

SUNTRUST BANKS INC  
Form DEF 14A  
February 28, 2003

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**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**SunTrust Banks, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

To the Shareholders of  
SunTrust Banks, Inc.

The Annual Meeting of Shareholders of SunTrust Banks, Inc. will be held in Room 225 on the 2<sup>nd</sup> floor of SunTrust Plaza Garden Offices, 303 Peachtree Center Avenue, Atlanta, Georgia, on Tuesday, April 15, 2003, at 9:30 a.m. local time, for the following purposes:

1. To elect 5 directors to serve until the Annual Meeting of Shareholders in 2006;
2. To act upon a shareholder proposal; and
3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only shareholders of record at the close of business on February 14, 2003 will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

For your convenience, we are also offering an audio webcast of the meeting. If you choose to listen to the webcast, go to "Investor Relations" located under "About SunTrust" at [www.suntrust.com](http://www.suntrust.com) shortly before the meeting time and follow the instructions provided. If you miss the meeting, you may listen to a replay of the webcast on our site beginning the afternoon of April 15.

Your attention is directed to the attached Proxy Statement for more complete information regarding the matters to be acted upon at the Annual Meeting.

By Order of the Board of Directors

Raymond D. Fortin  
*Corporate Secretary*

February 28, 2003

**IMPORTANT NOTICE**

**Whether or not you plan to attend the Annual Meeting, please vote your shares by: (1) a toll-free telephone call, (2) the Internet, or (3) completing, signing, dating and returning the enclosed proxy as soon as possible in the postage paid envelope provided.**

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**SUNTRUST BANKS, INC.**

**303 PEACHTREE STREET, N.E.  
ATLANTA, GEORGIA 30308**

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**PROXY STATEMENT**

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The enclosed proxy is solicited on behalf of the Board of Directors of SunTrust Banks, Inc. in connection with the Annual Meeting of Shareholders of SunTrust to be held on Tuesday, April 15, 2003. This Proxy Statement and the enclosed proxy are being first mailed to SunTrust's shareholders on or about March 7, 2003.

*Voting your shares.* The enclosed proxy is for use if you are unable to attend the Annual Meeting in person or wish to have your shares voted by proxy even if you attend the Annual Meeting. You may revoke the proxy at any time before it is exercised by notice to the Corporate Secretary of SunTrust, by submitting a proxy having a later date, or by appearing at the Annual Meeting and voting in person. All shares represented by valid proxies received pursuant to this solicitation and not revoked before they are exercised will be voted in the manner specified therein. If no specification is made, the proxies for the proposals described below will be voted as recommended by the Board of Directors.

*Method of Voting.* You can simplify your voting and reduce SunTrust's costs by voting your shares via telephone or the Internet. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, allow shareholders to vote their shares and to confirm that their instructions have been properly recorded. If your shares are held in the name of a bank or broker, the availability of telephone and Internet voting will depend on the voting processes of the applicable bank or broker. Therefore, we recommend that you follow the voting instructions on the form you receive. If you do not choose to vote by telephone or the Internet, please date, sign and return the proxy card.

*Webcast of Annual Meeting.* SunTrust is pleased to offer an audio webcast of the 2003 Annual Meeting. If you choose to listen to the webcast, go to "Investor Relations" located under "About SunTrust" at [www.suntrust.com](http://www.suntrust.com) shortly before the meeting time and follow the instructions provided. If you miss the meeting, you may listen to a replay of the webcast on our site until May 15, 2003.

Please note that you will not be able to vote your shares via the webcast. If you plan to listen to the webcast, please submit your vote using one of the methods described above prior to the meeting.

**ELECTION OF DIRECTORS  
(Item 1)**

**Nominees for Directorship**

The Board of Directors, under the terms of SunTrust's bylaws, has determined that the number of directors constituting the Board of Directors shall be 15, with directors divided into 3 classes serving staggered 3-year terms. There are 5 directors, J. Hyatt Brown, Alston D. Correll, Douglas N. Daft, David H. Hughes and G. Gilmer Minor, III, who have been nominated to stand for reelection as directors at the Annual Meeting in 2003 for a term expiring in 2006. In addition to the 5 nominees, there are 10 other directors continuing to serve on the Board, whose terms expire in 2004 and 2005. **The Board of Directors recommends a vote "FOR" all nominees.**

You may not vote your proxy for the election of a person to fill a directorship for which no nominee is named in this Proxy Statement. If, at the time of the Annual Meeting, any of the nominees named in the enclosed proxy should be unable or decline to serve as a director, the proxies are authorized to be voted for such substitute nominee or nominees as the Board recommends. The Board has no reason to believe that any nominee will be unable or decline to serve as a director.

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The following table sets forth for each nominee and each director whose term continues after the meeting, his or her age, the number of shares of SunTrust common stock beneficially owned by such person on December 31, 2002, a brief description of his or her principal occupation and business experience during the last 5 years, certain other directorships held and how long he or she has been a director of SunTrust.

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| <b>Name, Principal Occupation, Certain Other Directorships and Age</b> | <b>Director Since</b> | <b>Shares of SunTrust Common Stock<sup>(1)</sup></b> |
|--|-----------------------|--|
|--|-----------------------|--|

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| Name, Principal Occupation, Certain Other Directorships and Age  | Director Since | Shares of SunTrust Common Stock <sup>(1)</sup> |
|--|----------------|--|
| <b><u>Nominees For Term Expiring in 2006</u></b>   |                |  |
| <b>J. Hyatt Brown</b> is Chairman of the Board and Chief Executive Officer of Brown & Brown, Inc., an insurance agency. He is also a director of BellSouth Corporation, FPL Group, Inc., International Speedway Corporation and Rock-Tenn Company. Mr. Brown is 65.  | 1984           | 54,000 <sup>(2)</sup>                          |
| <b>Alston D. Correll</b> is Chairman of the Board and Chief Executive Officer of Georgia-Pacific Corporation, a manufacturer and distributor of pulp, paper and building products. He is also a director of Mirant Corporation and Norfolk Southern Corp. Mr. Correll is 61.   | 1997           | 24,569 <sup>(3)</sup>                          |
| <b>Douglas N. Daft</b> is the Chairman of the Board and Chief Executive Officer of The Coca-Cola Company, and has held these positions since February 17, 2000. He served as President and Chief Operating Officer of The Coca-Cola Company from December 5, 1999 until February 17, 2000. He previously served as Senior Vice President of The Coca-Cola Company from 1991 until December 5, 1999. Mr. Daft also served as President of the Middle and Far East Group from January 1995 until December 1999, which included management responsibility for the Africa Group and the Schweppes Beverages Division from October 1999 until December 1999. He is also a director of The McGraw-Hill Companies, Inc. Mr. Daft is 59. | 2000           | 9,413 <sup>(4)</sup>                           |
| <b>David H. Hughes</b> is Chairman of the Board and Chief Executive Officer of Hughes Supply, Inc., a distributor of construction materials. He is also a director of Brown & Brown, Inc. and Darden Restaurants, Inc. Mr. Hughes is 59.   | 1984           | 52,240 <sup>(5)</sup>                          |
| <b>G. Gilmer Minor, III</b> is Chairman of the Board and Chief Executive Officer of Owens & Minor, Inc., a national distributor of hospital and medical supplies. Mr. Minor was named Chairman of Owens & Minor, Inc. in May 1994 and also serves as a director. Mr. Minor is 62.  | 1998           | 13,695 <sup>(6)</sup>                          |
| <b><u>Directors Whose Terms Expire in 2005</u></b>   |                |  |
| <b>A. W. Dahlberg</b> is Chairman of the Board of Mirant Corporation, a global energy company. Mr. Dahlberg retired as Chairman of the Board and Chief Executive Officer of The Southern Company, an investor-owned electric utility group, in 2001. He serves as a director of Equifax Inc. and Protective Life Corporation. Mr. Dahlberg is 62.  | 1996           | 12,509 <sup>(7)</sup>                          |
| <b>Patricia C. Frist</b> is a partner in Frist Capital Partners, which invests in equities, real estate and venture capital. Mrs. Frist is also President of Frisco, Inc., an investment corporation, as well as President of the Patricia C. Frist and Thomas F. Frist, Jr. Foundation. Mrs. Frist is 63.   | 2000           | 4,574 <sup>(8)</sup>                           |
| 2  |                |  |
| <b>L. Phillip Humann</b> is Chairman of the Board, President and Chief Executive Officer of SunTrust. He is a director of Coca-Cola Enterprises Inc., Equifax Inc. and Haverty Furniture Companies, Inc. Mr. Humann is 57.   | 1991           | 668,826 <sup>(9)</sup>                         |
| <b>M. Douglas Ivester</b> retired as Chairman of the Board and Chief Executive Officer of The Coca-Cola Company on February 17, 2000. He served as President and Chief Operating Officer of The Coca-Cola Company from July 1994 until elected Chairman of the Board and Chief Executive Officer in October 1997. He is a director of Georgia-Pacific Corporation, S1 Corporation and Service Central, Inc. Mr. Ivester is 55.   | 1998           | 38,849 <sup>(10)</sup>                         |
| <b>Karen Hastie Williams</b> is a partner in the Washington, D.C. law firm of Crowell & Moring   | 2002           | 700  |

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LLP. She is a director of Chubb Corporation, Continental Airlines, Inc., Gannett Company, Inc. and WGL Holdings, Inc. Ms. Williams is 58.

### Directors Whose Terms Expire in 2004

|   |      |                           |
|---|------|---------------------------|
| <p><b>Summerfield K. Johnston, Jr.</b> is Chairman of the Executive Committee of Coca-Cola Enterprises Inc., a producer and distributor of products of The Coca-Cola Company and other liquid non-alcoholic refreshment products. Prior to October 2001, he was Chairman of the Board of Coca-Cola Enterprises Inc. He also served as Chief Executive Officer of Coca-Cola Enterprises Inc. until 1998, and reassumed this position from January 2000 until April 2001. Mr. Johnston is 70.</p> | 1997 | 213,877 <sup>(11)</sup>   |
| <p><b>Larry L. Prince</b> is Chairman of the Board and Chief Executive Officer of Genuine Parts Company, a service organization engaged in the distribution of automotive replacement parts, industrial replacement parts and office products. Mr. Prince is also a director of Crawford &amp; Co., Equifax Inc. and John H. Harland Co. Mr. Prince is 64.</p>  | 1996 | 517,294 <sup>(12)</sup>   |
| <p><b>R. Randall Rollins</b> is Chairman of the Board of Rollins, Inc., a consumer services company. He is also Chairman of the Board and Chief Executive Officer of RPC, Inc., an oil and gas field services company, Chairman of the Board of Marine Products Corporation, a boat manufacturing company, and a director of Dover Downs Entertainment, Inc. Mr. Rollins is 71.</p>   | 1995 | 65,986 <sup>(13)</sup>    |
| <p><b>Frank S. Royal, M.D.</b> is President and a member of Frank S. Royal, M.D., P.C. (family medicine). Dr. Royal is a director of Chesapeake Corporation, Columbia/HCA Healthcare Corporation, CSX Corporation, Dominion Resources, Inc. and Smithfield Foods, Inc. Dr. Royal is 63.</p>   | 1998 | 9,783 <sup>(14)</sup>     |
| <p><b>James B. Williams</b> is Chairman of the Executive Committee of the Board of Directors of SunTrust. Prior to March 1998, he was Chairman of the Board of Directors and Chief Executive Officer of SunTrust. He is also a director of The Coca-Cola Company, Genuine Parts Company, Georgia-Pacific Corporation, Rollins, Inc., RPC, Inc. and Marine Products Corporation. Mr. Williams is 69.</p>   | 1984 | 1,938,872 <sup>(15)</sup> |

- (1) SunTrust common stock beneficially owned as of December 31, 2002. As of such date, no nominee or director was a beneficial owner of more than 1% of the outstanding shares of SunTrust common

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stock. Except as otherwise indicated, each director possessed sole voting and investment power with respect to all shares set forth opposite his or her name.

- (2) Includes 4,000 shares that are the subject of exercisable stock options.
- (3) Includes 4,000 shares that are the subject of exercisable stock options. Includes 5,774 shares of common stock equivalents credited to Mr. Correll's stock account under SunTrust's Directors Deferred Compensation Plan.
- (4) Includes 4,000 shares that are the subject of exercisable stock options. Includes 2,413 shares of common stock equivalents credited to Mr. Daft's stock account under SunTrust's Directors Deferred Compensation Plan.
- (5) Includes 4,000 shares that are the subject of exercisable stock options.
- (6)

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Includes 2,000 shares that are the subject of exercisable stock options. Includes 1,570 shares of common stock equivalents credited to Mr. Minor's account under the Crestar Financial Corporation Directors' Equity Program.

- (7) Includes 4,000 shares that are the subject of exercisable stock options. Includes 5,509 shares of common stock equivalents credited to Mr. Dahlberg's stock account under SunTrust's Directors Deferred Compensation Plan.
- (8) Includes 4,000 shares that are the subject of exercisable stock options.
- (9) Includes 75,000 shares that are the subject of exercisable stock options. Includes 27,154 shares held for the benefit of Mr. Humann under SunTrust's 401(k) Plan. Includes 8,011 shares of common stock equivalents credited to Mr. Humann's stock account under SunTrust's 401(k) Excess Plan. Includes 140,000 shares of common stock equivalents granted in exchange for restricted stock.
- (10) Includes 4,000 shares that are the subject of exercisable stock options. Includes 4,849 shares of common stock equivalents credited to Mr. Ivester's stock account under SunTrust's Directors Deferred Compensation Plan.
- (11) Includes 4,000 shares that are the subject of exercisable stock options. Mr. Johnston shares voting and investment power with respect to 48,000 shares. Mr. Johnston disclaims beneficial ownership of 3,036 shares. Includes 5,097 shares of common stock equivalents credited to Mr. Johnston's stock account under SunTrust's Directors Deferred Compensation Plan.
- (12) Includes 4,000 shares that are the subject of exercisable stock options. Includes 504,000 shares held by two foundations of which Mr. Prince is a trustee. Includes 7,294 shares of common stock equivalents credited to Mr. Prince's stock account under SunTrust's Directors Deferred Compensation Plan.
- (13) Includes 4,000 shares that are the subject of exercisable stock options. Mr. Rollins shares voting and investment power with respect to 20,168 shares.
- (14) Includes 4,000 shares that are the subject of exercisable stock options. Includes 1,805 shares of common stock equivalents credited to Dr. Royal's account under the Crestar Financial Corporation Directors' Equity Program.
- (15) Includes 204,000 shares that are the subject of exercisable stock options. Also includes 1,110,346 shares held by 3 foundations of which Mr. Williams is one of a number of trustees; Mr. Williams disclaims beneficial ownership of all such shares. Mr. Williams shares investment power with respect to 116,950 shares.

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### Board Committees

The Board has 3 committees: (1) Executive Committee; (2) Audit Committee; and (3) Compensation and Governance Committee. The membership during 2002, the functions of each committee and the number of meetings held are described below.

| Name of Committee and Members   | Functions of Committee  | Number of Meetings/<br>Consent Actions in 2002 |
|---|---|--|
| <b>EXECUTIVE:</b><br><br>James B. Williams, Chairman<br>J. Hyatt Brown<br>Douglas N. Daft | May exercise authority of full Board except that it may <u>not</u> :<br>- approve or propose to shareholders any action that must lawfully be approved by shareholders;<br>- fill vacancies on the Board or any committee;<br>- amend the Articles of Incorporation;<br>- adopt, amend or repeal the bylaws; or | 4  |

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David H. Hughes  
L. Phillip Humann  
Summerfield K. Johnston, Jr.

- approve a dissolution or merger of SunTrust or the sale of all or substantially all the assets of SunTrust.

**AUDIT:**

M. Douglas Ivester, Chairman  
Patricia C. Frist  
R. Randall Rollins  
Frank S. Royal, M.D.  
Karen Hastie Williams

Responsible for:  
- appointing the independent auditors;  
  
- reviewing the annual plans of the independent auditors;  
- approving the annual financial statements;  
- reviewing regulatory reports; and  
- reviewing the annual plan for the internal audit department, as well as a summary report of such department's findings and recommendations.

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Operates under a written charter approved by the Board, which is attached hereto as Exhibit A to the Proxy Statement.

Has only members that are independent under the rules of the New York Stock Exchange, where SunTrust's common stock is listed. Mr. Ivester meets the definition of "audit committee financial expert" as defined by the Securities and Exchange Commission.

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| Name of Committee and Members  | Functions of Committee   | Number of Meetings/<br>Consent Actions in 2002 |
|--|--|--|
| <b>COMPENSATION AND GOVERNANCE:</b>  | Responsible for approving the compensation arrangements for senior management.   | 4  |
| A. W. Dahlberg, Chairman<br>Alston D. Correll<br>G. Gilmer Minor, III<br>Larry L. Prince | Responsible for oversight and administration of certain executive and employee compensation and benefit plans, including the Stock Plans, Management Incentive Plan, Performance Unit Plan, 401(k) Excess Plan, Performance Bonus Plan, Supplemental Executive Retirement Plan, ERISA Excess Retirement Plan and Change in Control Agreements.<br><br>Responsible for making recommendations to the Board regarding the size and composition of the Board, reviewing qualifications of candidates to the Board and recommending nominees to the Board.<br><br>Responsible for taking a leadership role in shaping the corporate governance of SunTrust.<br><br>Responsible for developing and recommending to the Board a set of corporate governance principles, and periodically reviewing and reassessing the adequacy of those principles and recommending any proposed changes to the Board for approval.<br><br>Responsible for addressing committee structure and operations, committee reporting to the Board, committee member qualifications and committee member appointment and removal. |  |
|  | Has only members that are independent under the rules of the New York Stock Exchange.  |  |

## Attendance and Compensation

*Attendance.* Regular meetings of the Board are held quarterly. During 2002, the Board held 4 meetings. All SunTrust directors attended at least 75% of the Board meetings and meetings of committees on which they served.

*Compensation.* Each director who is not also an employee of SunTrust or its subsidiaries received an annual retainer of \$45,000 in 2002 and was paid a fee of \$1,500 for each Board or committee meeting attended. Directors serving as directors of SunTrust's subsidiaries only receive meeting attendance fees for service on those Boards. Directors may defer fees payable to them under SunTrust's Directors Deferred Compensation Plan. The return on such deferred amount is determined, at the election of the director, as if such funds had been invested in SunTrust common stock or at a floating interest rate equal to the prime interest rate in effect at SunTrust Bank computed on a quarterly basis.

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Mr. Williams, SunTrust's former Chairman of the Board and Chief Executive Officer who retired on March 21, 1998, is serving as a non-employee director of SunTrust and Chairman of the Executive Committee. Mr. Williams has been provided with an office, office equipment and supplies, general secretarial support, a company car and parking space, reimbursement of country club fees and assessments, and use of SunTrust's airplane for travel to and from Board and committee meetings and when representing SunTrust at national, corporate, community and civic events. Tax and estate planning services and security system monitoring for his homes are also provided. Any tax liability as a result of this support, except for directors' fees, will be fully grossed-up by SunTrust.

*Additional Information Regarding Former Crestar Financial Corporation Directors.* Mr. Minor and Dr. Royal, both former Crestar directors, also participate in a Crestar directors' program providing deferred benefits based on 1996 director awards plus their prior elective deferrals of Crestar retainers. These benefits are calculated in common stock equivalents and paid, after their directorship ends, in whole shares of SunTrust common stock, with cash for any fractional share.

## Corporate Governance

The Board of Directors has determined that the majority of SunTrust's directors are independent. In determining director independence, the Board broadly considers all relevant facts and circumstances when making a determination of independence, including the proposed rules of the New York Stock Exchange. The Board considers the issue not merely from the standpoint of a director, but also from that of persons or organizations with which the director has an affiliation. An independent director is free of any relationship with SunTrust or its management that may impair the director's ability to make independent judgments. Particular attention is paid to whether a director is independent from management and to any credit relationships that may exist with a director or a related interest. Generally, credit relationships with directors and their affiliates will not impair independence so long as the terms of the credit relationship are similar to other comparable borrowers.

The Board of Directors will conduct a self-assessment annually, which will be reported by the Compensation and Governance Committee to the Board. In addition, the Compensation and Governance Committee and the Audit Committee will also undergo an annual assessment of their performance. The non-employee directors of the Board meet in executive session at least twice each year and such meetings are presided over by a Presiding Director. The Presiding Director is selected by non-employee directors, and is currently the Chairman of the Compensation and Governance Committee.

SunTrust has adopted a policy requiring directors who change the job responsibility they held when they were elected to the Board to submit a letter of resignation to the Board. The Board, through the Compensation and Governance Committee, will then make a determination as to whether continued Board membership is appropriate.

SunTrust's Corporate Governance Guidelines can be found under the heading "About SunTrust" on SunTrust's website at [www.suntrust.com](http://www.suntrust.com). As additional corporate governance standards are adopted, these will be disclosed on an ongoing basis on SunTrust's website.

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## EXECUTIVE COMPENSATION

### Executive Officers

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Executive officers are elected annually by the Board following the Annual Meeting of Shareholders to serve until the meeting of the Board following the next Annual Meeting. The following table sets forth the name of each executive officer and the principal positions and offices he holds with SunTrust. Unless otherwise indicated, each of these officers has served as an executive officer of SunTrust or a principal subsidiary for at least 5 years.

| Name                | Information about Executive Officers   |
|---------------------|--|
| L. Phillip Humann   | Chairman of the Board, President and Chief Executive Officer of SunTrust.  |
| John W. Clay, Jr.   | A Vice Chairman of SunTrust since August 2000 with management oversight of banking functions, including corporate and investment banking. From 1997 until August 2000 he was an Executive Vice President of SunTrust. Prior to 1997, he was Chief Executive Officer of SunTrust's Tennessee banking operations. Mr. Clay is 61.  |
| Theodore J. Hoepner | A Vice Chairman of SunTrust since August 2000 with responsibility for asset quality, efficiency and quality initiatives, human resources and legal and regulatory affairs. Mr. Hoepner is also Chief Risk Officer, effective as of February 2003, to include responsibility for SunTrust's audit and internal control functions. From August 2000 until February 2003, Mr. Hoepner also had responsibility for SunTrust's technology and operations functions. From 1997 until August 2000 he was an Executive Vice President of SunTrust, with responsibility for SunTrust's Florida banking operations, SunTrust Service Corporation, human resources and efficiency and quality initiatives. Mr. Hoepner is 61. |
| John W. Spiegel     | A Vice Chairman of SunTrust since August 2000 with responsibility for SunTrust's finance-related functions. Mr. Spiegel is also Chief Financial Officer, a position he has held for more than 5 years. Prior to August 2000 he was an Executive Vice President of SunTrust. Mr. Spiegel is 61.   |
| James M. Wells III  | A Vice Chairman of SunTrust since August 2000 with responsibility for oversight of SunTrust's commercial, retail, mortgage and private client services lines of business. He also has senior executive responsibility for SunTrust's marketing and corporate strategy units, and, as of February 2003, has responsibility for SunTrust's technology and operations functions. From January 2000 to August 2000 Mr. Wells served as President and Chief Executive Officer of SunTrust's Mid-Atlantic region. From 1988 to January 2000 he served as President of Crestar Financial Corporation and Crestar Bank. Mr. Wells is 56.   |

### Report of the Compensation and Governance Committee on Executive Compensation

#### Introduction

Decisions regarding the compensation of SunTrust's executives are made by the Compensation and Governance Committee of the Board, which we refer to in this report as the Committee. Each member of

the Committee is a non-employee director. The Committee believes the actions of each executive officer have the potential to impact the short-term and long-term profitability of SunTrust. Consequently, the Committee places considerable importance on its oversight of the design and administration of an executive compensation program.

#### Objectives of Executive Compensation

The objectives of SunTrust's executive compensation programs are to: (1) increase shareholder value, (2) improve SunTrust's overall performance, (3) increase the success of the business unit directly impacted by the executive's leadership and performance, (4) enhance the individual executive's performance, and (5) attract and retain quality executive leadership.

#### Compensation Philosophy

The general philosophy underlying SunTrust's executive compensation programs is designed to:

Aid SunTrust in attracting, retaining and motivating high-performing executives.

Provide competitive levels of compensation commensurate with the achievement of SunTrust's annual and long-term performance goals.

Reward superior corporate and individual performance.

Executive compensation programs are reviewed and evaluated relative to those of SunTrust's peer group. However, SunTrust places greater emphasis on programs that provide incentive compensation rewards that are closely linked to SunTrust's performance. The peer group includes superregional banks such as Bank of America Corporation, Bank One Corp., Wachovia Corporation, FleetBoston Financial Corp., KeyCorp, Mellon Financial Corp., Northern Trust Corp., PNC Financial Services Group, Inc., Wells Fargo & Company and National City Corporation. For senior executives, base salaries are targeted toward the conservative end of the competitive range compared to the peer group. Variable compensation opportunity, closely aligned with strategic business objectives and linked to corporate performance, represents a significant part of the total compensation package. Thus, depending on SunTrust's performance in any particular year, an executive officer may receive compensation above or below the levels of pay for similarly situated executives within the peer group.

### **Components of Executive Compensation**

The three primary components of executive compensation are:

Base Salary

Cash Incentive Plans

Stock Incentive Plans

#### **Base Salary**

Base salary is designed to provide reasonable levels of compensation to executives while helping SunTrust manage fixed labor expense. Therefore, the Committee believes that executive officer base salaries should be at the conservative end of a market-competitive range. Salaries for top executives are reviewed annually and are based on:

Job scope and responsibilities.

Corporate, business unit, and individual performance (performance measures may include but are not limited to net income, earnings per share, return on assets, return on equity, growth, achievement of specific goals, etc.).

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Competitive salaries for similar positions.

Length of service.

Subjective factors.

#### **Cash Incentive Plans**

SunTrust maintains two cash incentive plans:

The Management Incentive Plan, which focuses on annual performance goal attainment.

The Performance Unit Plan, which focuses on performance over a 3 year period.

These variable compensation plans are designed so that: (1) the executive receives a bonus only if SunTrust achieves specified performance objectives, and (2) a significant portion of the executive's total compensation is at risk.

#### *Management Incentive Plan*

The Management Incentive Plan, which we refer to as MIP, is a 1 year plan designed to support SunTrust's strategic business objectives, promote the attainment of profit plans and revenue goals, reward achievement of business unit and individual performance objectives and encourage teamwork. Financial and non-financial performance measures are established for each participant, except for the named executive officers. MIP awards for the named executive officers are based exclusively on a quantifiable net income performance measure. For each performance measure target, threshold and maximum performance benchmarks are developed. These performance measures and performance benchmarks are set for a 1 year period and are aimed at increasing short-term performance results. Each participant is assigned a target incentive award opportunity expressed as a percentage of the participant's base wages. Achievement of target performance benchmarks for each performance measure produces a target incentive award payment. Performance results between the threshold performance benchmarks and target performance benchmarks produce an award less than the target award opportunity percentage. Performance results above the target performance benchmarks produce an award greater than the target award opportunity percentage. Maximum performance benchmarks are set at a level reflective of very ambitious earnings goals which can only be attained when business results are exceptional, thus justifying the higher award payments.

Participation in MIP is limited to a group of key employees who have a material impact on SunTrust's performance. The participants are selected by the Committee and include the executive officers named in this Proxy Statement and approximately 700 other key employees at different levels of participation. Awards earned under MIP are contingent upon employment with SunTrust through the end of the year, except for payments made in the event of death, retirement, disability, or in the event of a change in control. No MIP awards were earned for 2002. This is reflected in the Summary Compensation Table under the heading "Bonus."

#### *Performance Unit Plan*

The purpose of the Performance Unit Plan, which we refer to as PUP, is to promote the long-term interests of SunTrust and its shareholders and to motivate, retain and reward those executives who contribute significantly to SunTrust's financial performance. Participation in this plan is limited to a select group of executive management who have significant impact upon the long-term growth and profitability of SunTrust. Approximately 200 executives were designated by the Committee for participation in the plan. Each participant is awarded a number of performance units, based upon the level of position held within SunTrust and individual performance, with an initial value of \$30.00 per unit. The final value of a unit is determined at the conclusion of the 3 year performance cycle. Two performance measurements are set for

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each 3 year performance cycle which correspond to a minimum, target, and maximum unit value. These performance measurements are: (1) a 3 year cumulative consolidated net income goal, and (2) a 3 year cumulative earnings per share goal. At the end of each performance cycle, the payout value is determined by actual net income and earnings per share for the 3 year period. The measurement which yields the highest unit value is the one that is used. This method was employed due to SunTrust's share purchase program and the desire not to penalize executives for this strategy. Straight line interpolation is used to calculate payout values between minimum, target, and maximum levels. (In 2002, the targets were adjusted to exclude expenses related to the Huntington Florida acquisition, accounting adjustments for home equity loans and accounting adjustments related to SunTrust Community Development Corporation.) Participants received an award for the 2000-02 cycle which was slightly below target. These payouts are set forth in the Summary Compensation Table under the heading "LTIP Payouts."

#### **Stock Incentive Plans**

One of the Committee's priorities is to encourage executives to be significant shareholders to better ensure that the interests of executives are closely aligned with the interests of shareholders. SunTrust's executive officers have a significant equity stake in SunTrust, as reflected in the beneficial ownership information contained in this Proxy Statement.

*2000 Stock Plan*

The 2000 Stock Plan was adopted by the Board in February 2000, and approved by the shareholders at the 2000 Annual Meeting. The 2000 Stock Plan provides for grants of options to purchase SunTrust common stock, awards of restricted shares of SunTrust common stock (which may be subject to both grant and forfeiture conditions), and grants of stock appreciation rights, which we refer to as SARs. There are 14,000,000 shares of SunTrust common stock reserved for use under the 2000 Stock Plan, of which 4,000,000 may, but need not, be granted as restricted stock. The 2000 Stock Plan is administered by the Committee, which has the authority to grant options, SARs and restricted stock. The Committee has also delegated to the Chief Executive Officer limited authority to grant options. The 2000 Stock Plan has been used by the Committee to make stock-based incentives important factors in attracting, retaining, and rewarding employees and to closely align employee interests with those of SunTrust's shareholders. SunTrust is transitioning the timing of the executive compensation process, which includes granting of stock options. Consequently, there were no grants made to the key executives during 2002 during the transition phase.

*1995 Stock Plan*

The 1995 Executive Stock Plan, which we refer to as the 1995 Stock Plan, was designed to use stock-based incentives to focus executives and other eligible participants on SunTrust's long-term performance and to attract and retain qualified employees. No further grants will be made under the 1995 Stock Plan.

*401(k) Plan Matching Contributions*

SunTrust matches a percentage of eligible employee contributions to its qualified 401(k) Plan. The matching contributions are made in SunTrust common stock.

*401(k) Excess Plan*

SunTrust also maintains an unfunded non-qualified 401(k) Excess Plan to provide benefits for certain participants that would have otherwise been provided under the 401(k) Plan except for the imposition of certain statutory limits on qualified plan benefits. Under the 401(k) Excess Plan, SunTrust credits each participant's account with the participant's deferrals plus applicable matching contributions. Participants generally have investment choices with returns that mirror most of the investment options allowed under

the 401(k) Plan. Participants may not, however, direct any portion of their account to an investment vehicle that is tied to the value of SunTrust common stock. Participants' interests in the 401(k) Excess Plan are accounted for in phantom units. SunTrust's matching contributions are accounted for in SunTrust common stock equivalents. The amounts of SunTrust's matching contributions credited to the 401(k) Excess Plan and matching contributions under the 401(k) Plan on behalf of the 5 named executive officers are included in the amounts shown in the Summary Compensation Table under the heading "All Other Compensation."

**Section 162(m)**

Section 162(m) of the Internal Revenue Code of 1986, as amended, provides that compensation in excess of \$1 million paid for any year to a corporation's chief executive officer and the 4 other highest paid executive officers at the end of such year, which executives we refer to as covered employees, will not be deductible for federal income tax purposes unless certain conditions are met. One such condition is that the compensation qualify as "performance-based compensation." In addition to other requirements for qualification as performance-based compensation, shareholders must be advised of and must approve the material terms of the performance goals under which compensation is to be paid, and under certain conditions, must reapprove the material terms of the performance goals every 5 years. SunTrust intends that awards to covered employees under the 2000 Stock Plan, MIP and PUP qualify as performance-based compensation within the meaning of Section 162(m). On February 8, 2000, the Board of Directors approved the 2000 Stock Plan and certain amendments to MIP and PUP which were designed to ensure that, to the extent possible, awards payable under the 2000 Stock Plan, MIP and PUP would be fully deductible by SunTrust for purposes of Section 162(m). At the 2000 Annual Meeting, SunTrust's shareholders approved the material terms of the performance goals under which compensation is paid under the 2000 Stock Plan, MIP and PUP.

**Chief Executive Officer Compensation**

The executive compensation policy described above is applied in setting Mr. Humann's compensation. Mr. Humann participates in the same executive compensation plans available to other executive officers. His 2002 cash compensation was \$1,244,200. Mr. Humann had a base salary of \$950,000. In keeping with the Committee's desire for the Chief Executive Officer to maintain a long-term focus for SunTrust, much of Mr. Humann's variable compensation is provided through PUP. Mr. Humann earned a PUP award of \$294,200 for the 2000-02 PUP cycle. This

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represented a payout of \$29.42 per unit and is the result of SunTrust being slightly below the cumulative earnings per share target that the Committee set prior to the start of the 2000-02 cycle. No MIP award was earned for 2002. No stock options were granted during 2002 due to the transitioning of the timing of the executive compensation process. A grant will be made to Mr. Humann in 2003.

Annually, non-employee members of the Board of Directors evaluate the Chief Executive Officer's performance, which is a factor in determining the Chief Executive Officer's future compensation.

### Summary

The Committee believes this mix of conservative market-based salaries, potentially significant variable cash incentives for both long-term and short-term performance and the potential for equity ownership in SunTrust represents a balance that will motivate the management team to produce strong returns. The Committee further believes this program strikes an appropriate balance between the interests and needs of SunTrust in operating its business and appropriate rewards based on shareholder value creation.

Submitted by the Compensation and Governance Committee of SunTrust's Board of Directors.

A. W. Dahlberg, Chairman  
Alston D. Correll  
G. Gilmer Minor, III  
Larry L. Prince

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### Summary of Cash and Certain Other Compensation

The following table shows, for the fiscal years ending December 31, 2000, 2001, and 2002 the cash compensation paid by SunTrust and its subsidiaries, as well as certain other compensation paid, accrued or granted for those years, to each of SunTrust's 5 most highly compensated executive officers.

#### SUMMARY COMPENSATION TABLE

| Name and Principal Position   | Year | Annual Compensation    |       |  | Long-Term Compensation <sup>(1)</sup>         |              | All Other Compensation <sup>(4)</sup> |
|---|------|------------------------|-------|--|---|--------------|---------------------------------------|
|   |      | Salary                 | Bonus | Other Annual Compensation <sup>(2)</sup> | Awards  | Payouts      |                                       |
|   |      |                        |       |  | Securities Under-Lying Options <sup>(3)</sup> | LTIP Payouts |                                       |
| L. Phillip Humann<br>Chairman of the Board,<br>President and Chief<br>Executive Officer | 2002 | \$ 950,000             | \$    | \$                                       |   | \$ 294,200   | \$ 49,783                             |
|   | 2001 | 815,000                |       | 851,594                                  | 150,000                                       | 551,280      | 33,395                                |
|   | 2000 | 808,750                |       |  | 150,000                                       | 300,000      | 30,506                                |
| James M. Wells III<br>Vice Chairman   | 2002 | 650,000                |       |  | 140,385                                       | 147,100      | 78,405                                |
|   | 2001 | 600,000 <sup>(5)</sup> |       | 501,540 <sup>(5)</sup>                   | 61,897  | 75,000       | 62,840                                |
|   | 2000 | 570,833 <sup>(5)</sup> |       | 315,000 <sup>(5)</sup>                   | 90,000  | 229,700      | 55,390                                |
| John W. Spiegel<br>Vice Chairman and<br>Chief Financial Officer                         | 2002 | 500,000                |       |  |   | 176,520      | 28,180                                |
|   | 2001 | 485,000                |       | 405,412                                  | 50,000  | 321,580      | 21,608                                |
|   | 2000 | 478,750                |       |  | 50,000  | 180,000      | 17,955                                |
| Theodore J. Hoepner<br>Vice Chairman  | 2002 | 525,000                |       |  |   | 147,100      | 29,356                                |
|   | 2001 | 450,000                |       | 376,155                                  | 100,000                                       | 275,640      | 19,877                                |
|   | 2000 | 409,487                |       |  | 50,000  | 138,000      | 15,834                                |

|                   |      |         |         | <u>Long-Term<br/>Compensation<sup>(1)</sup></u> |         |        |
|-------------------|------|---------|---------|---|---------|--------|
| John W. Clay, Jr. | 2002 | 525,000 |         |   | 147,100 | 29,356 |
| Vice Chairman     | 2001 | 450,000 | 376,155 | 100,000   | 275,640 | 19,781 |
|                   | 2000 | 408,750 |         | 50,000  | 138,000 | 15,113 |

- (1) Performance-based restricted stock, which we refer to as performance stock, is held by certain of the executive officers listed above, under the 1986 Executive Stock Plan and the 1995 Stock Plan. Three events must occur with respect to the performance stock before the executive takes full title to the performance stock. Shares generally are granted, awarded, become vested and finally are distributed. After performance stock is granted by the Compensation and Governance Committee, 20% increments are awarded if and when there are comparable 20% increases in the average price of SunTrust's common stock from the initial price at the time of grant. Most of the awarded shares vest and are distributed on the earliest of the following dates: (i) 15 years after the date shares are awarded to participants; (ii) at attaining age 64; (iii) in the event of the death or disability of a participant; or (iv) in the event of a change in control of SunTrust as defined in the 1986 Stock Plan or the 1995 Stock Plan. Eighty percent of the performance based restricted stock granted in 1996 has been awarded, and the time period for awarding the remaining shares granted has expired. Approximately 40% of the granted shares became fully vested as of February 10, 2000 and are no longer subject to service and forfeiture conditions. The individuals set forth in the table above were awarded, subject to the terms and conditions of the 1986 Stock Plan or the 1995 Stock Plan, the number of shares of restricted stock, including performance stock, with a value as of December 31, 2002, as follows: Messrs. Humann 320,000 shares, \$18,214,400; Clay 78,000 shares, \$4,439,760; Hoepner 142,000 shares, \$8,082,640; and Spiegel 194,000 shares, \$11,042,480. As described above, all such shares have been awarded and about

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40% of the shares held by most of the individuals named in this footnote have vested. Dividends were paid in 2002 on shares of awarded restricted stock as follows: Messrs. Humann \$550,400; Clay \$134,160; Hoepner \$244,240; and Spiegel \$333,680.

- (2) Includes the cost of providing various perquisites and personal benefits if the benefit amount exceeds the lesser of \$50,000 or 10% of the executive's salary and bonus. The amount shown for Mr. Wells in 2002 includes \$60,000 for a club membership and \$58,549 for reimbursement of the tax liability associated with the club membership and the tax liability associated with tax return preparation and financial planning services that were provided to Mr. Wells. The amount shown for Mr. Wells for 2001 includes \$30,000 for a relocation bonus.
- (3) The options that typically would have been granted in November 2002 were deferred until February 2003 due to the change in the timing of the executive compensation process.
- (4) Amounts contributed by SunTrust to the 401(k) Plan and credited under the 401(k) Excess Plan. Also includes SunTrust premiums paid on term life insurance. For Mr. Wells, includes the actuarial equivalent of benefits from SunTrust premiums on a split-dollar life insurance policy and above market interest earned on deferred compensation.
- (5) In accordance with his prior employment agreement with SunTrust entered into in connection with the acquisition of Crestar.

### Stock Options

SunTrust did not grant any stock options or award any stock appreciation rights to SunTrust's named executive officers during 2002.

The following table sets forth information with respect to the named executives concerning the exercise of options during 2002 and unexercised options held as of December 31, 2002.

### AGGREGATED OPTION EXERCISES IN 2002 AND DECEMBER 31, 2002 OPTION VALUES

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| Name                | Shares Acquired On Exercise | Value Realized | Number of Securities Underlying Unexercised Options at December 31, 2002 |               | Value of Unexercised In-the-Money Options at December 31, 2002 |               |
|---------------------|-----------------------------|----------------|--|---------------|--|---------------|
|                     |                             |                | Exercisable  | Unexercisable | Exercisable  | Unexercisable |
| L. Phillip Humann   | 3,300                       | \$ 92,466      | 75,000   | 306,600       | \$   | \$ 1,045,272  |
| James M. Wells III  |                             |                | 324,354  | 135,000       | 5,043,503  | 459,625       |
| John W. Spiegel     | 6,600                       | 202,290        | 34,800   | 106,600       | 528,066  | 465,772       |
| Theodore J. Hoepner | 6,600                       | 244,266        | 18,300   | 156,600       | 88,011   | 465,772       |
| John W. Clay, Jr.   | 14,500                      | 547,375        | 22,900   | 156,600       | 210,693  | 465,772       |

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### Equity Compensation Plans

The following table provides information as of December 31, 2002 with respect to the shares of SunTrust common stock that may be issued under SunTrust's existing equity compensation plans.

| Plan Category   | (a)   | (b)   | (c)   |
|---|---|---|---|
|   | Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column a) |
| Equity Compensation Plans Approved by Shareholders <sup>(1)</sup> | 11,742,908  | \$57.56   | 7,832,342 <sup>(2)</sup>  |
| Equity Compensation Plans Not Approved by Shareholders            |   |   |   |
| <b>Total</b>  | 11,742,908  | 57.56   | 7,832,342   |

(1) Consists of the 1986 Executive Stock Plan, the 1995 Stock Plan and the 2000 Stock Plan.

(2) Includes shares available for future issuance under the 2000 Stock Plan. As of December 31, 2002, an aggregate of 7,832,342 shares of common stock were available for issuance under the 2000 Stock Plan, of which up to 3,935,127 may, but need not, be granted as restricted stock. In addition, any shares of stock subject to an option which remain unissued after the cancellation, expiration or exchange of such option and any restricted shares which are forfeited shall again become available for use under the plan. There will be no further issuances under the 1986 Executive Stock Plan or the 1995 Stock Plan.

### Long-Term Incentive Plan

SunTrust's Performance Unit Plan, which we refer to as PUP, provides for the award of performance units, each with a target grant value, to key employees of SunTrust and its subsidiaries by the Compensation and Governance Committee, which we refer to as the Committee. The grant value and number of units awarded to a participant for each performance measurement cycle is determined by the Committee as of the grant date. The final value of the units granted under each award may range from zero to 200% of the grant value and is determined by the Committee at the end of each performance measurement cycle based on the achievement of either consolidated net income goals or earnings per share goals established by the Committee for that cycle. Payment of an award earned under PUP is contingent upon continuous employment

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with SunTrust until the end of the award cycle, except for payments made in the event of retirement, death, disability or a change in control. SunTrust did not award any PUP units to SunTrust's named executive officers during 2002 due to its changing the timing of the executive compensation process.

### Pension Plans

The following table shows estimated combined retirement benefits payable to a covered participant at normal retirement age under SunTrust's Retirement Plan, ERISA Excess Retirement Plan and Tier 1 Supplemental Executive Retirement Plan, which we refer to as the SERP, as described below.

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### PENSION PLAN TABLE

| Remuneration | Years of Service |            |            |            |
|--------------|------------------|------------|------------|------------|
|              | 15               | 20         | 25         | 30 or More |
| \$ 500,000   | \$ 300,000       | \$ 300,000 | \$ 300,000 | \$ 300,000 |
| 600,000      | 360,000          | 360,000    | 360,000    | 360,000    |
| 700,000      | 420,000          | 420,000    | 420,000    | 420,000    |
| 800,000      | 480,000          | 480,000    | 480,000    | 480,000    |
| 900,000      | 540,000          | 540,000    | 540,000    | 540,000    |
| 1,000,000    | 600,000          | 600,000    | 600,000    | 600,000    |
| 1,100,000    | 660,000          | 660,000    | 660,000    | 660,000    |
| 1,200,000    | 720,000          | 720,000    | 720,000    | 720,000    |
| 1,600,000    | 960,000          | 960,000    | 960,000    | 960,000    |
| 1,800,000    | 1,080,000        | 1,080,000  | 1,080,000  | 1,080,000  |
| 2,000,000    | 1,200,000        | 1,200,000  | 1,200,000  | 1,200,000  |
| 2,200,000    | 1,320,000        | 1,320,000  | 1,320,000  | 1,320,000  |
| 2,400,000    | 1,440,000        | 1,440,000  | 1,440,000  | 1,440,000  |

SunTrust's Retirement Plan is a noncontributory pension plan for the benefit of eligible employees of SunTrust and its subsidiaries. SunTrust has also established the ERISA Excess Retirement Plan to pay benefits to certain Retirement Plan participants that cannot be paid to them under the Retirement Plan as a result of federal tax restrictions. In addition, the SERP provides supplemental retirement benefits to certain key employees of SunTrust and its subsidiaries as designated by the Compensation and Governance Committee. There are 2 tiers to the SERP. All 5 named executive officers are eligible for the Tier 1 benefit. The maximum annual benefit under the SERP is 60% of average covered compensation for a Tier 1 participant and 50% of average covered compensation for a Tier 2 participant. Covered compensation for a Tier 1 participant means base salary plus awards earned under the Management Incentive Plan and Performance Unit Plan, and for a Tier 2 participant means base salary plus awards earned under the Management Incentive Plan. Average covered compensation is calculated as the average of the 3 highest years of covered compensation out of the last 10 years. The SERP benefit is reduced by annual benefits payable at retirement under the Retirement Plan, the ERISA Excess Retirement Plan, Social Security benefits at age 65, and certain other nonqualified, unfunded retirement arrangements maintained by SunTrust. Upon an executive's retirement, the SERP benefit is paid in the form of a lump sum that is actuarially equivalent to a life annuity. If the participant dies while actively employed, the benefit is paid in the form of a lump sum that is actuarially equivalent to a 50% joint and survivor annuity. Certain Tier 1 SERP participants are grandfathered at the 100% joint and survivor level. Retirement benefits under the SERP vested for all Tier 1 participants on February 10, 2000.

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The compensation earned in 2002 for the individuals named in the Summary Compensation Table included for the computation of benefits payable under the SERP and credited years of service are as follows: Messrs. Humann, \$1,244,200, 33 years of service; Clay, \$672,100, 35 years of service; Hoepner, \$672,100, 34 years of service; Spiegel, \$676,520, 37 years of service; and Wells, \$797,100, 34 years of service.

The SERP provides that in the event of a change in control of SunTrust (as defined in the SERP), for Tier 1 participants who are involuntarily terminated or who terminate for good reason within 3 years after a change in control, benefits would be calculated using the highest SERP compensation for any full

calendar year during the 10 consecutive full calendar years which end immediately before the termination of employment. Furthermore, credited service will be increased by the lesser of 36 full months or the number of months between the normal retirement date and the date of termination. Termination for good reason means a termination made primarily because of a failure to elect or reelect a participant to a position held with SunTrust prior to the change in control or a substantial change or reduction in responsibilities or compensation.

### **Change in Control Agreements**

SunTrust has entered into change in control agreements