

June 17, 2009

Research Update:
Wilmington Trust Corp.
Downgraded To 'BBB'; Outlook
Negative

Primary Credit Analyst:

Barbara Duberstein, New York (1) 212-438-5656; barbara_duberstein@standardandpoors.com

Secondary Credit Analyst:

John K Bartko, C.P.A., New York (1) 212-438-7368; john_bartko@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Research

Ratings List

Research Update:

Wilmington Trust Corp. Downgraded To 'BBB'; Outlook Negative

Overview

- We increased our assumptions about industry loan losses, given the severity of the national recession.
- We are downgrading Wilmington Trust Corp. to 'BBB'.
- We feel Wilmington is highly exposed to residential construction lending in a very challenging economic environment.

Rating Action

On June 17, 2009, Standard & Poor's Ratings Services lowered its long-term counterparty credit rating on Wilmington Trust Corp. to 'BBB' from 'BBB+'. We also lowered our counterparty credit rating on Wilmington's main bank subsidiary, Wilmington Trust Co., DE, to 'BBB+/A-2' from 'A-/A-2.' Ratings were removed from CreditWatch Negative where they were placed May 4, 2009. The outlooks are negative.

Rationale

The rating action follows our recent U.S. banking industry review, in which we reevaluated our expectations for industry loan losses in light of the severity of the national recession. The downgrade mainly addresses Wilmington's high exposure to residential construction lending in the current adverse environment, coupled with its only moderate capital and earnings levels. We believe that because of the risk of further jumps in nonperforming assets (NPAs) and net charge-offs (NCOs), ratings are more appropriate at these lower levels, even given Wilmington's positive attributes, including its well-diversified business profile.

Based in Delaware with \$11.5 billion in assets, Wilmington's regional bank segment has focused on commercial lending growth during the past several years, propelling its construction exposure to 21% of total loans, and its total commercial real estate (CRE) exposure to 42% of total loans (about one-third of total loans, excluding owner-occupied properties). Most of Wilmington's construction exposure is related to residential tract development, mainly in Delaware, but also in Pennsylvania, Maryland, and New Jersey. Although these local economies have been more resilient than the more distressed parts of the country, they have softened in recent quarters, and the rating assumes further economic pressures in these markets through 2009 and into 2010.

Partly mirroring trends in its marketplace, Wilmington's asset quality has deteriorated, although ratios are not far off from industry averages. The NPA ratio was 2.98% as of March 31, 2009, and the annualized NCO rate was 0.88% in the first quarter. Still, the NPA ratio has increased sharply during

the past two quarters, illustrating the potential for upward spikes. Also, NPAs within the construction category are high at 6% of total construction loans, and we believe this level will increase. Furthermore, Wilmington's CRE portfolio has some large single-borrower developer concentrations relative to its capital base.

The rating takes into account the buffer of Wilmington's substantial fee revenue from its well-established trust services and wealth-management businesses. Still, the company's main earnings driver is its regional bank segment, typically contributing about 75% of net income. Although Wilmington had decent earnings in the first quarter, partly because of a sharply reduced loan-loss provision from the prior quarter, we believe that the level of quarterly earnings will likely continue to be volatile, and very dependent on credit costs. Potential further write-downs in its \$225 million trust preferred portfolio may affect Wilmington's earnings in coming quarters, although the new accounting rules would lessen the severity of write-downs in this portfolio. This portfolio was already written down by \$97 million in fourth-quarter 2008.

Wilmington's regulatory capital ratios have improved since the fourth quarter when it issued \$330 million of preferred stock under the U.S. Treasury's Capital Purchase Program. However, its Tier 1 capital of 9.40%, as well as its tangible common equity ratio of 5.52%, is not exceedingly robust in our view relative to the company's loan asset risk. We view Wilmington's funding and liquidity profile as adequate. The company relies more on wholesale funding than do many of its regional bank peers, but it has improved its funding profile, including exiting the credit-sensitive wholesale large-denomination CD market, and establishing a large borrowing capacity through the Federal Reserve's Term Asset Facility.

Outlook

The negative outlook addresses uncertainties about the severity of the decline in asset quality, profitability, and capital trends. Current ratings anticipate a moderate rise in NPAs and they would tolerate weak profitability in 2009. We may lower the ratings further if NPAs rise more than we currently expect or if the company reports substantial net losses that significantly harm capital ratios. Conversely, we may revise the outlook to stable if asset quality stabilizes and the company returns to more normalized earnings levels on a sustainable basis.

Related Research

- "Credit Stress Testing For Financial Institutions," April 29, 2009
- "Methodology And Assumptions: Risk-Adjusted Capital Framework For Financial Institutions," April 21, 2009
- "Stress Testing U.S. Financial Institutions," April 29, 2009

Ratings List

Downgraded; CreditWatch/Outlook Action

To

From

Research Update: Wilmington Trust Corp. Downgraded To 'BBB'; Outlook Negative

Wilmington Trust Corp.		
Counterparty Credit Rating	BBB/Negative/A-2	BBB+/Watch Neg/A-2
Subordinated	BBB-	BBB/Watch Neg
Wilmington Trust Co., DE		
Counterparty Credit Rating	BBB+/Negative/A-2	A-/Watch Neg/A-2
Certificate Of Deposit		
Local Currency	BBB+/A-2	A-/Watch Neg/A-2
Wilmington Trust Capital A		
Preferred Stock	BB	BB+/Watch Neg

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Find a Rating.

Copyright © 2009, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: research_request@standardandpoors.com.