

WINTRUST FINANCIAL CORP

Form 425

July 20, 2004

Filed by Wintrust Financial Corporation
(Commission File No. 0-21923)
pursuant to Rule 425 under the
Securities Act of 1933, as amended

Subject Company: Town Bankshares, Ltd.

On July 19, 2004, Wintrust Financial Corporation issued the following press release:

Wintrust Financial Corporation
727 North Bank Lane, Lake Forest, Illinois 60045

News Release

FOR IMMEDIATE RELEASE

July 19, 2004

FOR MORE INFORMATION CONTACT:

Edward J. Wehmer, President & Chief Executive Officer

David A. Dykstra, Senior Executive Vice President & Chief Operating Officer

(847) 615-4096

Website address: www.wintrust.com

**WINTRUST FINANCIAL CORPORATION REPORTS
RECORD EARNINGS FOR THE SECOND QUARTER;
SECOND QUARTER NET EARNINGS UP 39%**

LAKE FOREST, ILLINOIS Wintrust Financial Corporation (Wintrust or the Company) (Nasdaq: WTFC) announced record quarterly net income of \$12.5 million for the quarter ended June 30, 2004, an increase of \$3.5 million, or 39%, over the \$9.0 million recorded in the second quarter of 2003. On a per share basis, net income for the second quarter of 2004 totaled \$0.58 per diluted common share, a \$0.09 per share, or 18%, increase as compared to the 2003 second quarter total of \$0.49 per diluted common share. The return on average equity for the second quarter of 2004 stood at 13.70% versus 14.95% for the second quarter of 2003.

For the first six months of 2004, net income totaled \$24.1 million, or \$1.12 per diluted common share, an increase of \$6.8 million, or 39%, when compared to \$17.3 million, or \$0.94 per diluted common share, for the same period in 2003. Return on average equity for the first six months of 2004 was 13.41% versus 14.74% for the same period of 2003.

We are very pleased with our results for the second quarter and the first half of 2004 given the challenging interest rate environment. Credit quality, both in terms of the level of non-performing loans and net loans charged off, improved significantly in the second quarter, commented Edward J. Wehmer, President and Chief Executive Officer.

We continue to be pleased with the local market acceptance of the Wintrust operating philosophy in both the Advantage National Bank locations in Elk Grove Village and Roselle and the Village Bank and Trust locations in Arlington Heights and Prospect Heights. Mr. Wehmer added, The announcement in the second quarter of the agreements to acquire Northview Financial Corporation in Northfield, Illinois and Town Bankshares, Ltd. in Delafield, Wisconsin, coupled with additional new branch locations will extend the Wintrust philosophy into at least eight additional communities in the third and fourth quarters of 2004. We are

also very excited about the addition of WestAmerica Mortgage Company and Guardian Real Estate Services, Inc. into the Wintrust family. The addition of these two companies brings us further revenue diversification and operational efficiencies. Through the efforts of each of our employees, we are comfortable with the existing range of the analysts earnings estimates for 2004 of \$2.25 to \$2.37 per share.

During the second quarter the Company opened its newest de novo bank, Beverly Bank & Trust Company, in the Beverly neighborhood of Chicago, the Gurnee Community Bank (a branch of Libertyville Bank & Trust Company) in Gurnee, a Highland Park Bank & Trust office serving the Ravinia community (a branch of Lake Forest Bank & Trust) and the Buffalo Grove Bank & Trust (a branch of Northbrook Bank & Trust) in Buffalo Grove.

Wintrust's key operating measures and growth rates for 2004 as compared to the prior year are shown in the table below:

(Dollars in thousands, except per share data)	Six Months Ended	Six Months Ended	% or basis point (bp) change
	June 30, 2004	June 30, 2003	
Net income	\$ 24,087	\$ 17,282	39%
Net income per common share Diluted	\$ 1.12	\$ 0.94	19%
Net revenue ⁽¹⁾	\$ 113,409	\$ 91,780	24%
Net interest income	\$ 73,228	\$ 54,932	33%
Net interest margin ⁽⁴⁾	3.19%	3.14%	5bp
Core net interest margin ^{(2) (4)}	3.32%	3.26%	6bp
Net overhead ratio ⁽³⁾	1.25%	1.18%	7bp
Return on average assets	0.96%	0.90%	6bp
Return on average equity	13.41%	14.74%	(133)bp
At end of period			
Total assets	\$ 5,326,179	\$ 4,132,394	29%
Total loans	\$ 3,695,551	\$ 2,896,148	28%
Total deposits	\$ 4,324,368	\$ 3,419,946	26%
Total equity	\$ 374,152	\$ 249,399	50%
Book value per common share	\$ 18.26	\$ 14.31	28%
Market price per common share	50.51	\$ 29.79	70%
Common shares outstanding	20,484,991	17,428,118	18%

(1) Net revenue is net interest income plus non-interest income.

(2) Core net interest margin excludes interest expense associated with Wintrust's Long-term Debt Trust Preferred Securities.

(3) The net overhead ratio is calculated by netting total non-interest expense and total non-interest income, annualizing this amount, and dividing by that period's total average assets. A lower ratio indicates a higher degree of efficiency.

(4) See Supplemental Financial Measures/Ratios for additional information on this performance measure/ratio.

Certain returns, yields, performance ratios, or quarterly growth rates are annualized in this presentation to represent an annual time period. This is done for analytical purposes to better discern for decision-making

purposes underlying performance trends when compared to full-year or year-over-year amounts. For example, balance sheet growth rates are most often expressed in terms of an annual rate like 20%. As such, a 5% growth rate for a quarter would represent an annualized 20% growth rate. Additional supplemental financial information showing quarterly trends can be found on the Company's website at www.wintrust.com by choosing Investor News and then choosing Supplemental Financial Info.

Acquisitions and Stock Offering Impacting Comparative Financial Results

On February 4, 2003, Wintrust completed (effective date of February 1, 2003) the acquisition of Lake Forest Capital Management Company (LFCM) based in Lake Forest, Illinois. LFCM was merged into Wayne Hummer Asset Management Company, Wintrust's existing asset management subsidiary. LFCM further expanded our wealth management business in the Chicago metropolitan area.

On September 26, 2003, Wintrust announced the completion of the sale of 1,377,108 common shares, including the underwriters' over-allotment option, of common stock in connection with the Company's underwritten public offering. The offering was priced at \$35.80 per share, and all of the shares were newly issued. Net proceeds to the Company from the sale, after deducting the underwriting discount and estimated offering expenses, were approximately \$46.1 million.

On October 1, 2003, Wintrust announced the completion of its acquisition of 100% of the ownership interest of Advantage National Bancorp, Inc. (Advantage) in a stock merger transaction (issued 670,875 shares of common stock). Advantage is the parent company of Advantage National Bank that has locations in Elk Grove Village and Roselle, Illinois. Advantage National Bank is a de novo bank that began operations in January, 2001 and had total assets of approximately \$239 million as of June 30, 2004.

On December 5, 2003, Wintrust announced the completion (effective date of December 1, 2003) of its acquisition of 100% of the ownership interest of Village Bancorp, Inc. (Village) in a stock merger transaction (issued 257,202 shares of common stock). Village is the parent company of Village Bank and Trust Arlington Heights (Village Bank) that has locations in Arlington Heights and Prospect Heights, Illinois. Village Bank began operations as a de novo bank in 1995 and had total assets of approximately \$162 million as of June 30, 2004.

On May 19, 2004, Wintrust announced the completion (effective date of May 1, 2004) of its acquisition of 100% of the ownership interest of SGB Corporation d/b/a WestAmerica Mortgage Company (WAMC) and Guardian Real Estate Services, Inc. (Guardian), in stock (issued a total of 180,438 shares of common stock) and cash merger transactions. WAMC engages primarily in the origination and purchase of residential mortgages for sale into the secondary market. WAMC's operations are conducted out of its offices maintained in Oakbrook Terrace, Illinois with accounting, administrative and secondary marketing operations located in Greenwood Village, Colorado. Guardian provides document preparation and other loan closing services to WAMC and its mortgage broker affiliates. Guardian has its headquarters in Oakbrook Terrace, Illinois.

The results of operations of LFCM, Advantage, Village, WAMC and Guardian are included only since their respective effective dates of acquisition.

Financial Overview

Total assets rose to \$5.33 billion at June 30, 2004, an increase of \$1.19 billion, or 29%, compared to \$4.13 billion a year ago. Total deposits as of June 30, 2004 were \$4.32 billion, an increase of \$904 million, or 26%, as compared to \$3.42 billion at June 30, 2003. Total loans grew to \$3.70 billion as of June 30, 2004, a \$799 million, or 28%, increase over the \$2.90 billion balance as of a year ago. Advantage, Village, WAMC and Guardian combined, contributed approximately \$486 million, \$340 million and \$238 million of the total asset growth, total deposit growth and total loan growth, respectively.

For the second quarter of 2004, net interest income totaled \$36.7 million, increasing \$8.4 million, or 30%, compared to the second quarter of 2003. Average earning assets grew \$1.20 billion over the second quarter of 2003, a 30% increase. Loans accounted for \$842 million and liquidity management assets \$260 million of the total average earning asset growth compared to the second quarter of 2003. For the first six months of 2004, net interest income totaled \$73.2 million, increasing \$18.3 million, or 33%, compared to the first six months of 2003.

The provision for loan losses totaled \$1.2 million for the second quarter of 2004 compared to \$2.9 million for the second quarter of 2003. On a year-to-date basis, the provision for loan losses totaled \$3.8 million for the first six months of 2004 compared to \$5.5 million for the first six months of 2003. The lower provision for loan losses in 2004 is primarily a result of an improving level of non-performing loans and a much reduced level of net loan charge-offs.

The net interest margin for the second quarter of 2004 was 3.12%, compared to 3.14% in the second quarter of 2003 and 3.26% in the first quarter of 2004. The net interest margin declined 14 basis points in the second quarter of 2004 compared to the first quarter of 2004 as the yield on earning assets decreased by nine basis points and the rate paid on interest-bearing liabilities increased by five basis points. The earning asset yield decline was attributable to a 21 basis point decrease in yield on liquidity management assets and a nine basis point decrease in the yield on loans. The liquidity management asset yield decreased as the maturity structure of certain assets shortened. The lower loan yield was due to a higher level of residential mortgage loan balances (as a result of the acquisition of WAMC), competitive pricing pressures in the premium finance industry and lower delinquency fees as the premium finance portfolio credit quality improves. The interest-bearing liability rate increase of five basis points was due to Treasury-based deposit products re-pricing higher during the second quarter in advance of the 25 basis point increase announced by the Federal Reserve Bank on June 30, 2004, promotional pricing activities associated with opening additional branches in communities not currently served by Wintrust and opening a new *de novo* bank and the extension of maturities on fixed maturity time deposits in anticipation of continued rate increases. Overall, the Company is well positioned for future rate increases.

Non-interest income totaled \$21.5 million in the second quarter of 2004, increasing \$2.4 million, or 13%, compared to the second quarter of 2003. Non-interest expense totaled \$37.4 million in the second quarter of 2004, increasing \$6.9 million, or 23%, over the second quarter of 2003. The net overhead ratio for the second quarter of 2004 was 1.23% compared to 1.15% for the second quarter of 2003. On a year-to-date basis, non-interest income totaled \$40.2 million in 2004, increasing \$3.3 million, or 9%, compared to 2003, while non-interest expense totaled \$71.6 million in 2004, increasing \$12.2 million, or 21%, over 2003.

Non-performing assets totaled \$16.5 million, or 0.31% of total assets, at June 30, 2004, compared to \$24.1 million, or 0.51% of total assets, at December 31, 2003 and \$14.5 million, or 0.35% of total assets, at June 30, 2003. Net charge-offs for the second quarter of 2004 were two basis points compared to 18 basis points in the second quarter of 2003. On a year-to-date basis, net loan charge-offs declined to seven basis points, compared to 19 basis points in 2003. The non-performing assets at June 30, 2004, remain at levels that make monitoring and collection of the non-performing assets very manageable.

Wintrust is a financial holding company whose common stock is traded on the Nasdaq Stock Market® (Nasdaq: WTFC). Its ten suburban Chicago community bank subsidiaries, each of which was founded as a *de novo* bank since December 1991, are located primarily in high income retail markets Lake Forest Bank & Trust Company, Hinsdale Bank & Trust Company, North Shore Community Bank & Trust Company in Wilmette, Libertyville Bank & Trust Company, Barrington Bank & Trust Company, Crystal Lake Bank & Trust Company, Northbrook Bank & Trust Company, Advantage National Bank in Elk Grove Village, Village Bank &

Trust in Arlington Heights and Beverly Bank & Trust Company in Chicago. The banks also operate facilities in Buffalo Grove, Cary, Chicago, Clarendon Hills, Glencoe, Gurnee, Highland Park, Highwood, Hoffman Estates, Lake Bluff, McHenry, Prospect Heights, Ravinia, Riverside, Roselle, Skokie, Wauconda, Western Springs and Winnetka, Illinois.

Additionally, the Company operates various non-bank subsidiaries. First Insurance Funding Corporation, one of the largest commercial insurance premium finance companies operating in the United States, serves commercial loan customers throughout the country. Tricom, Inc. of Milwaukee provides high-yielding, short-term accounts receivable financing and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients located throughout the United States. WestAmerica Mortgage Company engages primarily in the origination and purchase of residential mortgages for sale into the secondary market through origination offices located throughout the United States. Loans are also originated nationwide through relationships with wholesale and correspondent offices. Guardian Real Estate Services, Inc. of Oakbrook Terrace provides document preparation and other loan closing services to WestAmerica Mortgage Company and its mortgage broker affiliates. Wayne Hummer Investments, LLC is a broker-dealer providing a full range of private client and brokerage services to clients located primarily in the Midwest. Focused Investments LLC is a broker-dealer that provides a full range of investment solutions to clients through a network of community-based financial institutions throughout the Midwest. Wayne Hummer Asset Management Company provides money management services and advisory services to individual accounts as well as the Wayne Hummer Companies proprietary mutual funds. Wayne Hummer Trust Company, a trust subsidiary, allows Wintrust to service customers trust and investment needs at each banking location. Wintrust Information Technology Services Company provides information technology support, item capture and statement preparation services to the Wintrust subsidiaries.

Currently, Wintrust operates a total of 42 banking offices and is in the process of constructing several additional branch facilities. All of the Company's banking subsidiaries are locally managed with large local boards of directors. Wintrust Financial Corporation has been one of the fastest growing bank groups in Illinois.

WINTRUST FINANCIAL CORPORATION
SELECTED FINANCIAL HIGHLIGHTS

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share data)	2004	2003	2004	2003
Selected Financial Condition Data (at end of period):				
Total assets	\$ 5,326,179	\$ 4,132,394		
Total loans	3,695,551	2,896,148		
Total deposits	4,324,368	3,419,946		
Long-term debt trust preferred securities	139,587	76,816		
Total shareholders equity	374,152	249,399		
Selected Statements of Income Data:				
Net interest income	\$ 36,720	\$ 28,328	\$ 73,228	\$ 54,932
Net revenue ⁽¹⁾	58,215	47,433	113,409	91,780
Income before taxes	19,631	14,072	38,004	26,867
Net income	12,493	9,019	24,087	17,282
Net income per common share Basic	0.61	0.52	1.19	1.00
Net income per common share Diluted	0.58	0.49	1.12	0.94
Selected Financial Ratios and Other Data:				
<i>Performance Ratios:</i>				
Net interest margin ⁽⁵⁾	3.12%	3.14%	3.19%	3.14%
Core net interest margin ^{(2) (5)}	3.26	3.26	3.32	3.26
Non-interest income to average assets	1.67	1.93	1.60	1.92
Non-interest expense to average assets	2.90	3.08	2.85	3.10
Net overhead ratio ⁽³⁾	1.23	1.15	1.25	1.18
Efficiency ratio ^{(4) (5)}	64.97	64.30	63.44	64.86
Return on average assets	0.97	0.91	0.96	0.90
Return on average equity	13.70	14.95	13.41	14.74
Average total assets	\$ 5,176,454	\$ 3,971,542	\$ 5,061,008	\$ 3,866,918
Average total shareholders equity	366,841	241,944	361,341	236,466
Average loans to average deposits ratio	88.0%	86.6%	87.5%	86.1%
<i>Common Share Data at end of period:</i>				
Market price per common share	\$ 50.51	\$ 29.79		
Book value per common share	\$ 18.26	\$ 14.31		
Common shares outstanding	20,484,991	17,428,118		
<i>Other Data at end of period:</i>				
Allowance for loan losses	\$ 28,091	\$ 21,310		
Non-performing assets	\$ 16,500	\$ 14,545		

Edgar Filing: WINTRUST FINANCIAL CORP - Form 425

Allowance for loan losses to total loans	0.76%	0.74%
Non-performing assets to total assets	0.31%	0.35%
Number of:		
Bank subsidiaries	10	7
Non-bank subsidiaries	9	7
Banking offices	42	32

- (1) Net revenue is net interest income plus non-interest income.
- (2) The core net interest margin excludes interest expense associated with Wintrust's Long-term Debt Trust Preferred Securities.
- (3) The net overhead ratio is calculated by netting total non-interest expense and total non-interest income, annualizing this amount, and dividing by that period's total average assets. A lower ratio indicates a higher degree of efficiency.
- (4) The efficiency ratio is calculated by dividing total non-interest expense by tax-equivalent net revenues (less securities gains or losses). A lower ratio indicates more efficient revenue generation.
- (5) See Supplemental Financial Measures/Ratios for additional information on this performance measure/ratio.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands)	(Unaudited) June 30, 2004	December 31, 2003	(Unaudited) June 30, 2003
Assets			
Cash and due from banks	\$ 100,829	\$ 111,929	\$ 123,439
Federal funds sold and securities purchased under resale agreements	75,409	56,620	223,142
Interest-bearing deposits with banks	3,849	6,228	5,748
Available-for-sale securities, at fair value	993,485	906,881	508,289
Trading account securities	3,293	3,669	4,913
Brokerage customer receivables	37,338	33,912	34,457
Mortgage loans held-for-sale	83,806	24,041	84,643
Loans, net of unearned income	3,695,551	3,297,794	2,896,148
Less: Allowance for loan losses	28,091	25,541	21,310
	<hr/>	<hr/>	<hr/>
Net loans	3,667,460	3,272,253	2,874,838
Premises and equipment, net	167,077	156,714	141,488
Accrued interest receivable and other assets	131,050	123,063	99,193
Goodwill	59,378	48,490	29,835
Other intangible assets	3,205	3,598	2,409
	<hr/>	<hr/>	<hr/>
Total assets	\$5,326,179	\$4,747,398	\$4,132,394
	<hr/>	<hr/>	<hr/>
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest bearing	\$ 415,339	\$ 360,666	\$ 317,104
Interest bearing	3,909,029	3,515,955	3,102,842
	<hr/>	<hr/>	<hr/>
Total deposits	4,324,368	3,876,621	3,419,946
Notes payable	1,000	26,000	26,000
Federal Home Loan Bank advances	244,019	144,026	140,000
Subordinated notes	50,000	50,000	50,000
Other borrowings	56,457	78,069	57,439
Long-term debt - trust preferred securities	139,587	96,811	76,816
Accrued interest payable and other liabilities	136,596	126,034	112,794
	<hr/>	<hr/>	<hr/>
Total liabilities	4,952,027	4,397,561	3,882,995
	<hr/>	<hr/>	<hr/>

Shareholders' equity:

Preferred stock

Common stock

Surplus

Common stock warrants

Retained earnings

Accumulated other comprehensive loss

20,485

258,289

998

114,368

(19,988)

20,066

243,626

1,012

92,301

(7,168)

17,428

158,597

1,030

72,861

(517)

Total shareholders' equity

374,152

349,837

249,399

Total liabilities and shareholders' equity

\$5,326,179

\$4,747,398

\$4,132,394

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2004	2003	2004	2003
Interest income				
Interest and fees on loans	\$50,995	\$42,238	\$ 99,445	\$82,829
Interest bearing deposits with banks	12	28	38	57
Federal funds sold and securities purchased under resale agreements	263	1,080	414	1,469
Securities	8,924	5,534	18,702	11,369
Trading account securities	39	46	74	84
Brokerage customer receivables	320	339	634	696
	<hr/>	<hr/>	<hr/>	<hr/>
Total interest income	60,553	49,265	119,307	96,504
	<hr/>	<hr/>	<hr/>	<hr/>
Interest expense				
Interest on deposits	19,136	17,013	36,865	34,115
Interest on Federal Home Loan Bank advances	1,945	1,473	3,566	2,930
Interest on notes payable and other borrowings	384	671	1,130	1,375
Interest on subordinated notes	705	625	1,407	1,069
Interest on long-term debt - trust preferred securities	1,663	1,155	3,111	2,083
	<hr/>	<hr/>	<hr/>	<hr/>
Total interest expense	23,833	20,937	46,079	41,572
	<hr/>	<hr/>	<hr/>	<hr/>
Net interest income	36,720	28,328	73,228	54,932
Provision for loan losses	1,198	2,852	3,762	5,493
	<hr/>	<hr/>	<hr/>	<hr/>
Net interest income after provision for loan losses	35,522	25,476	69,466	49,439
	<hr/>	<hr/>	<hr/>	<hr/>
Non-interest income				
Wealth management fees	8,023	7,002	16,496	12,953
Mortgage banking revenue	4,966	4,961	7,256	9,797
Service charges on deposit accounts	973	867	1,946	1,722
Gain on sale of premium finance receivables	2,064	1,108	3,539	2,270
Administrative services revenue	945	1,068	1,887	2,159
Net available-for-sale securities gains (losses)	1	220	853	606
Other	4,523	3,879	8,204	7,341

	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total non-interest income	21,495	19,105	40,181	36,848
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-interest expense				
Salaries and employee benefits	22,294	18,265	43,073	35,715
Equipment expense	2,182	1,916	4,351	3,758
Occupancy, net	2,319	1,887	4,497	3,785
Data processing	1,350	1,026	2,652	2,079
Advertising and marketing	866	504	1,590	1,043
Professional fees	1,175	922	2,143	1,704
Amortization of other intangible assets	193	159	393	298
Other	7,007	5,830	12,944	11,038
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total non-interest expense	37,386	30,509	71,643	59,420
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before taxes	19,631	14,072	38,004	26,867
Income tax expense	7,138	5,053	13,917	9,585
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income	\$12,493	\$ 9,019	\$ 24,087	\$17,282
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income per common share Basic	\$ 0.61	\$ 0.52	\$ 1.19	\$ 1.00
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income per common share Diluted	\$ 0.58	\$ 0.49	\$ 1.12	\$ 0.94
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash dividends declared per common share	\$	\$	\$ 0.10	\$ 0.08
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average common shares outstanding	20,358	17,411	20,250	17,360
Dilutive potential common shares	1,300	1,106	1,314	1,113
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Average common shares and dilutive common shares	21,658	18,517	21,564	18,473
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SUPPLEMENTAL FINANCIAL MEASURES/RATIOS

In accordance with new SEC rules required by the Sarbanes-Oxley Act of 2002 regarding the use of financial measures and ratios not calculated in accordance with generally accepted accounting principles (GAAP), a reconciliation must be provided that shows these measures and ratios calculated according to GAAP and a statement why management believes these measures and ratios provide a more accurate view of performance.

Certain non-GAAP performance measures and ratios are used by management to evaluate and measure the Company's performance. These include taxable-equivalent net interest income (including its individual components), net interest margin (including its individual components), core net interest margin and the efficiency ratio. Management believes that these measures and ratios provide users of the Company's financial information a more complete view of the performance of the interest-earning assets and interest-bearing liabilities and of the Company's operating efficiency for comparative purposes. Other financial holding companies may define or calculate these measures and ratios differently. See the table below for supplemental data and the corresponding reconciliation to GAAP financial measures for the three and six month periods ended June 30, 2004 and 2003.

Management reviews yields on certain asset categories and the net interest margin of the Company, and its banking subsidiaries, on a fully taxable-equivalent basis (FTE). In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a taxable-equivalent basis is also used in the calculation of the Company's efficiency ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains or losses), measures how much it costs to produce one dollar of revenue. Securities gains or losses are excluded from this calculation to better match revenue from daily operations to operational expenses.

Management also evaluates the net interest margin excluding the interest expense associated with the Company's Long-term Debt Trust Preferred Securities (Core Net Interest Margin). Because these instruments are utilized by the Company primarily as capital instruments, management finds it useful to view the net interest margin excluding this expense and deems it to be a more accurate view of the operational net interest margin of the Company.

(Dollars in thousands)		Three Months Ended June 30,		Six Months Ended June 30,	
		2004	2003	2004	2003
(A) Interest income (GAAP)		\$60,553	\$49,265	\$119,307	\$96,504
Taxable-equivalent adjustment	Loans	103	124	208	265
Taxable-equivalent adjustment	Liquidity management assets	66	73	134	134
Taxable-equivalent adjustment	Other earning assets	14	39	28	39
Interest income FTE		\$60,736	\$49,501	\$119,677	\$96,942
(B) Interest expense (GAAP)		23,833	20,937	46,079	41,572
Net interest income FTE		\$36,903	\$28,564	\$ 73,598	\$55,370

(C) Net interest income (GAAP) (A minus B)	\$36,720	\$28,328	\$ 73,228	\$54,932
Net interest income FTE	\$36,903	\$28,564	\$ 73,598	\$55,370
Add: Interest expense on long-term debt trust preferred securities	1,663	1,155	3,111	2,083
Core net interest income FTE ¹⁾	\$38,566	\$29,719	\$ 76,709	\$57,453
(D) Net interest margin (GAAP)	3.11%	3.11%	3.17%	3.12%
Net interest margin FTE	3.12			