

Edgar Filing: EDWARDS A G INC - Form 425

EDWARDS A G INC  
Form 425  
August 14, 2007

Filed by Wachovia Corporation pursuant to Rule 425 under the Securities Act of 1933, as amended, and deemed filed pursuant to Rule 14a-12 under the Securities Exchange Act of 1934, as amended

Subject Company:

A.G. Edwards, Inc.

Commission File No.: 1-8527

Date: August 14, 2007

This filing may contain certain forward-looking statements with respect to each of Wachovia Corporation ( Wachovia ) and A.G. Edwards, Inc. ( A.G. Edwards ) and the combined company following the proposed merger between Wachovia and A.G. Edwards (the Merger ), as well as the goals, plans, objectives, intentions, expectations, financial condition, results of operations, future performance and business of Wachovia, including, without limitation, (i) statements relating to the benefits of the Merger, including future financial and operating results, cost savings, enhanced revenues and the accretion/dilution to reported earnings that may be realized from the Merger, (ii) statements relating to the benefits of the merger between Wachovia and Golden West Financial Corporation ( Golden West ) completed on October 1, 2006 (the Golden West Merger ), including future financial and operating results, cost savings, enhanced revenues and the accretion to reported earnings that may be realized from the Golden West Merger, (iii) statements regarding certain of Wachovia s and/or A.G. Edwards goals and expectations with respect to earnings, earnings per share, revenue, expenses and the growth rate in such items, as well as other measures of economic performance, including statements relating to estimates of Wachovia s credit quality trends, and (iv) statements preceded by, followed by or that include the words may , could , should , would , believe , anticipate , estimate , expect , intend , plan , projects , outlook or similar expressions. These statements are based upon the current beliefs and expectations of Wachovia s management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These forward-looking statements involve certain risks and uncertainties that are subject to change based on various factors (many of which are beyond Wachovia s control).

The following factors, among others, could cause Wachovia s financial performance to differ materially from that expressed in such forward-looking statements: (1) the risk that the businesses of Wachovia and A.G. Edwards in connection with the Merger or the businesses of Wachovia and Golden West in connection with the Golden West Merger will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) the risk that expected revenue

synergies and cost savings from the Merger or the Golden West Merger may not be fully realized or realized within the expected time frame; (3) the risk that revenues following the Merger or the Golden West Merger may be lower than expected; (4) deposit attrition, operating costs, customer loss and business disruption following the Merger or the Golden West Merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected; (5) the inability to obtain governmental approvals of the Merger on the proposed terms and schedule; (6) the failure of A.G. Edwards' shareholders to approve the Merger; (7) risk that the strength of the United States economy in general and the strength of the local economies in which Wachovia and/or A.G. Edwards conducts 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 Wachovia's loan portfolio and allowance for loan losses; (8) the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; (9) potential or actual litigation; (10) inflation, interest rate, market and monetary fluctuations; and (11) 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 Wachovia's and A.G. Edwards' brokerage and capital markets activities. Additional factors that could cause Wachovia's and A.G. Edwards' results to differ materially from those described in the forward-looking statements can be found in Wachovia's and A.G. Edwards' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. All subsequent written and oral forward-looking statements concerning Wachovia or the proposed Merger or other matters and attributable to Wachovia or A.G. Edwards or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. Wachovia and A.G. Edwards do not undertake any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in this filing.

The proposed Merger will be submitted to A.G. Edwards' shareholders for their consideration. Wachovia has filed a registration statement with the SEC, which includes a preliminary proxy statement/prospectus regarding the proposed Merger. A.G. Edwards' shareholders are urged to read the registration statement and the definitive proxy statement/prospectus when it becomes available, as well as any other relevant documents concerning the proposed Merger filed with the SEC (and any amendments or supplements to those documents), because they will contain important information. You will be able to obtain a free copy of the registration statement and the proxy statement/prospectus, as well as other filings containing information about Wachovia and A.G. Edwards, at the SEC's website (<http://www.sec.gov>) and at the companies' respective websites, [www.wachovia.com](http://www.wachovia.com) and [www.agedwards.com](http://www.agedwards.com). Copies of the definitive proxy statement/prospectus and the SEC filings that will be incorporated by reference in the proxy statement/prospectus can also be obtained, free of charge, by directing a request to Wachovia Corporation, Investor Relations, One Wachovia Center, 301 South College Street, Charlotte, NC 28288-0206, (704)-383-0798; or to A.G. Edwards, Inc., Investor Relations, One North Jefferson Avenue, St. Louis, MO 63103, (314) 955-3000.

Wachovia and A.G. Edwards, and their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies from the

shareholders of A.G. Edwards in connection with the proposed Merger. Information about the directors and executive officers of Wachovia is set forth in the proxy statement for Wachovia's 2007 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 9, 2007. Information about the directors and executive officers of A.G. Edwards is set forth in the proxy statement for A.G. Edwards' 2007 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on May 15, 2007. Additional information regarding the interests of those participants and other persons who may be deemed participants in the Merger may be obtained by reading the definitive proxy statement/prospectus regarding the proposed Merger when it becomes available. You may obtain free copies of these documents as described in the preceding paragraph.

Wachovia Corporation

Investor Update

August 2007

Ken Thompson, Chairman and CEO

Don Truslow, Chief Risk Officer

THE FOLLOWING PRESENTATION WAS POSTED ON WACHOVIA'S WEBSITE

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5205, Investor Update, August 2007

Long-term trends highlight  
execution excellence

Fifth consecutive year of double-digit earnings growth

Sixth consecutive year of No. 1 customer service

Improved efficiency ratio by 932 bps from 2001

Continued investment for sustainable growth

Superior credit quality

Strong shareholder returns

#1 shareholder return year-end 2001

2006

>

#

3

shareholder return year-end 2001

YTD 07\*: up 88%

Increased dividend 10% from 2005, 133% since  
year-end 2001

\*As of August 8, 2007.

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5205, Investor Update, August 2007

Industry concerns

Meeting the challenge in 2007 and beyond

Wachovia response

Slower Growth

Economy

Interest Rate

Environment

New product development

Credit Cycle

Concerns

Diversified scale businesses

Great footprint in high growth

and high wealth markets  
Superior customer service  
and loyalty  
Focus on customer acquisition  
and sales execution in newly  
acquired businesses  
Cross-enterprise sales  
management  
Improving overhead efficiency  
ratio  
Focus on retail DDA  
account sales  
Disciplined retail pricing  
Highly collateralized, low  
risk consumer portfolio  
Granular commercial  
portfolio  
Challenge  
Modest exposures to capital  
markets  
areas of concern



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5205, Investor Update, August 2007

\*As reported segment earnings through December 31, 2006 excluding merger and restructuring charges of \$115 million after-tax  
Combined

2006 and 2005 revenues were \$33.1 billion and \$29.6 billion, respectively. For additional information on Combined  
results see Wachovia's Current Report on Form 8-K dated July 20, 2007.

Wachovia in perspective

Diversified, scale businesses

Capital

Management

Corporate

& Investment

Bank

General

Bank

Wealth

Management

62%

24%

3%

11%

2006 vs. 2005

Earnings up 19%

to \$7.9 billion\*

Record earnings in

all 4 segments

Combined

revenues

up 12% from 2005

1H07 vs. 1H06

Earnings up 7% on

strong fee income and

solid credit quality

Wachovia's 4 Core Businesses Earned \$8.4 billion\* in 2006

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Wachovia

80

+21.2%

(#1)

All Others

78

+8.3%

Bank of America

72

+14.3%

JPM/Bank One

72

2.9%

Wells Fargo

72

7.5%

Superior customer service and loyalty  
drives results

40.2%

48.6%

51.8%

52.1%

53.7%

55.0%

4Q02

4Q04

4Q06

1Q07

2Q07

Goal

Percentage Loyal

Customers\*

\*Data is from independent studies conducted with customers who  
transact in our Financial Centers. Definition of a loyal customer is a  
customer who rates Wachovia a 7 in all three loyalty questions  
satisfaction with Wachovia, likelihood to recommend, and likelihood  
to repurchase  
(scale of 1-7).

2006 American Customer  
Satisfaction Index

6

th

year of No. 1 rank

Most improved since #1

ranking

in 2001

Score

2006

vs. 2000

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5205, Investor Update, August 2007

Operating efficiency improvements  
drives results

51.5%

-

53.5%

Cash Overhead Efficiency Ratio\*

\*Excludes merger-related and restructuring expenses, changes in accounting principle and other intangible amortization.

63.6%

59.1%

60.5%

60.0%

58.0%

54.2%  
56.3%  
2001  
2002  
2003  
2004  
2005  
2006  
1H07  
2007 Goal

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De Novo

Initiative

Auto Loans

Results exceeding expectations as we focus on existing 11.5 million retail and small business households

Cross-sell opportunities continue as we leverage nation s 7

th

largest auto loan origination platform

Investing for long-term growth

drives results

Mortgage

Lending

Leveraging platform to increase cross-sales by placing mortgage consultants in branches and training financial specialists

Credit Cards

Retail branch expansion also drives growth in Commercial, Wealth Management, Insurance and our other businesses



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Period-end balance sheet as of 6/30/2007.

Loan portfolio at a glance

High quality, low loss content

Total Loan Portfolio

89% Secured/Guaranteed

Consumer

Mortgage

Other

Consumer

Real Estate

Secured

Student

Auto, Other

Secured

Commercial,

Financial &

Agricultural

Commercial

Real Estate

Commercial

Leasing

Commercial

Foreign

\$254 billion consumer loan portfolio

96% secured (additional 3% guaranteed)

-

87% secured by Real Estate

87% secured by a first lien

70% average loan-to-value

699 average FICO score

\$175 billion commercial loan portfolio

76% secured

No industry > 5% (3-digit SIC)

\$1.7 million average size

38%

5%

3%

9%

24%

6%

13%

2%

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Consumer real estate portfolio

Consumer Real Estate Portfolio - On-Balance Sheet (Net of Unearned Income)

Loan

Average

Average

% of Loans

(dollars in millions)

Balances

FICO

LTV

(1)

LTV > 90%

Home equity loans and lines

First lien

\$  
28,445  
729

71%  
13%

Second lien

29,284  
725

75%  
14%

Total home equity loans and lines  
57,729

727

73%  
14%

Mortgage loans  
162,564

689

70%  
2%

Total consumer real estate portfolio  
220,293

699

70%  
5%

Nonaccrual loans

Total first lien  
1,289

648

76%  
4%

Total second lien

47

682

82%  
27%

Total consumer real estate nonaccrual loans

\$  
1,336

649

76%

5%

(1)

Second lien LTVs reflect the total borrowings, including first lien positions held by third parties.  
Consumer real estate loans with FICO score < 620 and LTV > 80% total  
only \$1.1 billion

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Investment Banking positions

Modest leveraged loan and high yield bond bridge positions

4% market share

YTD 2007

\*

Little hedge fund exposure; not a prime broker

Minimal subprime exposure

Exited HomEq

and Equibanc; Vertice

ceased subprime  
originations in 1Q06  
Structured product pipelines at manageable levels

CDO/CLO pipelines reduced substantially from  
2Q07 levels

3Q07-to-date have marketed 2 CMBS deals

Sold nearly all bonds below A rated levels

(\*)

Loan Pricing Corp (LPC) leveraged league tables by \$ volume

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0.14%

WB

0.14%

BAC

0.81%

JPM

0.85%

WFC

0.87%

C

1.14%

Net Charge-off Ratio



0.99%

Credit quality

Risk reduction = best-in-class credit positioning

0.37%

0.70%

2001

2Q07

Wachovia

Median: Top 20 U.S. Banks

0.60%

1.04%

0.48%

NPA/Loans Ratio

1.05%

2001

2Q07

Source: Company reports.

BAC

0.32%

WB

0.48%

JPM

0.57%

WFC

0.79%

C

0.89%

25.8x

4.96x

5.82x

10.0x

2Q07

2001

WB

25.8x

JPM

8.0x

BAC

7.3x

WFC

5.8x

C

5.8x

PTPP Earnings\*/

Charge-offs

\*Pre-tax, pre-provision earnings.

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Long-term priorities

Continued focus on execution drives results

Maintaining employee engagement

Building customer loyalty and maintaining service  
excellence

Executing revenue growth strategies

Employing proactive risk management strategies

Improving cost structure and operating efficiencies  
while reinvesting for future growth

Focus on financial strength and corporate governance

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Cautionary statement

This investor presentation may contain, among other things, certain forward-looking statements with respect to Wachovia, as well as its objectives, intentions, expectations, financial condition, results of operations, future performance and business of Wachovia, in

(i) statements regarding certain of Wachovia's goals and expectations with respect to earnings, earnings per share, revenue, expense rate in such items, as well as other measures of economic performance, including statements relating to estimates of Wachovia's financial statements relating to the benefits of the proposed merger between Wachovia and A.G. Edwards, Inc. (the "A.G. Edwards Merger")

financial

and

operating

results,

cost

savings,

enhanced  
revenues  
and  
the  
accretion/dilution

to  
reported  
earnings  
that

may  
be  
realized  
from  
the

A.G.  
Edwards  
Merger,  
(iii)  
statements  
relating

to  
the  
benefits  
of  
the

merger  
between  
Wachovia  
and  
Golden

West  
Financial  
Corporation  
completed

on

October 1, 2006 (the Golden West Merger ), including future financial and operating results, cost savings, enhanced revenues and the reported earnings

that  
may  
be  
realized  
from

the  
Golden  
West  
Merger,  
and

(iv)

statements  
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could ,  
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would ,  
believe ,  
anticipate ,  
estimate ,  
expect ,  
intend ,  
plan ,  
projects ,  
outlook

or  
similar  
expressions.  
These  
forward-looking  
statements

are  
based  
on  
the  
current  
beliefs  
and  
expectations  
of  
Wachovia s  
management  
and  
are  
subject  
to  
significant  
risks  
and  
uncertainties  
that

are  
subject to change based on various factors (many of which are beyond Wachovia s control). Actual results may differ from the

looking  
statements.

The  
following  
factors,  
among  
others,  
could  
cause  
Wachovia's  
financial  
performance  
to  
differ  
materially  
from  
that  
expressed  
in  
such  
forward-looking  
statements:

(1)  
the  
risk  
that  
the  
businesses  
of  
Wachovia  
and/or  
A.G.  
Edwards  
in  
connection  
with  
the  
A.G.  
Edwards  
Merger  
or  
the  
businesses  
of  
Wachovia  
and/or  
Golden  
West  
in  
connection

with  
the  
Golden  
West  
Merger  
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or  
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integration  
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difficult,  
time-consuming  
or  
costly  
than  
expected;

(2)  
the  
risk  
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expected  
revenue  
synergies  
and  
cost  
savings  
from  
the  
A.G.  
Edwards  
Merger

or  
the  
Golden West Merger may not be fully realized or realized within the expected time frame; (3) the risk that revenues following  
the

Golden  
West  
Merger  
may  
be  
lower  
than  
expected;  
(4)

deposit  
attrition,  
operating  
costs,  
customer  
loss  
and  
business  
disruption  
following  
the  
A.G.

Edwards Merger or the Golden West Merger, including, without limitation, difficulties in maintaining relationships with employees expected; (5) the inability to obtain governmental approvals of the A.G. Edwards Merger on the proposed terms and schedule; Edwards  
shareholders

to  
approve  
the  
A.G.  
Edwards  
Merger;

(7)  
the  
risk  
that  
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strength  
of  
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United  
States  
economy  
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the

local economies in which Wachovia and/or A.G. Edwards conducts 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 Wachovia's loan portfolio and a  
the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the  
Reserve System; (9) potential or actual litigation; (10) inflation, interest rate, market and monetary fluctuations; (11) adverse changes in  
market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such changes on  
and A.G. Edwards

brokerage and capital markets activities; (12) unanticipated regulatory or judicial proceedings or rulings; (13) the impact of changes in  
accounting principles; (14) adverse changes in financial performance and/or condition of Wachovia's borrowers which could result in  
such  
borrowers



outstanding  
loans;  
and  
(15)  
the  
impact  
on  
Wachovia's  
and/or  
A.G.  
Edwards  
businesses,  
as  
well  
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risks  
set  
forth  
above,  
of

various domestic or international military or terrorist activities or conflicts. Wachovia cautions that the foregoing list of factors subsequent written and oral forward looking statements concerning Wachovia, the A.G. Edwards Merger or the Golden West Merger or other matters

and attributable to Wachovia or any person acting on its behalf are expressly qualified in their entirety by the cautionary statement. Wachovia does not undertake any obligation to update any forward-looking statement, whether written or oral.

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5205, Investor Update, August 2007

Additional information

The  
proposed  
A.G.  
Edwards  
Merger  
will  
be  
submitted  
to  
A.G.  
Edwards

shareholders  
for  
their  
consideration.  
Wachovia  
has  
filed  
a  
registration  
statement  
with  
the  
SEC,  
which  
includes  
a  
preliminary  
proxy  
statement/prospectus  
regarding  
the  
proposed  
A.G.  
Edwards  
Merger.  
A.G.  
Edwards  
shareholders  
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investors  
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statement  
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the  
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relevant  
documents  
concerning  
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A.G.  
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contain  
important  
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statement/prospectus,  
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filings  
containing  
information  
about

Wachovia  
and  
A.G.  
Edwards,  
at  
the  
SEC's  
website  
(<http://www.sec.gov>)  
and  
at  
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companies  
respective  
websites,  
[www.wachovia.com](http://www.wachovia.com)  
and  
[www.agedwards.com](http://www.agedwards.com).

Copies of the definitive proxy statement/prospectus and the SEC filings that will be incorporated by reference in the proxy statement will be obtained, free of charge, by directing a request to Wachovia Corporation, Investor Relations, One Wachovia Center, 301 South Tryon Street, Charlotte, NC 28288-0206, (704)-383-0798; or to A.G. Edwards, Inc., Investor Relations, One North Jefferson Avenue, St. Louis, MO 63102-3000.

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as  
filed  
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a  
Schedule  
14A  
on  
May  
15,  
2007.  
Additional  
information  
regarding  
the  
interests  
of  
those  
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who  
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statement/prospectus  
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Merger

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