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WEBSTER FINANCIAL CORP
Form 8-K
July 16, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 16, 2003

WEBSTER FINANCIAL CORPORATION.

(Exact name of registrant as specified in its charter)

DELAWARE	001-31486	06-1187536
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

WEBSTER PLAZA, WATERBURY, CONNECTICUT 06702

(Address of principal executive offices)

Registrant's telephone number, including area code: (203) 578-2476

NOT APPLICABLE

(Former name or former address, if changed since last report)

ITEM 9. REGULATION FD DISCLOSURE.

Information being provided under Item 12

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On July 16, 2003, Webster Financial Corporation issued a press release describing its results of operations for the fiscal quarter ending June 30, 2003. That press release is attached hereto. This information is being furnished pursuant to Item 12 of Form 8-K and is being presented under Item 9 as provided in the Commission's interim guidance regarding Form 8-K Item 11 and Item 12 filing requirements (Release No. 34-47583).

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 hereunto duly authorized.

WEBSTER FINANCIAL CORPORATION

(Registrant)

/s/ William J. Healy

William J. Healy
Executive Vice President and
Chief Financial Officer

Date: July 16, 2003

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WEBSTER REPORTS PER SHARE NET INCOME INCREASE IN SECOND QUARTER AND FIRST HALF OF 2003

WATERBURY, Conn., July 16, 2003 - Webster Financial Corporation (NYSE: WBS), the holding company for Webster Bank, today announced a seven percent increase in net income per diluted share to \$.88 for the second quarter, compared to \$.82 in the year-ago period. Net income totaled \$40.6 million, compared to the same amount in the year-ago period.

For the first six months of 2003, net income was \$1.74 per diluted share, compared to \$1.47 in the year-ago period. Net income was \$80.5 million, compared to \$72.9 million in the year-ago period. Excluding the cumulative effect of a change in accounting method in the 2002 first quarter, net income for the first six months of 2002 was \$80.2 million or \$1.62 per diluted share.

"We are pleased to report continued progress in executing Webster's strategic plan for growth, including higher per share earnings," stated Webster chairman and chief executive officer, James C. Smith. "Webster continues to grow internally and through value-creating acquisitions, such as our recently announced partnership with North American Bank and Trust Company. Strong loan

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and deposit growth, coupled with the strength of our fee-based businesses, has mitigated the impact of lower yields on net interest income. We are well positioned to benefit from a gradually improving economy and the higher interest rates which will likely result."

Revenues and Expenses

Net interest income was \$100.6 million in the second quarter, compared to \$102.6 million in the year-ago period and \$104.7 million in the first quarter. The decline resulted from significantly lower interest rates during the second quarter as reflected in Webster's net interest margin (annualized net interest income as a percentage of average earning assets) of 3.10 percent compared to 3.61 percent in the year-ago period and 3.30 percent in the first quarter of 2003. On a linked-quarter basis, all of the decline in net interest income resulted from a reduction of \$6.0 million in interest income in the securities portfolio. This reduction is attributable to \$1.4 million of incremental acceleration of premium amortization, significantly lower reinvestment yields on cash flows and a modest reduction in the portfolio. Webster has redeployed cash flows into investments with shorter maturities, at significantly reduced yields, in anticipation of rising interest rates.

In the second quarter of 2003, total noninterest income, including securities gains, increased by 47 percent to \$58.3 million, up from \$39.6 million in the year-ago period. Securities gains totaled \$8.7 million in the second quarter compared to \$1.1 million a year ago and \$2.6 million in the first quarter. On a linked-quarter basis, the \$6.1 million increase in securities gains offset the \$6.0 million reduction of interest income in the securities portfolio. Unrealized gains in the investment portfolio were \$85.6 million at June 30, 2003.

Excluding securities gains and writedowns of mortgage servicing rights, total fee revenue was \$51.4 million in the second quarter, compared to \$38.5 million a year ago and \$51.3 million in the first quarter. Recent acquisitions contributed \$5.3 million of fee-based revenue growth compared to one year ago while the remaining \$5.8 million came from core growth. Deposit service fees were up 17 percent year over year, due primarily to growth in accounts. Insurance revenues were up 57 percent due to the Mathog & Moniello acquisition and increased premiums. Loan and loan servicing fees, excluding \$1.8 million of writedowns of mortgage servicing rights, grew by 52% largely as a result of the Whitehall acquisition. Net gains on sales of loans and loan servicing were up \$2.8 million, or 228 percent, due to increased mortgage origination volume. Revenues at Duff & Phelps and Wealth Management were up 20 percent and 11 percent, respectively.

Total noninterest expenses for the second quarter increased to \$93.2 million, up from \$78.8 million one year ago and flat with the first quarter. The increase in total noninterest expenses over the prior year's period includes recent acquisitions that account for \$4.7 million and the balance reflects strategic investments in core businesses. Webster's strategic investments include, de novo branch expansion activity, the High Performance Checking initiative, the transformation of the Wealth Management business to a financial planning and advice-driven model and the expansion of the mortgage origination business.

Balance Sheet Growth

At June 30, 2003, total assets increased to \$14.5 billion, up 16 percent from

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\$12.5 billion one year ago and an increase of 1 percent from the end of the 2003 first quarter. Total loans of \$8.7 billion at June 30, 2003 increased 19 percent from a year ago and 2 percent from March 31, 2003. Loan growth over the past year is primarily attributable to growth in the equipment finance, commercial real estate and home equity portfolios, as well as the acquisition of the Whitehall asset-based lending business in August of 2002.

"The second quarter demonstrates the success of our consumer and commercial business development efforts," stated Webster president and chief operating officer, William T. Bromage. "Webster's strategic initiatives for growth continue to drive loan and deposit growth while improving the mix."

At the end of the second quarter, commercial loans, including commercial real estate, increased to \$3.2 billion, up 32 percent from \$2.4 billion a year ago and 5 percent from \$3.0 billion at the end of the first quarter. Consumer loans totaled \$2.0 billion, compared to \$1.4 billion one year ago and \$1.8 billion at March 31, 2003, with growth over the past year led by Webster's home equity product offering. Commercial and consumer loans were 59 percent of total loans at June 30, 2003, compared to 52 percent of total loans one year ago.

Webster's mortgage banking business generated \$1.2 billion in originations in the second quarter, compared to \$0.5 billion a year ago. For the first six months of 2003, mortgage originations totaled \$2.1 billion compared to \$0.9 billion in the year-ago period. In the first half of 2003, 72 percent of originations came from national wholesale mortgage banking operations, while 28 percent came from Webster's retail channel. All of Webster's national wholesale loan originations are sold into the secondary markets. Net gains on sales of loans and loan servicing totaled \$4.1 million in the second quarter of 2003, which represented an increase of \$1.3 million on a linked-quarter basis. This increase in gains acted as a natural hedge against a linked-quarter increase of \$1.0 million in writedowns of mortgage servicing rights, which totaled \$1.8 million in the second quarter of 2003.

Total deposits were \$8.1 billion at June 30, 2003, an increase of 10 percent from \$7.3 billion a year ago and an increase of 4 percent from \$7.8 billion at March 31, 2003. Core deposits at June 30, 2003 represented 68 percent of total deposits, up from 62 percent a year ago. Webster's growth in deposits was driven in part by its High Performance Checking campaign initiated in August of 2002 and the continuing success of its de novo branches in Fairfield County, Connecticut.

Book value per common share of \$24.09 at June 30, 2003 increased by 9 percent from \$22.05 one year ago and increased by 3 percent from \$23.47 at March 31, 2003. Tangible book value per share of \$17.59 at June 30, 2003 increased by 8 percent from \$16.31 one year ago and by 4 percent from \$16.92 at March 31, 2003.

Asset Quality

Nonperforming assets totaled \$57.0 million or 0.39 percent of total assets at June 30, 2003, compared to \$51.6 million or 0.41 percent a year ago and \$61.9 million or 0.43 percent at March 31, 2003. Classified loans were 1.3 percent of total loans at June 30, 2003 compared to 2.1 percent one year ago and 1.5 percent at March 31, 2003.

"Webster's credit quality demonstrates the impact of disciplined underwriting and focused portfolio management during this period of growth," stated Webster chief financial officer, William J. Healy. "Credit quality continues to be among

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our highest priorities."

The allowance for loan losses totaled \$119.2 million at June 30, 2003 compared to \$99.7 million a year ago and \$118.6 million at March 31, 2003. The allowance represented 1.37 percent of total loans at June 30, 2003 compared to 1.36 percent a year ago and 1.39 percent at March 31, 2003. The ratio of the allowance to nonperforming loans at June 30, 2003 increased to 228 percent, compared to 206 percent a year ago and 219 percent at March 31, 2003.

Webster's net loan charge-offs in the second quarter of 2003 were \$4.4 million, compared to \$3.2 million in the year-ago period. The annualized net charge-off ratio was 20 basis points in the 2003 second quarter, compared to 18 basis points in the year-ago period.

Strategic Actions

In April, Webster announced an 11 percent increase in its regular quarterly cash dividend to \$.21 per common share from \$.19 per common share previously. On an annual basis, Webster reported that its dividend rate increased from \$.76 to \$.84 per common share. The announcement marked the 63rd consecutive quarterly dividend since Webster first paid a dividend in 1987 and the 13th time Webster's dividend had been increased.

Webster also announced in April the appointment of Zeynep Fredrick as Executive Vice President, Information Technology and Operations. Prior to joining Webster, Ms. Fredrick held positions of chief information officer and senior vice president of technology for AllFirst Bank of Baltimore, Maryland and senior vice president of IT Operations and the Mergers, Acquisitions and Consolidations Group for First National Bank in Maryland.

In June, Webster announced that it has reached a definitive agreement for the acquisition of North American Bank and Trust Company (Nasdaq: NAMB), in a combination cash and stock transaction valued at approximately \$30 million, or \$11.25 per common share of North American stock. The acquisition is expected to increase access and convenience for both Webster and North American Bank customers and to contribute positively to Webster's earnings per share in the first year. Webster expects the transaction to close in the fourth quarter of 2003.

Webster held its inaugural Investor Day presentation to analysts and portfolio managers on June 11th, an event where Webster senior officers delivered presentations on the histories and strategic plans for Webster's various business lines. The audio webcast and presentation slides are available at the Investor Relations section of Webster's website, www.wbst.com.

Webster Financial Corporation is the holding company for Webster Bank and Webster Insurance. With \$14 billion in assets, Webster Bank provides business and consumer banking, mortgage, insurance, trust and investment services through 109 banking offices, 219 ATMs, a Connecticut-based call center and the Internet. Webster Financial Corporation is majority owner of Chicago-based Duff & Phelps, LLC, a leader in financial advisory services. Webster Bank owns the asset-based lending firm, Whitehall Business Credit Corporation, Budget Installment Corp., Center Capital Corporation, an equipment finance company headquartered in Farmington, Connecticut and Webster Trust Company, N.A.

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For more information about Webster, including past press releases and the latest Annual Report, visit the Webster website at www.websteronline.com.

Conference Call

A conference call covering today's announcement will be held today, Wednesday, July 16, at 1:00 p.m. Eastern Daylight Time and may be heard through Webster's investor relations website at www.wbst.com, or in listen-only mode by calling 1-800-299-7635 (Access Code: 35765435). The call will be archived on the website and available for future retrieval.

Statements in this press release regarding Webster Financial Corporation's business that are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statement, see "Forward Looking Statements" in Webster's Annual Report for 2002.

WEBSTER FINANCIAL CORPORATION

SELECTED FINANCIAL HIGHLIGHTS (UNAUDITED)

(In thousands, except per share data)	At or for the Three Months Ended June 30, 2003	2002 (a)
NET INCOME AND PERFORMANCE RATIOS (ANNUALIZED):		
Net income	\$ 40,610	\$40,572
Net income per diluted common share	0.88	0.82
Return on average shareholders' equity	15.01%	15.54%
Return on average assets	1.15	1.32
NET INCOME AND PERFORMANCE RATIOS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING METHOD (ANNUALIZED):		
Net income	40,610	40,572
Cumulative effect of change in accounting method (b)	--	--
Net income before cumulative effect of change in accounting method	\$ 40,610	\$40,572
Net income per diluted common share	0.88	0.82
Return on average shareholders' equity	15.01%	15.54%
Return on average assets	1.15	1.32
Noninterest income as a percentage of total revenue	36.68	27.86
Efficiency ratio (c)	58.65	55.45
CASH INCOME AND PERFORMANCE RATIOS (ANNUALIZED) (d):		
Net income	\$ 40,610	\$40,572
Cumulative effect of change in accounting method (b)	--	--
Tax-effected intangible amortization	2,579	2,603

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Cash income	43,189	43,175
Cash income per diluted common share	0.93	0.87
Cash return on average shareholders' equity	15.96%	16.54%
Cash return on average assets	1.23	1.41

ASSET QUALITY:

Allowance for loan losses	\$119,239	\$99,698
Nonperforming assets	57,038	51,561
Allowance for loan losses / total loans	1.37%	1.36%
Net charge-offs/ average loans (annualized)	0.20	0.18
Nonperforming loans / total loans	0.60	0.66
Nonperforming assets / total assets	0.39	0.41
Allowance for loan losses / nonperforming loans	228.06	205.72

OTHER RATIOS (ANNUALIZED):

Shareholders' equity / total assets	7.61%	8.55%
Interest-rate spread	3.06	3.52
Net interest margin	3.10	3.61

SHARE RELATED:

Book value per common share	\$ 24.09	\$ 22.05
Tangible book value per common share	17.59	16.31
Common stock closing price	37.80	38.24
Dividends declared per common share	0.21	0.19
Common shares issued and outstanding	45,640	48,427
Basic shares (average)	45,446	48,631
Diluted shares (average)	46,242	49,585

Footnotes:

- (a) Adjusted to reflect the adoption of SFAS No. 123, "Accounting for Stock-Based Compensation", SFAS No. 142, " Goodwill and Other Intangible Assets" and SFAS No. 147, "Acquisitions of Certain Financial Institutions" during 2002.
- (b) Cumulative effect of change in accounting method for 2002 is a SFAS No. 142 transitional goodwill impairment charge of \$11.2 million, net of taxes, \$7.3 million.
- (c) Noninterest expense as a percentage of net interest income plus noninterest income.
- (d) Net income excluding tax-effected intangible amortization and cumulative effect of change in accounting method.
- (e) For purposes of this computation, unrealized gains (losses) are excluded from the average balance for rate calculations.

CONSOLIDATED STATEMENTS OF CONDITION (UNAUDITED)

	June 30,	March 31,	June 30,
(Dollars in thousands)	2003	2003	2002 (a)

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ASSETS:

Cash and due from depository institutions	\$ 254,645	\$ 238,370	\$ 244,257
Short-term investments	20,671	13,696	55,539
Securities:			
Trading, at fair value	3,893	10,924	163
Available for sale, at fair value	4,395,400	4,497,686	4,155,071
	-----	-----	-----
TOTAL SECURITIES	4,399,293	4,508,610	4,155,234
Loans held for sale	321,055	321,637	109,795
Loans:			
Residential mortgages	3,541,922	3,657,707	3,543,947
Commercial	2,010,109	1,947,167	1,392,344
Commercial real estate	1,144,429	1,062,891	992,160
Consumer	2,013,486	1,841,526	1,394,497
	-----	-----	-----
TOTAL LOANS	8,709,946	8,509,291	7,322,948
Allowance for loan losses	(119,239)	(118,596)	(99,698)
	-----	-----	-----
LOANS, NET	8,590,707	8,390,695	7,223,250
Accrued interest receivable	54,034	58,137	56,543
Premises and equipment, net	85,062	82,525	81,802
Goodwill and intangible assets	316,989	320,942	301,912
Cash surrender value of life insurance	176,324	174,181	167,492
Prepaid expenses and other assets	233,792	246,866	95,106
	-----	-----	-----
TOTAL ASSETS	\$14,452,572	\$14,355,659	\$12,490,930
	=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY:

Deposits:			
Checking and NOW	\$ 2,099,725	\$ 1,965,636	\$ 1,793,480
Savings and MMDAs	3,365,781	3,200,604	2,743,220
Certificates of deposit	2,526,429	2,543,060	2,696,163
	-----	-----	-----
TOTAL RETAIL DEPOSITS	7,991,935	7,709,300	7,232,863
Treasury deposits	93,767	74,509	104,726
	-----	-----	-----
TOTAL DEPOSITS	8,085,702	7,783,809	7,337,589
Federal Home Loan Bank advances	2,185,830	2,885,098	2,196,984
Other borrowings	2,480,666	2,030,553	1,534,665
Senior notes and subordinated debt	326,000	326,000	126,000
Accrued expenses and other liabilities	155,233	128,921	83,392
	-----	-----	-----
TOTAL LIABILITIES	13,233,431	13,154,381	11,278,630
Corporation-obligated mandatorily redeemable capital securities of subsidiary trusts	110,255	121,255	135,000
Preferred stock of subsidiary corporation	9,577	9,577	9,577
SHAREHOLDERS' EQUITY	1,099,309	1,070,446	1,067,723
	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$14,452,572	\$14,355,659	\$12,490,930
	=====	=====	=====

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See Selected Financial Highlights for footnotes.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended June 30, 2003	2002 (a)	Six Months June 2003
INTEREST INCOME:			
Loans and loans held for sale	\$118,965	\$114,027	\$236,667
Securities and short-term investments	45,772	59,340	97,517
	-----	-----	-----
TOTAL INTEREST INCOME	164,737	173,367	334,184
INTEREST EXPENSE:			
Deposits	28,750	37,005	58,168
Borrowings	35,368	33,797	70,721
	-----	-----	-----
TOTAL INTEREST EXPENSE	64,118	70,802	128,889
NET INTEREST INCOME	100,619	102,565	205,295
Provision for loan losses	5,000	4,000	10,000
	-----	-----	-----
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	95,619	98,565	195,295
NONINTEREST INCOME:			
Deposit service fees	17,529	14,924	34,419
Insurance revenue	9,980	6,376	20,944
Loan and loan servicing fees	4,723	4,211	10,628
Financial advisory services	5,229	4,357	10,660
Wealth and investment services	4,521	4,068	9,099
Gain on sale of loans and loan servicing, net	4,066	1,239	6,837
Increase in cash surrender value of life insurance	2,143	2,267	4,258
Other	1,423	1,047	3,284
	-----	-----	-----
TOTAL FEE REVENUE	49,614	38,489	100,129
Gain on sale of securities, net	8,666	1,126	11,299
	-----	-----	-----
TOTAL NONINTEREST INCOME	58,280	39,615	111,428
NONINTEREST EXPENSES:			
Compensation and benefits	50,506	41,248	101,067
Occupancy	7,672	6,212	15,771
Furniture and equipment	7,575	6,812	15,096
Intangible amortization	3,968	4,004	7,930
Marketing	3,236	2,438	6,721
Professional services	2,994	2,820	5,472
Capital securities and preferred stock dividend	2,958	3,753	6,096
Other	14,290	11,556	27,852
	-----	-----	-----
TOTAL NONINTEREST EXPENSES	93,199	78,843	186,005
Income before income taxes and cumulative effect of change			

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in accounting method	60,700	59,337	120,718
Income taxes	20,090	18,765	40,171
	-----	-----	-----
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING METHOD	40,610	40,572	80,547
Cumulative effect of change in accounting method, net of taxes	--	--	--
	-----	-----	-----
NET INCOME	\$ 40,610	\$ 40,572	\$ 80,547
	=====	=====	=====
NET INCOME PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING METHOD:			
Basic	\$ 0.89	\$ 0.83	\$ 1.77
Diluted	0.88	0.82	1.74
NET INCOME PER COMMON SHARE:			
Basic	\$ 0.89	\$ 0.83	\$ 1.77
Diluted	0.88	0.82	1.74

See Selected Financial Highlights for footnotes.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended			
	June 30, 2003	March 31, 2003	December 31, 2002	September 30, 2002

INTEREST INCOME:				
Loans and loans held for sale	\$118,965	\$117,702	\$120,386	\$118,400
Securities and short-term investments	45,772	51,745	53,189	55,500
	-----	-----	-----	-----
TOTAL INTEREST INCOME	164,737	169,447	173,575	173,900

INTEREST EXPENSE:				
Deposits	28,750	29,418	33,375	36,100
Borrowings	35,368	35,353	36,110	35,200
	-----	-----	-----	-----
TOTAL INTEREST EXPENSE	64,118	64,771	69,485	71,400

NET INTEREST INCOME	100,619	104,676	104,090	102,500
Provision for loan losses	5,000	5,000	16,000	5,000
	-----	-----	-----	-----
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	95,619	99,676	88,090	97,500

NONINTEREST INCOME:				
Deposit service fees	17,529	16,890	17,083	15,700
Insurance revenue	9,980	10,964	6,875	6,300
Loan and loan servicing fees	4,723	5,905	6,089	4,300
Financial advisory services	5,229	5,431	4,964	5,900
Wealth and investment services	4,521	4,578	3,693	3,700
Gain on sale of loans and loan servicing, net	4,066	2,771	2,337	1,800
Increase in cash surrender value of life insurance	2,143	2,115	2,263	2,300

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Other	1,423	1,861	1,129	7
	-----	-----	-----	-----
TOTAL FEE REVENUE	49,614	50,515	44,433	41,1
Gain on sale of securities, net	8,666	2,633	13,934	4,9
	-----	-----	-----	-----
TOTAL NONINTEREST INCOME	58,280	53,148	58,367	46,1
NONINTEREST EXPENSES:				
Compensation and benefits	50,506	50,561	46,343	43,3
Occupancy	7,672	8,099	7,444	6,6
Furniture and equipment	7,575	7,521	8,228	7,5
Intangible amortization	3,968	3,962	3,997	3,9
Marketing	3,236	3,485	3,038	2,6
Professional services	2,994	2,478	3,503	2,7
Capital securities and preferred stock dividend	2,958	3,138	3,355	3,4
Other	14,290	13,562	13,244	13,7
	-----	-----	-----	-----
TOTAL NONINTEREST EXPENSES	93,199	92,806	89,152	84,1
	-----	-----	-----	-----
Income before income taxes and cumulative effect of change in accounting method	60,700	60,018	57,305	59,5
Income taxes	20,090	20,081	17,904	19,1
	-----	-----	-----	-----
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING METHOD	40,610	39,937	39,401	40,4
Cumulative effect of change in accounting method, net of taxes (b)	--	--	--	--
	-----	-----	-----	-----
NET INCOME	\$ 40,610	\$ 39,937	\$ 39,401	\$ 40,4
	=====	=====	=====	=====
NET INCOME PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING METHOD:				
Basic	\$ 0.89	\$ 0.88	\$ 0.86	\$ 0.
Diluted	0.88	0.86	0.85	0.
NET INCOME PER COMMON SHARE:				
Basic	\$ 0.89	\$ 0.88	\$ 0.86	\$ 0.
Diluted	0.88	0.86	0.85	0.

See Selected Financial Highlights for footnotes.

 RETAIL AND WHOLESALE INTEREST-RATE SPREADS (UNAUDITED)

Three Months Ended,	June 2003	March 2003	December 2002	September 2002	June 2002
INTEREST-RATE SPREAD					
Total interest-earning assets	5.06%	5.35%	5.61%	5.93%	6.09%
Total interest-bearing liabilities	2.00	2.09	2.26	2.48	2.57
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Interest-rate spread	3.06%	3.26%	3.35%	3.45%	3.52%
Net interest margin	3.10	3.30	3.39	3.52	3.61
RETAIL INTEREST-RATE SPREAD					

Yield on loans	5.30%	5.52%	5.71%	6.01%	6.23%
Cost of deposits	1.46	1.57	1.77	1.96	2.06
	-----	-----	-----	-----	-----
Spread	3.84%	3.95%	3.94%	4.05%	4.17%
	=====	=====	=====	=====	=====
WHOLESALE INTEREST-RATE SPREAD					

Yield on securities	4.52%	5.02%	5.40%	5.77%	5.84%
Cost of borrowings	2.88	2.90	3.07	3.40	3.56
	-----	-----	-----	-----	-----
Spread	1.64%	2.12%	2.33%	2.37%	2.28%
	=====	=====	=====	=====	=====

CONSOLIDATED AVERAGE STATEMENTS OF CONDITION (UNAUDITED)

Three Months Ended June 30,

2003

(Dollars in thousands)	Average balance	Interest	Fully tax- equivalent yield/rate	Average balance
ASSETS:				
INTEREST-EARNING ASSETS:				
Loans and loans held for sale	\$ 8,951,987	\$118,965	5.30%	\$ 7,300,000
Securities and short-term investments	4,170,243	46,142	4.52 (e)	4,135,000
	-----	-----	-----	-----
TOTAL INTEREST-EARNING ASSETS	13,122,230	165,107	5.06	11,436,000
Noninterest-earning assets	949,376	-----	-----	816,000
	-----	-----	-----	-----
TOTAL ASSETS	\$14,071,606	-----	-----	\$12,252,000
	=====	-----	-----	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:				
INTEREST-BEARING LIABILITIES:				
Interest-bearing deposits	\$ 6,925,879	\$ 28,750	1.67%	\$ 6,341,000
Noninterest-bearing deposits	989,619	--	--	878,000
Federal Home Loan Bank advances	2,386,590	23,286	3.86	2,270,000
Repurchase agreements and other borrowings	2,153,916	6,783	1.25	1,363,000
Senior notes and subordinated debt	326,000	5,299	6.50	126,000
	-----	-----	-----	-----
TOTAL INTEREST-BEARING LIABILITIES	12,782,004	64,118	2.00	10,979,000
Noninterest-bearing liabilities	83,574	-----	-----	72,000
	-----	-----	-----	-----
TOTAL LIABILITIES	12,865,578	-----	-----	11,052,000
Capital securities and preferred stock of subsidiary corporation	123,475	-----	-----	155,000
Shareholders' equity	1,082,553	-----	-----	1,044,000
	-----	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$14,071,606	-----	-----	\$12,252,000
	=====	-----	-----	=====

100,989

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LESS: TAX-EQUIVALENT ADJUSTMENT	(370)	

NET INTEREST INCOME	\$100,619	
	=====	
INTEREST-RATE SPREAD		3.06%
		====
NET INTEREST MARGIN		3.10%
		====

See Selected Financial Highlights for footnotes.

CONSOLIDATED AVERAGE STATEMENTS OF CONDITION (UNAUDITED)

	Six Months Ended June 30,		2003	
(Dollars in thousands)	Average balance	Interest	Fully tax- equivalent yield/rate	ba
ASSETS:				
INTEREST-EARNING ASSETS:				
Loans and loans held for sale	\$ 8,753,421	\$ 236,667	5.41 %	\$
Securities and short-term investments	4,202,817	98,231	4.77 (e)	
	-----	-----	-----	---
TOTAL INTEREST-EARNING ASSETS	12,956,238	334,898	5.20	1

Noninterest-earning assets	942,439			
	-----			---
TOTAL ASSETS	\$ 13,898,677			\$ 1
	=====			====
LIABILITIES AND SHAREHOLDERS' EQUITY:				
INTEREST-BEARING LIABILITIES:				
Interest-bearing deposits	\$ 6,786,871	58,168	1.73 %	\$
Noninterest-bearing deposits	970,530	--	--	
Federal Home Loan Bank advances	2,483,365	47,077	3.77	
Repurchase agreements and other borrowings	2,077,451	13,035	1.25	
Senior notes and subordinated debt	311,635	10,609	6.81	
	-----	-----	-----	---
TOTAL INTEREST-BEARING LIABILITIES	12,629,852	128,889	2.04	1

Noninterest-bearing liabilities	75,137			
	-----			---
TOTAL LIABILITIES	12,704,989			1
Capital securities and preferred stock of subsidiary corporation	127,133			
	-----			---
Shareholders' equity	1,066,555			
	-----			---

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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 13,898,677			\$ 1
	=====			=====
		206,009		
LESS: TAX-EQUIVALENT ADJUSTMENT		(714)		

NET INTEREST INCOME		\$ 205,295		
		=====		
INTEREST-RATE SPREAD			3.16 %	
			=====	
NET INTEREST MARGIN			3.20 %	
			=====	

See Selected Financial Highlights for footnotes.

ASSET QUALITY (UNAUDITED)

	AT OR FOR THE THREE MONTHS EN			
(Dollars in thousands)	June 30, 2003	March 31, 2003	Dec. 31, 2002	Sept 20

NONPERFORMING ASSETS				

NONPERFORMING LOANS:				
Commercial:				
Commercial	\$ 27,881	\$ 27,784	\$ 16,001	\$ 1
Specialized industry	3,399	3,399	3,399	2
Equipment financing	8,722	8,960	6,586	
	-----	-----	-----	-----
Total commercial	40,002	40,143	25,986	5
Commercial real estate	4,920	6,910	9,109	1
Residential	6,596	5,712	7,263	
Consumer	767	1,510	894	
	-----	-----	-----	-----
Total nonperforming loans	52,285	54,275	43,252	6
	-----	-----	-----	-----
LOANS HELD FOR SALE	--	3,444	3,706	
	-----	-----	-----	-----
OTHER REAL ESTATE OWNED AND REPOSSESSED ASSETS:				
Commercial	4,224	3,967	2,568	
Residential	520	234	477	
Consumer	9	1	32	
	-----	-----	-----	-----
Total other real estate owned and repossessed assets	4,753	4,202	3,077	
	-----	-----	-----	-----

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TOTAL NONPERFORMING ASSETS	\$ 57,038	\$ 61,921	\$ 50,035	\$ 7

SUMMARY OF CLASSIFIED LOANS				

Substandard:				
Accruing	\$ 62,064	\$ 74,398	\$ 70,245	\$ 10
Nonaccruing	44,313	45,005	38,994	6
Total substandard	106,377	119,403	109,239	16
Doubtful:				
Accruing	--	--	--	--
Nonaccruing	6,617	7,279	3,743	--
Total doubtful	6,617	7,279	3,743	--
Loss	--	--	--	--
Total classified loans	\$112,994	\$126,682	\$112,982	\$16
Classified as a percent of loans	1.3%	1.5%	1.4%	

ALLOWANCE FOR LOAN LOSSES (UNAUDITED)

	AT OR FOR THE THREE MO		

	June 30,	March 31,	Dec. 31,
(Dollars in thousands)	2003	2003	2002

ALLOWANCE FOR LOAN LOSSES			

BEGINNING BALANCE	\$ 118,596	\$ 116,804	\$ 116,118
Allowance for purchased loans	--	146	--
Provision	5,000	5,000	16,000
Write-down of loans transferred to held for sale	--	--	(12,432)
Charge-offs:			
Residential	160	78	84
Commercial:			
Specialized industry	327	--	2,569
All other commercial	4,232	3,601	1,031

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Total commercial	4,559	3,601	3,600
Commercial real estate	--	--	--
Consumer	153	195	220
	-----	-----	-----
Total charge-offs	4,872	3,874	3,904
Recoveries	(515)	(520)	(1,022)
	-----	-----	-----
Net loan charge-offs	4,357	3,354	2,882
	-----	-----	-----
ENDING BALANCE	\$ 119,239	\$ 118,596	\$ 116,804
	=====	=====	=====

ASSET QUALITY RATIOS:

Allowance for loan losses / total loans	1.37 %	1.39 %	1.48
Net charge-offs/ average loans (annualized)	0.20	0.16	0.14
Nonperforming loans / total loans	0.60	0.64	0.55
Nonperforming assets / total assets	0.39	0.43	0.37
Allowance for loan losses / nonperforming loans	228.06	218.51	270.05