3.08%	\$8,844.6	\$129.0	1.93%
=====						
Net interest income/yield		273.9	3.80%		244.4	3.65%
Tax-equivalent adjustment		(3.2)			(3.0)	
Net interest income		\$270.7			\$241.4	
		=====			=====	

In order to ensure the comparability of yields and rates and their impact on net interest income, average rates are calculated using average balances based on historical cost and do not reflect the market valuation adjustment required by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

(In millions)	For the three months ended Sept. 30, 2006/2005			For the nine months ended Sept. 30, 2006/2005	
	Increase/(decrease) due to change in			Increase/(decrease) due to change in	
	Volume (1)	Rate (2)	Total	Volume (1)	Rate (2)
<b>Interest income:</b>					
Federal funds sold and securities purchased under agreements to resell	\$ (0.2)	\$ --	\$ (0.2)	\$ (0.2)	\$ 0.2
U.S. Treasury	0.2	0.3	0.5	0.7	0.8
Government agencies	0.9	0.4	1.3	2.3	0.7
State and municipal *	--	(0.1)	(0.1)	(0.1)	0.1
Preferred stock *	--	--	--	(0.2)	0.2
Mortgage-backed securities	(1.8)	0.1	(1.7)	(4.3)	0.5
Other *	0.3	1.5	1.8	1.6	4.4
Total investment securities	(0.4)	2.2	1.8	0.0	6.7
Commercial, financial, and agricultural *	(0.7)	10.1	9.4	(1.0)	31.7
Real estate - construction	9.9	6.9	16.8	26.9	20.3
Mortgage - commercial *	0.1	4.6	4.7	0.1	14.3
Total commercial loans	9.3	21.6	30.9	26.0	66.3
Mortgage - residential	1.0	(0.2)	0.8	2.2	(0.4)
Installment loans to individuals	1.6	3.4	5.0	6.8	8.6
Secured with liquid collateral	(0.8)	2.7	1.9	(1.6)	8.1
Total retail loans	1.8	5.9	7.7	7.4	16.3
Total loans net of unearned income	11.1	27.5	38.6	33.4	82.6
Total interest income	\$10.5	\$29.7	\$40.2	\$33.2	\$89.5
<b>Interest expense:</b>					
Savings	\$ --	\$ 0.1	\$ 0.1	\$ (0.1)	\$ 0.3
Interest-bearing demand	0.3	1.2	1.5	0.4	3.9
Certificates under \$100,000	1.1	3.1	4.2	3.1	8.3
Local CDs \$100,000 and over	1.1	2.2	3.3	2.6	6.2
Total core interest-bearing deposits	2.5	6.6	9.1	6.0	18.7
National CDs \$100,000 and over	3.3	12.9	16.2	11.1	38.8
Total interest-bearing deposits	5.8	19.5	25.3	17.1	57.5
Federal funds purchased and securities sold under agreements to repurchase	(0.1)	4.4	4.3	(0.1)	13.9
U.S. Treasury demand	--	--	--	--	0.1
Total short-term borrowings	(0.1)	4.4	4.3	(0.1)	14.0
Long-term debt	(0.2)	1.4	1.2	(0.4)	5.1
Total interest expense	\$ 5.5	\$25.3	\$30.8	\$16.6	\$76.6
Changes in net interest income	\$ 5.0	\$ 4.4	\$ 9.4	\$16.6	\$12.9

- \* 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 a 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.

48

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

NONINTEREST INCOME

Noninterest income consists primarily of income from the advisory businesses, which comprise Wealth Advisory Services, Corporate Client Services, and the two affiliate money managers, Cramer Rosenthal McGlynn and Roxbury Capital Management. Noninterest income also includes service charges on deposit accounts, loan fees and late charges, card fees, securities gains (or losses), and other noninterest income.

Noninterest income for the 2006 third quarter was \$84.6 million. This was 6% more than for the year-ago third quarter. For the first nine months of 2006, noninterest income was \$253.6 million. This was 9% higher than for the first nine months of 2005. Revenue from the Wealth Advisory Services, Corporate Client Services, and Cramer Rosenthal McGlynn businesses accounted for most of the increases in noninterest income.

NONINTEREST INCOME (in millions)	2006 Q3	2005 Q3	2006 YTD	2005 YTD
Advisory business revenue (1)	\$71.7	\$65.3	\$214.9	\$194.6
Service charges on deposit accounts	7.3	7.4	21.1	20.9
Other noninterest income	5.5	7.0	17.6	17.2
Securities gains	0.1	--	--	0.8
Total noninterest income	\$84.6	\$79.7	\$253.6	\$233.5

- (1) Includes revenue from Wealth Advisory Services, Corporate Client Services, Cramer Rosenthal McGlynn, and Roxbury Capital Management, after amortization.

THE WEALTH ADVISORY SERVICES BUSINESS

We report Wealth Advisory Services (WAS) revenue in three categories:

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

1. Trust and investment advisory fees, which represent the revenue generated by our core asset management, asset allocation, and trust management services. These fees are based on the market valuations of client assets we manage, direct, or hold in custody, and they are tied to movements in the financial markets. Most of these fees are based on equity market valuations.
2. Planning and other services fees. These fees are from financial planning, estate settlement, family office management, tax, and other services. These fees are based on the level and complexity of the services we provide. They are not associated with asset valuations. These fees can vary widely in amount, and portions may be nonrecurring. Because these fees reflect client demand at any given point in time, it is not unusual for them to fluctuate up or down from period to period.
3. Mutual fund fees. These fees are tied to money market mutual fund and cash valuations, and do not reflect equity market movements.

Total WAS revenue was 8% higher for the third quarter of 2006, and 9% higher for the first nine months of 2006, than for the corresponding periods in 2005. The revenue increases resulted from a combination of new business development with new clients as well as existing clients, especially in the areas of investment management, financial planning services, and family office services. Weakness in the financial markets during almost all of the third quarter and first nine months of 2006 masked the WAS growth overall.

49

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

WEALTH ADVISORY SERVICES REVENUE (in millions)	2006 Q3	2005 Q3	2006 YTD	2005 YTD
-----	-----	-----	-----	-----
Trust and investment advisory fees	\$33.0	\$32.7	\$100.4	\$92.9
Planning and other services fees	8.8	6.4	25.1	23.3
Mutual fund fees	5.3	4.4	15.0	13.2
	-----	-----	-----	-----
Total Wealth Advisory Services revenue	\$47.1	\$43.5	\$140.5	\$129.4
	=====	=====	=====	=====

For the 2006 third quarter, planning and other services fees were the primary contributor to WAS revenue growth. Most of this growth came from activity at Grant Tani Barash & Altman (GTBA), our West Coast provider of business management and family office services. Revenue from planning services also was a factor in the year-to-date increase in total WAS revenue.

Third quarter 2006 revenue from trust and investment advisory services was only slightly higher than for the year-ago third quarter. Business development was good, but was offset by lackluster performance in the financial markets. Although the markets rallied in September 2006, the increases occurred too late in the quarter to affect revenue. Despite the minimal increase during the third quarter, trust and investment advisory revenue accounted for most of the year-to-date growth in total WAS revenue, reflecting the strength of business

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

development.

Increases in the mutual fund component of WAS revenue reflected the market interest rate environment, which increased the attractiveness of money market mutual funds as an alternative to lower-yielding instruments.

WAS sales were 9% higher for the first nine months of 2006 than for the corresponding period last year, with the Pennsylvania and New York markets contributing most of the increase. Sales attributed to Delaware include business from clients in other states whose accounts are located in Delaware in order to benefit from Delaware's trust, tax, and legal advantages, many of which are not available for trusts governed by the laws of other states. We attribute these sales to Delaware because we serve these client accounts from our Delaware headquarters.

PERCENTAGE CONTRIBUTION TO TOTAL WAS SALES -----	2006 Q3 -----	2005 Q3 -----	2006 YTD -----	2005 YTD -----
California	4%	3%	4%	5%
Delaware (1)	57%	36%	56%	53%
Florida	6%	11%	7%	8%
Georgia	1%	8%	3%	6%
Maryland	3%	2%	2%	3%
New York	11%	16%	12%	11%
Pennsylvania	18%	24%	16%	14%

- (1) Delaware's contribution includes business development with clients in other states who seek Delaware's trust advantages. Because we serve these clients from our headquarters, we attribute these sales to Delaware.

### WEALTH ADVISORY SERVICES PROFITABILITY

Total WAS revenue (net interest income plus noninterest income, minus the provision for loan losses) for the 2006 third quarter was 7% higher than for the year-ago third quarter, but the corresponding increase in expenses was 10%. This caused profitability to decline somewhat, even though pre-tax income was the same for both the 2006 and 2005 third quarters. Expense growth also caused the slight decrease in year-to-date profitability, even though WAS pre-tax income was 7% higher than for the first nine months of 2005.

The increase in WAS expenses reflected expansion activity during the second and third quarters of 2006, which included:

- Establishing WAS offices in Allentown, Pennsylvania (in the Lehigh Valley), and Princeton, New Jersey, and hiring staff for those offices; and

50

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

- Launching the Wilmington Family Office (WFO) practice on the East Coast; adding WFO staff in Delaware, New Jersey, and New York; and opening a small WFO office in Stamford, Connecticut.

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

EFFICIENCY RATIOS -----	2006 Q3 -----	2005 Q3 -----	2006 YTD -----	2005 YTD -----
Wealth Advisory Services	77.64%	75.53%	78.13%	77.85%
Wilmington Trust consolidated	95.64%	56.87%	69.54%	57.68%
Wilmington Trust consolidated, excluding impairment	55.18%	56.87%	55.83%	57.68%

For more information about the profitability of the WAS business, please refer to Note 5, "Segment reporting," in this report.

## THE CORPORATE CLIENT SERVICES BUSINESS

We report Corporate Client Services (CCS) revenue in four categories:

1. Capital markets. These fees are based on the complexity of trust and administrative services we provide that support the structured finance industry. We perform most of these services under multiyear contracts.
2. Entity management. These fees are based on the complexity of administrative services we provide for special purpose entities in preferred jurisdictions.
3. Retirement services. Approximately 50% of these fees are based on equity market valuations of retirement plan assets for which we serve as custodian. The remainder are priced on a fee-for-service basis.
4. Investment/cash management. These fees reflect investment and cash management services we perform for capital markets clients who have residual cash management needs, and for retirement services clients. The majority of these fees are based on money market fund valuations. The remainder is based on the valuations of investment-grade fixed income instruments.

Total CCS revenue was 11% higher for the third quarter of 2006, and 12% higher for the first nine months of 2006, than for the corresponding periods in 2005. All components of the CCS business contributed to the year-over-year growth, and all but the capital markets component contributed to the third quarter growth.

CORPORATE CLIENT SERVICES REVENUE (in millions) -----	2006 Q3 -----	2005 Q3 -----	2006 YTD -----	2005 YTD -----
Capital markets services	\$8.2	\$8.3	\$25.4	\$23.7
Entity management services	6.8	5.7	19.8	17.5
Retirement services	3.4	3.2	9.8	9.1
Investment/cash management services	2.7	1.9	7.3	5.4
	-----	-----	-----	-----
Total Corporate Client Services revenue	\$21.1 =====	\$19.1 =====	\$62.3 =====	\$55.7 =====

The largest revenue increases, for both the third quarter and first nine months of 2006, were recorded by the entity management component. Business development in Europe and the Cayman Islands accounted for most of the growth.



## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

In Europe, demand was strong for the independent directorships and administrative services we provide, most of which support asset-backed securitizations. Business from Ireland and England drove the third quarter revenue growth. These two countries, plus Greece, accounted for most of the year-to-date growth. Many of the European securitizations we serve are backed by residential and commercial mortgages. Securitizations of credit card

51

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

receivables, especially in Greece, are also increasing. Greece has one of the highest credit card utilization rates in Europe.

The increases in entity management revenue from the Cayman Islands reflected the addition of the book of business from PwC Corporate Services (Cayman), which we acquired from the accounting firm PricewaterhouseCoopers in May 2006.

After the entity management component, the largest contributor to total CCS revenue growth for the third quarter and first nine months of 2006 was the investment/cash management component. These fees were up 42% for the quarter, and 35% year to date. These increases were the result of more proactive efforts to promote our money market mutual funds and fixed income investment management capabilities with new as well as existing clients. Most of the CCS investment/cash management revenue is tied to money market mutual funds. The remainder is based on the valuations of fixed income instruments, primarily asset-backed, U.S. Treasury, corporate, and other types of investment-grade securities.

In the capital markets component, revenue for the first nine months of 2006 was 7% higher than for the first nine months of 2005, but there has been a progression of small decreases in capital markets revenue for every quarter in 2006. Although demand for collateral trustee, successor trustee, and commercial mortgage-backed defeasance services rose, it was not strong enough to offset weakness in the U.S. market for asset-backed securitizations (ABS), which is occurring because:

- As ABS transactions have gained popularity, they have become more common - and the fees they command are significantly lower than when this type of structure was new.
- The dollar volume of ABS issues has risen, but the actual number of issues has fallen. Competition for fewer issues has eroded pricing.
- Rising market interest rates have reduced demand for mortgage-backed securitizations.
- New Securities and Exchange Commission registration and reporting requirements (Regulation AB) have caused some issuers to delay or cancel transactions.

In the retirement services component, the revenue increases reflected higher asset valuations, which rose as clients added funds to their retirement plans.

CORPORATE CLIENT SERVICES PROFITABILITY

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

CCS pre-tax income for the 2006 third quarter was 45% higher than for the year-ago third quarter, and 44% higher year to date. These increases reflected the effects of business expansion, and caused the CCS efficiency ratio to improve by 596 basis points for the third quarter 2006 versus 2005, and by 527 basis points year to date.

EFFICIENCY RATIOS -----	2006 Q3 -----	2005 Q3 -----	2006 YTD -----	2005 YTD -----
Corporate Client Services	70.71%	76.67%	73.75%	79.02%
Wilmington Trust consolidated	95.64%	56.87%	69.54%	57.68%
Wilmington Trust consolidated, excluding impairment	55.18%	56.87%	55.83%	57.68%

For more information about the profitability of the CCS business, please refer to Note 5, "Segment reporting," in this report.

### ASSETS UNDER MANAGEMENT AND ADMINISTRATION

At Wilmington Trust, changes in WAS and CCS revenue are better indicators of business trends than assets under management or assets under administration. Since most of the assets we manage for clients are held in trusts, asset levels are affected by not just business flows and financial market movements, but also by trust distributions. Funds

52

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

from trusts are distributed for tax payments, philanthropic obligations, discretionary spending, trust terminations, and other purposes. Trust distributions reduce asset levels in trust accounts and do not necessarily reflect lost business.

In addition, changes in assets under management may not reflect new or lost business, because:

- We specialize in providing holistic wealth management, of which asset management is just one element.
- Only the portion of WAS revenue recorded as trust and investment advisory fees is tied to asset valuations.
- Investment strategies for WAS clients consider a number of factors, including wealth planning, wealth preservation, wealth transition, and tax minimization.
- Assets held in direction trusts generate WAS trust and investment advisory fees, but assets held in direction trusts are recorded as assets under administration, not assets under management.
- The majority of CCS revenue is generated on a fee-for-service basis and is

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

not related to asset valuations.

- Assets associated with CCS clients can fluctuate by hundreds of millions of dollars from one period to the next, depending on cash management decisions clients make.

In contrast, managed asset levels are indicative of business trends at our two affiliate money managers, Cramer Rosenthal McGlynn (CRM) and Roxbury Capital Management (RCM). Changes in managed assets at these two firms reflect business flows as well as financial market movements.

The following table compares changes in assets under management.

ASSETS UNDER MANAGEMENT (in billions)	AT 9/30/06	AT 6/30/06	AT 12/31/05	A
-----	-----	-----	-----	-----
Wilmington Trust (1)	\$27.2	\$26.4	\$26.0	
Cramer Rosenthal McGlynn	9.8	9.4	8.9	
Roxbury Capital Management	3.1	3.3	3.3	
	----	----	----	
Total assets under management	\$40.1	\$39.1	\$38.2	
	=====	=====	=====	

- (1) Includes estimates for values associated with certain assets that lack readily ascertainable values, such as limited partnership interests.

The following table compares changes in assets under management and assets under administration at Wilmington Trust (excluding CRM and RCM). Most of the assets under administration are associated with the Corporate Client Services business.

CLIENT ASSETS AT WILMINGTON TRUST (in billions)	AT 9/30/06	AT 6/30/06	AT 12/31/05	A
-----	-----	-----	-----	-----
Assets under management (1)	\$27.2	\$26.4	\$26.0	
Assets under administration	73.3	74.3	74.9	
	----	----	----	
Total client assets	\$100.5	\$100.7	\$100.9	
	=====	=====	=====	

- (1) Includes estimates for values associated with certain assets that lack readily ascertainable values, such as limited partnership interests.

On a percentage basis, the investment mix of managed assets at Wilmington Trust (excluding CRM and RCM) remained relatively unchanged.

INVESTMENT MIX OF WILMINGTON TRUST MANAGED ASSETS (1)	AT 9/30/06	AT 6/30/06	AT 12/31/05	A
-----	-----	-----	-----	-----
Equities	48%	51%	56%	
Fixed income	28%	26%	23%	
Cash and equivalents	14%	13%	12%	
Other assets	10%	10%	9%	

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

(1) Excluding CRM and RCM.

53

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

## AFFILIATE MONEY MANAGERS

Our two affiliate money managers are:

- Cramer Rosenthal McGlynn (CRM), a value-style manager based in New York; and
- Roxbury Capital Management (RCM), a growth-style manager based in Santa Monica, California.

The principals of these two firms retain certain management controls, including veto powers, over a variety of matters. As a result, we do not consolidate their results in our financial statements, and the revenue we record from them, which is based on our ownership position in each, is net of expenses.

AFFILIATE MANAGER REVENUE (in millions)	2006 Q3	2005 Q3	2006 YTD	2005 YTD
-----	-----	-----	-----	-----
Revenue from Cramer Rosenthal McGlynn	\$4.6	\$3.4	\$14.1	\$11.1
Revenue from Roxbury Capital Management	--	\$0.3	\$ 1.1	\$ 0.3

AFFILIATE MANAGER MANAGED ASSETS (in millions)	AT 9/30/06	AT 6/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----	-----
Managed assets at Cramer Rosenthal McGlynn	\$9,784.5	\$9,392.0	\$8,899.0	\$8,480.0
Managed assets at Roxbury Capital Management	\$3,122.9	\$3,253.3	\$3,287.3	\$3,246.0

## CRAMER ROSENTHAL MCGLYNN (CRM)

CRM's assets under management rose \$1.30 billion, or 15%, during the 12 months ended September 30, 2006. More than two-thirds of this increase occurred during the first nine months of 2006. Asset inflows into CRM's small- and mid-cap products, as well as market appreciation, were the main reasons for these increases.

Revenue from CRM for the 2006 third quarter was \$4.6 million, a 35% increase from the year-ago third quarter. For the first nine months of 2006, revenue from CRM was \$14.1 million, a 20% increase. Revenue from CRM for the first nine months of 2005 included a gain of approximately \$1.4 million on the sale of an equity investment. Absent this gain, revenue from CRM for the first nine months of 2005 would have been \$10.4 million and the 2006 year-to-date increase would have been 36%.

The 2006 third quarter growth in revenue from CRM resulted mainly from the higher levels of assets under management. The year-to-date revenue increase

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

resulted from higher asset levels as well as hedge fund performance fees.

At September 30, 2006, we held an 81.73% ownership interest in CRM, compared with 77.24% at September 30, 2005. The increase in our ownership position occurred during the 2006 second quarter, as permitted by the put (relinquishment of interests) provisions in our acquisition agreement with CRM. This increase had a nominal effect on the revenue we receive from CRM.

### ROXBURY CAPITAL MANAGEMENT (RCM)

During the 2006 third quarter, RCM terminated its micro-cap product, which reduced managed asset levels and revenue. In addition, costs associated with the fund termination caused expenses to be higher than usual. As a result, RCM's revenue contribution for the quarter was negative and a nominal loss was recorded. For the first nine months of 2006, revenue from RCM was \$1.1 million. The firm's core small- and mid-cap products continued to perform well and attract assets.

54

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

During the 2006 third quarter, we reassessed the valuation of our investment in RCM, after the firm terminated its micro-cap fund and decided to exit its fixed income fund by the end of 2006. Because these actions reduced current and future levels of assets under management and numbers of client accounts at RCM, we determined that our investment in RCM was other than temporarily impaired, and that the carrying value of the firm should be reduced from \$137.6 million to \$65.3 million, as of September 30, 2006. We recorded the difference of \$72.3 million in our income statement as an impairment write-down for the 2006 third quarter. The impairment write-down reduced the amount of goodwill associated with RCM from \$131.3 million to \$59.0 million, as of September 30, 2006. For more information on this impairment write-down, please refer to the executive summary section of this report.

At September 30, 2006, our investment in RCM consisted of 41.23% of the firm's common shares and a preferred profits interest equal to 30% of the firm's revenues, unchanged from the fourth quarter of 2003.

### OTHER TYPES OF NONINTEREST INCOME

NON-ADVISORY NONINTEREST INCOME (in millions)	2006 Q3	2005 Q3	2006 YTD	2005 YTD
Service charges on deposit accounts	\$ 7.3	\$ 7.4	\$21.1	\$20.9
Other noninterest income	\$ 5.5	\$ 7.0	\$17.6	\$17.2
Securities gains	\$ 0.1	--	--	\$ 0.8
Total non-advisory noninterest income	\$12.9	\$14.4	\$38.7	\$38.9
	=====	=====	=====	=====

Changes in income from service charges on deposit accounts were due mainly to

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

changes in the volume of returned items and revenue from ATMs.

ATMS	AT 9/30/06	AT 6/30/06	AT 12/31/05	AT 9/30/05
----	-----	-----	-----	-----
Number of ATMs	229	226	230	227

The amount reported for other noninterest income for the 2006 third quarter was 21% less than for the year-ago third quarter. On a year-to-date basis, other noninterest income was 2% higher. Other noninterest income included two items that did not reflect ongoing business operations:

- The 2005 third quarter and year-to-date amounts included approximately \$2.0 million of gains from executive life insurance policies.
- The 2006 year-to-date amount included approximately \$1.0 million from a gain on the sale of real estate.

Absent these two items, other noninterest income would have been 10% higher for the 2006 third quarter. On a year-to-date basis, other noninterest income would have been 9% higher. These increases reflected higher revenue from loan fees, which rose due to higher volumes of letters of credit extended on unfunded loan commitments.

OTHER NONINTEREST INCOME (in millions)	2006 Q3	2005 Q3	2006 YTD	2005 YTD
-----	-----	-----	-----	-----
Other noninterest income, excluding two items noted above	\$5.5	\$5.0	\$16.6	\$15.2

Securities gains for the 2006 third quarter were \$0.1 million. For the first nine months of 2006, securities gains were zero, because the \$0.1 million securities loss we recorded for the 2006 second quarter offset the gain we recorded for the third quarter.

55

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

### NONINTEREST EXPENSE

Noninterest expenses were \$170.9 million and \$366.8 million, respectively, for the third quarter and first nine months of 2006. These amounts included the \$72.3 million impairment write-down we recorded against our investment in RCM, which we discuss in the executive summary section of this report.

NONINTEREST EXPENSE	2006 Q3	2005 Q3	2006 YTD	2005 YTD
-----	-----	-----	-----	-----

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Noninterest expense before the impairment	\$ 98.6	\$93.5	\$294.5	\$275.6
Impairment write-down	\$ 72.3	--	\$ 72.3	--
	-----	-----	-----	-----
Total noninterest expense	\$170.9	\$93.5	\$366.8	\$275.6
	=====	=====	=====	=====

Absent the impairment write-down, the increases in noninterest expense reflected the initiatives we have undertaken over the past 12 months to add staff and capabilities that strengthen our relationships with clients.

Since the end of September 2005, we have:

- Launched the Wilmington Family Office practice on the East Coast.
- Opened new offices in Pennsylvania, New Jersey, Connecticut, and Frankfurt, Germany.
- Expanded existing offices in Delaware, Pennsylvania, Maryland, and New York.
- Acquired the corporate services book of business from PricewaterhouseCoopers in the Cayman Islands.
- Invested in technology and added staff to expand services that support collateralized debt obligations.

At September 30, 2006, there were 51 more full-time-equivalent staff members than at December 31, 2005, and 81 more than at September 30, 2005.

STAFFING	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Full-time equivalent staff members	2,520	2,469	2,439

Excluding the impairment write-down, staffing-related expenses continued to represent the majority of our noninterest expense. For the third quarter of 2006, higher salary and wage expense was offset by lower incentives and employment benefits expense. The year-to-date increase in staffing-related expense reflected the additions to staff shown above.

STAFFING-RELATED EXPENSES (in millions)	2006 Q3	2005 Q3	2006 YTD	2005 YTD
-----	-----	-----	-----	-----
Salaries and wages	\$39.5	\$35.4	\$114.1	\$103.3
Incentives and bonuses	8.9	9.3	29.5	29.1
Employment benefits	11.4	11.6	36.8	35.8
	-----	-----	-----	-----
Total staffing-related expense	\$59.8	\$56.3	\$180.4	\$168.2
	=====	=====	=====	=====

Effective January 1, 2006, we adopted the retrospective method of accounting for stock-based compensation expense, in accordance with Statement of Financial Accounting Standards No. 123 (revised), and we adjusted prior period amounts accordingly. We record these costs in the incentives and bonuses expense line.

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

INCENTIVES AND BONUSES (in millions)	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3
-----	-----	-----	-----	-----	-----
Stock-based compensation expense	\$1.7	\$ 1.4	\$ 2.0	\$1.8	\$1.7
Total incentives and bonuses	\$8.9	\$10.3	\$10.3	\$8.8	\$9.3

56

2006 Q3 10-Q #5

## Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

The adjusted amounts for all of the items affected by the accounting change are available for the full years 1995 through 2005 at [wilmingtontrust.com](http://wilmingtontrust.com), by e-mail request to [IR@wilmingtontrust.com](mailto:IR@wilmingtontrust.com), or by telephone request to (302) 651-8527.

The third quarter and year-to-date increases in other expense categories also were related primarily to our expansion activities. In addition, higher energy costs added to net occupancy expense.

Two expense items recorded during the first nine months of 2005 were not indicative of continuing business operations:

- The amount of subadvisor expense reported for the first nine months of 2005 included a nonrecurring credit of approximately \$1 million that we recorded as a result of account reconciliations made when we consolidated subadvisor expenses under Wilmington Trust Investment Management. Subadvisor expense represents the payments we make to third-party investment advisors used in the Wealth Advisory business. Absent this credit, subadvisor expense for the first nine months of 2005 would have been \$1 million higher.
- The amount of other noninterest expense reported for the first nine months of 2005 included approximately \$1 million of product development expense. Absent this amount, other noninterest expenses for the first nine months of 2005 would have been approximately \$1 million lower.

## INCOME TAXES

Income tax expense for the third quarter and first nine months of 2006 was lower than for the corresponding year-ago periods, mainly because the impairment write-down we recorded against our investment in RCM resulted in a tax benefit of approximately \$30 million for the subsidiary in which we hold our investment in RCM. Since the effective tax rate for that subsidiary, WT Investments, Inc. (WTI), is higher than Wilmington Trust's overall effective state tax rate on a consolidated basis, the impairment write-down resulted in an additional state tax benefit of \$5.0 million for the Corporation and reduced our effective tax rate.

Also affecting our effective tax rate were the volumes of stock options exercised in 2006. Option exercise volumes were higher for the third quarter and first nine months of 2006 than for the corresponding year-ago periods, which increased the tax-deductible portion of our stock-based compensation expense.



# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

INCOME TAXES AND TAX RATE	2006 Q3	2005 Q3	2006 YTD	2005 YTD
-----	-----	-----	-----	-----
Pre-tax income (in millions)	\$ 0.1	\$ 67.0	\$142.7	\$189.5
Income tax expense (in millions)	\$ (5.0)	\$ 24.1	\$ 46.3	\$ 68.8
Effective tax rate	Not meaningful	35.97%	32.45%	36.31%

Excluding the impairment write-down, our effective tax rate was 35.36% for the third quarter of 2006, and 35.77% for the first nine months of the year.

INCOME TAXES AND TAX RATE, EXCLUDING THE IMPAIRMENT WRITE-DOWN	2006 Q3	2005 Q3	2006 YTD	2005 YTD
-----	-----	-----	-----	-----
Pre-tax income (in millions)	\$ 72.4	\$ 67.0	\$215.0	\$189.5
Income tax expense (in millions)	\$ 25.6	\$ 24.1	\$ 76.9	\$ 68.8
Effective tax rate	35.36%	35.97%	35.77%	36.31%

57

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

## CAPITAL RESOURCES

Our capital position remained strong during the first nine months of 2006. Stockholders' equity rose 5%, and our regulatory capital continued to exceed the minimum levels established by the Federal Reserve Board for well-capitalized institutions.

On April 20, 2006, the strength of our capital position led our Board of Directors to raise the quarterly cash dividend by 5%, from \$0.30 per share to \$0.315 per share. On an annualized basis, this action raised the cash dividend from \$1.20 per share to \$1.26 per share. On July 20, 2006, the Board declared a regular quarterly dividend of \$0.315 per share, which was paid on August 15, 2006, to shareholders of record as of August 1, 2006. On October 19, 2006, the Board declared another regular quarterly dividend of \$0.315 per share. This dividend will be paid on November 15, 2006, to shareholders of record as of November 1, 2006.

The tables below compare how the impairment write-down affected stockholders' equity, on average, the returns on average equity and average assets, the capital generation rate, and the dividend payout ratio.

CAPITAL STRENGTH	9 MOS. ENDED 9/30/06	YEAR ENDED 12/31/05	9 MOS. ENDED 9/30/05
-----	-----	-----	-----
Stockholders' equity (period-end, in millions)	\$1,064.3	\$1,017.7	\$972.7

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Return on average stockholders' equity (annualized)	12.19%	17.59%	17.18%
Return on average assets (annualized)	1.24%	1.70%	1.66%
Capital generation rate (annualized)	4.31%	9.54%	8.92%
Dividend payout ratio	65.9%	48.0%	49.6%

CAPITAL STRENGTH EXCLUDING THE IMPAIRMENT WRITE-DOWN -----	9 MOS. ENDED 9/30/06 -----	YEAR ENDED 12/31/05 -----	9 MOS. ENDED 9/30/05 -----
Stockholders' equity (period-end, in millions)	\$1,106.0	\$1,017.7	\$972.7
Return on average stockholders' equity (annualized)	17.47%	17.59%	17.18%
Return on average assets (annualized)	1.78%	1.70%	1.66%
Capital generation rate (annualized)	9.79%	9.54%	8.92%
Dividend payout ratio	46.0%	48.0%	49.6%

During the first nine months of 2006, we added \$46.6 million to capital, including:

- \$32.8 million, which reflected earnings of \$96.3 million net of \$63.5 million in cash dividends;
- \$35.4 million from the issue of common stock under employment benefit plans;
- \$4.3 million in tax benefits from stock-based compensation costs;
- \$2.9 million in unrealized gains on securities, net of taxes; and
- \$0.8 million in foreign currency exchange adjustments.

Offsetting these additions were \$29.6 million of reductions in capital, which consisted of:

- \$29.1 million for the repurchase of shares; and
- \$0.5 million in derivative losses included in other comprehensive income, net of taxes.

### CAPITAL RATIOS

Our capital ratios continued to exceed the Federal Reserve Board's minimum guidelines for both well-capitalized and adequately capitalized institutions, as the following table shows. The Federal Reserve's guidelines are intended to reflect the varying degrees of risk associated with different on- and off-balance sheet items.

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

REGULATORY CAPITAL RATIOS	AT 9/30/06	AT 12/31/05	MINIMUM TO BE ADEQUATELY CAPITALIZED	MINIMUM TO BE WELL CAPITALIZED
-----	-----	-----	-----	-----
Total risk-based capital	12.28%	12.02%	8%	10%
Tier 1 risk-based capital	8.26%	7.54%	4%	6%
Tier 1 leverage capital	7.34%	6.74%	4%	5%

During a review of risk-based capital calculations, we discovered that the total risk-based capital ratios reported as of December 31, 2005; March 31, 2006; and June 30, 2006, inadvertently included portions of subordinated long-term debt that should have been excluded due to their approaching maturity. The total risk-based capital ratio was the only capital ratio affected. All of the company's capital ratios remained well above the regulatory minimum to be considered a well capitalized institution. The corrected ratios appear in the table below.

CORRECTIONS TO THE TOTAL RISK-BASED CAPITAL RATIO	AT JUNE 30, 2006		AT MARCH 31, 2006		AT DECEMBER 31, 2005	
-----	REPORTED RATIO	CORRECTED RATIO	REPORTED RATIO	CORRECTED RATIO	REPORTED RATIO	CORRECTED RATIO
-----	-----	-----	-----	-----	-----	-----
Total risk-based capital	12.66%	11.80%	12.72%	12.21%	12.36%	12.02%

We review our capital position and make adjustments as needed to assure that our capital base is sufficient to satisfy existing and impending regulatory requirements, meet appropriate standards of safety, and provide for future growth.

## SHARE REPURCHASES

We repurchased 504,515 of our shares during the 2006 third quarter. The cost for the quarter was \$22.2 million and the average price per share was \$44.08. This brought the number of shares repurchased during the first nine months of 2006 to 661,832, at a total cost of \$29.1 million and an average price per share of \$43.93.

The current share buy-back program was authorized in April 2002 for 8 million shares. As of September 30, 2006, there were 6,649,923 shares available for repurchase under this program.

## LIQUIDITY AND FUNDING

### LIQUIDITY POLICY

Liquidity refers to the ability to obtain cash, or to convert an asset into cash (or a cash equivalent) without substantially affecting the asset's price, in a timely manner at a reasonable cost. It is an indicator of how well positioned a company is to acquire the cash, or funding, it needs to conduct its business. For banks, liquidity is defined as the ability to accommodate, efficiently and

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

economically, decreases in deposits and increases in assets (such as loans), as well as to manage the cash flows associated with amortization, prepayments, and maturities of loans and investment securities.

Our sources of liquidity include:

- Core deposits;
- Non-core deposits, such as national CDs of \$100,000 and higher;
- Short-term borrowings;

59

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

- Long-term borrowings (such as long-term debt);
- Cash flow from our loan and investment securities portfolios;
- Capital (stockholders' equity); and
- Other credit facilities.

We manage liquidity to ensure that we have sufficient cash (funding) to:

- Support our operating and investing activities;
- Meet increases in demand for loans and other assets;
- Provide for decreases in deposits and other funding sources;
- Comply with regulatory funding and liquidity requirements; and
- Minimize funding and liquidity risk.

We manage liquidity risk according to a policy established by our Asset/Liability Committee and approved by our Board of Directors. This policy:

- Requires us to maintain liquidity within regulatory guidelines;
- Authorizes the use of such wholesale (non-core-deposit) funding alternatives as federal funds purchased, brokered CDs, Federal Reserve Bank discount window borrowings, advances from Federal Home Loan Banks, and repurchase agreements.
- Establishes procedures for measuring liquidity needs on three-month, six-month, and one-year time horizons; and
- Prescribes numeric parameters for measuring liquidity risk on three-month, six-month, and one-year time horizons.

We categorize liquidity risk into three levels: Level I, Level II, and Level III. Each level considers liquidity risk in the context of various internal and external scenarios.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Level I is the most favorable level. It indicates a normal banking operations scenario, with no indications of any funding pressures. At this level, the sources of funds available to us are diverse, and we are able to access them immediately at a reasonable cost and at the maturities we desire.

Level II indicates a state of warning that we might be encountering funding difficulties due to a combination of internal and external factors. These factors include real or perceived weakness in our earnings, deterioration in our asset quality, the potential for credit ratings downgrades, damage to our reputation, or changes in the economic or business environment. Were a Level II scenario to occur, we would implement an action plan that would include, but not be limited to:

- Using Federal Home Loan Bank borrowings to fill in funding gaps;
- Selling liquid securities;
- Implementing a communications plan to clarify market perceptions; and
- Expanding retail deposit strategies.

Level III indicates that the current composition of the balance sheet has created excessive liquidity risk. At this level, we would implement a contingency plan that would include, but not be limited to:

- The steps outlined for a Level II scenario;
- Restricting the acquisition of additional assets;
- Restricting additional lending activities;
- Restricting off-balance-sheet commitments; and
- Selling liquid assets.

60

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

We use a funds-at-risk (FAR) ratio to measure our liquidity needs and liquidity risk. The FAR ratio, which we calculate monthly, expresses on- and off-balance-sheet liquid assets as a percentage of wholesale liabilities. The FAR ratio considers these items on three-month, six-month, and one-year time horizons.

We believe our liquidity management practices give us the flexibility to react to any potential changes that might affect our liquidity risk adversely. Our standing in the national markets, and our ability to obtain funding from them, factor into our liquidity management strategies. In many cases, national market investors use the findings of the major credit rating agencies - Standard & Poor's, Moody's Investors Service, and Fitch - to guide their decisions. All of our credit ratings are investment grade, and they substantiate our financial stability and the consistency, over time, of our earnings.

Factors or conditions that could affect our liquidity management objectives include changes in the mix of items on our balance sheet; our investment, loan,

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

and deposit balances; our reputation; and our credit ratings. A significant change in our financial performance or credit ratings could reduce the availability, or increase the cost, of funding from the national markets.

### LIQUIDITY FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006

Our liquidity position was strong for the third quarter and first nine months of 2006. As of September 30, 2006:

- We were operating within Level I parameters of our liquidity risk policy.
- Our FAR ratio calculations indicated that our liquidity position was within the parameters described in Level I of our liquidity risk policy.

We have undergone no credit rating changes since August 2004. Fitch Ratings affirmed its credit ratings of Wilmington Trust Corporation and Wilmington Trust Company on June 28, 2006, and Standard & Poor's affirmed its credit ratings of both institutions on August 30, 2006. After we announced our 2006 third quarter results on October 20, 2006, Standard & Poor's and Moody's Investor Services issued statements saying the non-cash write down would have no effect on our credit ratings. Our most recent credit ratings are posted on [wilmingtontrust.com](http://wilmingtontrust.com) in the "Investor Relations" section.

Sources of liquidity available to us as of September 30, 2006, included:

- Deposit balances of \$7.88 billion.
- Short-term borrowings of \$1.17 billion.
- Long-term debt of \$395 million.
- Stockholders' equity of \$1.06 billion.
- Investment securities of \$1.98 billion. We expect the investment securities portfolio to generate approximately \$470 million of cash over the next 12 months from maturities, calls, and income.
- \$85 million in available credit from lines of credit with U.S. financial institutions.

In addition, we had a borrowing capacity of \$833 million, secured with collateral, from the Federal Home Loan Bank (FHLB) of Pittsburgh, of which Wilmington Trust Company and Wilmington Trust of Pennsylvania are members. This amount is as of June 30, 2006. The FHLB adjusts our borrowing capacity on a quarter-by-quarter basis. Because its adjustment calculations for September 30, 2006, were not complete as of the filing date of this report (November 9, 2006), the amount as of June 30, 2006, is the most current data available.

Among the risks to our liquidity is a partial guaranty of a line of credit obligation for affiliate money manager Cramer Rosenthal McGlynn (CRM). At September 30, 2006, this line of credit was \$3.0 million, the balance was zero, and our guaranty was for 81.73%, an amount equal to our ownership interest in CRM. This line of credit is scheduled to expire on December 4, 2006.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Form 10-Q for the three and nine months ended September 30, 2006

### FUNDING STRATEGY

As noted above, we use a mix of funding sources to achieve liquidity. The mix of funding sources we use reflects the business model of our Regional Banking business.

We offer commercial banking services throughout the Delaware Valley region, which means that we make loans primarily in four states: Delaware, Pennsylvania, Maryland, and New Jersey. In contrast, we gather core deposits mainly in Delaware, where we focus our retail banking activities. As a result, loan growth has been outpacing core deposit growth. As we continue to expand our commercial banking business throughout the region, we expect the disparity between loan growth and core deposit growth to continue.

To compensate for this disparity, we augment core deposits with wholesale funding (national CDs and short-term borrowings). We adjust the mix between national CDs and short-term borrowings depending on which funding source offers more favorable terms. We use wholesale funding because:

- It lets us add deposits without making capital investments to support the physical expansion of our branch network beyond Delaware;
- It helps us curb growth in the annual operating expense associated with staffing and maintaining additional branch offices outside of Delaware;
- It does not add to our fixed costs;
- We can predict the balances of purchased funds and short-term borrowings with more certainty than we can predict changes in our clients' deposit balances; and
- It helps us manage interest rate risk, because we are able to match closely the repricing characteristics of wholesale funds and floating rate loans. For more information on how we manage interest rate risk, please refer to the discussion in the "Quantitative and Qualitative Disclosures about Market Risk" section of this report.

### FUNDING IN THE FIRST NINE MONTHS OF 2006

During the first nine months of 2006, core deposits - demand deposits, interest-bearing demand deposits, time deposits, and local CDs \$100,000 and over - continued to be our primary source of funding, but they accounted for a smaller proportion of our funding, given the disparity between loan growth and core deposit growth. Between December 31, 2005, and September 30, 2006, loan balances increased 5%, while core deposit balances increased 2%. This reflected our business strategy of expanding the commercial banking business throughout the Delaware Valley region while focusing our retail banking (and core deposit gathering) activities in the state of Delaware.

PROPORTION OF FUNDING PROVIDED BY:	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Core deposits	48.1%	49.5%	48.7%
Core deposits and stockholders' equity	58.0%	59.4%	58.2%
National CDs and short-term borrowings	36.6%	35.2%	36.3%

The rates we pay for wholesale funding tend to be higher than the rates we pay

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

on core deposits. Using rates alone to compare funding costs can be misleading, however. This is because core deposit rates express the absolute cost of the funds, but they do not reflect the associated staffing and other operating expenses. For a comparison of core deposit and wholesale funding rates, please refer to the interest rate risk discussion in the "Quantitative and Qualitative Disclosures about Market Risk" section of this report.

62

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

### ASSET QUALITY, LOAN LOSS RESERVE, AND LOAN LOSS PROVISION

Asset quality is one of the risks we encounter in the ordinary course of business. We discuss other types of risk elsewhere in this report.

Our two main categories of assets are investment securities and loans. We discuss our investment securities portfolio in the section of this report about the Statement of Condition. For the purposes of this section, our discussion of asset quality centers on loan (credit) quality.

As of September 30, 2006, loans represented 73% of our assets; investment securities represented 19%; goodwill represented 3%; premises and equipment represented 1%; and a combination of other assets accounted for the remainder.

During the 2006 third quarter, we reduced the carrying value of our investment in affiliate money manager RCM from \$137.6 million to \$65.3 million. The change in RCM's carrying value reduced the amount of goodwill associated with RCM from \$131.3 million to \$59.0 million, as of September 30, 2006. The remaining \$6.3 million of RCM's carrying value was included in other assets. As a result of this write-down, we recorded a \$72.3 million non-cash impairment charge for the 2006 third quarter. More information about the change to RCM's carrying value is in the executive summary of this report.

### CREDIT QUALITY OVERVIEW

Credit quality is a term that describes how loans perform relative to their repayment terms. In general, when loan defaults are low, credit quality is high.

Credit risk is the risk associated with the potential inability of some borrowers to repay loans according to their contractual terms. The inability of some borrowers to repay their loans could result in higher levels of nonperforming assets, credit losses, and provisions for loan losses - and potentially could reduce our earnings.

Lending money is inherently risky. No matter how financially sound a client or lending decision may seem, a borrower's ability to repay can be affected adversely by economic changes and other factors. In the process of making loans, we make subjective judgments about a borrower's ability to repay.

We take a number of steps to mitigate the risks associated with lending money:

- We base our lending decisions on rigorous loan underwriting criteria, which we apply consistently. For commercial loans, we generally require personal guarantees from our clients, and we test our clients' ability to withstand rising interest rates and economic slowdowns. We have a chief credit



## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

officer who implements and monitors our loan underwriting standards.

- We make the vast majority of our loans within the Delaware Valley region. We target our commercial lending services to family-owned and closely held businesses with annual sales of up to \$250 million. This geographic and client focus helps us stay cognizant of economic and other external factors that may affect credit quality.
- We endeavor to keep the composition of our loan portfolio diversified among commercial loans, consumer loans, and industry sectors.
- We monitor the loan portfolio continually to identify potential problems and to avoid disproportionately high concentrations of loans to any one borrower or industry sector.
- We regularly review all past-due loans, those not performing according to contractual terms, and those we doubt will be repaid on a timely basis.
- We conduct an internal risk-rating analysis that classifies all loans outstanding in one of four categories:
  - "Pass" identifies loans with no current potential problems;
  - "Watchlisted" identifies potential problem credits;

63

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

- "Substandard" identifies problem credits with some probability of loss; and
- "Doubtful" identifies problem credits with a higher probability of loss.

These classifications, which we apply consistently, mirror the classifications that regulatory agencies use to define problem and potential problem credits.

- As we expand our Regional Banking business, we have chosen to grow loan balances through our own efforts, rather than by purchasing loans or acquiring other banks. This prevents us from having to assume the credit risk associated with loans that were extended under guidelines that may differ from ours.
- We have no interest-only mortgages, payment option adjustable rate mortgages, negatively amortizing adjustable rate mortgages, or other types of nontraditional mortgages in our residential mortgage portfolio.

More details about our commercial real estate/construction loan underwriting and credit quality are in the commercial loan discussion in this report.

We reserve an amount for loan losses that represents our best estimate of known and inherent estimated losses, based on subjective judgments we make regarding loan collectibility. In calculating the reserve for loan losses, we evaluate micro- and macro-economic factors, historical net loss experience, delinquency

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

trends, and movements within the internal risk rating classifications, among other things. We reassess the reserve quarterly and we charge loans deemed uncollectible against the reserve quarterly. We credit recoveries, if any, to the reserve. The process we use to calculate the reserve has provided an appropriate reserve over an extended period of time, and we believe that our reserve methodology is sound.

We allocate the majority of our reserve for loan losses to specific commercial and retail loans. The portion of the reserve that we do not allocate specifically reflects the inherent losses that we have not accounted for otherwise.

Loan growth does not automatically result in increases in the provision and reserve for loan losses, because the reserve reflects the credit quality of the loan portfolio overall. New loans do not automatically carry higher levels of risk than loans already in the portfolio.

To us, the primary indicator of credit quality is the net charge-off ratio. The net charge-off ratio measures loan losses as a percentage of total loans outstanding. We continue to pursue repayment even after we charge off loans.

### CREDIT QUALITY FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006

As loan growth continued, credit quality trends remained positive. As of September 30, 2006:

- More than 97% of loans outstanding continued to receive pass ratings in the internal risk rating analysis.
- Nonaccruing loans, total nonperforming assets, and the ratio of nonperforming assets to total loans were all lower than their year-end 2005 and year-ago third quarter amounts.
- Loans past due 90 days or more were 48% lower than at September 30, 2005.
- Renegotiated loans fell to zero.
- The percentage of loans recorded as doubtful in the internal risk rating analysis dropped to zero.
- The composition of the loan portfolio remained well diversified.

The net charge-off ratio for the 2006 third quarter was 9 basis points, which brought the net charge-off ratio on an annualized basis to 22 basis points. This was below historical levels. Between 1995 and 2005, the annual net charge-off ratio ranged from 24 to 44 basis points.

64

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

KEY MEASURES OF CREDIT QUALITY (dollars in millions)	3 MONTHS ENDED 9/30/06	3 MONTHS ENDED 9/30/05	9 MONTHS ENDED 9/30/06	9 MONTHS ENDED 9/30/05
-----	-----	-----	-----	-----

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Total loan balances (period end)	\$7,780.2	\$7,292.8	\$7,780.2	\$7,292.8
Total loan balances (on average)	\$7,759.3	\$7,128.4	\$7,628.0	\$6,946.0
Gross charge-offs	\$ 8.6	\$ 3.1	\$ 17.5	\$ 9.0
Recoveries	\$ (1.3)	\$ (1.2)	\$ (4.9)	\$ (3.0)
Net charge-offs	\$ 7.3	\$ 1.9	\$ 12.6	\$ 6.0
Net charge-off ratio (1)	9 basis points	3 basis points	16 basis points	9 basis points

(1) We calculate the net charge-off ratio by dividing the year-to-date dollar amount of net charge-offs by total loans, on average, for the period.

NET CHARGE-OFFS: We charged off one loan of approximately \$4.7 million during the 2006 third quarter, which caused the net charge-off ratio to increase. The charged-off loan, which was to a Delaware Valley-based client in the restaurant and entertainment industry, had been recorded in renegotiated loans since the fourth quarter of 2004. This charge-off accounted for the declines in total nonperforming assets, renegotiated loans, and the percentage of loans rated doubtful in the internal risk rating analysis.

NONPERFORMING ASSETS: At \$36.8 million, nonperforming assets were \$7.4 million less than at December 31, 2005, and \$18.1 million less than at the end of the year-ago third quarter.

NONPERFORMING ASSETS (dollars in millions)	AT 9/30/06	AT 12/31/05	AT 9/30/04
-----	-----	-----	-----
Nonaccruing loans	\$32.0	\$39.3	\$49.0
Ratio of nonaccruing loans to total loans	0.41%	0.53%	0.60%
Other real estate owned (OREO) (1)	\$ 4.8	\$ 0.2	\$ 0.0
Ratio of OREO to total loans	0.06%	--%	--%
Renegotiated loans (nonaccruing)	--	\$ 4.7	\$ 4.0
Total nonperforming assets	\$36.8	\$44.2	\$54.0
Ratio of nonperforming assets to total loans	0.47%	0.60%	0.70%

(1) OREO consists of assets that we have acquired through foreclosure, by accepting a deed in lieu of foreclosure, or by taking possession of assets that were used as loan collateral. We record OREO assets in "other assets" on our balance sheet at the lower of the asset's cost or estimated fair value less cost to sell, adjusted periodically based on current appraisals.

Nonaccruing loans at September 30, 2006, were \$7.3 million less than at the end of 2005 and \$17.9 million less than at the end of September 2005. There were two main reasons for these declines:

- Proceeds from a settlement we recorded in October 2005 reduced nonaccruing loans by approximately \$8.5 million.
- During the 2006 second quarter, we transferred one loan of approximately \$4.6 million from nonaccruing status to other real estate owned (OREO).

The increase in OREO reflected the loan transferred from nonaccruing status, as noted above. This asset is an agricultural parcel of land in central New Jersey.

LOANS PAST DUE 90 DAYS OR MORE: Loans past due 90 days or more at September 30, 2006, were higher than at the end of 2005 on a dollar-amount basis but, on a percentage basis, they continued to represent less than 1% of total

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

65

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

loans outstanding. Most of the year-to-date increase occurred during the 2006 third quarter. Fewer than 10 loans, most of which were commercial loans, accounted for the increase. None of these loans were commercial construction/real estate loans.

LOANS PAST DUE 90 DAYS OR MORE (dollars in millions)	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Total loans past due 90 days or more	\$ 7.7	\$ 4.1	\$14.9
Amount in the commercial portfolio	\$ 4.9	\$ 1.5	\$12.7
Amount in the retail portfolio	\$ 2.8	\$ 2.6	\$ 2.2
Ratio of total past-due loans to total loans outstanding	0.10%	0.06%	0.20%

SERIOUS-DOUBT LOANS: Loans recorded as serious-doubt loans are loans that we seriously doubt will be repaid, even though they are performing in accordance with their terms or are less than 90 days past due.

SERIOUS-DOUBT LOANS	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Serious-doubt loans (in millions)	\$24.5	\$ 6.9	\$ 7.7
Ratio of serious doubt loans to total loan balances	0.31%	0.09%	0.11%

More than 90% of the loans classified as serious doubt loans at September 30, 2006, were commercial loans. Two commercial loans accounted for most of the year-to-date increase in serious doubt loans.

INTERNAL RISK RATING ANALYSIS: In our internal risk rating analysis, the percentage of loans rated pass continued to exceed 97%. The percentage of pass-rated loans has been higher than 92% since 1998, higher than 95% since 2000, and higher than 96% since the second quarter of 2004. The loan we charged-off during the 2006 third quarter reduced the percentage of loans rated doubtful to zero.

INTERNAL RISK RATING ANALYSIS	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Pass	97.41%	97.24%	96.96%
Watchlisted	1.73%	1.96%	2.00%
Substandard	0.86%	0.73%	0.82%
Doubtful	--	0.07%	0.22%

PROVISION AND RESERVE FOR LOAN LOSSES: The provision for loan losses was higher

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

than for prior periods mainly because of the one commercial loan we charged off during the 2006 third quarter.

PROVISION FOR LOAN LOSSES (In millions)	3 MONTHS ENDED 9/30/06	3 MONTHS ENDED 9/30/05	9 MONTHS ENDED 9/30/06	9 MONTHS ENDED 9/30/05
-----	-----	-----	-----	-----
Provision for loan losses	\$6.6	\$2.9	\$14.8	\$9.8

Changes in the reserve for loan losses reflected loan growth, the results of the internal risk rating analysis, the level of loan repayments and recoveries, and the Delaware Valley economic environment.

RESERVE FOR LOAN LOSSES (dollars in millions)	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Reserve for loan losses	\$93.6	\$91.4	\$93.4
Loan loss reserve ratio	1.20%	1.24%	1.28%
Unallocated reserve amount	\$ 6.1	\$ 6.1	\$ 6.1
% of total reserve that is unallocated	6.5%	6.7%	6.6%

66

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

In light of the levels of past due, nonaccruing, and problem loans, we believed that the September 30, 2006, amounts of our provision and reserve for loan losses reflected a reasonable assessment of inherent loan losses.

LOAN PORTFOLIO COMPOSITION: On a percentage basis, the composition of the loan portfolio remained well diversified and relatively unchanged.

COMPOSITION OF THE LOAN PORTFOLIO	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Commercial/financial/agricultural	31%	33%	34%
Commercial real estate/construction	21%	17%	15%
Commercial mortgage	16%	17%	17%
Residential mortgage	7%	6%	6%
Home equity	4%	4%	4%
Indirect auto	9%	9%	9%
Credit card	1%	1%	1%
Other consumer	4%	5%	5%
Secured with liquid collateral	7%	8%	9%

DERIVATIVES, HEDGING INSTRUMENTS, OTHER OFF-BALANCE-SHEET ARRANGEMENTS, AND OTHER CONTRACTUAL OBLIGATIONS

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

We use a variety of financial instruments and contracts to help us manage capital, liquidity, interest rate risk, credit risk, and other aspects of our day-to-day operations. As permissible under regulatory guidelines, we include these instruments in our calculations of regulatory risk-based capital ratios. These instruments include:

- Derivative instruments, such as interest rate swaps and interest rate floors.
- Instruments that generally accepted accounting principles deem to be off-balance-sheet arrangements, which means they do not appear on our balance sheet. These instruments include stand-by letters of credit, unfunded loan commitments, unadvanced lines of credit, operating lease obligations, and other guaranties.
- Contractual obligations that do appear on our balance sheet, including certificates of deposit and long-term debt.

Among our derivative instruments are:

- Interest rate swaps, which we employ:
  - So that clients may convert floating rate loan payments to fixed rate loan payments without exposing our company to interest rate risk. In these transactions, we retain the credit risk associated with the potential failure of counter-parties.
  - To manage the interest rate risk associated with our subordinated long-term debt.
- Interest rate floors, which we employ to hedge the interest revenue from our floating rate loans against declines in market interest rates.

As of September 30, 2006, our derivative instruments included a total of \$987.6 million of interest rate swaps, as follows:

- \$431.3 million of swaps for loan clients for whom we exchanged floating rates for fixed rates.
- \$431.3 million of swaps with other financial institutions that exchanged fixed rates for floating rates, in order to offset the exposure from changes in the market values of the aforementioned swaps we made on behalf of clients.
- \$125.0 million of swaps with other financial institutions made in connection with our issues of subordinated long-term debt. This amount was \$250 million lower than the amount at December 31, 2005, because we

67

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

terminated \$250 million of interest rate swaps on March 31, 2006, as part of our interest rate risk management program. The terminated swaps were associated with the \$250 million of subordinated long-term debt we issued on April 4, 2003. This debt was issued at a fixed rate of 4.875% and

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

swapped immediately for a floating rate tied to the three-month Libor, which was 4.53% at December 31, 2005. We are accreting the discount-to-market value currently associated with this debt issue back to par over the remaining life of the debt.

- \$1.0 billion of interest rate floors associated with floating rate commercial loans.

Our other contractual obligations as of September 30, 2006, consisted of:

- Two outstanding loans from the Federal Home Loan Bank of Pittsburgh that total \$35.5 million. We used these funds to construct Wilmington Trust Plaza, our operations center in downtown Wilmington, Delaware, which was completed in 1998.
- Lease commitments for offices, net of sublease arrangements, which total \$63.5 million. In Delaware, we lease many of our branch offices. We lease all of our branch and other offices outside of Delaware.
- An 81.73% guaranty of a \$3.0 million line-of-credit obligation of affiliate money manager Cramer Rosenthal McGlynn (CRM). The guaranty amount represents our current ownership interest in CRM. The balance of this line of credit is zero and it is scheduled to expire on December 4, 2006.
- Certificates of deposit amounting to \$4.31 billion.
- Letters of credit, unfunded loan commitments, and unadvanced lines of credit amounting to \$3.76 billion.

The following table summarizes our current contractual obligations and the periods over which they extend.

PAYMENTS DUE (in millions)	TOTAL	LESS THAN 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE
-----	-----	-----	-----	-----	-----
Certificates of deposit	\$4,312.9	\$4,142.9	\$112.8	\$ 40.2	
Long-term debt obligations (1)	652.8	29.9	294.2	54.4	
Operating lease obligations	63.5	10.6	25.3	14.8	
Guaranty obligations	2.5	2.5	--	--	
	-----	-----	-----	-----	
Total	\$5,031.7	\$4,185.9	\$432.3	\$109.4	
	=====	=====	=====	=====	

- (1) Contractual obligations associated with long-term debt obligations include future interest payments.

The long-term debt obligations referenced in the table above consist of two outstanding subordinated debt issues and Federal Home Loan Bank advances. The first debt issue, for \$125 million, was issued in 1998, was used to support acquisitions and expansion, and is due in 2008. The second debt issue, for \$250 million, was issued in 2003, was used for general liquidity purposes, and is due in 2013. Both of these debt issues are included in the "Long-term debt" line of our balance sheet.

Our agreements with CRM, RCM, GTBA, and WTCS permit principal members and designated key employees of each firm, subject to certain restrictions, to put their interests in their respective firms to our company. For more information about these agreements, please refer to Note 3, "Affiliates and acquisitions," which begins on page 67 of our 2005 Annual Report to Shareholders.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

### INFLATION RISK

Since nearly all of our assets and liabilities are monetary in nature, our primary market risk is interest rate risk, not inflation risk. Interest rates do not necessarily move in the same direction, or at the same magnitude, as the prices of goods and services. As a result, we are unable to determine the effects of inflation on our financial performance.

68

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

For more information about our interest rate risk and other kinds of risk, please refer to Item 3 of this report, "Quantitative and Qualitative Disclosures about Market Risk."

### OTHER INFORMATION

#### ACCOUNTING PRONOUNCEMENTS

Please refer to Note 10, "Accounting pronouncements," of this report for a discussion of the impact of recent accounting pronouncements on our financial condition and results of operations.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting policies conform with U.S. generally accepted accounting principles (GAAP), and with reporting practices prescribed for the banking industry. We maintain our accounting records and prepare our financial statements using the accrual basis of accounting. In applying our critical accounting policies, we make estimates and assumptions about revenue recognition; the reserve for loan losses; stock-based employee compensation; affiliate fee income; impairment of goodwill; loan origination fees; and mortgage servicing assets.

For more information about our critical accounting policies, please refer to:

- Note 1, "Summary of significant accounting policies," which begins on page 62 of our 2005 Annual Report to Shareholders;
- Note 1, "Accounting and reporting policies," in this report; and
- Note 10, "Accounting pronouncements," in this report.

#### CAUTIONARY STATEMENT

This report contains estimates, predictions, opinions, or other statements that might be construed as "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and assessments of potential developments.

Such statements include references to our financial goals; dividend policy; financial and business trends; new business results and outlook; business prospects and positioning with respect to market and pricing trends; strategic initiatives; credit quality and the adequacy of the reserve for loans losses; the effects of changes in market interest rates; the effects of changes in



## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

securities valuations; the impact of accounting pronouncements; and other internal and external factors that could affect our financial performance.

Our ability to achieve the results reflected in such statements could be affected by, among other things, changes in national or regional economic conditions, changes in market interest rates; significant changes in banking laws or regulations; increased competition in our businesses; higher-than-expected credit losses; the effects of acquisitions; the effects of integrating acquired entities; a substantial and permanent loss of either client accounts and/or assets under management at Wilmington Trust and/or our affiliate money managers, Cramer Rosenthal McGlynn and Roxbury Capital Management; unanticipated changes in regulatory, judicial, or legislative tax treatment of business transactions; and economic uncertainty created by unrest in other parts of the world.

69

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our primary market risks are interest rate risk, which pertains to our banking business, and financial market risk, which pertains to our advisory businesses.

#### INTEREST RATE RISK

Interest rate risk is the risk that arises from fluctuations, or volatility, in market interest rates. Market interest rates are key determinants of the yields we generate on earning assets (assets that produce income, such as loans and investments) and the rates we pay on liabilities (such as deposits and other sources of funding). Changes in market interest rates, and the pace at which they occur, create risk because they can:

- Trigger repricings of investment securities, loans, deposits, and other sources of funds.
- Alter the pace of payments.
- Positively or negatively affect our net interest income and net interest margin.
- Ultimately affect our financial performance and ability to produce consistent results.

To minimize our exposure to interest rate risk, we regularly review and change, when we deem necessary, the:

- Mix of assets and liabilities on our balance sheet.
- Pricing and maturity characteristics of assets and liabilities.
- Relative proportion of fixed- and floating-rate assets and liabilities.
- Numbers and types of funding sources.
- Use of derivative and off-balance-sheet instruments, such as interest rate

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

swaps and floors. For more information on our derivative and hedging activities, please refer to Note 6, "Derivative and hedging activities," and the section on "Off-balance-sheet arrangements and contractual obligations" in this report.

Our interest rate risk management objectives are to:

- Prevent market interest rate changes from reducing net interest income by 10% or more within any 12-month period.
- Maximize net interest income growth consistently by minimizing the effects of market interest rate fluctuations.

The primary tool we use to assess our exposure to interest rate risk is a computer modeling technique that simulates the effects on our net interest income of gradual and sustained changes in market interest rates. We perform simulations quarterly that compare multiple hypothetical interest rate scenarios to a stable interest rate environment. As a rule, our model employs scenarios in which rates gradually move up or down 250 basis points over a period of 10 months.

As of September 30, 2006, our model projected that:

- If short-term rates were to increase gradually by a total of 250 basis points over a 10-month period, our net interest income would increase 4.7% over the 12 months beginning September 30, 2006.
- If short-term rates were to decrease gradually over a 10-month period by a total of 250 basis points, our net interest income would decline by 5.5% over the 12 months beginning September 30, 2006.

IMPACT OF INTEREST RATE CHANGES ON NET INTEREST INCOME	FOR THE 12 MONTHS BEGINNING 9/30/06	FOR THE 12 MONTHS BEGINNING 12/31/05
-----	-----	-----
Gradual increase of 250 basis points	4.7%	0.56%
Gradual decrease of 250 basis points	(5.5)%	(3.97)%

As of March 31, 2006, we adjusted the simulation to reflect two changes:

- On March 31, 2006, we terminated \$250 million of interest rate swaps that were associated with \$250 million of subordinated long-term debt. We issued this debt at a fixed rate, which we immediately swapped for a floating rate. We terminated these swaps to eliminate the potential volatility of changing market valuations. For more information about these swaps, please refer to Note 6, "Derivative and hedging activities," and the "Off-balance-sheet arrangements and contractual obligations" section of this report.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

- To reflect pricing characteristics more accurately, we changed some of the assets in the model from fixed rates to floating rates.

The preceding paragraphs contain forward-looking statements about the anticipated effects on net interest income that may result from hypothetical changes in market interest rates. Assumptions about retail deposits rates, residential mortgage prepayments, asset-backed securities, and collateralized mortgage obligations play a significant role in our interest rate simulations. Our assumptions about rates and the pace of changes in payments differ for assets and liabilities in rising as well as declining rate environments. These assumptions are inherently uncertain, and the simulations cannot predict precisely what the actual impact of interest rate changes might be on our net interest income.

The main way we manage interest rate risk is to match, as closely as possible, the pricing and maturity characteristics of our assets with those of our liabilities. We do this by:

- Using a blend of funding sources, including core deposits and wholesale funding, such as national (brokered) CDs in amounts of \$100,000 and more, and other short-term borrowings. Wholesale funding helps us match pricing and maturity characteristics because we can predict the balances of wholesale funding with more certainty than we can predict the balances of client deposits.
- Selling most of our new fixed rate residential mortgage production into the secondary market. By limiting the fixed rate residential mortgages we hold in our loan portfolio, we eliminate much of the long-term risk inherent in fixed rate instruments that typically have 15- to 30-year maturities.
- Managing the size of our investment securities portfolio and the mix of instruments in it.
- Purchasing interest rate floors to hedge interest income risk associated with some of our floating rate commercial loans.

For the third quarter and first nine months of 2006:

- Loans comprised the majority of our assets.
- The majority of our loans were floating rate loans.
- Of our total floating-rate loans, approximately 81% were commercial loans.
- The repricing characteristics of our loan portfolio closely matched those of our wholesale funding sources.

FLOATING- VS. FIXED-RATE LOANS OUTSTANDING	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Percentage of loans with floating rates	75%	77%	77%
Percentage of loans with fixed rates	25%	23%	23%

	COMMERCIAL		
	FLOATING RATE LOANS	NATIONAL CDS	SHORT-TERM BORROWINGS
AS OF	REPRICING IN <or = 30 DAYS	MATURING <or = 90 DAYS	MATURING <or = 90 DAYS
----	-----	-----	-----

# Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

9/30/06	93%	74%	98%
6/30/06	92%	59%	91%
12/31/05	92%	87%	90%
9/30/05	92%	91%	90%

71

2006 Q3 10-Q #5

## Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

Changes since September 30, 2005, in the percentage of national CDs maturing in 90 days or less reflected the yield curve. With little difference between 90-day rates and longer-term rates, we opted to purchase the longer-term instruments.

The following table summarizes changes in our prime lending rate, which serves as a point of reference for a substantial number of the floating-rate loans in our commercial loan portfolio.

WILMINGTON TRUST PRIME LENDING RATES	AT 9/30/06	AT 12/31/05	AT 9/30/05
-----	-----	-----	-----
Prime lending rate (period end)	8.25%	7.25%	6.75%
Prime lending rate (YTD average)	7.86%	6.19%	5.93%

As of September 30, 2006:

- The pricing on approximately 62% of commercial floating-rate loans was tied to a prime lending rate of 8.25%.
- The pricing on approximately 34% of commercial floating-rate loans was tied to the 30-day London Interbank Offered Rate (Libor) of 5.32%.

Changes in the yields on our floating rate loans may not correlate directly with market interest rate changes, because:

- Not all of our floating rate loans are pegged to our prime lending rate, and
- We factor competitive considerations into our pricing decisions.

During the third quarter and first nine months of 2006, our interest rate position remained asset sensitive. This means that our loan yields continued to rise at a faster pace than our deposit rates. Except for certificates of deposit, deposit pricing pressure was relatively modest, even though short-term market interest rates (as set by the Federal Open Market Committee) at September 30, 2006, were 100 basis points higher than at December 31, 2005, and 150 basis points higher than at the end of the year-ago third quarter.

Our asset sensitivity contributed to improvement in the net interest margin. The margin was 3.80% for the first nine months of 2006, which was 15 basis points higher than for the first nine months of 2005, and 9 basis points higher than for the 2005 full year.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

One of the reasons for our asset sensitivity is the fact that, while more than 90% of our floating rate loans reprice within 30 days of an FOMC rate change, deposit repricing does not occur as quickly. When market interest rates do not change, the lag in deposit repricing diminishes, and changes in deposit costs occur more on pace with changes in loan yields.

As of the date of this report (November 9, 2006), the FOMC had not changed short-term interest rates since June 29, 2006. As a result, we expect our deposit rates to increase further, and we expect our net interest margin to decline modestly from its year-to-date level of 3.80%.

For more information about the net interest margin, please refer to the income statement discussion in this report.

### FINANCIAL MARKET RISK

Financial market risk is the risk that arises from fluctuations, or volatility, in the equity markets, the fixed income markets, or both. Financial market volatility could change the market value of assets we manage, hold in custody, or own for our own account. Changes in asset valuations could affect our revenue and overall results.

Most of our financial market risk exposure is in noninterest income, where some categories of advisory revenue are based on the market values of assets we manage or hold in custody for clients.

72

2006 Q3 10-Q #5

### Wilmington Trust Corporation Form 10-Q for the three and nine months ended September 30, 2006

In Wealth Advisory Services, all of the revenue recorded in the category of trust and investment advisory fees is based on the market values of equity, fixed income, and other classes of assets.

In Corporate Client Services, approximately 50% of revenue recorded as retirement services revenue is based on the market values of retirement plans for which we are custodian. All of the revenue recorded as Corporate Client investment/cash management revenue reflects service charges that are based on the value of cash assets in money market mutual funds or fixed income investments.

All of the income we receive from our ownership positions in the two affiliate money managers, Cramer Rosenthal McGlynn and Roxbury Capital Management, is based on equity market valuations.

For the third quarter and first nine months of 2006, approximately 52% of our total noninterest income (after amortization) was subject to financial market risk, as the following table shows. Approximately 26% of our total net interest and noninterest income (after amortization and the provision for loan losses) for the third quarter and first nine months of 2006 was subject to financial market risk.

NONINTEREST INCOME BASED ON MARKET VALUATIONS	2006	2005	2006	2005
---	------	------	------	------

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

(dollars in millions)	Q3	Q3	YTD	YTD
-----	-----	-----	-----	-----
WAS trust and investment advisory fees	\$ 33.0	\$ 32.7	\$100.4	\$ 92.9
CCS retirement services revenue	3.4	3.2	9.8	9.1
CCS investment and cash management revenue	2.7	1.9	7.3	5.4
Affiliate manager revenue	4.6	3.7	15.2	12.6
Total revenue based on market valuations	\$ 43.7	\$ 41.5	\$132.7	\$120.0
 Total noninterest income (after amortization)	 \$ 84.6	 \$ 79.7	 \$253.6	 \$233.5
% of total noninterest income tied to market values	52%	52%	52%	51%
 Total net interest and noninterest income (after the provision and amortization)	 \$171.0	 \$160.5	 \$509.5	 \$465.1
% of total net interest and noninterest income tied to market values	26%	26%	26%	26%

Financial market volatility also could change the market values of securities in our investment portfolio and affect the amount of interest income the portfolio generates. For more information about income from the investment securities portfolio, please refer to the "Analysis of earnings" section of this report.

### ECONOMIC RISK

Economic risk is the risk to our financial results from conditions that alter the pace and direction of key economic indicators, such as employment levels and the consumption of goods and services. Most of our exposure to economic risk is in the Regional Banking business and in the Delaware Valley region.

The Delaware Valley's economy is well diversified among industry sectors, including life sciences, financial services, pharmaceuticals, health care, education, construction, manufacturing, retail, agriculture, and tourism. This diversification provides a degree of economic stability and helps the region withstand the effects of downturns in any single sector.

Economic indicators for the Delaware Valley region remained positive in the third quarter and first nine months of 2006:

- According to data published by the Federal Reserve Bank of Philadelphia for August 2006 (the most recent data available), economic activity over the past 12 months increased in Delaware and was stable in

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

Pennsylvania and New Jersey. Modest growth was projected for all three states through the first quarter of 2007.

- In its State Profiles for fall 2006, the Federal Deposit Insurance Corporation reported that the U.S. job growth rate was 1.4%. In comparison, Delaware's was 1.6%; the Lehigh Valley area of eastern Pennsylvania had a job growth rate of 1.5%, and the job growth rate for central and southern New Jersey was 2.1%. In Delaware, job losses from consolidation in the

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

financial sector were offset by gains in the professional, business, health, and government sectors. The job growth in central and southern New Jersey occurred in the leisure, financial, and other service sectors.

- According to the U.S. Bureau of Labor Statistics, Delaware's unemployment rate for September 2006 was 3.7%, below the U.S. rate of 4.6%. In comparison, for September 2005, Delaware's unemployment rate was 4.1% and the U.S. rate was 5.1%. Delaware's unemployment rate has been lower than the national unemployment rate since 2001.
- Delaware's population continued to increase due to the state's convenient mid-Atlantic location, favorable tax climate, affordable housing relative to other states in the region, and desirability as a retirement destination. According to the U.S. Census Bureau, Delaware was the ninth fastest-growing state in the United States for the 12 months ended July 1, 2005 (the most recent data available) and the seventh most popular for attracting permanent residents aged 65 and older.
- According to the University of Delaware's Center for Applied Demography, Delaware had a net gain in population between July 2004 and July 2005 (the most recent data available). The Center reported that Delaware's new residents include retirees attracted by the state's relatively low property taxes and lack of a sales tax, as well as working-age people from New Jersey and Pennsylvania who are willing to trade longer commuting time for lower housing prices.
- A July 28, 2006, ranking by USA Today using U.S. Census Bureau statistics listed Delaware as having the eighth lowest property taxes per capita for 2004, the most recent data available.
- The 2006 relocation report published by Mayflower Transit ranked Delaware as the second most popular relocation destination in the United States.
- In August 2006, Forbes ranked Delaware the eighth most business-friendly state in the nation.
- A study conducted by Towson University for Maryland's Department of Business and Economic Development predicted that the Pentagon's military base realignment will add 28,000 households to Maryland's population over the next decade. In November 2005, the department said that the Pentagon's Base Realignment and Closing initiative could add 40,000 to 45,000 jobs in the Baltimore and northeast Maryland area, as contractors and service providers cluster near Ft. Meade and Aberdeen Proving Ground. The Aberdeen Proving Ground is located in Harford County, Maryland, not far from our lending office in Bel Air.

On January 1, 2006, Bank of America Corporation completed its acquisition of Delaware-based MBNA Corporation. According to published reports, Bank of America employs approximately 11,700 people in Delaware. According to news reports published on July 26, 2006, Bank of America had eliminated approximately 800 jobs in Delaware. In a speech to the Wilmington (Delaware) Rotary Club on July 27, 2006, Bank of America's senior executive in Delaware said he "believes the worst of the cuts are behind us" and that the bank is achieving many reductions through attrition, rather than layoffs. The Delaware job losses at Bank of America do not appear to have had any significant negative effect on Delaware's economy.

Delaware is among the East Coast's leading poultry producers. It is impossible to predict how an outbreak of avian influenza might affect the state's economy, our credit quality, or our financial condition. As of September 30, 2006, we had approximately \$67 million in loans outstanding to clients in the poultry industry.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Beyond the Delaware Valley region, changes in economic conditions at the national and international level that eliminate or slow demand for services could affect all of our businesses, loan and deposit balances, revenue, net income, and overall results.

74

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

### OPERATIONAL RISK AND FIDUCIARY RISK

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures. Fiduciary risk is the risk of loss that may occur if we were to breach a fiduciary duty to a client.

All of our staff members share responsibility for adhering to our policies, procedures, and external regulations. We have a number of policies, procedures, and internal controls designed to reduce the risk of failing to comply with applicable legal and regulatory requirements, and of failing to discharge our obligations to clients faithfully. Our internal auditors monitor the overall effectiveness of our system of internal controls on an ongoing basis.

In view of the operational risks inherent in the markets and businesses in which we engage, we aim to keep operating risk at levels we believe are acceptable, through policies and procedures for authorizing, approving, documenting, and monitoring transactions.

To help mitigate fiduciary risk, we have established policies and procedures for creating, selling, and managing investment products; trading securities; and selecting counterparties.

Section 404 of the Sarbanes-Oxley Act requires us to assess the design and effectiveness of our internal controls over financial reporting. We evaluate the documentation of our control processes and test our primary controls continually, remediating them as needed. In addition, every quarter, designated managers in each business unit certify to the chairman and chief executive officer, and to the chief financial officer, as to the effectiveness of the internal controls within their respective areas of responsibility.

### REGULATORY RISK

Regulatory risk is the risk of sanctions that various state, federal, and other authorities may impose on us if we fail to comply adequately with regulatory requirements. These requirements include those specified by the Bank Secrecy Act, the USA Patriot Act, the Sarbanes-Oxley Act, New York Stock Exchange policies, and other applicable legal and regulatory requirements. To limit this risk, we employ policies and procedures to reduce the risk of failing to comply with these requirements. For more information about the regulatory requirements that affect us, please refer to the section on "Regulatory matters" which begins on page 18 of our 2005 Annual Report on Form 10-K.

### LEGAL RISK

We and our subsidiaries are subject to various legal proceedings that arise from



## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

time to time in the ordinary course of business. Some of these proceedings seek relief or damages in amounts that may be substantial. Because of the complex nature of some of these proceedings, it may be a number of years before they ultimately are resolved. While it is not feasible to predict the outcome of these proceedings, we do not believe that the ultimate resolution of any of them will have a materially adverse effect on our consolidated financial condition. Furthermore, some of these proceedings involve claims that we believe may be covered by insurance, and we have advised our insurance carriers accordingly.

We do not expect the ultimate resolution of any legal matters outstanding as of September 30, 2006, to have a materially adverse effect on our consolidated financial condition.

75

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

### OTHER RISK

We are exposed to a variety of risks in the normal course of our business. We monitor these risks closely and take every step to safeguard the assets of our clients and our company. From time to time, however, we may incur losses related to these risks, and there can be no assurance that such losses will not occur in the future.

### ITEM 4. CONTROLS AND PROCEDURES.

Our chairman and chief executive officer, and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, pursuant to Securities Exchange Act Rule 13a-15(e). Based on that evaluation, they concluded that our disclosure controls and procedures were effective in alerting them on a timely basis to material information about the Corporation (including our consolidated subsidiaries) that we are required to include in the periodic filings we make with the Securities and Exchange Commission. There was no change in our internal control over financial reporting during the third quarter or first nine months of 2006 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

76

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

We and our subsidiaries are subject to various legal proceedings that arise from time to time in the ordinary course of their businesses and operations. Some of these proceedings seek relief or damages in amounts that may be substantial.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Because of the complex nature of some of these proceedings, it may be a number of years before they ultimately are resolved. While it is not feasible to predict the outcome of these proceedings, management does not believe the ultimate resolution of any of them will have a materially adverse effect on our consolidated financial condition. Further, management believes that some of the claims may be covered by insurance, and has advised its insurance carriers of the proceedings.

### ITEM 1A. RISK FACTORS.

Not applicable.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Not applicable.

### ISSUER PURCHASES OF EQUITY SECURITIES

The following table shows our repurchases of Wilmington Trust stock during the third quarter of 2006.

Period -----	(a) Total Number of Shares (or Units) Purchased -----	(b) Average Price Paid per Share (or Unit) -----	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs -----	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs -----
Month #1 July 1, 2006 - July 30, 2006	2,007	\$43.86	2,007	7,152,431
Month #2 August 1, 2006 - August 31, 2006	169,308	\$43.80	169,308	6,983,123
Month #3 September 1, 2006 - September 30, 2006	333,200 -----	\$44.23 -----	333,200 -----	6,649,923 -----
Total	504,515 =====	\$44.08 =====	504,515 =====	6,649,923 =====

In April 2002, we announced a plan to repurchase up to 8 million shares of our stock.

The Federal Reserve Board's policy is that bank holding companies should not pay dividends unless the institution's prospective earnings retention rate is consistent with its capital needs, asset quality, and overall financial condition.

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

2006 Q3 10-Q #5

Wilmington Trust Corporation  
Form 10-Q for the three and nine months ended September 30, 2006

We believe our payment of dividends during the third quarter of 2006 was consistent with the Federal Reserve Board's policy.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable

### ITEM 5. OTHER INFORMATION.

Not applicable.

### ITEM 6. EXHIBITS.

Exhibit Number	Exhibit
-----	-----

- |     |   |
|-----|---|
| 3.1 | Amended and Restated Certificate of Incorporation of the Corporation (Commission File Number 1-14659) (1)                                   |
| 3.2 | Amended Certificate of Designation of Series A Junior Participating Preferred Stock of the Corporation (Commission File Number 1-14659) (2) |
| 3.3 | Amended and Restated Bylaws of the Corporation (Commission File Number 1-14659) (3)   |
| 31  | Rule 13a-14(a)/15d-14(a) Certifications (4)   |
| 32  | Section 1350 Certification (4)  |

- (1) Incorporated by reference to Exhibit 3(a) to the Report on Form S-8 of Wilmington Trust Corporation filed on October 31, 1991.
- (2) Incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q of Wilmington Trust Corporation filed on May 9, 2005.
- (3) Incorporated by reference to Exhibit 1 to the Current Report on Form 8-K of Wilmington Trust Corporation filed on December 22, 2004.
- (4) Filed herewith.

2006 Q3 10-Q #5

Wilmington Trust Corporation

## Edgar Filing: WILMINGTON TRUST CORP - Form 10-Q

Form 10-Q for the three and nine months ended September 30, 2006

### 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.

#### WILMINGTON TRUST CORPORATION

Date: November 9, 2006

/s/ Ted T. Cecala

-----  
Name: Ted T. Cecala  
Title: Chairman of the Board and Chief  
Executive Officer (Authorized  
Officer)

Date: November 9, 2006

/s/ David R. Gibson

-----  
Name: David R. Gibson  
Title: Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)