

WACHOVIA CORP/ NC
Form 425
July 06, 2001

Filed by SunTrust Banks, Inc.
Pursuant to Rule 425 under the Securities
Act of 1933 and deemed filed pursuant to
Rule 14a-12 under the Securities Exchange
Act of 1934

Subject Company: Wachovia Corporation
Commission File No. 1-9021

July 6, 2001

THE FOLLOWING PRESS RELEASE WAS ISSUED BY SUNTRUST

News

SunTrust

Press Release

For Immediate Release:

Contact: Gary Peacock, Jr. (404) 658-4879

SunTrust Reports Record Net Income and Earnings Per Share

Earnings Per Share Up 13%

ATLANTA, July 6, 2001 SunTrust Banks, Inc. today reported record net income for the second quarter of 2001 of \$347.1 million, up 9% from the second quarter of 2000. Net income per diluted share was \$1.19, up 13% from the \$1.05 per diluted share earned in the second quarter of 2000. For the quarter, reported return on assets was 1.38% and return on average realized equity was 22.43%.

We're pleased to deliver another quarter of solid earnings growth despite a softening economy, said L. Phillip Humann, Chairman, President and Chief Executive Officer of SunTrust. During the second quarter, we experienced strong revenue growth of 9% with effective cost management, continued to build on our core earnings momentum, and demonstrated superior credit quality. We believe our second quarter performance further underscores the financial strength supporting our proposal to merge with Wachovia.

For the first six months of 2001, net income was \$684.7 million, up 8% from the \$636.9 million earned in the first six months of 2000. Net income per diluted share was \$2.33, up 11% from the first six months of 2000.

Fully taxable net interest income was \$834.1 million in the second quarter, up 7% from the second quarter of 2000. The net interest margin for the quarter was 3.61%, up 4 basis points from the first quarter. For the first six months of 2001, fully taxable net interest income was \$1,649.4 million, up 5% from the first six months of 2000.

Average loans for the second quarter were \$69.9 billion and average earning assets were \$92.6 billion. Adjusting for recent securitizations, average loans were up 4% from the second quarter of last year. Average deposits for the second quarter were \$56.3 billion (excluding foreign and brokered deposits), up an annualized 13% from the first quarter.

During the strong quarter, the Company reinvested revenues to improve its risk profile. The Company repositioned its balance sheet to reduce risk to rising interest rates. In doing so, the Company recorded \$27.4 million of securities gains as it shortened the average life of its investment portfolio. These gains were offset by a \$27.4 million loss (\$17.8 million after-tax) as the Company repaid long-term debt in order to lengthen the maturity of its market borrowings. In accordance with generally accepted accounting principles, the loss on the early extinguishment of debt was reported as an extraordinary item and reflected separately on the income statement on an after-tax basis. To enhance

News

SunTrust

its credit risk profile, the Company sold the assets and liabilities of SunTrust Credit Corp. at an \$11.3 million after-tax loss. SunTrust Credit Corp. made higher yielding loans to small businesses with limited access to credit.

Noninterest income, excluding securities gains and losses, was \$494.1 million in the quarter, up 12% from the second quarter of 2000. Total noninterest income, including net securities gains, was \$521.8 million for the quarter, up 18% from the second quarter of 2000. Noninterest income represented 38% of total revenue or 37% without net securities gains. For the first six months of 2001, noninterest income, excluding securities gains and losses, was \$962.9 million, up 10% from the first six months of 2000.

Total noninterest expense in the quarter was \$763.8 million. During the quarter, the Company spent \$14.7 million (\$9.6 million after-tax) or \$.03 per diluted share on its One Bank initiative for enhancements to customer based systems that will yield operating efficiencies in the future. For the first six months of 2001, the Company spent \$21.7 million (\$14.1 million after-tax) or \$.05 per diluted share on this initiative. Also included in the noninterest expenses for the second quarter was \$17.4 million (\$11.3 million after-tax) or \$.04 per diluted share in expenses associated with the SunTrust Credit Corp. sale. These expenses were comprised of \$12.7 million in additional goodwill amortization and \$4.7 million in other expenses. The Company's efficiency ratio was 56.33%, an improvement from the 58.87% reported in the second quarter of 2000. For the first six months of 2001, total noninterest expenses were \$1,506.5 million, up 6% from the first six months of 2000.

The Company maintained its standards for high credit quality with net charge-offs in the second quarter of \$38.8 million or .22% of average loans down from .38% in the first quarter. The provision for loan losses was \$39.6 million for the second quarter. For the first six months of 2001, annualized net charge-offs were .30% of average loans, well below industry peers.

Nonperforming assets were \$431.4 million at quarter end or .63% of loans and foreclosed properties. Total nonperforming assets were up 17% from the first quarter end, and despite continued signs of weakness in the overall economy, nonperforming assets were only slightly higher than the Company's yearend 2000 total of \$428.3 million. The Company continues to sell nonperforming assets in the secondary loan market as opportunities permit. Nonperforming assets at June 30, 2001 included \$411.2 million in nonperforming loans and \$20.3 million in net other real estate owned. The allowance for loan losses at June 30, 2001 was \$866.1 million and represented 1.26% of loans and 211% of nonperforming loans.

At June 30, 2001, SunTrust had total assets of \$100.8 billion. Equity capital of \$7.9 billion represented 7.81% of total assets. Book value per share was \$27.29, up 9% from the second quarter 2000.

News

SunTrust

Please refer to the Investor Relations section of our website at www.suntrust.com for the corresponding financial tables and information.

SunTrust Banks, Inc., based in Atlanta, Georgia, is the nation's 9th largest commercial banking organization. The Company provides a wide range of services to meet the financial needs of its growing customer base in Alabama, Florida, Georgia, Maryland, Tennessee, Virginia, and the District of Columbia. Its primary businesses include traditional deposit and credit services as well as trust and investment services. Through various subsidiaries the Company provides credit cards, mortgage banking, insurance, brokerage and investment services.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, (i) statements about the benefits of a merger between SunTrust and Wachovia Corporation, including future financial and operating results, cost savings and accretion to reported and cash earnings that may be realized from such merger; (ii) statements with respect to SunTrust's plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "targets", "projects" and similar expressions. These statements are based upon the current beliefs and expectations of SunTrust's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) the businesses of SunTrust and Wachovia may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected time frame; (3) revenues following the merger may be lower than expected; (4) deposit attrition, operating costs, customer loss and business disruption, including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers, may be greater than expected following the merger; (5) the regulatory approvals required for the merger may not be obtained on the proposed terms or on the anticipated schedule; (6) the failure of SunTrust's and Wachovia's stockholders to approve the merger; (7) competitive pressures among depository and other financial institutions may increase significantly and may have an effect on pricing, spending, third-party relationships and revenues; (8) the strength of the United States economy in general and the strength of the local economies in which the combined company will conduct operations may be different than expected, resulting in, among other things, a deterioration in credit quality or a reduced demand for credit, including the resultant effect on the combined company's loan portfolio and allowance for loan losses; (9) changes in the U.S. and foreign legal and regulatory framework; and (10) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such conditions on the combined company's capital markets and asset management activities. Additional factors that could cause SunTrust's results to differ materially from those described in the forward-looking statements can be found in SunTrust's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the Securities and Exchange Commission and available at the SEC's Internet site (<http://www.sec.gov>). All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to SunTrust or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. SunTrust does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

On May 14, 2001, SunTrust delivered a merger proposal to the Board of Directors of Wachovia. Subject to future developments, SunTrust intends to file with the SEC a registration statement at a date or dates subsequent hereto to register the SunTrust shares to be issued in its proposed merger with Wachovia. Investors and security holders are urged to read the registration statement (when available) and any other relevant documents filed or to be with the SEC, as well as any amendments or supplements to those documents, because they contain (or will contain) important information. Investors and security holders may obtain a free copy of the registration statement (when available) and such other documents at the SEC's Internet web site at www.sec.gov. The registration statement (when available) and such other documents may also be obtained free of charge from SunTrust by directing such request to: SunTrust Banks, Inc., 303 Peachtree Street, N.E., Atlanta, GA 30308, Attention: Gary Peacock (404-658-4753).

SunTrust Banks, Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS

| | Three Months Ended | | | Six Months Ended | | |
|---|--------------------|---------|----------|------------------|---------|----------|
| | 2001 | 2000 | % Change | 2001 | 2000 | % Change |
| EARNINGS & DIVIDENDS | | | | | | |
| Period Ended June 30 | | | | | | |
| (Dollars in millions except per share data) | | | | | | |
| Net income | \$347.1 | \$317.5 | 9.3 % | \$684.7 | \$636.9 | 7.5 % |
| Earnings per share | | | | | | |
| Diluted | \$1.19 | \$1.05 | 13.3 | \$2.33 | \$2.09 | 11.5 |
| Basic | 1.21 | 1.06 | 14.2 | 2.36 | 2.11 | 11.8 |
| | 0.40 | 0.37 | 8.1 | 0.80 | 0.74 | 8.1 |

Edgar Filing: WACHOVIA CORP/ NC - Form 425

Dividends paid per
common share

Average shares
outstanding (000s)

| | | | | | | |
|---------|---------|---------|-------|---------|---------|-------|
| Diluted | 291,677 | 302,141 | (3.5) | 293,743 | 304,440 | (3.5) |
| Basic | 287,878 | 298,986 | (3.7) | 289,831 | 301,224 | (3.8) |

KEY RATIOS

| | | | | | | |
|--|--------|--------|-------|--------|--------|-------|
| Return on average assets | 1.38 % | 1.34 % | 3.0 % | 1.37 % | 1.36 % | 0.7 % |
| Return on average realized equity (4) | 22.43 | 21.46 | 4.5 | 22.14 | 21.40 | 3.5 |
| Return on average total equity | 17.68 | 17.74 | (0.3) | 17.30 | 17.46 | (0.9) |
| Net interest margin(1) | 3.61 | 3.55 | 1.7 | 3.59 | 3.63 | (1.1) |
| Efficiency ratio | 56.33 | 58.87 | (4.3) | 55.85 | 58.09 | (3.9) |

Period Ended June 30

| | | | |
|-----------------------|-----------|-------|-------|
| Book value per share | 27.29 | 25.10 | 8.7 |
| Equity to assets | 7.81 | 7.58 | 3.0 |
| Tier 1 capital ratio | 6.95 (3) | 6.95 | - |
| Total capital ratio | 10.75 (3) | 10.82 | (0.6) |
| Tier 1 leverage ratio | 6.84 (3) | 7.00 | (2.3) |

CONDENSED BALANCE SHEET (Dollars in millions)

Average Balances

| | | | | | | |
|---|-------------------|-------------------|--------|-------------------|-------------------|--------|
| Securities available for sale | \$19,774 | \$16,970 | 16.5 % | \$19,508 | \$17,430 | 11.9 % |
| Loans held for sale | 2,830 | 1,280 | 121.1 | 2,411 | 1,358 | 77.5 |
| Loans | 69,900 | 69,831 | 0.1 | 70,773 | 68,430 | 3.4 |
| Allowance for loan losses | (869) | (874) | (0.6) | (883) | (874) | 1.0 |
| Intangible assets | 818 | 796 | 2.8 | 817 | 798 | 2.4 |
| Other assets | 10,741 | 9,494 | 13.1 | 10,584 | 9,313 | 13.6 |
| | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | |
| Total assets | \$103,194 | \$97,497 | 5.8 | \$103,210 | \$96,455 | 7.0 |
| | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | |
| Deposits | \$56,344 | \$53,941 | 4.5 | \$55,446 | \$53,651 | 3.3 |
| Purchased liabilities(2) | 21,752 | 24,740 | (12.1) | 23,083 | 24,399 | (5.4) |
| Long-term debt | 12,486 | 8,071 | 54.7 | 12,090 | 7,512 | 60.9 |
| Other liabilities | 4,739 | 3,549 | 33.5 | 4,610 | 3,557 | 29.6 |
| | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | |
| Total liabilities | 95,321 | 90,301 | 5.6 | 95,229 | 89,119 | 6.9 |
| Realized shareholders' equity | 6,209 | 5,949 | 4.4 | 6,237 | 5,986 | 4.2 |
| Accumulated other comprehensive income | 1,664 | 1,247 | 33.4 | 1,744 | 1,350 | 29.2 |
| | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | |
| Total liabilities and shareholders' equity | \$103,194 | \$97,497 | 5.8 | \$103,210 | \$96,455 | 7.0 |
| | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | |

Edgar Filing: WACHOVIA CORP/ NC - Form 425

Period Ended June 30

| | | | |
|--|-------------------|-------------------|--------|
| Securities available for sale | \$18,578 | \$17,382 | 6.9 |
| Loans held for sale | 3,127 | 1,346 | 132.3 |
| Loans | 68,938 | 71,450 | (3.5) |
| Allowance for loan losses | (866) | (874) | (0.9) |
| Intangible assets | 849 | 801 | 6.0 |
| Other assets | 10,197 | 9,853 | 3.5 |
| | <u> </u> | <u> </u> | |
| Total assets | \$100,823 | \$99,958 | 0.9 |
| | <u> </u> | <u> </u> | |
| Deposits | \$57,038 | \$54,613 | 4.4 |
| Purchased liabilities(2) | 19,073 | 25,644 | (25.6) |
| Long-term debt | 12,443 | 8,250 | 50.8 |
| Other liabilities | 4,395 | 3,872 | 13.5 |
| | <u> </u> | <u> </u> | |
| Total liabilities | 92,949 | 92,379 | 0.6 |
| Realized shareholders' equity | 6,245 | 6,112 | 2.2 |
| Accumulated other comprehensive income | 1,629 | 1,467 | 11.0 |
| | <u> </u> | <u> </u> | |
| Total liabilities and shareholders' equity | \$100,823 | \$99,958 | 0.9 |
| | <u> </u> | <u> </u> | |

CREDIT DATA (\$ in thousands)

| | | | | | | |
|--|-------------------|-------------------|---------|-------------------|-------------------|---------|
| Allowance for loan losses - beginning | \$871,964 | \$874,034 | (0.2) % | \$874,547 | \$871,323 | 0.4 % |
| Allowance from acquisitions and other activity - net | (6,660) | - | (100.0) | (10,210) | - | (100.0) |
| Provision for loan losses | 39,615 | 27,693 | 43.1 | 106,915 | 49,985 | 113.9 |
| Net charge-offs | | | | | | |
| Credit card | (62) | 397 | (115.6) | (15) | 41 | (136.6) |
| Other consumer | 13,307 | 5,768 | 130.7 | 25,576 | 13,968 | 83.1 |
| Residential | 2,867 | 2,172 | 32.0 | 4,665 | 2,254 | 107.0 |
| Commercial | 22,708 | 18,906 | 20.1 | 74,927 | 30,561 | 145.2 |
| | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | |
| Allowance for loan losses - ending | \$866,099 | \$874,484 | (1.0) | \$866,099 | \$874,484 | (1.0) |
| | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | |
| Total net charge-offs | \$38,820 | \$27,243 | 42.5 | \$105,153 | \$46,824 | 124.6 |
| Net charge-offs to average loans | 0.22 % | 0.16 % | 37.5 | 0.30 % | 0.14 % | 114.3 |

Period Ended June 30

Edgar Filing: WACHOVIA CORP/ NC - Form 425

| | | | |
|--|-----------|-----------|--------|
| Nonperforming loans | \$411,166 | \$282,491 | 45.6 |
| Other real estate owned | 20,265 | 23,212 | (12.7) |
| | <hr/> | <hr/> | |
| Total nonperforming assets | \$431,431 | \$305,703 | 41.1 |
| | <hr/> | <hr/> | |
| Allowance to loans | 1.26 % | 1.22 % | 3.3 |
| Nonperforming assets to total loans plus other real estate owned | 0.63 | 0.43 | 46.5 |
| Allowance to nonperforming loans | 210.6 | 309.6 | (32.0) |

- (1) Net interest income and net interest margin include the effects of taxable-equivalent adjustments.
- (2) Purchased liabilities include foreign and brokered deposits, funds purchased and other short-term borrowings.
- (3) Current period tier 1 capital, total capital and tier 1 leverage ratios are estimated as of the press release date.
- (4) SunTrust presents a return on average realized shareholders' equity, as well as a return on total shareholders' equity. The return on realized shareholders' equity excludes net unrealized security gains.

SunTrust Banks, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

| | As of June 30 | | Increase/(Decrease) | |
|--|----------------|---------------|---------------------|---------|
| | 2001 | 2000 | Amount | % |
| ASSETS | | | | |
| Cash and due from banks | \$ 3,658,087 | \$ 2,847,699 | \$ 810,388 | 28.5% |
| Interest-bearing deposits in other banks | 98,461 | 8,109 | 90,352 | 1,114.2 |
| Trading account | 932,246 | 875,543 | 56,703 | 6.5 |
| Securities available for sale (1) | 18,578,244 | 17,382,207 | 1,196,037 | 6.9 |
| Funds sold | 928,994 | 1,613,080 | (684,086) | (42.4) |
| Loans held for sale | 3,126,942 | 1,345,694 | 1,781,248 | 132.4 |
| Loans | 68,938,242 | 71,450,408 | (2,512,166) | (3.5) |
| Allowance for loan losses | (866,099) | (874,484) | 8,385 | (1.0) |
| | <hr/> | <hr/> | <hr/> | |
| Net loans | 68,072,143 | 70,575,924 | (2,503,781) | (3.5) |
| Intangible assets | 849,161 | 800,728 | 48,433 | 6.0 |
| Other assets | 4,578,256 | 4,508,660 | 69,596 | 1.5 |
| | <hr/> | <hr/> | <hr/> | |
| Total Assets (2) | \$ 100,822,534 | \$ 99,957,644 | \$ 864,890 | 0.9 |
| | <hr/> | <hr/> | <hr/> | |
| LIABILITIES | | | | |
| Noninterest-bearing deposits | \$ 13,568,864 | \$ 13,719,684 | \$ (150,820) | (1.1) |
| Interest-bearing deposits | 49,770,813 | 54,956,751 | (5,185,938) | (9.4) |
| | <hr/> | <hr/> | <hr/> | |
| Total deposits | 63,339,677 | 68,676,435 | (5,336,758) | (7.8) |
| Funds purchased | 10,841,435 | 10,159,988 | 681,447 | 6.7 |
| Other short-term borrowings | 1,929,964 | 1,419,499 | 510,465 | 36.0 |
| Long-term debt | 12,443,044 | 8,250,459 | 4,192,585 | 50.8 |
| Other liabilities | 4,395,259 | 3,872,309 | 522,950 | 13.5 |
| | <hr/> | <hr/> | <hr/> | |

Edgar Filing: WACHOVIA CORP/ NC - Form 425

| | | | | |
|---|----------------|---------------|--------------|--------|
| Total liabilities | 92,949,379 | 92,378,690 | 570,689 | 0.6 |
| SHAREHOLDERS' EQUITY | | | | |
| Preferred stock, no par value | - | - | - | - |
| Common stock, \$1.00 par value | 294,163 | 323,163 | (29,000) | (9.0) |
| Additional paid in capital | 1,265,738 | 1,272,178 | (6,440) | (0.5) |
| Retained earnings | 5,019,324 | 5,873,963 | (854,639) | (14.5) |
| Treasury stock and other | (333,912) | (1,357,018) | 1,023,106 | (75.4) |
| Realized shareholders' equity | 6,245,313 | 6,112,286 | 133,027 | 2.2 |
| Accumulated other comprehensive income | 1,627,842 | 1,466,668 | 161,174 | 11.0 |
| Total shareholders' equity | 7,873,155 | 7,578,954 | 294,201 | 3.9 |
| Total Liabilities and Shareholders' Equity | \$ 100,822,534 | \$ 99,957,644 | \$ 864,890 | 0.9 |
| Common shares outstanding | 288,511,505 | 301,931,828 | (13,420,323) | (4.4) |
| Common shares authorized | 750,000,000 | 750,000,000 | - | - |
| Treasury shares of common stock | 5,651,252 | 21,230,929 | (15,579,677) | (73.4) |

| | | | | |
|---------------------------------------|------------|------------|-----------|-------|
| (1) Includes net unrealized gains of: | 2,546,677 | 2,371,237 | 175,440 | 7.4 |
| (2) Includes earning assets of: | 90,056,452 | 90,303,804 | (247,352) | (0.3) |

SunTrust Banks, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

(Dollars in thousands, except per share data)

| | Three Months Ended June 30 | | Increase/ (Decrease) | | Six Months Ended June 30 | | Increase/(Decrease) | |
|--|-------------------------------|--------------|-------------------------|---------|-----------------------------|-------------|---------------------|--------|
| | 2001 | 2000 | Amount | % | 2001 | 2000 | Amount | % |
| Interest income | \$ 1,634,658 | \$ 1,672,049 | (37,391) | (2.2)% | \$ 3,378,532 | \$3,282,878 | 95,654 | 2.9% |
| Interest expense | 810,755 | 903,019 | (92,264) | (10.2) | 1,749,772 | 1,731,255 | 18,517 | 1.1 |
| NET INTEREST INCOME | 823,903 | 769,030 | 54,873 | 7.1 | 1,628,760 | 1,551,623 | 77,137 | 5.0 |
| Provision for loan losses | 39,615 | 27,693 | 11,922 | 43.1 | 106,915 | 49,985 | 56,930 | 113.9 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 784,288 | 741,337 | 42,951 | 5.8 | 1,521,845 | 1,501,638 | 20,207 | 1.3 |
| NONINTEREST INCOME | | | | | | | | |
| Trust income | 124,785 | 123,751 | 1,034 | 0.8 | 249,094 | 252,351 | (3,257) | (1.3) |
| Service charges on deposit accounts | 125,588 | 112,589 | 12,999 | 11.5 | 245,611 | 223,855 | 21,756 | 9.7 |
| Other charges and fees | 57,531 | 50,372 | 7,159 | 14.2 | 113,070 | 99,509 | 13,561 | 13.6 |
| Mortgage production related income | 52,961 | 20,474 | 32,487 | 158.7 | 84,697 | 39,167 | 45,530 | 116.2 |
| Mortgage servicing related income | (2,685) | 7,692 | (10,377) | (134.9) | 4,039 | 15,414 | (11,375) | (73.8) |
| Credit card and other fees | 29,968 | 24,378 | 5,590 | 22.9 | 55,556 | 46,469 | 9,087 | 19.6 |
| Retail investment services | 27,260 | 30,550 | (3,290) | (10.8) | 52,043 | 61,348 | (9,305) | (15.2) |
| Investment banking income | 19,414 | 35,321 | (15,907) | (45.0) | 33,503 | 54,992 | (21,489) | (39.1) |

Edgar Filing: WACHOVIA CORP/ NC - Form 425

| | | | | | | | | |
|--|----------------|----------------|---------------|---------|-------------------|-------------------|------------------|---------|
| Trading account profits and commissions | 24,895 | (1,442) | 26,337 | 1,826.4 | 54,589 | 10,571 | 44,018 | 416.4 |
| Other noninterest income | 34,367 | 38,754 | (4,387) | (11.3) | 70,684 | 68,753 | 1,931 | 2.8 |
| Securities gains | 27,728 | 1,531 | 26,197 | 1,711.1 | 84,845 | 8,393 | 76,452 | 910.9 |
| | <u>521,812</u> | <u>443,970</u> | <u>77,842</u> | 17.5 | <u>1,047,731</u> | <u>880,822</u> | <u>166,909</u> | 18.9 |
| NONINTEREST EXPENSE | | | | | | | | |
| Personnel expense | 431,566 | 406,662 | 24,904 | 6.1 | 864,577 | 834,671 | 29,906 | 3.6 |
| Net occupancy expense | 51,769 | 49,890 | 1,879 | 3.8 | 101,782 | 99,950 | 1,832 | 1.8 |
| Equipment expense | 44,344 | 50,667 | (6,323) | (12.5) | 88,889 | 102,305 | (13,416) | (13.1) |
| Outside processing and software | 45,339 | 44,388 | 951 | 2.1 | 90,483 | 85,999 | 4,484 | 5.2 |
| Marketing and customer development | 22,955 | 27,855 | (4,900) | (17.6) | 45,988 | 50,157 | (4,169) | (8.3) |
| Amortization of intangible assets | 20,994 | 8,777 | 12,217 | 139.2 | 29,284 | 17,771 | 11,513 | 64.8 |
| Merger-related expenses (2) | - | 18,183 | (18,183) | (100.0) | - | 31,816 | (31,816) | (100.0) |
| Other noninterest expense | 146,871 | 113,362 | 33,509 | 29.6 | 285,532 | 201,430 | 84,102 | 41.8 |
| | <u>763,838</u> | <u>719,784</u> | <u>44,054</u> | 6.1 | <u>1,506,535</u> | <u>1,424,099</u> | <u>82,436</u> | 5.8 |
| INCOME BEFORE INCOME TAXES AND EXTRAORDINARY LOSS | | | | | | | | |
| Provision for income taxes | 542,262 | 465,523 | 76,739 | 16.5 | 1,063,041 | 958,361 | 104,680 | 10.9 |
| | <u>177,292</u> | <u>148,054</u> | <u>29,238</u> | 19.7 | <u>360,546</u> | <u>321,453</u> | <u>39,093</u> | 12.2 |
| INCOME BEFORE EXTRAORDINARY LOSS | | | | | | | | |
| Extraordinary loss, net of taxes(3) | 364,970 | 317,469 | 47,501 | 15.0 | 702,495 | 636,908 | 65,587 | 10.3 |
| | <u>17,824</u> | <u>-</u> | <u>17,824</u> | 100.0 | <u>17,824</u> | <u>-</u> | <u>17,824</u> | 100.0 |
| NET INCOME | <u>347,146</u> | <u>317,469</u> | <u>29,677</u> | 9.3 | <u>\$ 684,671</u> | <u>\$ 636,908</u> | <u>\$ 47,763</u> | 7.5 |
| Net interest income (taxable- equivalent)(1) | 834,142 | 778,658 | 55,484 | 7.1 | 1,649,369 | 1,570,800 | 78,569 | 5.0 |
| Earnings per share | | | | | | | | |
| Diluted | | | | | | | | |
| Income before extraordinary loss | 1.25 | 1.05 | 0.20 | 19.0 | 2.39 | 2.09 | 0.30 | 14.4 |
| Extraordinary loss | 0.06 | - | 0.06 | 100.0 | 0.06 | - | 0.06 | 100.0 |
| | <u>1.19</u> | <u>1.05</u> | <u>0.14</u> | 13.3 | <u>2.33</u> | <u>2.09</u> | <u>0.24</u> | 11.5 |
| Basic | | | | | | | | |
| Income before extraordinary loss | 1.27 | 1.06 | 0.21 | 19.8 | 2.42 | 2.11 | 0.31 | 14.7 |
| Extraordinary loss | 0.06 | - | 0.06 | 100.0 | 0.06 | - | 0.06 | 100.0 |
| | <u>1.21</u> | <u>1.06</u> | <u>0.15</u> | 14.2 | <u>2.36</u> | <u>2.11</u> | <u>0.25</u> | 11.8 |
| Cash dividends paid per common share | 0.40 | 0.37 | 0.03 | 8.1 | 0.80 | 0.74 | 0.06 | 8.1 |

Edgar Filing: WACHOVIA CORP/ NC - Form 425

Average shares outstanding

| | | | | | | | | |
|---------|---------|---------|----------|-------|---------|---------|----------|-------|
| (000s) | | | | | | | | |
| Diluted | 291,677 | 302,141 | (10,464) | (3.5) | 293,743 | 304,440 | (10,697) | (3.5) |
| Basic | 287,878 | 298,986 | (11,108) | (3.7) | 289,831 | 301,224 | (11,393) | (3.8) |

- (1) Net interest income includes the effects of taxable-equivalent adjustments using a federal tax rate of 35% and state income taxes where applicable to increase tax-exempt interest income to a taxable-equivalent basis.
- (2) 2000 results include merger-related expenses, net of tax, of \$11.8 million and \$20.7 million for the three months and six months ended June 30, 2000, respectively.
- (3) Second quarter 2001 results include an extraordinary loss of \$17.8 million, net of tax, for the early extinguishment of debt.

**SunTrust Banks, Inc. and
Subsidiaries
SELECTED
FINANCIAL
INFORMATION**

| | 2nd QTR. | 1st QTR. | 4th QTR. | 3rd QTR. | 2nd QTR. | Six Months Ended | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2001 | 2001 | 2000 | 2000 | 2000 | June 30 | |
| | | | | | | 2001 | 2000 |
| RESULTS OF OPERATIONS | | | | | | | |
| (in thousands, except per share data) | | | | | | | |
| Net interest income | \$ 823,903 | \$ 804,857 | \$ 785,365 | \$ 771,450 | \$ 769,030 | \$ 1,628,760 | \$ 1,551,623 |
| Provision for loan losses | 39,615 | 67,300 | 53,449 | 30,540 | 27,693 | 106,915 | 49,985 |
| Net credit income | 784,288 | 737,557 | 731,916 | 740,910 | 741,337 | 1,521,845 | 1,501,638 |
| Securities gains (losses) | 27,728 | 57,117 | (1,191) | (586) | 1,531 | 84,845 | 8,393 |
| Other noninterest income | 494,084 | 468,802 | 446,761 | 447,819 | 442,439 | 962,886 | 872,429 |
| Net credit and noninterest income | 1,306,100 | 1,263,476 | 1,177,486 | 1,188,143 | 1,185,307 | 2,569,576 | 2,382,460 |
| Noninterest expense | 763,838 | 742,697 | 697,864 | 706,570 | 719,784 | 1,506,535 | 1,424,099 |
| Income before income taxes and extraordinary loss | 542,262 | 520,779 | 479,622 | 481,573 | 465,523 | 1,063,041 | 958,361 |
| Provision for income taxes | 177,292 | 183,254 | 149,250 | 154,753 | 148,054 | 360,546 | 321,453 |
| Income before extraordinary loss | 364,970 | 337,525 | 330,372 | 326,820 | 317,469 | 702,495 | 636,908 |
| Extraordinary loss, net of taxes | 17,824 | - | - | - | - | 17,824 | - |
| Net Income | \$ 347,146 | \$ 337,525 | \$ 330,372 | \$ 326,820 | \$ 317,469 | \$ 684,671 | \$ 636,908 |
| Net interest income (taxable-equivalent) | 834,142 | 815,227 | 796,090 | 781,536 | 778,658 | 1,649,369 | 1,570,800 |

Earnings per share

Edgar Filing: WACHOVIA CORP/ NC - Form 425

| | | | | | | | |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Diluted | | | | | | | |
| Income before extraordinary loss | \$ 1.25 | \$ 1.14 | \$ 1.11 | \$ 1.10 | \$ 1.05 | \$ 2.39 | \$ 2.09 |
| Extraordinary loss | 0.06 | - | - | - | - | 0.06 | - |
| Net income | 1.19 | 1.14 | 1.11 | 1.10 | 1.05 | 2.33 | 2.09 |
| Basic | | | | | | | |
| Income before extraordinary loss | 1.27 | 1.16 | 1.13 | 1.11 | 1.06 | 2.42 | 2.11 |
| Extraordinary loss | 0.06 | - | - | - | - | 0.06 | - |
| Net income | 1.21 | 1.16 | 1.13 | 1.11 | 1.06 | 2.36 | 2.11 |
| Dividends paid per common share | 0.40 | 0.40 | 0.37 | 0.37 | 0.37 | 0.80 | 0.74 |
| Average shares outstanding(000s) | | | | | | | |
| Diluted | 291,677 | 295,832 | 296,461 | 298,558 | 302,141 | 293,743 | 304,440 |
| Basic | 287,878 | 291,805 | 293,390 | 295,575 | 298,986 | 289,831 | 301,224 |

SELECTED AVERAGE BALANCES

(in millions)

| | | | | | | | |
|---|------------|------------|------------|-----------|-----------|------------|-----------|
| Total assets | \$ 103,194 | \$ 103,225 | \$ 101,246 | \$ 99,392 | \$ 97,497 | \$ 103,210 | \$ 96,455 |
| Earning assets | 92,571 | 92,554 | 90,680 | 89,664 | 88,201 | 92,562 | 87,029 |
| Unrealized gains on securities available for sale | 2,562 | 2,868 | 2,681 | 2,365 | 2,016 | 2,714 | 2,183 |
| Loans | 69,900 | 71,654 | 71,775 | 71,507 | 69,831 | 70,773 | 68,430 |
| Interest-bearing liabilities | 77,090 | 77,518 | 75,548 | 74,914 | 73,501 | 77,303 | 72,462 |
| Total deposits | 64,361 | 65,409 | 67,182 | 67,158 | 66,866 | 64,882 | 66,208 |
| Shareholders' equity | 7,873 | 8,089 | 7,844 | 7,487 | 7,196 | 7,981 | 7,336 |

SELECTED RATIOS

| | | | | | | | |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Net interest margin | 3.61 % | 3.57 % | 3.49 % | 3.47 % | 3.55 % | 3.59 % | 3.63 % |
| Return on average assets | 1.38 | 1.36 | 1.33 | 1.34 | 1.34 | 1.37 | 1.36 |
| Return on average realized equity | 22.43 | 21.85 | 21.40 | 21.62 | 21.46 | 22.14 | 21.40 |
| Return on average total equity | 17.68 | 16.92 | 16.75 | 17.36 | 17.74 | 17.30 | 17.46 |

CREDIT DATA

(Dollars in thousands)

| | | | | | | | |
|--|------------|------------|------------|-----------|------------|------------|------------|
| Allowance for loan losses - beginning | \$ 871,964 | \$ 874,547 | \$ 874,490 | \$874,484 | \$ 874,034 | \$ 874,547 | \$ 871,323 |
| Allowance from acquisitions and other activity - net | (6,660) | (3,550) | - | - | - | (10,210) | - |
| Provision for loan losses | 39,615 | 67,300 | 53,449 | 30,540 | 27,693 | 106,915 | 49,985 |
| Net charge-offs | 38,820 | 66,333 | 53,392 | 30,534 | 27,243 | 105,153 | 46,824 |
| Allowance for loan losses - ending | 866,099 | 871,964 | 874,547 | 874,490 | 874,484 | 866,099 | 874,484 |
| | 0.22% | 0.38% | 0.30% | 0.17% | 0.16% | 0.30% | 0.14% |

Edgar Filing: WACHOVIA CORP/ NC - Form 425

Net charge-offs to
average loans

Period Ended

| | | | | | |
|----------------------------|------------------|------------------|-------------------|-------------------|------------------|
| Nonperforming loans | \$411,166 | \$348,652 | \$405,270 | \$ 380,942 | \$282,491 |
| Other real estate owned | 20,265 | 20,646 | 23,004 | 23,586 | 23,212 |
| Nonperforming assets | <u>\$431,431</u> | <u>\$369,298</u> | <u>\$ 428,274</u> | <u>\$ 404,528</u> | <u>\$305,703</u> |

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Allowance to period-end loans | 1.26% | 1.24% | 1.21% | 1.21% | 1.22% |
| Nonperforming assets to total loans plus other real estate | 0.63 | 0.52 | 0.59 | 0.56 | 0.43 |
| Allowance to nonperforming loans | 210.6 | 250.1 | 215.8 | 229.6 | 309.6 |

SunTrust Banks, Inc. and Subsidiaries
APPENDIX TO THE PRESS RELEASE
(Dollars in thousands)

**2nd QTR.
2001** **1st QTR.
2001** **2nd QTR.
2000**

The following table reflects adjustments for unusual transactions for trend analysis purposes:

ADJUSTED NONINTEREST EXPENSE

| | | | |
|---|-----------------------|-------------------|-----------------------|
| Reported noninterest expense | \$ 763,838 | \$ 742,697 | \$ 719,784 |
| Adjustments: | | | |
| Sale of STI Credit Corporation business (1) | 17,400 | - | - |
| One Bank Initiative (2) | 14,700 | 7,000 | - |
| Merger-related expenses | - | - | 18,183 |
| Total adjusted noninterest expense | <u>\$ 731,738</u> | <u>\$ 735,697</u> | <u>\$ 701,601</u> |

EXTRAORDINARY LOSS (3)

| | |
|---|------------------|
| Pre-tax extraordinary loss | \$ 27,422 |
| Provision for income taxes | 9,598 |
| Total extraordinary loss, net of taxes | <u>\$ 17,824</u> |

- (1) Comprised of approximately \$12.7 million in additional goodwill amortization and \$4.7 million in other expenses. Additionally, as part of the sale of this business, \$6.6 million in allowance for loan losses was transferred.
- (2) Expenses included in personnel expense and other noninterest expense.
- (3) The extraordinary loss on early extinguishment of debt was recorded as part of the balance sheet repositioning which also resulted in securities gains of the same amount.