SUNTRUST BANKS INC
Form 10-Q/A
June 25, 2001

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the Quarterly Period Ended March 31, 2001
Commission File Number 1-8918

SUNTRUST BANKS, INC.
(Exact name of registrant as specified in its charter)

Georgia	58-1575035
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

303 Peachtree Street, N.E., Atlanta, Georgia 30308
(Address of principal executive offices) (Zip Code)

(404) 588-7711
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

At April 30, 2001, 291,988,630 shares of the Registrant's Common Stock, $1.00 par value were outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

The following unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and accordingly do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the full year 2001.

Consolidated Statements of Income

	Three Months Ended March 31	
(Dollars in thousands except per share data)(Unaudited)	2001	2000
Interest Income		
Interest and fees on loans	$ 1,397,659	$ 1,306,529
Interest and fees on loans held for sale	36,544	25,126
Interest and dividends on securities available for sale		

Taxable interest	252,671	230,622
Tax-exempt interest	7,304	6,835
Dividends (1)	17,326	17,023
Interest on funds sold	18,933	19,338
Interest on deposits in other banks	435	335
Other interest	13,002	5,021
Total interest income	1,743,874	1,610,829
Interest Expense		
Interest on deposits	584,261	554,962
Interest on funds purchased	154,430	142,833
Interest on other short-term borrowings	24,056	18,946
Interest on long-term debt	176,270	111,495
Total interest expense	939,017	828,236
Net Interest Income	804,857	782,593
Provision for loan losses	67,300	22,292
Net interest income after provision for loan losses	737,557	760,301
Noninterest Income		
Trust income	124,309	128,600
Service charges on deposit accounts	120,023	111,266
Other charges and fees	55,539	49,137
Retail investment services	24,783	30,798
Investment banking income	14,089	19,671
Trading account profits and commissions	29,694	12,013
Credit card and other fees	25,588	22,091
Mortgage production related income	31,736	18,693
Mortgage servicing related income	6,724	7,722
Securities gains	57,117	6,862
Other noninterest income	36,317	29,999
Total noninterest income	525,919	436,852
Noninterest Expense		
Salaries and other compensation	376,351	371,085
Employee benefits	56,660	56,924
Net occupancy expense	50,013	50,060
Equipment expense	44,545	51,638
Outside processing and software	45,144	41,611
Marketing and customer development	23,033	22,302
Merger-related expenses	-	13,633
Amortization of intangible assets	8,290	8,994
Other noninterest expense	138,661	88,068
Total noninterest expense	742,697	704,315
Income before provision for income taxes	520,779	492,838
Provision for income taxes	183,254	173,399
Net Income	$ 337,525	$ 319,439
Average common shares - diluted	295,832,464	306,738,634
Average common shares - basic	291,804,986	303,461,233
Net income per average common share - diluted	$ 1.14	$ 1.04
Net income per average common share - basic	1.16	1.05
(1) Includes dividends on common stock of The Coca Cola Company	8,688	8,205

See notes to consolidated financial statements

Consolidated Balance Sheets

(Dollars in thousands) (Unaudited)	March 31 2001
Assets	
Cash and due from banks	$ 3,259,873
Interest-bearing deposits in other banks	242,371
Funds sold	996,791
Trading account	1,441,437
Securities available for sale (1)	20,274,510
Loans held for sale	2,537,483
Loans	70,360,077
Allowance for loan losses	(871,964)
Net loans	69,488,113
Premises and equipment	1,605,144
Intangible assets	868,541
Customers' acceptance liability	107,848
Other assets	2,904,274
Total assets	$ 103,726,385
Liabilities and Shareholders' Equity	
Noninterest-bearing deposits	$ 13,532,170
Interest-bearing deposits	49,190,494
Total deposits	62,722,664
Funds purchased	13,546,629
Other short-term borrowings	2,493,686
Long-term debt	11,475,889
Guaranteed preferred beneficial interests in debentures	1,050,000
Acceptances outstanding	107,848
Other liabilities	4,499,269
Total liabilities	95,895,985
Preferred stock, no par value; 50,000,000 shares authorized; none issued	-
Common stock, $1.00 par value	323,163
Additional paid in capital	1,270,670
Retained earnings	6,531,995
Treasury stock and other	(1,903,872)
Realized shareholders' equity	6,221,956
Accumulated other comprehensive income	1,608,444
Total shareholders' equity	7,830,400

Total liabilities and shareholders' equity	$ 103,726,385
Common shares outstanding	291,808,231
Common shares authorized	750,000,000
Treasury shares of common stock	31,354,526
(1) Includes net unrealized gains on securities available for sale	$ 2,509,185

4

Consolidated Statements of Cash Flows

	Three Months Ended March 31	
(Dollars in thousands) (Unaudited)	2001	2000
Cash flows from operating activities:		
Net income	$ 337,525	$ 319,439
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, amortization and accretion	77,226	75,774
Provisions for loan losses and foreclosed property	67,419	22,315
Amortization of compensation element of restricted stock	1,050	2,682
Securities gains	(57,117)	(6,862)
Net gain on sale of non-interest earning assets	(3,124)	(5,921)
Originated loans held for sale	(3,873,540)	(1,720,872)
Sales of loans held for sale	3,095,339	2,130,957
Net increase in accrued interest receivable, prepaid expenses and other assets	(765,758)	(539,094)
Net increase in accrued interest payable, accrued expenses and other liabilities	603,754	216,044
Net cash (used in) provided by operating activities	(517,226)	494,462
Cash flows from investing activities:		
Proceeds from maturities of securities available for sale	523,480	776,165
Proceeds from sales of securities available for sale	1,168,211	88,353
Purchases of securities available for sale	(1,739,622)	(353,785)
Net increase in loans	(147,545)	(2,631,603)
Proceeds from sales of loans	69,400	-
Capital expenditures	(8,399)	(30,599)
Proceeds from the sale of assets	7,238	9,676
Loan recoveries	13,027	15,728
Net cash used in investing activities	(114,210)	(2,126,065)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(6,810,673)	6,239,699
Net increase (decrease) in funds purchased and other short-term borrowings	3,382,386	(6,687,002)

Proceeds from the issuance of long-term debt	4,100,000	2,461,529
Repayment of long-term debt	(519,541)	(810,483)
Proceeds from the exercise of stock options	1,710	4,276
Proceeds from stock issuance	7,938	8,576
Proceeds used in the acquisition of stock	(305,127)	(354,435)
Dividends paid	(117,574)	(113,023)
Net cash (used in) provided by financing activities	(260,881)	749,137
Net decrease in cash and cash equivalents	(892,317)	(882,466)
Cash and cash equivalents at beginning of year	5,391,352	5,519,366
Cash and cash equivalents at end of period	$ 4,499,035	$ 4,636,900
Supplemental Disclosure:		
Interest paid	$ 939,340	$ 812,475
Income taxes refunded (paid)	41,562	(26,349)
Non-cash impact of securitizing loans	1,903,518	-
Non-cash impact of Star Systems Inc. sale	52,919	-

See notes to consolidated financial statements

Consolidated Statements of Shareholders' Equity

(Dollars in thousands) (Unaudited)	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock and Other*
Balance, January 1, 2000	$323,163	$ 1,293,387	$5,461,351	$(1,013,86
Net income	-	-	319,439	
Other comprehensive income:				
Change in unrealized gains (losses) on securities, net of taxes	-	-	-	
Total comprehensive income				
Cash dividends declared, $0.37 per share	-	-	(113,023)	
Exercise of stock options	-	(11,057)	-	15,33
Acquisition of treasury stock	-	-	-	(354,43
Restricted stock activity	-	(328)	-	32
Amortization of compensation element of restricted stock	-	-	-	2,68
Issuance of stock for employee benefit plans	-	(1,886)	-	10,46
Balance, March 31, 2000	$323,163	$ 1,280,116	$5,667,767	$(1,339,49
Balance, January 1, 2001	$323,163	$ 1,274,416	$6,312,044	$(1,613,18
Net income	-	-	337,525	
Other comprehensive income:				
Adoption of SFAS No. 133	-	-	-	
Change in unrealized gains (losses) on derivatives, net of taxes	-	-	-	

Change in unrealized gains (losses) on securities, net of taxes	-	-	-	
Total comprehensive income				
Cash dividends declared, $0.40 per share	-	-	(117,574)	
Exercise of stock options	-	(3,951)	-	5,66
Acquisition of treasury stock	-	-	-	(305,12
Restricted stock activity	-	(123)	-	12
Amortization of compensation element of restricted stock	-	-	-	1,05
Issuance of stock for employee benefit plans	-	328	-	7,61
Balance, March 31, 2001	$323,163	$ 1,270,670	$6,531,995	$(1,903,87

* Balance at March 31, 2000 includes $1,285,467 for treasury stock and $54,024 for compensation element of restricted stock.
Balance at March 31, 2001includes $1,862,702 for treasury stock and $41,170 for compensation element of restricted stock.

See notes to consolidated financial statements

6

Notes to Consolidated Financial Statements (Unaudited)

Note 1 - Accounting Policies

The consolidated interim financial statements of SunTrust Banks, Inc. ("SunTrust" or "Company") are unaudited. All significant intercompany accounts and transactions have been eliminated. These financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2000. Certain reclassifications have been made to prior year amounts to conform with the current year presentation.

Note 2 - Acquisitions

On March 28, 2001, the Company acquired Asset Management Advisors Holdings, Inc., a Jupiter, Florida based specialized wealth management firm. The acquisition was accounted for as a purchase with $22.0 million of cash tendered as consideration. The acquisition did not have a material effect on the consolidated financial statements.

Note 3 - Derivative Financial Instruments

In June of 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133, as amended, standardizes the accounting for derivative instruments and hedging activities and requires that all derivative instruments be recognized as assets or liabilities at fair value. If certain conditions are met, the derivative may qualify for hedge accounting treatment and be designated as one of the following types of hedges: (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment ("fair value hedge"), (b) a hedge of the exposure to variability of cash flows of a recognized asset, liability or forecasted transaction ("cash flow hedge") or (c) a hedge of foreign currency exposure ("foreign currency hedge").

In the case of a qualifying fair value hedge, changes in the value of the derivative instruments that have been highly effective are recognized in current period earnings along with the change in value of the designated hedge item. In the case of a qualifying cash flow hedge, changes in the value of the derivative instruments that have been highly effective are recognized in other comprehensive income, until such time that earnings are affected by the variability of the cash flows of the underlying hedged item. In either a fair value hedge or a cash flow hedge, net earnings may be impacted to the extent the changes in the value of the derivative instruments do not perfectly offset changes in the value of the hedge items. The Company does not currently have any foreign currency hedges. All derivatives that qualify for hedge accounting treatment have been used to hedge the issuance of long term debt and qualify for the short-cut method of accounting as described in SFAS 133. Accordingly, no income or expense was recorded in the first quarter of 2001 due to hedge ineffectiveness.

Certain interest rate swaps were entered into for the purpose of hedging balance sheet items prior to 2001 that do not meet the requirements for the short-cut method of accounting under the provisions of SFAS 133. These swaps have been recorded at fair value as trading account assets or liabilities. The related net gain is recorded in current period earnings as trading income. Trading account profits and commissions included $2.9 million related to these derivatives in the first quarter of 2001.

The Company adopted SFAS 133 on January 1, 2001. In accordance with the transition provisions of SFAS 133, the following was the net-of-tax effect on earnings and equity effective January 1, 2001:

Earnings increased $1.6 million

- $16.6 million gain for the fair value adjustment on fair-value hedging instruments
- $16.6 million loss for the fair value adjustment on related hedged assets and liabilities
- $0.4 million gain for the fair value on the mortgage pipeline
- $1.2 million gain for the derecognition of a previously deferred gain

The fair value adjustments have been recorded in the same category of the income statement as the income or expense related to the hedged asset or liability.

Equity (Other Comprehensive Income)

- $10.6 million loss from cash flow hedging instruments

In the first quarter of 2001, the Company recorded a gain of $18.5 million for the market value adjustment on fair value hedging instruments related to long-term debt that was offset by an $18.5 million loss for the market value adjustment of the hedged long-term debt. The Company also recorded a gain of $5.9 million for the market value adjustment on fair value hedging instruments related to mortgage loans that was offset by a $5.9 million loss for the market value adjustment on mortgage loans. Cash flow hedges of long-term debt resulted in a decrease to other comprehensive income for the first quarter of 2001 of $13.6 million. Activity in other comprehensive income for the first quarter of 2001 is summarized in the following table:

(Dollars in thousands)

	Three Months Ended March 31,	
	Before Tax Amount	Income Tax (Expense) or Benefit
Balance at December 31, 2000	$ -	$ -
Cumulative effect of a change in accounting principle	(16,246)	5,686
Reclassification of losses to net income	3,036	(1,063)
Net loss on current period cash flow hedges	(20,899)	7,315
Balance at March 31, 2001	$ (34,109)	$ 11,938

Currently all of the Company's cash flow hedges qualify for the short-cut method of evaluating effectiveness and, accordingly, no charges for ineffectiveness are necessary. As of March 31, 2001, $10.4 million of existing losses are expected to be reclassified from accumulated other comprehensive income into earnings over the next 12 months.

Note 4 - Guaranteed Preferred Beneficial Interests in Debentures

SunTrust has established special purpose trusts, which collectively issued $1,050 million in trust preferred securities. The proceeds from these issuances, together with the proceeds of the related issuances of common securities of the trusts, were invested in junior subordinated deferrable interest debentures of SunTrust. The sole assets of these special purpose trusts are the debentures. These debentures rank junior to the senior and subordinated debt of the issuing company. SunTrust owns all of the common securities of the special purpose trusts. The preferred securities issued by the trusts rank senior to the trusts' common securities. The Company's obligations under the debentures, the indentures, the relevant trust agreements and the guarantees, in the aggregate, constitute a full and unconditional guarantee by SunTrust of the obligations of the trusts under the trust preferred securities and rank subordinate and junior in right of payment to all liabilities of the Company. The trust preferred securities may be called prior to maturity at the option of SunTrust.

Note 5 - Loan Securitizations

During the first quarter of 2001, SunTrust transferred $1,903 million of single family mortgages to securities available for sale in two securitization transactions. These securities are maintained in the Company's available for sale securities portfolio at fair market value based on quoted market prices.

The first securitization of $468 million is guaranteed by Fannie Mae with SunTrust retaining one-percent recourse on the losses incurred in the securitized loan portfolio. The second securitization of $1,435 million is a private securitization with the Company retaining full recourse. Reserves totaling $3.6 million were transferred from the allowance for loan losses to other liabilities to provide for any potential recourse liability. The reserve was established based on management's evaluation of the size and risk characteristics of the securitized loan portfolio. The reserve is periodically evaluated by management for adequacy, with consideration given to the balance of problem loans, prior loan loss experience, current economic conditions, value of collateral and other risk factors.

Note 6 - Comprehensive Income

The Company's comprehensive income, which includes certain transactions and other economic events that bypass the income statement, consists of net income, unrealized gains and losses on securities available for sale and the impact of cash flow hedges, net of income taxes.

Comprehensive income for the three months ended March 31, 2001 and 2000 is calculated as follows:

(Dollars in thousands)

	2001	200
Unrealized loss on available for sale securities, net, recognized in other comprehensive income:		
Before income tax	$ (480,245)	$ (624
Income Tax	(168,086)	(238
Net of Income Tax	$ (312,159)	$ (385
Amounts reported in net income:		
Gain on sale of securities	$ 57,117	$ 6
Net accretion	(1,881)	(2
Reclassification adjustment	55,236	4
Income tax expense	(19,333)	(1
Reclassification adjustment, net of tax	$ 35,903	$ 2
Unrealized loss on available for sale securities arising during period, net of tax	$ (276,256)	$ (382
Reclassification adjustment, net of tax	(35,903)	(2
Net unrealized loss on available for sale securities recognized in other comprehensive income	$ (312,159)	$ (385
Unrealized loss on derivative financial instruments, net, recognized in other comprehensive income:		
Before income tax	$ (34,109)	$
Income Tax	(11,938)	
Net of Income Tax	$ (22,171)	$
Cumulative effect change in accounting principle	$ (16,246)	$
Income tax benefit	5,686	

Cumulative effect change in accounting principle, net of tax	$ (10,560)	$
Reclassification of losses from other comprehensive income to earnings	$ 3,036	$
Income tax expense	(1,063)	
Reclassification adjustment, net of tax	$ 1,973	$
Cumulative effect change in accounting principle, net of tax	$ (10,560)	$
Unrealized loss on derivative financial instruments arising during period, net of tax	(13,584)	
Reclassification adjustment, net of tax	1,973	
Net unrealized loss on derivative instruments recognized in other comprehensive income	$ (22,171)	$
Total unrealized losses recognized in other comprehensive income	$ (334,330)	$ (385
Net income	337,525	319
Total comprehensive income	$ 3,195	$ (66

Notes to Consolidated Financial Statements (Unaudited) - continued

Note 7 - Earnings Per Share Reconciliation

Net income is the same in the calculation of basic and diluted EPS. Shares of 3.7 million and 4.7 million for the periods ended March 31, 2001 and 2000, respectively, were excluded in the computation of diluted EPS because they would have been antidilutive. A reconciliation of the difference between average basic common shares outstanding and average diluted common shares outstanding for the three months ended March 31, 2001 and 2000 is included in the following table.

Computation of Per Share Earnings
(In thousands, except per share data)

	Three Months Ended March 31	
	2001	2000
Diluted		
Net income	$ 337,525	$ 319,439

Average common shares outstanding	291,805	303,461
Effect of dilutive securities:		
Stock options	2,140	1,511
Performance restricted stock	1,887	1,767
Average diluted common shares	295,832	306,739
Earnings per common share - diluted	$ 1.14	$ 1.04
Basic		
Net income	$ 337,525	$ 319,439
Average common shares	291,805	303,461
Earnings per common share - basic	$ 1.16	$ 1.05

Note 8 - Business Segment Reporting

The Company's prior business segment disclosures have been aligned with its geographic regions as defined by its former multiple bank charters. During 2000, as a result of the consolidation of its multiple bank charters into a single legal entity, the Company began to redefine its operating model and created a line of business management structure to overlay its former multiple bank management structure. Beginning in January 2001, the Company implemented significant changes to its internal management reporting system to begin to measure and manage certain business activities by line of business. The Lines of Business are defined as follows:

Retail

Retail includes loans, deposits and other fee based services for retail and small business clients. The Retail Line of Business also includes the branch office and ATM networks of the Company.

Commercial

Commercial includes loans, deposits and other fee based services for business clients generally with total annual revenues from $5 million to $250 million.

Corporate and Investment Banking

Corporate and Investment Banking includes loans, deposits and other fee based services for national and large business clients generally with total annual revenues in excess of $250 million. Corporate and Investment Banking also includes the management of corporate leasing, debt and equity capital markets and international banking services.

Mortgage

Mortgage includes the investment in residential mortgage loans and the production, sale and service of secondary residential mortgage loans.

Private Client Services

Private Client Services includes personal and institutional trust and investment management services, retail investment services and management of affluent clients' financial resources including loans, deposits and other fee based services.

Corporate/Other

Corporate/Other includes the investment securities portfolio, long-term debt, capital, derivative instruments, short-term liquidity and funding activities, balance sheet risk management, office premises and certain support activities not currently allocated to the aforementioned Lines of Business. Any transactions between the separate Lines of Business not already eliminated in the results of the Lines of Business are also reflected in the Corporate/Other Line of Business.

Unlike financial accounting, there is no comprehensive authoritative body of guidance for management accounting practices equivalent to generally accepted accounting principles. Therefore, the disclosure of performance of the business segments is not necessarily comparable with similar information presented by any other financial institution.

The Company utilizes a matched maturity funds transfer pricing methodology to transfer the interest rate risk of all assets and liabilities to the Corporate Treasury area which manages the interest rate risk of the Company. Differences in the aggregate amounts of funds charges and credits that are transfer priced are reflected in the Corporate/Other Line of Business segment. A system of internal credit transfers is utilized to recognize supportive business services across Lines of Business. The net results of these credits are reflected in each Line of Business segment. The cost of operating office premises is charged to the Lines of Business by use of an internal cost transfer process. Allocations of certain administrative support expenses and customer transaction processing expenses are also reflected in each Line of Business segment. The offset to these expense allocations, as well as the amount of any unallocated expenses, is reported in the Corporate/Other Line of Business segment. The Company also utilizes an internal credit risk transfer pricing methodology (the "credit risk premium") which creates a current period financial charge against interest income to each Line of Business based on the estimated credit risk-adjusted return on loans and leases. The offset to the aggregate credit risk premium charges is matched against the Company's current provision for loan and lease losses with any difference reported in the Corporate/Other segment. The provision for income taxes is also reported in the Corporate/Other segment.

The Company is currently in the process of building and implementing further enhancements to its internal management reporting system which are expected to be implemented over the remaining periods of 2001. Once complete, the activities reported for each Line of Business segment are expected to include: assets, liabilities and attributed economic capital; matched maturity funds transfer priced interest income, net of credit risk premiums; direct non-interest income; Internal credit transfers between Lines of Business for supportive business services; and fully absorbed expenses. The internal management reporting system and the business segment disclosures for each Line of Business do not currently include attributed economic capital, nor fully absorbed expenses. Any amounts not currently reported in each Line of Business segment are reported in the Corporate/Other segment. The implementation of these enhancements to the internal management reporting system is expected to materially affect the net income disclosed for each segment.

Due to the significant nature of the changes implemented to the internal management reporting system in 2001, it is not practicable to conform prior year financial data for the new business segments nor current year financial data for the prior business segments for reporting.

13

Notes to Consolidated Financial Statements (Unaudited) - continued

The following table discloses selected financial information for SunTrust's new reportable business segments for the three months ended March 31, 2001.

	Three Months Ended March				
	Retail	Commercial	Corporate and Investment Banking	Mortgaging	Privat Ser
Average total assets	19,958,455	19,994,114	22,601,902	19,430,534	1,2
Average total liabilities	44,464,646	8,157,788	4,294,637	753,246	1,7
Average total equity	-	-	-	-	
Net interest revenue (1)	398,693	135,559	50,229	41,642	
Noninterest revenue	146,265	55,056	71,815	55,994	1
Noninterest expense	289,698	95,168	70,296	72,104	1
Total contribution	255,260	95,447	51,748	25,532	
Provision for income taxes	-	-	-	-	
Net income	255,260	95,447	51,748	25,532	
Total revenue from external customers	545,178	406,113	424,889	382,421	1

(1) Net interest income is fully taxable equivalent and is presented on a matched maturity funds transfer price basis net of the credit risk premium for the Lines of Business.

14

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

SunTrust Banks, Inc. is a financial holding company with its headquarters in Atlanta, Georgia. SunTrust's principal banking subsidiary, SunTrust Bank, offers a full line of financial services for consumers and businesses through its branches located primarily in Alabama, Florida, Georgia, Maryland, Tennessee, Virginia and the District of Columbia. In addition to traditional deposit, credit and trust and investment services offered by SunTrust Bank, other SunTrust subsidiaries provide mortgage banking, commercial and auto leasing, credit-related insurance, asset management, securities brokerage and investment banking services.

SunTrust has 1,115 full-service branches, including supermarket branches, and continues to leverage technology to provide customers the convenience of banking on the Internet, through 1,950 automated teller machines and via twenty-four hour telebanking.

The following analysis of the financial performance of SunTrust for the first quarter of 2001 should be read in conjunction with the financial statements, notes and other information contained in this document. SunTrust has made, and may continue to make, various forward-looking statements with respect to financial and business matters. These forward-looking statements are subject to numerous assumptions, risks and uncertainties, all of which may change over time. The actual results that are achieved could differ significantly from the forward-looking statements contained in this document.

The results of operations for the three months ended March 31, 2001 are not indicative of the results that may be attained for any other period. In this discussion, net interest income and the net interest margin are presented on a taxable-equivalent basis and the ratios are presented on an annualized basis.

EARNINGS ANALYSIS

SunTrust reported record operating earnings of $337.5 million for the first quarter of 2001, an increase of 2.8% compared to $328.3 million for the first quarter of 2000 (excluding after-tax merger-related charges of $8.9 million or $.03 per diluted share for the first quarter of 2000). Diluted earnings per share, adjusted for merger charges, grew 6.5% to $1.14 from $1.07 in the same period last year.

Net interest income increased $23.1 million, or 2.9%, from the first quarter of 2000 to the first quarter of 2001. This was the result of continued strong loan demand as average quarterly loans increased $4.6 billion, or 6.9%, over the first quarter of 2000.

The loan loss provision increased $45.0 million, or 201.9%, over the first quarter of 2000. This increase was primarily due to the first quarter of 2001 sale of three of the Company's largest nonperforming loans which resulted in losses of $11.7 million. Additional write-downs of other large corporate nonperforming loans also contributed to this increase.

Total noninterest income increased $89.1 million, or 20.4%, over the prior year's first quarter. The majority of the increase was due to the recognition of a $52.9 million gain on the sale of Star Systems, Inc. in the first quarter of 2001. In addition, noninterest income was impacted by increases of $17.7 million, or 147.2%, in trading account profits and commissions, $13.0 million, or 69.8%, in mortgage production related income, $8.8 million, or 7.9%, in services charges on deposit accounts and $6.4 million, or 13.0%, in other charges and fees.

Total noninterest expense, excluding merger-related charges, increased $52.0 million, or 7.5%, over the first quarter of 2000. The overall increase was primarily the result of a $55.6 million increase in the other expense line item primarily due to increases in miscellaneous one-time expenses including the Company's branding advertising campaign and $7.0 million related to the continued system integration of customer based systems across the geographic areas served by SunTrust Banks, Inc.(One Bank initiative).

Selected Quarterly Financial Data Table 1

(Dollars in millions except per share data)	Quarters			
	2001	2000		
	1	4	3	2
Summary of Operations				
Interest and dividend income	$ 1,743.9	$ 1,798.3	$ 1,764.2	$ 1,67
Interest expense	939.0	1,012.9	992.8	90
Net interest income	804.9	785.4	771.4	76
Provision for loan losses	67.3	53.5	30.5	2
Net interest income after provision for loan losses	737.6	731.9	740.9	74
Noninterest income	525.9	445.6	447.2	44
Noninterest expense(1)(2)	742.7	697.9	706.6	71
Income before provision for income taxes	520.8	479.6	481.5	46
Provision for income taxes	183.3	149.2	154.7	14
Net income	$ 337.5	$ 330.4	$ 326.8	$ 31
Net interest income (taxable-equivalent)	$ 815.2	$ 796.1	$ 781.5	$ 77
Per common share				
Diluted	$ 1.14	$ 1.11	$ 1.10	$ 1
Basic	1.16	1.13	1.11	1
Dividends declared	0.40	0.37	0.37	0
Book value	26.83	27.81	25.85	25
Market price				
High	68.07	64.38	54.19	66
Low	57.29	41.63	45.63	45
Close	64.80	63.00	49.88	45
Selected Average Balances				
Total assets	$ 103,225.4	$ 101,246.0	$ 99,392.2	$ 97,49
Earning assets	92,553.9	90,679.6	89,663.7	88,20
Loans	71,654.4	71,774.6	71,506.9	69,83
Total deposits(3)	65,408.6	67,181.9	67,158.2	66,86
Realized shareholders' equity	6,264.6	6,140.5	6,012.8	5,94
Total shareholders' equity	8,089.2	7,844.4	7,487.4	7,19
Common shares - diluted (thousands)	295,832	296,461	298,558	302,
Common shares - basic (thousands)	291,805	293,390	295,575	298,

Financial Ratios(4)

ROA	1.36%	1.33%	1.34%	1
Return on average realized shareholders' equity	21.85	21.40	21.62	21
Return on average total shareholders' equity	16.92	16.75	17.36	17
Net interest margin	3.57	3.49	3.47	3

(1) Includes enhancements to customer-based systems of $7.0 million for the first quarter of 2001 related to the One Bank initiative.
(2) Includes merger-related expenses of $2.4, $8.3, $18.2 and $13.6 million for the fourth, third, second and first quarters of 2000, respectively.
(3) Includes brokered and foreign deposits of $10.9 billion for the first quarter of 2001 and $13.1, $13.5, $12.9 and $12.2 billion for the fourth, third, second and first quarters of 2000, respectively.

(4) In this report, SunTrust presents a return on average realized shareholders' equity, as well as a return on average total shareholders' equity. The return on average realized shareholders' equity excludes net unrealized security gains. Due to its ownership of 48 million shares of common stock of The Coca-Cola Company resulting in an unrealized net gain of $1.4 billion, the Company believes that this measure is more indicative of its return on average shareholders' equity when comparing performance to other companies.

16

Consolidated Daily Average Balances, Income/Expense
and Average Yields Earned and Rates Paid
(Dollars in millions; yields on taxable-equivalent basis)

	Quarter Ended			
	March 31, 2001			
	Average Balances	Income/ Expense	Yields/ Rates	A B
Assets				
Loans:(1)				
Taxable	$ 70,552.3	$ 1,385.0	7.96%	$
Tax-exempt(2)	1,102.1	20.9	7.68	
Total loans	71,654.4	1,405.9	7.96	
Securities available for sale:				
Taxable	15,920.2	270.0	6.88	
Tax-exempt(2)	449.6	9.4	8.44	
Total securities available for sale	16,369.8	279.4	6.92	
Funds sold	1,361.1	18.9	5.64	
Loans held for sale	1,988.3	36.5	7.45	
Other short-term investments(2)	1,180.3	13.6	4.66	
Total earning assets	92,553.9	1,754.3	7.69	
Allowance for loan losses	(896.7)			
Cash and due from banks	3,321.7			

Premises and equipment	1,617.1			
Other assets	3,761.5			
Unrealized gains on securities available for sale	2,867.9			
Total assets	$ 103,225.4			$
Liabilities and Shareholders' Equity				
Interest-bearing deposits:				
NOW/Money market accounts	$ 21,172.9	$ 173.5	3.32%	$
Savings	6,251.4	56.6	3.67	
Consumer time	9,741.0	135.7	5.65	
Other time	4,235.1	62.1	5.95	
Brokered deposits	2,490.3	39.2	6.38	
Foreign deposits	8,379.7	117.2	5.67	
Total interest-bearing deposits	52,270.4	584.3	4.53	
Funds purchased	11,834.6	154.4	5.29	
Other short-term borrowings	1,724.3	24.1	5.66	
Long-term debt	11,688.5	176.3	6.12	
Total interest-bearing liabilities	77,517.8	939.1	4.91	
Noninterest-bearing deposits	13,138.2			
Other liabilities	4,480.1			
Realized shareholders' equity	6,264.6			
Accumulated other comprehensive income	1,824.7			
Total liabilities and shareholders' equity	$ 103,225.4			$
Interest rate spread			2.78%	
Net Interest Income		$ 815.2		
Net Interest Margin(3)			3.57%	

(1) Interest income includes loan fees of $36.0, $36.8, $33.5, $32.8, and $32.4 million in the quarters ended March 31, 2001 and December 31, September 30, June 30, and March 31, 2000, respectively. Nonaccrual loans are included in average balances and income on such loans, if recognized, is recorded on a cash basis.

(2) Interest income includes the effects of taxable-equivalent adjustments (reduced by the nondeductible portion of interest expense) using a federal income tax rate of 35% and, where applicable, state income taxes, to increase tax-exempt interest income to a taxable-equivalent basis. The net taxable-equivalent adjustment amounts included in the above table aggregated $10.4, $10.7, $10.1, $9.6, and $9.5 million in the quarters ended March 31, 2001 and December 31, September 30, June 30, and March 31, 2000, respectively.

17

Table 2

Quarter Ended

September 30, 2000			June 30, 2000			March 31, 2000		
Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Y
$ 70,427.3	$ 1,442.1	8.15%	$ 68,789.8	$ 1,354.7	7.92%	$ 65,975.8	$ 1,293.9	
1,079.6	21.1	7.79	1,040.8	19.8	7.65	1,054.2	19.6	
71,506.9	1,463.2	8.14	69,830.6	1,374.5	7.92	67,030.0	1,313.5	
14,146.9	239.9	6.75	14,483.6	242.7	6.74	15,032.5	247.6	
456.5	8.7	7.59	470.0	8.9	7.65	508.5	9.4	
14,603.4	248.6	6.77	14,953.6	251.6	6.77	15,541.0	257.0	
1,587.2	26.7	6.68	1,537.5	24.5	6.41	1,309.5	19.3	
1,395.0	28.5	8.12	1,279.7	23.7	7.45	1,437.1	25.1	
571.1	7.3	5.11	599.2	7.4	4.95	539.9	5.4	
89,663.6	1,774.3	7.87	88,200.6	1,681.7	7.67	85,857.5	1,620.3	
(868.9)			(873.8)			(874.7)		
3,083.6			3,322.7			3,395.3		
1,628.1			1,627.5			1,627.8		
3,520.7			3,204.3			3,058.3		
2,365.1			2,016.0			2,349.2		
$ 99,392.2			$ 97,497.3			$ 95,413.4		
$ 19,904.4	$ 163.2	3.26%	$ 20,194.3	$ 155.7	3.10%	$ 20,397.8	$ 146.1	
6,324.0	58.8	3.70	6,449.1	55.1	3.43	6,659.4	53.8	
10,151.8	141.0	5.53	10,023.1	129.4	5.19	9,599.9	116.6	
4,221.4	62.0	5.84	4,024.7	58.1	5.80	3,756.0	49.4	
3,815.3	65.0	6.77	2,760.9	43.9	6.40	2,585.0	38.4	
9,701.5	161.5	6.62	10,162.9	148.0	5.86	9,605.0	150.7	
54,118.4	651.5	4.79	53,615.0	590.2	4.43	52,603.1	555.0	
11,050.9	176.3	6.35	10,268.0	154.6	6.05	10,465.1	142.8	
1,365.8	22.1	6.44	1,546.9	25.7	6.67	1,402.2	18.9	
8,378.4	142.9	6.78	8,070.9	132.5	6.60	6,952.9	111.5	
74,913.5	992.8	5.27	73,500.8	903.0	4.94	71,423.3	828.2	
13,039.7			13,251.5			12,947.2		
3,951.6			3,549.0			3,566.7		
6,012.8			5,948.9			6,023.3		
1,474.6			1,247.1			1,452.9		
$ 99,392.2			$ 97,497.3			$ 95,413.4		
		2.60%			2.73%			
	$ 781.5			$ 778.7			$ 792.1	
		3.47%			3.55%			

(3) Derivative instruments used to help balance SunTrust's interest-sensitivity position increased net interest income $0.1 million, decreased net interest income $0.7 million, increased net interest income $0.8 million, and decreased net interest income $0.7 million in the quarters ended December 31, September 30, June 30 and March 31, 2000, respectively. Without these swaps, the net interest margin would have been 3.49%, 3.47%, 3.55%, and 3.71% in the quarters ended December 31, September 30, June 30 and March 31, 2000, respectively.

Interest Rate Risk. The normal course of business activity exposes SunTrust to interest rate risk. Fluctuations in interest rates may result in changes in the fair market value of the Company's financial instruments, cash flows and net interest income. SunTrust's asset/liability management process manages the Company's interest rate risk position. The objective of this process is the optimization of the Company's financial position, liquidity and net interest income, while limiting the volatility to net interest income from changes in interest rates.

SunTrust uses a simulation modeling process to measure interest rate risk and evaluate potential strategies. These simulations incorporate assumptions regarding balance sheet growth and mix, pricing, and the repricing and maturity characteristics of the existing and projected balance sheet. Other interest-rate-related risks such as prepayment, basis and option risk are also considered. Simulation results quantify interest rate risk under various interest rate scenarios. Senior management regularly reviews the overall interest rate risk position and develops and implements strategies to manage the risk.

Management estimates the Company's net interest income for the next twelve months would decline 1.0% under a gradual increase in interest rates of 100 basis points, versus the projection under stable rates. Net interest income would increase by 1.4% under a gradual decrease in interest rates of 100 basis points, versus the projection under stable rates.

The projections of interest rate risk do not necessarily include certain actions that management may undertake to manage this risk in response to anticipated changes in interest rates.

Net Interest Income/Margin. SunTrust's net interest margin was 3.57% for the first three months of 2001, a decrease of 14 basis points from the first three months of 2000. The decrease is primarily attributable to continued reliance on purchased liabilities to fund loan growth and additional interest expense to fund purchases under the SunTrust stock repurchase program. Compared to the first three months of 2000, the rate on earning assets increased 10 basis points to 7.69% in the first three months of 2001 and the rate on interest bearing liabilities increased 25 basis points to 4.91%.

As part of its on-going balance sheet management, the Company continues to take steps to obtain alternative lower cost funding sources such as developing initiatives to grow retail deposits to maximize net interest income throughout 2001. During the first quarter of 2001, the Company initiated a campaign to attract money market accounts. Average money market accounts have grown from $20.0 billion for the fourth quarter of 2000 to $21.2 billion for the first quarter of 2001.

Interest income that SunTrust was unable to recognize on nonperforming loans had a negative impact of three and one basis points on the net interest margin in the first three months of 2001 and 2000, respectively.

Noninterest Income. Noninterest income in the first quarter of 2001 increased $89.1 million, or 20.4% from the comparable period last year. The increase primarily relates to the gain of $52.9 million on the sale of Star Systems Inc. representing a historical ownership in the ATM network. Mortgage production related income increased $13.0 million, or 69.8%, due to the high volume of refinancing activity in the first quarter of 2001 as a result of the lower interest rate environment. Service charges on deposits and other charges and fees increased a combined $15.2 million, or 9.5% over the first quarter of 2000. Increased usage of products and services along with changes in pricing strategy resulted in the increase in these line items. Included in credit card and other fees is debit card interchange income of $13.5 million in the first three months of 2001 compared to $10.8 million in the same period of 2000.

Trust income, SunTrust's largest source of noninterest income, decreased $4.3 million, or 3.3% in the first quarter of 2001 compared to the first quarter of 2000. The decline in trust income was due to the sale of SunTrust

Equitable Trust, a subsidiary of SunTrust Equitable Securities, a reduction in non-recurring revenue and a decline in the market value of trust assets under management. Compared to the fourth quarter of 2000, trust income increased $2.9 million in the first quarter of 2001 due to an increase in non-recurring revenue, which traditionally occurs during the first quarter. This increase in non-recurring revenue was partially offset by the decrease in the market value of assets under management. The overall market decline resulted in a reduction in the market value of discretionary trust assets under management of approximately 6% from the first quarter of 2000. The decline in market value of trust assets was significantly less than the overall market decline due to SunTrust's disciplined and diversified investment management approach. During the first quarter, additional net new business was attracted in all trust business lines as a result of SunTrust's long-term investment perspective and client focus.

Trading account profits and commissions increased $17.7 million, or 147.2%, over the first quarter of 2000 while investment banking income decreased $5.6 million, or 28.4%, over the same period. The changes in these line items are indicative of the volatility seen in the equity market, as well as the changing interest rate environment during the first quarter of 2001. Additionally, as a result of adopting SFAS 133, the Company recorded a pre-tax gain of $2.9 million to trading account profits and commissions.

Other income included net gains on the sale of mortgage and student loans of $2.4, $0.8 and $9.8 million in the first quarter of 2001 and fourth and first quarters of 2000, respectively.

Noninterest Income Table 3
(In millions)

	Quarters			
	2001	2000		
	1	4	3	2
Trust income	$ 124.3	$ 121.4	$ 120.2	$ 12
Service charges on deposit accounts	120.0	118.9	116.9	11
Other charges and fees	55.6	55.1	56.3	5

Mortgage production related income	31.7	27.1	23.8	2
Mortgage servicing related income	6.7	9.5	7.9	
Trading account profits and commissions	29.7	16.3	4.9	(
Investment Banking Income	14.1	20.3	36.0	3
Credit card and other fees	25.6	24.9	24.2	2
Retail investment services	24.8	22.8	24.0	3
Other income	36.3	30.5	33.6	3
Securities gains (losses)	57.1	(1.2)	(0.6)	
Total noninterest income	$ 525.9	$ 445.6	$ 447.2	$ 44

Noninterest Expense. Noninterest expense increased $38.4 million, or 5.4% in the first quarter of 2001 compared to the same period last year. Personnel expenses, consisting of salaries, other compensation and employee benefits, increased $5.0 million, or 1.2% from the earlier period.

The $55.6 million increase in other expenses during the first quarter of 2001 is due in part to servicing income of approximately $9.5 million from MBNA America Bank, N.A. on the sold credit card portfolio recorded as a reduction to other expenses in the first quarter of 2000. The Company also incurred $7.0 million in expenses on its One Bank initiative for enhancements to customer based systems across its geographic footprint that is expected to yield operating efficiencies in the future. Additional expenses were incurred in the first quarter of 2001 for the Company's branding campaigns.

In the first quarter of 2000, merger-related expenses were primarily related to accelerated depreciation and miscellaneous integration costs. There were no additional merger-related expenses in the first quarter of 2001. The efficiency ratio improved from 57.3% in the first quarter of 2000 to 55.4% in the first quarter of 2001 due to the Company's continued focus on efficiency and cost control projects.

Noninterest Expense Table 4
(In millions)

	Quarters			
	2001	2000		
	1	4	3	2
Salaries	$ 286.0	$ 282.0	$ 278.5	$ 292.1
Other compensation	90.3	89.3	82.9	73.1
Employee benefits	56.7	37.2	39.5	41.4
Net occupancy expense	50.0	50.7	51.9	49.9
Outside processing and software	45.1	43.9	42.4	44.4
Equipment expense	44.5	44.2	47.2	50.7
Marketing and customer development	23.0	30.7	25.3	27.9
Postage and delivery	16.2	14.9	15.4	16.3
Credit and collection services	13.6	12.4	14.2	16.0
Communications	13.3	14.2	15.0	15.4
Operating supplies	11.3	11.2	11.3	12.6
Consulting and legal	9.7	13.2	16.4	18.2
Amortization of intangible assets	8.3	8.8	8.9	8.8

FDIC premiums	3.9	2.8	2.8	2.8
Merger-related expenses	-	2.4	8.3	18.2
Other real estate income	(0.7)	(2.3)	(0.4)	(0.3)
Other expense	71.5	42.3	47.0	32.3
Total noninterest expense	$ 742.7	$ 697.9	$ 706.6	$ 719.8
Efficiency ratio	55.4%	56.2%	57.5%	58.9%

Provision for Loan Losses. The SunTrust Allowance for Loan Losses Committee meets at least quarterly to affirm the allowance methodology, analyze provision and charge-off trends and assess the adequacy of the allowance. The allowance analysis is based on specifically analyzed loans, historical loss rates and other internal and external factors that affect credit risk. These other factors consider variables such as the interest rate environment, corporate and consumer debt levels, volatility in the financial markets, and known events that affect the economies of the Company's primary market area. These factors are key elements in the assessment of the adequacy of the allowance because of their impact on borrowers' repayment capacity.

First quarter net charge-offs for 2001 were $46.7 million higher than in the same period last year, mainly due to the strategic decision to sell three of the Company's largest nonperforming loans and to write-down other large corporate nonperforming loans that had credit deterioration. The loan sales, which resulted in losses of $11.7 million, included the Company's largest nonperforming healthcare credit, together with two nonperforming loans in the movie theater industry that eliminated SunTrust's unsecured exposure to that sector. Nonperforming loans declined 14.0% from December 31, 2000 due primarily to the aforementioned sales and write-downs, but increased 22.4% from March 31, 2000. The year to year increase was due to the broadened impact of the slowing economy.

Provision for loan losses totaled $67.3 million in the first three months of 2001, compared to $22.3 million in the same period last year. This increase was primarily related to loan sales and large corporate write-downs during the quarter. The ratio of net charge-offs to average loans increased to .38% in the first three months of 2001 from .12% in the same period last year. First quarter loan losses were unusually high due to unique market opportunities to sell certain problem assets. While management does not believe that this increased level of charge-offs will continue throughout the remainder of the year, some increases over 2000 net charge-offs and provision expenses are expected due to the slowing economy.

At March 31, 2001, SunTrust's allowance for loan losses totaled $872.0 million which was 1.24% of period-end loans and 250.1% of total nonperforming loans. As of March 31, 2000, the allowance totaled $874.0 million, or 1.27% of period-end loans and 306.8% of total nonperforming loans. Both ratios declined from the corresponding quarter one year earlier, but improved from December 31, 2000. The allowance level was also impacted by the Company's transfer of $3.6 million in reserves from the allowance for loan losses to other liabilities for the potential recourse liability related to the loan securitizations in the first quarter of 2001.

Summary of Loan Loss Experience Table 5

(Dollars in millions)

	Quarters			
	2001		2000	
	1	4	3	2
Allowance for Loan Losses				
Balance - beginning of quarter	$ 874.5	$ 874.5	$ 874.5	$
Allowance from acquisitions and other activity - net	(3.5)	(0.1)	-	
Provision for loan losses	67.3	53.5	30.5	
Charge-offs:				
Commercial	(56.8)	(47.0)	(28.7)	
Real estate:				
Construction	(0.6)	-	-	
Residential mortgages	(2.3)	(1.8)	(1.6)	
Other	(1.0)	(1.0)	(1.2)	
Credit card	(0.5)	(1.6)	(1.7)	
Other consumer loans	(18.2)	(15.7)	(13.9)	
Total charge-offs	(79.4)	(67.1)	(47.1)	
Recoveries:				
Commercial	4.6	4.9	8.5	
Real estate:				
Construction	0.2	-	0.3	
Residential mortgages	0.5	1.1	0.9	
Other	1.4	1.3	0.6	
Credit card	0.4	0.5	0.5	
Other consumer loans	6.0	5.9	5.8	
Total recoveries	13.1	13.7	16.6	
Net charge-offs	(66.3)	(53.4)	(30.5)	
Balance - end of quarter	$ 872.0	$ 874.5	$ 874.5	$
Quarter-end loans outstanding	$ 70,360.1	$ 72,239.8	$ 72,113.6	$ 71,
Average loans	71,654.4	71,774.6	71,506.9	69,
Allowance to quarter-end loans	1.24%	1.21%	1.21%	
Allowance to nonperforming loans	250.1	215.8	229.6	
Net charge-offs to average loans (annualized)	0.38	0.30	0.17	
Provision to average loans (annualized)	0.38	0.30	0.17	
Recoveries to total charge-offs	16.5	20.4	35.2	

23

Nonperforming Assets Table 6
(Dollars in millions)

	2001	2000		
	March 31	December 31	September 30	June 30
Nonperforming Assets				
Nonaccrual loans:				
Commercial	$ 210.5	$ 273.6	$ 270.4	$ 149.
Real Estate:				
Construction	2.1	2.2	2.5	1.
Residential mortgages	83.3	81.8	65.1	75.
Other	32.8	29.0	23.9	27.
Consumer loans	20.0	18.7	19.0	28.
Total nonaccrual loans	348.7	405.3	380.9	282.
Restructured loans	-	-	-	
Total nonperforming loans	348.7	405.3	380.9	282.
Other real estate owned	20.6	23.0	23.6	23.
Total nonperforming assets	$ 369.3	$ 428.3	$ 404.5	$ 305.
Ratios:				
Nonperforming loans to total loans	0.50%	0.56%	0.53%	0.4
Nonperforming assets to total loans plus other real estate owned	0.52	0.59	0.56	0.4
Accruing Loans Past Due 90 Days or More	$ 223.7	$ 181.2	$ 150.8	$ 189.

Nonperforming Assets. Nonperforming assets consist of nonaccrual loans, restructured loans and other real estate owned. Nonperforming assets declined 13.8%, or $59.0 million since December 31, 2000, but increased 18.4%, or $57.4 million since March 31, 2000. The decline from December 31, 2000 was due primarily to the sale of three of the Company's largest nonperforming loans and the write-down of certain other large corporate credits. Much of the increase since March 31, 2000 can be attributed to the continued economic slowdown that occurred in a diverse mix of industries, including manufacturing, technology, agribusiness and transportation, along with companies impacted by asbestos litigation. Given the continued weakness in the economy, Management anticipates modest increases in nonperforming assets during the remainder of the year.

Interest income on nonaccrual loans, if recognized, is recorded using the cash basis method of accounting. During the first three months of 2001, this amounted to $5.3 million. Interest income of $7.1 million would have been recorded if all nonaccrual and restructured loans had been accruing interest according to their original contract terms.

24

Loan Portfolio by Types of Loans Table 7
(In millions)

	2001	2000

	March 31	December 31	September 30	June 30	Marc
Commercial	$ 30,583.3	$ 30,781.1	$ 30,821.6	$ 30,209.5	$ 29,
Real estate:					
Construction	3,631.0	2,966.1	2,884.3	2,647.2	2,
Residential mortgages	17,706.6	19,953.0	20,557.4	20,295.0	19,
Other	7,693.9	8,121.4	7,960.6	7,851.5	7,
Credit card	82.6	76.8	79.3	75.4	
Other consumer loans	10,662.7	10,341.4	9,810.4	10,371.8	8,
Total loans	$ 70,360.1	$ 72,239.8	$ 72,113.6	$ 71,450.4	$ 68,

Loans. Total loans at March 31, 2001 were $70.4 billion, an increase of $1.7 billion or 2.5% from March 31, 2000. The Company recorded steady growth in commercial loans, up 3.2% from March 31, 2000, while recognizing significant loan growth in its real estate construction portfolio, up 39.6%. Residential real estate declined 9.9% from $19.6 billion in the first quarter of 2000 due to the Company's securitizations of $2.8 billion in residential mortgages in the fourth quarter 2000 and first quarter 2001 that are now carried as "Securities available for sale" on the balance sheet. Of the $17.7 billion in residential mortgages at March 31, 2001, $2.2 billion were home equity loans, which also demonstrated significant growth of 13.4% in the last twelve months.

Income Taxes. The provision for income taxes was $183.3 million for the first three months of 2001 compared to $173.4 million in the same period last year. This represents a 35% effective tax rate for both quarters.

Securities available for sale. The investment portfolio is managed to optimize yield over an entire interest rate cycle while providing liquidity and managing market risk. The portfolio yield increased from an average of 6.65% in the first quarter of 2000 to 6.92% in the first quarter of 2001 primarily because the Company was able to replace lower-yielding securities with longer-term, higher-yielding securities at historically attractive rates.

The average portfolio size increased by $1.2 billion from December 31, 2000 to March 31, 2001, on an amortized cost basis. The increase during the first quarter of 2001 was due to the Company securitizing $1.9 billion of single-family mortgage loans to mortgage-backed securities for funding flexibility and more favorable regulatory capital treatment. The Company securitized $0.9 billion of single-family mortgage loans in the fourth quarter 2000. These securities were retained in the investment portfolio and the Company may continue to securitize single-family mortgage loans throughout 2001.

At March 31, 2001, approximately 1% of the portfolio consisted of U.S. Treasury securities, 13% U.S. government agency securities, 54% mortgage-backed securities, 12% asset-backed securities, 13% corporate bonds, 3% municipal securities and 4% other securities. Most of SunTrust's holdings in mortgage-backed securities are backed by U.S. government or federal agency guarantees thus limiting the credit risk associated with the mortgage loans. The carrying value of the securities portfolio, all of which is classified as "Securities available for sale" reflected $2.5 billion in net unrealized gains at March 31, 2001, including a $2.2 billion unrealized gain on SunTrust's investment in common stock of The Coca-Cola Company. The market value of this common stock investment decreased $761.6 million during the first quarter of 2001, which did not affect the net income of SunTrust, but was included in comprehensive income.

Liquidity Management. Liquidity is managed to ensure there is sufficient funding to satisfy demand for credit, deposit withdrawals and attractive investment opportunities. A large, stable core deposit base, strong capital position and excellent credit ratings are the solid foundation for the Company's liquidity position.

Funding sources primarily include customer-based core deposits, but also include borrowed funds and cash flows from operations. Customer-based core deposits, the Company's largest and most cost-effective source of funding, accounted for 60% of the funding base on average for the first quarter of 2001 compared to 62% at December 31, 2000 and 63% in the first quarter of 2000. Net borrowed funds, which primarily include short-term funds purchased and sold, wholesale domestic and foreign deposits, other short term borrowings and long term debt, were $34.3 billion at March 31, 2001, compared with $33.2 billion at December 31, 2000 and $30.0 billion at March 31, 2000. Cash flows from operations are also a significant source of liquidity. Net cash from operations primarily results from net income adjusted for noncash items such as depreciation and amortization, provision for loan losses, and deferred tax items.

Liquidity is strengthened by ready access to a diversified base of wholesale funding sources. These sources include fed funds purchased, securities sold under agreements to repurchase, negotiable certificates of deposit, offshore deposits, Federal Home Loan Bank advances, Global Bank Note issuance, and commercial paper issuance by the Parent Company. Liquidity is also available through unpledged securities in the investment portfolio and the securitization of loans.

In November 2000, the Company established a $10 billion Senior and Subordinated Global Bank Note program to expand funding and capital sources to include both domestic and international investors. In the first quarter of 2001, $500 million of subordinated debt was issued under this program with an original maturity of April 2011.

In the first quarter of 2001, the Company securitized $1.9 billion of single-family mortgage loans. In addition, during the first quarter of 2001 the Company increased its long-term advances with the Federal Home Loan Bank in order to reduce its reliance on purchased funds.

The Company has a contingency funding plan that stress tests liquidity needs that may arise from certain events such as rapid loan growth or significant deposit runoff. The plan also provides for continual monitoring of net borrowed funds dependence and available sources of liquidity. Management believes the Company has the funding capacity to meet the liquidity needs arising from potential events.

26

Derivatives. Derivative financial instruments, such as interest rate swaps, options, caps, floors, futures and forward contracts, are components of the Company's risk management profile. The Company also enters into derivative instruments as a service to banking customers. Where contracts have been created for customers, the Company generally enters into offsetting positions to eliminate the Company's exposure to market risk.

The Company monitors its sensitivity to changes in interest rates and may use derivative instruments to hedge this risk. Prior to the adoption of SFAS 133, certain interest rate swaps were classified as hedges and recorded in the margin using the accrual method of accounting. The related market value of the derivative was accounted for off-balance sheet. These interest rate swap accruals reduced net interest income by $0.7 million in the first quarter of

2000. On January 1, 2001, the Company adopted SFAS 133. Accordingly, all derivatives are recorded in the financial statements at fair value. Additional information on derivative hedging activity is included in Note 3.

Certain derivatives are classified as trading assets and liabilities. Additional trading income of $2.9 million was recorded in the first quarter of 2001 to adjust the value of these interest rate swaps to their current market value.

The following table shows the derivative instruments entered into by the Company as an end-user.

Derivative Instruments Table 8
(Dollars in thousands)

	As of March 31, 2001				
	Notional Balance	Weighted Average Maturity In Months	Average Received Rate	Average Pay Rate	Unrea Ga
Mortgage Lending Commitments					
Forward Contracts	$ 3,837,349	2	-%	-%	$
Interest Rate Lock Commitments	1,703,189	2	-	-	
Option Contracts	40,000	2	5.00 (1)	-	
Total Mortgage Related Derivatives	5,580,538				
Foreign Currency					
Forward Contracts	752,017	8	-	-	1
Interest Rate Swaps	2,595,878	33	5.71	6.22	4
Interest Rate Caps/Floors	750,000	18	5.11 (1)	-	
Futures Contracts	678,000	11	-	-	
Equity Collar	56,081	24 (2)	-	-	
Total Derivatives	$10,412,514				

(1) Average option strike price.
(2) Option expiration.

27

Capital Ratios Table 9
(Dollars in millions)

	2001	2000		
	March 31	December 31	September 30	June 30
Tier 1 capital	$ 6,760.5	$ 6,850.6	$ 6,677.4	$ 6,648.7
Total capital	10,507.1	10,488.9	10,216.1	10,342.7
Risk-weighted assets	98,690.0	96,656.7	95,183.9	95,571.5

Risk-based ratios:				
Tier 1 capital	6.85%	7.09%	7.02%	6.95%
Total capital	10.65	10.85	10.73	10.82
Tier 1 leverage ratio	6.77	6.98	6.92	7.00
Total shareholders' equity to assets	7.55	7.96	7.66	7.60

Capital Resources. Regulatory agencies measure capital adequacy within a framework that makes capital requirements sensitive to the risk profiles of individual banking companies. The guidelines define capital as either Tier 1 (primarily common shareholders' equity, as defined to include certain debt obligations) or Tier 2 (to include certain other debt obligations and a portion of the allowance for loan losses and since 1998, 45% of the unrealized gains on equity securities). The Company is subject to a minimum Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 4%, total capital ratio (Tier 1 plus Tier 2 to risk-weighted assets) of 8% and Tier 1 leverage ratio (Tier 1 to average quarterly assets) of 3%. To be considered a "well capitalized" institution, the Tier 1 capital ratio, the total capital ratio, and the Tier 1 leverage ratio must equal or exceed 6%, 10% and 5%, respectively. SunTrust is committed to remaining well capitalized.

The Company raised $100 million of regulatory capital during 2000 through the sale of preferred shares issued by a real estate investment trust subsidiary. In the first quarter of 2001, the Company raised an additional $500 million of regulatory capital through the issuance of subordinated debt under the Global Bank Note program.

On August 10, 1999, the Board of Directors authorized the purchase of up to 15 million shares of SunTrust common stock. In 2000, SunTrust purchased 1.2 million shares of SunTrust common stock to complete the August 10, 1999 authorization.

On February 8, 2000, the Board of Directors authorized the purchase of up to 12 million shares of SunTrust common stock. As of December 31, 2000, 10.1 million shares had been purchased under this authorization. On August 8, 2000, the Board of Directors authorized the purchase of up to 10 million shares of SunTrust common stock (including 1.9 million shares still remaining unpurchased under the authorization to purchase shares of February 8, 2000). As of March 31, 2001, the Company had 3.7 million shares remaining to be purchased under the August 8, 2000 authorization.

Item 3.
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company believes that there have not been any material changes in quantitative and qualitative information about market risk since year-end 2000. In particular, the loan securitizations during the three months ended March 31, 2001 did not have a material impact on the Company's interest rate risk profile.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
None

ITEM 2. CHANGES IN SECURITIES
None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of shareholders of the Registrant was held on April 17, 2001. At the meeting, the following individuals were elected directors of the Registrant: Patricia C. Frist, Douglas N. Daft, Summerfield K. Johnston, Jr., Larry L. Prince, R. Randall Rollins, Frank S. Royal, M.D. and James B. Williams. Votes ranged from 244,080,343 to 248,358,158. J. Hyatt Brown, Alston D. Correll, A.W. Dahlberg, David H. Hughes, M. Douglas Ivester, Joseph L. Lanier, Jr., G. Gilmer Minor, III and L. Phillip Humann continue as directors of the registrant.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibit 10.1-10.10 Change in Control Agreements

B. Reports on Form 8-K

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 thereunto duly authorized this 15th day of May, 2001.

SunTrust Banks, Inc.

(Registrant)

/s/ W. P. O'Halloran

W. P. O'Halloran
Senior Vice President and Controller
(Chief Accounting Officer)