## AMSOUTH BANCORPORATION

Form 10-Q
August 14, 2001
 stock outstanding.

AMSOUTH BANCORPORATION
FORM 10-Q
INDEX

# Edgar Filing: AMSOUTH BANCORPORATION - Form 10-Q 

Consolidated Statement of Condition--June 30, 2001, December 31, 2000, and June 30, 2000 ..... 3
Consolidated Statement of Earnings--Three months andsix months ended June 30, 2001 and 20004
Consolidated Statement of Shareholders' Equity--Six months ended June 30, 2001 ..... 5
Consolidated Statement of Cash Flows--Six months ended June 30, 2001 and 2000 ..... 6
Notes to Consolidated Financial Statements. ..... 7
Independent Accountants' Review Report ..... 13
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ..... 14
Item 3. Quantitative and Qualitative Disclosures About Market Rate Risk ..... 26
Part II. Other Information
Item 1. Legal Proceedings ..... 26
Item 4. Submission of Matters to a Vote of Security Holders ..... 26
Item 6. Exhibits and Reports on Form 8-K ..... 27
Signatures ..... 28
Exhibit Index ..... 29

Forward-Looking Statements. Statements made in this report that are not purely historical are forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995), including any statements regarding descriptions of management's plans, objectives or goals for future operations, products or services, and forecasts of its revenues, earnings or other measures of performance. Factors that could cause future results to vary from current management expectations include, but are not limited to: legislation; general economic conditions, especially in the Southeast; changes in interest rates; deposit flows; the cost of funds; cost of federal deposit insurance premiums; demand for loan products; demand for financial services; competition; changes in the quality or composition of AmSouth's loan and investment portfolios; changes in accounting principles, policies or guidelines; other economic, competitive, governmental, regulatory, and technical factors affecting AmSouth's operations, products, services and prices; and the outcome of litigation, which is inherently uncertain and depends on the findings of judges and juries. Forward-looking statements in this report speak only as of the date of this report. AmSouth does not undertake a duty to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

$$
2
$$

PART I
FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)
AMSOUTH BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CONDITION
(Unaudited)

| June 30 | December 31 | June 30 |
| :---: | :---: | :---: |
| 2001 | 2000 | 2000 |

(In thousands)


| Deferred compensation on restricted stock. | $(18,134)$ | $(2,381)$ | $(4,369)$ |
| :---: | :---: | :---: | :---: |
| Accumulated other comprehensive loss | $(7,976)$ | $(107,550)$ | $(253,285)$ |
| Total shareholders' equity. | 2,907,451 | 2,813,407 | 2,820,951 |
|  | \$38,447,223 | \$38,935,978 | \$42,596,066 |

See notes to consolidated financial statements.
3

## AMSOUTH BANCORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF EARNINGS (Unaudited)

| Six Months |  | Three Months |  |
| :---: | :---: | :---: | :---: |
| Ende | 30 | Ended | ne 30 |
| 2001 | 2000 | 2001 | 2000 |


| INTEREST INCOME |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Loans | \$1,027,944 | \$1,129,647 | \$502,490 | \$567,340 |
| Available-for-sale securities | 155,905 | 200,053 | 83,483 | 99,438 |
| Held-to-maturity securities | 147,723 | 229,498 | 72,897 | 114,443 |
| Trading securities | 136 | 1,489 | 128 | 746 |
| Loans held for sale | 9,502 | 4,284 | 7,539 | 1,680 |
| Federal funds sold and securities purchased under agreements to resell. $\qquad$ | 35,272 | 1,834 | 10,827 | 917 |
| Other interest-earning assets | 1,916 | 854 | 1,217 | 397 |
| Total interest income. | 1,378,398 | 1,567,659 | 678,581 | 784,961 |
| INTEREST EXPENSE |  |  |  |  |
| Interest-bearing demand deposits. | 155,668 | 151,603 | 72,061 | 79,878 |
| Savings deposits. | 9,550 | 26,155 | 4,641 | 9,566 |
| Time deposits | 227,124 | 206,928 | 110,539 | 105,684 |
| Foreign time deposits | 6,231 | 39,098 | 2,434 | 21,341 |
| Certificates of deposit of $\$ 100,000$ or more. $\qquad$ | 72,549 | 79,004 | 34,082 | 40,744 |
| Federal funds purchased and securities sold under agreements to repurchase.. | 48,985 | 102,486 | 21,368 | 51,032 |
| Other borrowed funds | 6,726 | 59,684 | 2,218 | 33,073 |
| Long-term Federal Home Loan Bank advances $\qquad$ | 148,050 | 148,052 | 73,695 | 74,096 |
| Other long-term debt | 30,298 | 33,440 | 14,169 | 16,911 |
| Total interest expense. | 705,181 | 846,450 | 335,207 | 432,325 |
| NET INTEREST INCOME. | 673,217 | 721,209 | 343,374 | 352,636 |
| Provision for loan losses. | 84,300 | 48,200 | 46,100 | 22,800 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES $\qquad$ | 588,917 | 673,009 | 297,274 | 329,836 |


| NONINTEREST REVENUES |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Service charges on deposit accounts. |  | 126,440 |  | 113,686 | 66,569 | 56,833 |
| Trust income |  | 57,088 |  | 56,552 | 28,209 | 29,067 |
| Consumer investment services income |  | 46,103 |  | 121,591 | 22,431 | 56,964 |
| Bank owned life insurance policies |  | 27,434 |  | 24,429 | 13,353 | 12,211 |
| Interchange income |  | 27,081 |  | 24,947 | 14,035 | 12,932 |
| Mortgage income. |  | 11,466 |  | 21,622 | 6,567 | 11,555 |
| Portfolio income |  | 6,295 |  | 8,075 | 3,352 | 3,946 |
| Gains on sales of businesse |  | -0- |  | 538 | -0- | 538 |
| Other noninterest revenues |  | 68,041 |  | 68,022 | 33,131 | 35,379 |
| Total noninterest revenues |  | 369,948 |  | 439,462 | 187,647 | 219,425 |
| NONINTEREST EXPENSES |  |  |  |  |  |  |
| Salaries and employee benefits |  | 289,776 |  | 295,551 | 148,044 | 144,968 |
| Equipment expense |  | 60,509 |  | 63,309 | 30,213 | 31,129 |
| Net occupancy expense |  | 55,680 |  | 58,048 | 27,867 | 28,099 |
| Postage and office suppl |  | 24,199 |  | 25,705 | 11,290 | 13,394 |
| Communications expense |  | 21,171 |  | 20,027 | 10,893 | 10,467 |
| Amortization of intangibles |  | 17,062 |  | 19,546 | 8,545 | 9,589 |
| Marketing expense |  | 17,083 |  | 20,978 | 8,576 | 8,985 |
| Subscribers' commissi |  | -0- |  | 57,879 | -0- | 27,285 |
| Merger-related costs |  | -0- |  | 110,178 | -0- | 88,224 |
| Other noninterest expenses |  | 94,602 |  | 94,310 | 46,587 | 48,034 |
| Total noninterest expenses |  | 580,082 |  | 765,531 | 292,015 | 410,174 |
| INCOME BEFORE INCOME TAXES |  | 378,783 |  | 346,940 | 192,906 | 139,087 |
| Income taxes |  | 119,051 |  | 108,106 | 59,385 | 39,190 |
| NET INCOME. | \$ | 259,732 | \$ | 238,834 | \$133,521 | \$ 99,897 |
| Average common shares outstanding |  | 370,457 |  | 389,138 | 368,688 | 386,682 |
| Earnings per common shar | \$ | 0.70 | \$ | 0.61 | \$ 0.36 | \$ 0.26 |
| Diluted average common shares outstanding................... |  | 373,695 |  | 392,035 | 372,464 | 389,571 |
| Diluted earnings per common share | \$ | 0.70 | \$ | 0.61 | \$ 0.36 | \$ 0.26 |

See notes to consolidated financial statements.
4

AMSOUTH BANCORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)



```
Other comprehensive income, net of
        tax:
    Cumulative effect of accounting
        change (net of $6,324 tax
```



```
    Change in unrealized gains on
        derivative instruments (net of
```



```
    Changes in unrealized gains and
        losses on available-for-sale
        securities, net of reclassification
        adjustment (net of $32,299 tax
```



```
Comprehensive income
```



```
Disclosure of reclassification amount:
Unrealized holding gains on available-
    for-sale securities arising during
    the period...........................
Less: Reclassification adjustment for
    gains realized in net income.........
Net unrealized gains on available-for-
    sale securities, net of tax.........
Unrealized holding gains on
    derivatives arising during the
    period
Less: Reclassification adjustment for
    gains realized in net income........
Net unrealized gains on derivatives,
    net of tax...........................
```

        See notes to consolidated financial statements.
    5
    AMSOUTH BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

| 2001 | 2000 |
| :---: | :---: |


| OPERATING ACTIVITIES |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Net income | \$ | 259,732 | \$ | 238,834 |
| Adjustments to reconcile net income to net cash provided by operating activities:.............. |  |  |  |  |
| Provision for loan losse |  | 84,300 |  | 48,200 |
| Depreciation and amortization of premises and equipment |  | 43,699 |  | 43,377 |
| Amortization of premiums and discounts on held-tomaturity securities and available-for-sale securities. |  | $(9,011)$ |  | 1,785 |
| Noncash portion of merger-related costs........... |  | -0- |  | 67,052 |
| Net gain on branch sale |  | -0- |  | $(7,668)$ |
| Net (increase) decrease in loans held for sale |  | $(138,532)$ |  | 26,720 |
| Net decrease in trading securitie |  | 7,766 |  | 17,387 |
| Net gains on sales of available-for-sale securities................................... |  | $(5,203)$ |  | $(6,469)$ |
| Gains on sales of loans to dealer condu |  | -0- |  | $(9,323)$ |
| Gains on sales of loans to mortgage conduit |  | -0- |  | $(15,307)$ |
| Net loss on loans held for accelerated disposition. |  | -0 |  | 1,759 |
| Net increase in accrued interest receivable and other assets......................................... |  | $(48,927)$ |  | $(173,728)$ |
| Net increase (decrease) in accrued expenses and other liabilities................................. |  | 57,806 |  | $(79,348)$ |
| Provision for deferred income tax |  | 100,765 |  | 105,600 |
| Amortization of intangible assets |  | 17,039 |  | 19,480 |
| Other operating activities, net |  | 20,650 |  | 13,676 |
| Net cash provided by operating activities |  | 390,084 |  | 292,027 |
| INVESTING ACTIVITIES |  |  |  |  |
| Proceeds from maturities and prepayments of available-for-sale securities......................... 607,453 281,358 |  |  |  |  |
| Proceeds from sales of available-for-sale |  |  |  |  |
| Purchases of available-for-sale securiti |  | $(1,176,736)$ |  | (644,889) |
| Proceeds from maturities, prepayments and calls of |  |  |  |  |
| Purchases of held-to-maturity securities............. $(502,515)(338,491)$ Net decrease in federal funds sold and securities |  |  |  |  |
|  |  |  |  |  |
| Net decrease (increase) in other interest-earning |  |  |  |  |
| Net increase in loans, excluding dealer securitization and mortgage and dealer conduits sales |  | $(244,161)$ |  | $(1,542,295)$ |
| Proceeds from sales of loans to dealer conduits |  | -0- |  | 1,001,106 |
| Proceeds from sales of loans to mortgage conduits... |  | -0- |  | 999,288 |
| Net purchases of premises and equipment |  | $(54,388)$ |  | $(14,791)$ |
| Net cash from sales of branches, business operations, subsidiaries and other assets........... |  | -0- |  | $(77,053)$ |
| Net cash provided by investing activities. |  | 651,395 |  | 566,592 |
| FINANCING ACTIVITIES |  |  |  |  |
| Net (decrease) increase in deposits. |  | $(638,403)$ |  | 213,837 |
| Net decrease in federal funds purchased and securities sold under agreements to repurchase. |  | $(189,185)$ |  | $(410,515)$ |
| Net decrease in other borrowed funds. |  | $(389,039)$ |  | $(530,309)$ |
| Issuance of long-term Federal Home Loan Bank advances and other long-term debt........... |  | 600,013 |  | 4,175,000 |


| Payments for maturing long-term debt | $(320,366)$ | $(3,890,417)$ |
| :---: | :---: | :---: |
| Cash dividends paid | $(157,269)$ | $(225,336)$ |
| Proceeds from employee stock plans and dividend reinvestment plan. | 21,426 | 27,515 |
| Purchase of common stock | $(129,406)$ | (251, 092 ) |
| Net cash used for financing activities | $(1,202,229)$ | $(891,317)$ |
| Decrease in cash and cash equivalents. | $(160,750)$ | $(32,698)$ |
| Cash and cash equivalents at beginning of period | 1,276,431 | 1,562,485 |
| Cash and cash equivalents at end of period. | 1,115,681 | 1,529,787 |

See notes to consolidated financial statements.

6

AMSOUTH BANCORPORATION AND SUBSIDIARIES<br>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS<br>(Unaudited)

Six Months Ended June 30, 2001 and 2000

General--The consolidated financial statements conform to accounting principles generally accepted in the United States. The accompanying interim financial statements are unaudited; however, in the opinion of management, all adjustments necessary for the fair presentation of the consolidated financial statements have been included. All such adjustments are of a normal recurring nature. Certain amounts in the prior year's financial statements have been reclassified to conform with the 2001 presentation. These reclassifications had no effect on net income. The notes included herein should be read in conjunction with the notes to consolidated financial statements included in AmSouth Bancorporation's (AmSouth) 2000 annual report on Form 10-K.

Accounting Changes--Effective January 1, 2001 , AmSouth adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and for Hedging Activities," (Statement 133) as amended, and, at that time, designated anew the derivative instruments used for risk management into hedging relationships in accordance with the requirements of the new standard. Derivative instruments used to hedge changes in the fair value of assets and liabilities due to changes in interest rates were designated as fair value hedges. Derivative instruments used to hedge the variability of forecasted cash flows attributable to interest rate risk were designated as cash flow hedges. The impact of adopting Statement 133 on AmSouth's financial condition was a net-of-tax increase to other comprehensive income of approximately $\$ 5,650,000$, of which $\$ 2,031,000$ is expected to be reclassified into earnings during 2001 due to the receipt of variable interest on its hedged variable rate loans. The impact to net income of adopting Statement 133 was immaterial. AmSouth also recorded an increase to other comprehensive income of $\$ 26,612,000$ as a result of transferring $\$ 2,107,919,000$ of securities from held-to-maturity to available-for-sale in conjunction with the adoption of Statement 133. The transition amounts were determined based on the interpretive guidance issued by the Financial Accounting Standards Board (FASB) to date. The FASB continues to issue interpretive guidance which could require changes to AmSouth's application of Statement 133 and adjustments to the transition amounts.

In September 2000, Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (Statement 140), was issued by the FASB. Statement 140 replaces

## Edgar Filing: AMSOUTH BANCORPORATION - Form 10-Q

Statement 125, issued in June 1996. Statement 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over most of Statement 125's provisions without reconsideration. Statement 140 is effective for transfers occurring after March 31, 2001, except for certain paragraphs related to the isolation standards for financial institutions subject to receivership by the FDIC or other affected entities. For these entities, Statement 140 's isolation standards will be effective for transfers of financial assets occurring after December 31, 2001. Therefore, affected institutions will have until December 31, 2001, to modify documents establishing securitization structures to comply with the new isolation standards. AmSouth is reviewing its conduit and securitization structures under this new guidance and plans to make any necessary revisions in the structure of these transactions to ensure these sales comply with the new guidance. The expanded disclosures about securitizations and collateral are effective for fiscal years ending after December 15, 2000. AmSouth has adopted the disclosure requirements and does not expect the remaining provisions of Statement 140 to have a material impact on its financial condition or results of operations.

In July 2001, the FASB issued Statement No. 141 (Statement 141), "Business Combinations", and Statement No. 142 (Statement 142), "Goodwill and Other Intangible Assets". Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement 141 also specifies the criteria for intangible assets acquired in a purchase method business combination to be recognized and reported apart from goodwill. Statement 142 will require goodwill and intangible assets with indefinite useful lives to no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 will also require intangible assets with definite
useful lives to be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with the FASB's Statement No. 121 (Statement 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

AmSouth is required to adopt the provisions of statement 141 immediately and Statement 142 effective January 1, 2002. Furthermore, any goodwill and any intangible assets determined to have an indefinite useful life that are acquired in a purchase business combination completed after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-Statement 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of Statement 142.

Statement 141 will require upon adoption of Statement 142, that AmSouth evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations, and make any necessary reclassifications in order to conform with the new criteria in Statement 141 for recognition apart from goodwill. Upon adoption of Statement 142, AmSouth will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, AmSouth will be required to test the intangible asset for impairment in accordance with the provisions of Statement 142 within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

As of the date of adoption, AmSouth expects to have unamortized goodwill in the amount of $\$ 290.6$ million, and unamortized identifiable intangible assets in the amount of $\$ 16.4$ million, all of which will be subject to the transition provisions of Statements 141 and 142. Amortization expense related to goodwill was $\$ 32.5$ million and $\$ 14.7$ million for the year ended December 31, 2000 and the six months ended June 30, 2001, respectively.

Cash Flows--For the six months ended June 30, 2001 and 2000, AmSouth paid interest of $\$ 702,737,000$ and $\$ 834,980,000$, respectively. During the six months ended June 30, 2001, AmSouth received income tax refunds of $\$ 12,601,000$ and during the six months ended June 30, 2000, AmSouth paid income taxes of $\$ 31,068,000$. Noncash transfers from loans to foreclosed properties for the six months ended June 30, 2001 and 2000, were $\$ 17,629,000$ and $\$ 16,100,000$, respectively, and noncash transfers from foreclosed properties to loans were $\$ 380,000$ and $\$ 199,000$, respectively. For the six months ended June 30, 2000, noncash transfers from loans to available-for-sale securities and to other assets of approximately $\$ 31,277,000$ and $\$ 20,495,000$, respectively, were made in connection with the participation of loans to third-party conduits.

Derivatives--In accordance with Statement 133, AmSouth recognizes all of its derivative instruments as either assets or liabilities in the statement of financial condition at fair value. For those derivative instruments that are designated and qualify as hedging instruments, AmSouth designates the hedging instrument, based upon the exposure being hedged, as either a fair value hedge or a cash flow hedge.

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in other noninterest revenue during the period of the change in fair values. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in other noninterest revenue during the period of change. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

8

Fair Value Hedging Strategy--AmSouth has entered into interest rate swap agreements for interest rate risk exposure management purposes. The interest rate swap agreements utilized by AmSouth effectively modify AmSouth's exposure to interest rate risk by converting a portion of AmSouth's fixed-rate certificates of deposit to floating rate. AmSouth also has interest rate swap agreements which effectively convert portions of its fixed-rate long-term debt to floating rate. During the six-month period ended June 30, 2001, AmSouth recognized a net gain of $\$ 832,000$ related to the ineffective portion of its hedging instruments.

Cash Flow Hedging Strategy--AmSouth has entered into interest rate swap agreements that effectively convert a portion of its floating-rate loans to a fixed-rate basis, thus reducing the impact of interest-rate changes on future interest income. Approximately $\$ 725,000,000$ of AmSouth's loans were designated as the hedged items to the interest rate swap agreements at June 30, 2001. During the six-month period ended June 30, 2001 , AmSouth recognized a net gain of $\$ 219,000$ related to the ineffective portion of its hedging instruments.

Comprehensive Income--Total comprehensive income was $\$ 144.9$ million and $\$ 359.3$ million for the three and six months ended June 30, 2001 and $\$ 118.3$ million and $\$ 234.4$ million for the three and six months ended June 30, 2000. Total comprehensive income consists of net income, the change in the unrealized gains or losses on AmSouth's available-for-sale securities portfolio arising during the period and the effective portion of cash flow hedges marked to market.

Earnings Per Common Share--The following table sets forth the computation of earnings per common share and diluted earnings per common share:

| Three Months Ended June 30 |  | Six Months Ended June 30 |  |
| :---: | :---: | :---: | :---: |
| 2001 | 2000 | 2001 | 2000 |

(In thousands except per share data)


Shareholders' Equity--On April 20, 2000, AmSouth's Board of Directors approved the repurchase by AmSouth of up to 35.0 million shares of its outstanding common stock over a two year period for the purpose of funding employee benefit and dividend reinvestment plans and for general corporate purposes. Through June 30, 2001, 29.9 million shares have been purchased under this authorization at a cost of $\$ 499.1$ million. Cash dividends of $\$ 0.21$ per common share were declared in the second quarter of 2001 . This represents a five percent increase over the dividend paid during the second quarter of 2000 .

Business Segment Information--AmSouth has three reportable segments: Consumer Banking, Commercial Banking, and Wealth Management. Treasury \& Other is comprised of balance sheet management activities that include the investment portfolio, nondeposit funding and off-balance sheet financial instruments. Treasury \& Other also includes income from bank owned life insurance policies, net gains on sales of fixed assets, taxable-equivalent adjustments associated with lease restructuring transactions, merger-related costs, and corporate expenses such as corporate overhead and goodwill amortization. As a result of the sale of IFC Holdings, Inc. (IFC) at the end of the third quarter of 2000,

## Edgar Filing: AMSOUTH BANCORPORATION - Form 10-Q

all revenues and expenses of IFC for 2000 have been reclassified into Treasury \& Other from Wealth Management. The following is a summary of the segment performance for the three months and six months ended June 30, 2001 and 2000:

| Consumer Commercial Wealth Treasury |  |  |
| :--- | :---: | :---: | :---: |
| Banking Banking | Management \& Other | Total |
| _-_-_--_ |  |  |

(In thousands)


| Total revenues. | 651,260 | 245,450 | 105,431 |  | 41,024 | 1,043,165 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Provision for loan |  |  |  |  |  |  |  |
| losses | 55,362 | 28,709 | -0- |  | 229 |  | 84,300 |
| Noninterest expenses | 344,218 | 91,167 | 79,417 |  | 65,280 |  | 580,082 |
| Income before income taxes. $\qquad$ | 251,680 | 125,574 | 26,014 |  | $(24,485)$ |  | 378,783 |
| Income <br> taxes/(benefits)....... | 94,736 | 47,144 | 9,755 |  | $(32,584)$ |  | 119,051 |
| Segment net income | \$156,944 | \$ 78,430 | \$ 16,259 | \$ | 8,099 | \$ | 259,732 |
| Six Months Ended June $30,2000$ |  |  |  |  |  |  |  |
| Net interest income from external customers..... | \$241,530 | \$ 417,478 | \$ (310) | \$ | 62,511 | \$ | 721,209 |
| Internal funding. | 227,786 | $(206,257)$ | 1,519 |  | $(23,048)$ |  | -0- |
| Net interest income | 469,316 | 211,221 | 1,209 |  | 39,463 |  | 721,209 |
| Noninterest revenues. | 174,261 | 42,628 | 97,577 |  | 124,996 |  | 439,462 |
| Total revenues. | 643,577 | 253,849 | 98,786 |  | 164,459 |  | 160,671 |
| Provision for loan |  |  |  |  |  |  |  |
| losses. | 40,261 | 7,851 | -0- |  | 88 |  | 48,200 |
| Noninterest expenses. | 357,759 | 75,677 | 74,957 |  | 257,138 |  | 765,531 |
| Income before income taxes. | 245,557 | 170,321 | 23,829 |  | $(92,767)$ |  | 346,940 |
| Income taxes/(benefits) | 92,329 | 64,041 | 8,960 |  | $(57,224)$ |  | 108,106 |
| Segment net |  |  |  |  |  |  |  |
| income/(loss) | \$153,228 | \$ 106,280 | \$ 14,869 | \$ | $(35,543)$ | \$ | 238,834 |

Securitizations--During the six-month period ended June 30, 2001, there were no securitizations or transfers to the dealer conduits or residential mortgage conduits. Therefore, no gains or losses on transfers were recognized during the period ended June 30, 2001. No gains or losses were recognized on commercial loans sold to third-party conduits nor was any retained interest recorded due to the relatively short life of the commercial loans sold into the conduits (average life of 30 days). The following table provides the assumptions used in the subsequent valuation of retained interests at June 30, 2001, the cash flows received from and paid to third-party conduits and securitization trusts during the year and the sensitivity of the current fair value of residual cash flows to a hypothetical immediate 10 and 20 percent adverse change in the current assumptions:

| Servicing fees and retained interests | \$21.3 | \$11.7 | \$16.3 |
| :---: | :---: | :---: | :---: |
| Valuation assumptions at June 30, 2001: |  |  |  |
| Discount rate | 15-20\% | 15\% | 15\% |
| Prepayment rate | 15-30\% CPR* | $11 / 2 \% \mathrm{ABS}$ ** | $11 / 2 \%$ ABS** |
| Weighted average life (years) | 3.15 | 1.25 | 1.34 |
| Expected credit losses | . $12 \%$ | 1. $32 \%$ | $1.31 \%$ |
| Residual cash flow sensitivity: |  |  |  |
| Fair value of servicing and retained interests at |  |  |  |
| June 30, 2001 | \$57.9 | \$23.7 | \$25.0 |
| Prepayment speed: |  |  |  |
| 10\% change | (2.9) | (1.8) | (0.1) |
| 20\% change | (5.6) | (3.7) | (0.2) |
| Credit losses: |  |  |  |
| 10\% change | (0.2) | (0.6) | (0.8) |
| 20\% change | (0.4) | (1.2) | (1.7) |

## ---------

* CPR--Constant prepayment rate model
** ABS--Absolute prepayment speed model

This sensitivity test is hypothetical and isolates the potential impact of changes in a single assumption on total fair value. These and other assumptions used in the calculation of fair values may in fact exhibit some correlation (which would potentially magnify the impact of a scenario) or may exhibit some negative correlation (which would potentially have some partial offsetting benefit). Also, changes in assumptions do not provide linear results. Thus, it is not possible to extrapolate the impact of other scenarios from these projections.

The following table presents managed loan information on loans which have been securitized or sold to conduits. This information includes the total principal amount outstanding, the portion that has been derecognized and the portion that continues to be recognized in the statement of financial condition as of June 30, 2001, along with quantitative information about delinquencies and net credit losses (in millions). The following table includes commercial loans sold to third-party conduits, residential mortgages and dealer loans sold to third-party conduits during prior years, dealer loans securitized in 2000 , and mortgage loans which were securitized through REMICS in 1998:
Mortgages Loans and Lines Loans
(Dollars in millions)

| Outstanding as of 6/30/01: |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Loans held in portfolio |  | 1,529 | \$3,169 |  | \$4,868 |  | 8,7631,541 |  |
| Loans securitized/sold. |  | 2,361 |  | 1,291 | -0- |  |  |  |
| REMIC (bond portfolio) |  | 124 |  | -0- | 224 |  | -0- |  |
| Total managed loans | \$4,014 |  | \$4,460 |  | \$5,092 |  | \$10,304 |  |
| Total delinquencies at 6/30/01. | \$ | 112 | \$ | 111 | \$ | 129 | \$ | 215 |
| Delinquencies as a percent of ending managed loans............ 2.79\% 2.49\% 2.53\% 2.09\% |  |  |  |  |  |  |  |  |
| Net credit losses during 2001 | \$ | 0.6 | \$ | 24.4 | \$ | 6.7 | \$ | 40.4 |
| Net credit losses as a percent of ending managed loans............. |  | $0.03 \%$ |  | 1.08\% |  | $0.26 \%$ |  | $0.79 \%$ |

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors
AmSouth Bancorporation

We have reviewed the accompanying consolidated statement of condition of AmSouth Bancorporation and subsidiaries as of June 30, 2001 and 2000, and the related consolidated statement of earnings for the three-month and six-month periods ended June 30, 2001 and 2000 , the consolidated statement of cash flows for the six-month periods ended June 30,2001 and 2000 , and the consolidated statement of shareholders' equity for the six-month period ended June 30, 2001. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated statement of condition of AmSouth Bancorporation and subsidiaries as of December 31, 2000, and the related consolidated statements of earnings, shareholders' equity, and cash flows for the year then ended (not presented herein) and in our report dated January 31, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of condition as of December 31, 2000 is fairly stated, in all material respects, in relation to the consolidated statement of condition from which it has been derived.

# Edgar Filing: AMSOUTH BANCORPORATION - Form 10-Q 

/s/ ERNST \& YOUNG LLP

August 8, 2001

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

AmSouth Bancorporation (AmSouth) reported net income for the quarter ended June 30,2001 of $\$ 133.5$ million, or $\$ .36$ per share and $\$ 259.7$ million, or $\$ .70$ per share for the first six months of 2001 . In the same periods last year, net income totaled $\$ 99.9$ million, or $\$ .26$ per share, and $\$ 238.8$ million, or $\$ .61$ per share, respectively. For the three months and six months ended June 30, 2001, AmSouth's return on average assets was 1.40 percent and 1.36 percent, respectively, compared to . 93 percent and 1.10 percent, respectively, for the same periods in 2000. Return on equity increased to 18.72 percent and 18.40 percent for the second quarter and first half of 2001 from 13.84 percent and 16.42 percent for the second quarter and first six months of 2000 .

Total assets at June 30, 2001 were $\$ 38.4$ billion, down from $\$ 38.9$ billion at year-end reflecting a decrease in Federal funds sold and securities purchased under agreements to repurchase, offset by increases in loans and loans held for sale and the investment portfolio. Loans net of unearned income at June 30 , 2001 remained relatively stable with balances increasing \$124 million over year-end. Managed loans, which include loans contained in third-party conduits and loans securitized, decreased by $\$ 801$ million at June 30,2001 from year-end levels. This decrease was attributable to lower levels of residential first mortgages and indirect auto loans. In addition, the decrease in managed loans reflected a decrease in commercial loans primarily as a result of management's decision, beginning in 2000 , to reduce AmSouth's exposure to syndicated loans. The decrease in these loan categories was offset by a $\$ 212$ million increase in home equity loans compared to December 31, 2000 levels. The investment portfolio, which consists of available-for-sale (AFS) and held-to-maturity (HTM) securities, increased to $\$ 9.0$ billion at June 30, 2001, compared to $\$ 8.6$ billion at December 31, 2000. On January 1, 2001, AmSouth transferred approximately $\$ 2.1$ billion of securities from HTM to AFS in conjunction with AmSouth's adoption of Statement 133. Federal funds sold and securities purchased under agreements to resell decreased to $\$ 1.0$ billion at June 30,2001 from $\$ 2.2$ billion at December 31, 2000. The decrease reflected management's decision to sell off lower yielding Federal funds to help fund consumer loan growth and offset planned decreases in higher cost time deposits.

On the funding side of the balance sheet, total deposits at June 30, 2001 decreased by $\$ 638$ million compared to December 31, 2000 . Excluding the $\$ 251$ million decrease in foreign time deposits (Eurodollar deposits), domestic deposits declined by $\$ 388$ million. Decreases in domestic deposits occurred primarily in higher-cost time deposits while noninterest-bearing demand deposits also declined from year-end balances. These decreases were partially offset by increases in interest checking and money market accounts. Federal funds purchased and securities sold under agreements to repurchase and other borrowed funds decreased by $\$ 189$ million and $\$ 389$ million, respectively, compared to December 31, 2000. The decrease in short-term borrowings including foreign time deposits reflected the use of proceeds from the third quarter balance sheet restructuring transactions.

Net Interest Income

Net interest income (NII) on a fully taxable equivalent basis for the three
and six months ended June 30,2001 was $\$ 359.0$ and $\$ 699.3$ million, respectively, down $\$ 16.1$ million, or 4.3 percent compared to the same quarter last year and 6.8 percent on a year-to-date basis. The decrease in net interest income was primarily due to a decrease in average interest-earning assets, resulting from the third quarter 2000 balance sheet restructuring. This restructuring also contributed to a 33 basis point increase in the net interest margin for the second quarter of 2001 versus the same quarter in 2000 and a 24 basis point increase in the net interest margin for the first half of 2001 compared to the same period in 2000 as the balance sheet restructuring removed lower yielding assets from the balance sheet and freed up funds to pay down higher cost borrowings. Compared with the immediately preceding quarter, second quarter 2001 NII increased $\$ 18.8$ million or 22 percent annualized primarily as a result of a 19 basis point increase in the margin. The increase in the margin reflected the on-going shift of assets from Federal funds sold to consumer loans and higher yielding investments, growth in low-cost deposits, and favorable repricing of both deposits and purchased funds. AmSouth expects its margin to
remain fairly stable through the third quarter of 2001 with one of the key drivers being the redeployment of Federal funds sold into higher yielding assets. AmSouth expects improvement in the margin during the fourth quarter due to the fact that approximately $\$ 2.2$ billion of higher cost time deposits will mature at that time.

## Asset/Liability Management

AmSouth maintains a formal asset and liability management process to quantify, monitor and control interest rate risk and to assist management in maintaining stability in the net interest margin under varying interest rate environments. AmSouth accomplishes this process through the development and implementation of lending, funding, pricing and hedging strategies designed to maximize NII performance under varying interest rate environments subject to specific liquidity and interest rate risk guidelines.

An earnings simulation model is the primary tool used to assess the direction and magnitude of changes in NII resulting from changes in interest rates. Key assumptions in the model include prepayment speeds on mortgagerelated assets; cash flows and maturities of derivatives and other financial instruments held for purposes other than trading; changes in market conditions, loan volumes and pricing; deposit volume, mix and rate sensitivity; customer preferences; and management's financial and capital plans. These assumptions are inherently uncertain, and, as a result, the model cannot precisely estimate NII or precisely predict the impact of higher or lower interest rates on NII. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes and changes in market conditions and management's strategies, among other factors.

Based on the results of the simulation model as of June 30, 2001, AmSouth would expect NII to increase $\$ 3$ million or approximately 0.2 percent and decrease $\$ 5$ million or approximately 0.3 percent if interest rates gradually increase or decrease, respectively, from current rates by 100 basis points over a 12-month period. This level of interest rate risk is within AmSouth's policy guidelines. As of June 30, 2000, the simulation model indicated that NII would decrease $\$ 35$ million or approximately 2.5 percent and increase $\$ 21$ million or approximately 1.4 percent if interest rates gradually increased or decreased, respectively, from their then-current rates by 100 basis points over a 12 -month period.

The reduction in AmSouth's interest sensitivity compared to the second
quarter of 2000 was primarily the result of the financial restructuring initiated in the third quarter of 2000 . As part of the financial restructuring, AmSouth sold $\$ 4.0$ billion of low-yielding fixed-rate investment securities and securitized and sold approximately $\$ 1.0$ billion of low-yielding fixed-rate automobile loans. These fixed-rate assets were primarily funded by floatingrate overnight and other short-term borrowings. This action reduced the impact of interest rate fluctuations on NII. In comparison to December 31, 2000 results, the simulation model at June 30,2001 showed a slight increase in AmSouth's interest rate sensitivity. The change in the results of the simulation model reflected an extension of the maturities of commercial paper used by off-balance sheet conduits to fund loans previously purchased from AmSouth. The extension of the commercial paper maturities, which occurred during the first half of 2001 , reduced the impact of interest rate changes, over a 12 -month period, on the interest spread received by Amsouth on these loans. In addition, changes in the market dynamics as a result of Federal Reserve rate cuts during the first half of the year, changes in the forecasted mix of earning assets and changes in AmSouth's deposit pricing strategy also impacted the change in the interest sensitivity results from year-end results.

As part of its activities to manage interest rate risk, AmSouth, from time to time, utilizes various derivative instruments such as interest rate swaps, caps and floors. There were maturities, calls and closeouts of interest rate swaps totaling $\$ 446$ million during the first six months of 2001 . At June 30 , 2001, AmSouth had interest rate swaps, all of which receive fixed rates, totaling a notional amount of $\$ 2.2$ billion. At June 30, 2001, AmSouth also held other derivative instruments to provide customers and AmSouth a means of managing the risks of changing interest and foreign exchange rates. The amounts of these other derivative instruments were immaterial.

## Credit Quality

AmSouth maintains an allowance for loan losses which management believes is adequate to absorb losses inherent in the loan portfolio. A formal review is prepared quarterly to assess the risk in the portfolio and to determine the adequacy of the allowance for loan losses. The review includes analyses of historical performance, the level of nonperforming and adversely rated loans, specific analyses of certain problem loans, loan activity since the previous quarter, reports prepared by the Credit Review Department, consideration of current economic conditions, and other pertinent information. The level of allowance to net loans outstanding will vary depending on the overall results of this quarterly review. The review is presented to and subsequently approved by senior management and reviewed by the Audit and Community Responsibility Committee of the Board of Directors.

Table 6 presents a five-quarter analysis of the allowance for loan losses. At June 30, 2001, the allowance for loan losses was $\$ 380.7$ million, or 1.54 percent of loans net of unearned income, compared to $\$ 346.0$ million, or 1.35 percent, at June 30,2000 . This increase primarily reflected a deterioration of credit quality in AmSouth's syndicated commercial loan portfolio primarily due to a weakening economy. The coverage ratio of the allowance for loan losses to nonperforming loans was 193.11 percent at June 30,2001 , a decrease from the June 30,2000 ratio of 290.58 percent.

Net charge-offs for the quarter ended June 30, 2001, were $\$ 46.1$ million, an increase of $\$ 23.4$ million from the $\$ 22.7$ million reported a year earlier. For the six months ended June 30,2001 , net charge-offs were $\$ 84.1$ million compared to $\$ 48.1$ million for the same period of 2000 . Annualized net charge-offs to average loans net of unearned income were . 75 percent and .69 percent, respectively, for the three and six months ended June 30, 2001, compared to. 34
percent and .36 percent for the same periods of the prior year. The increase in net charge-offs occurred primarily in the commercial loan, consumer revolving credit and equity lending portfolio and reflected the impact of a slowing economy. Commercial loan net charge-offs increased $\$ 26.0$ million for the six months versus the same period of 2000 . Net charge-offs in the consumer portfolio increased $\$ 9.5$ million, reflecting higher charge-offs across all consumer loan categories led by the revolving credit and equity lending portfolios. Net charge-offs for the revolving credit portfolio and equity lending portfolio increased $\$ 3.5$ million and $\$ 2.7$ million, respectively, for the six months ended June 30,2001 versus the same period of the prior year. Annualized net charge-offs for the commercial, commercial real estate and consumer loan portfolios were .92, . 03 and .79 percent, respectively, for the six months ended June 30,2001 , compared to . 29 , .01 and .56 percent, respectively, for the same period of 2000 . Consistent with the increased charge-offs, the provision for loan losses for the second quarter and the first half of 2001 was $\$ 46.1$ million and $\$ 84.3$ million, respectively, compared to $\$ 22.8$ million and $\$ 48.2$ million for the corresponding year-earlier periods. AmSouth currently anticipates an increase in net charge-offs during the second half of 2001.

Table 7 presents a five-quarter comparison of the components of nonperforming assets. At June 30, 2001, nonperforming assets as a percentage of loans net of unearned income, foreclosed properties and repossessions increased 37 basis points to 0.90 percent compared to 0.53 percent at June 30 , 2000 reflecting an $\$ 89$ million increase in nonperforming assets. This increase was primarily associated with an increase in the level of nonperforming syndicated commercial loans at June 30, 2001 compared to June 30, 2000.

Included in nonperforming assets at June 30, 2001 and 2000, was $\$ 138.0$ million and $\$ 61.0$ million, respectively, in loans that were considered to be impaired, substantially all of which were on a nonaccrual basis. At June 30, 2001 and 2000, there was $\$ 43.7$ million and $\$ 20.6$ million, respectively, in the allowance for loan losses specifically allocated to these impaired loans. The average balance of impaired loans for the three months ended June 30, 2001 and 2000, was $\$ 136.9$ million and $\$ 56.3$ million, respectively, and $\$ 132.7$ million and $\$ 60.0$ million, respectively, for the six months ended June 30, 2001 and 2000. AmSouth recorded no material interest income on its impaired loans during the three and six months ended June 30, 2001.

Noninterest Revenues and Noninterest Expenses
Noninterest revenue (NIR) was $\$ 187.6$ million during the second quarter of 2001 and $\$ 369.9$ million for the first six months of 2001 . The quarterly and the six month totals represent a 14.5 percent and 15.8 percent
decline from the corresponding periods in 2000. This decrease was primarily due to the loss of revenues from the sale of IFC Holdings Inc. (IFC) in the third quarter of 2000. Excluding the revenues from IFC in 2000, NIR increased by 2.9 percent in the second quarter of 2001 and 3.8 percent on a year-to-date basis from adjusted NIR of $\$ 182.8$ million and $\$ 356.7$ million for the quarter and six months ended June 30, 2000, respectively. The increase in NIR versus the IFC adjusted prior year numbers was primarily due to higher revenues generated from service charges on deposits, consumer investment services income, interchange income, and bank owned life insurance income (BOLI). These increases were offset by decreases in mortgage and portfolio income and, on a quarterly comparison, trust income. The increase in service charge income was primarily the result of higher treasury management fees as a result of higher sales to corporate customers. The increase in service charge income also reflected higher revenue from overdraft and NSF fees. Excluding IFC generated revenue,

## Edgar Filing: AMSOUTH BANCORPORATION - Form 10-Q

consumer investment services income increased $\$ 840$ thousand or approximately 3.9 percent versus the second quarter of 2000 and $\$ 4.3$ million or 10.3 percent versus the first six months of 2000 . The increase in consumer investment services income reflected higher annuity income from AmSouth's platform annuity sales program. Interchange income for the three months and six months ended June 30,2001 was $\$ 1.1$ million and $\$ 2.1$ million higher, respectively, than the corresponding periods last year due to higher levels of checkcard usage. BOLI grew due to increases in cash surrender values and, on a year-to-date basis, the receipt of a benefit payment in the first quarter of 2001 . Partially offsetting these increases was a decrease in mortgage income, which declined by approximately $\$ 5.0$ million and $\$ 10.2$ million for the quarter and six months ended June 30,2001 compared to the same prior year periods. This decline reflected an $\$ 8.0$ million quarterly and $\$ 15.3$ million year-to-date decrease in gains from the sale of mortgage loans to third-party conduits, partially offset by higher secondary marketing gains on the bulk sale of mortgage loans and servicing. Portfolio income, adjusted for the impact of the IFC sale, decreased by $\$ 600$ thousand and $\$ 1.2$ million for the quarter and six months ended June 30 , 2001 compared to the same periods of 2000 . This decrease was the result of fewer sales of AFS securities in 2001 . While higher on a year-to-date basis, trust income was lower in the second quarter of 2001 compared to the prior year period, reflecting a drop in net assets under management, primarily as a result of declining market values. Management anticipates that sustainable NIR growth in a range of five to eight percent may be achievable over the next twelve months.

Noninterest expenses (NIE) decreased from the prior year by 28.8 percent and 24.2 percent for the three months and six months ended June 30, 2001. Excluding the impact of merger-related charges and expenses related to IFC, NIE increased 2.0 percent or $\$ 5.7$ million for the quarter compared to $\$ 286.3$ million in NIE for the same period of 2000 . The increase primarily reflected higher salaries and employee benefits and communication expenses partially offset by decreases in equipment expense, postage and supplies costs and marketing expenses. On a year-to-date basis, NIE remained flat compared to the adjusted NIE amount of $\$ 579.9$ million for the first six months of 2000 with increases in salaries and employee benefits and communication expense partially offset by decreases in marketing, net occupancy and equipment expense. Salaries and employee benefits increased $\$ 7.7$ million and $\$ 3.5 \mathrm{million}$ for the quarter and year-to-date periods, respectively, compared to the same periods a year ago, adjusted for the IFC sale. This increase reflected higher incentive accruals related to improved performance. Communications expense, primarily driven by computer line and wide-area network expense, increased $\$ 671$ thousand on a quarterly basis and $\$ 1.6$ million year-to-date compared to corresponding periods in 2000 , excluding IFC. Partially offsetting these increases, marketing expense, excluding the impact of IFC, decreased $\$ 462$ thousand or 5.1 percent and $\$ 3.9$ million or 18.6 percent for the second quarter and first six months of 2001 . The decrease was primarily due to cost control initiatives implemented in 2000. Equipment expense, excluding IFC, decreased for the quarter by 2.7 percent to $\$ 30.2$ million and 4.2 percent on a year-to-date basis, primarily due to synergies achieved as a result of the merger with First American. Postage and supplies, excluding IFC, decreased $\$ 1.6$ million for the three month period ended June 30 , 2001, primarily due to charges taken in the second quarter of 2000 related to the stocking of forms at former First American branches. Net occupancy expense, while increasing slightly in the second quarter, was lower by $\$ 1.1$ million year-to-date, adjusting for 2000 expenses related to IFC. As a result of the sale of IFC, no expenses for subscriber commissions were incurred in 2001, compared to $\$ 27.3$ million and $\$ 57.9$ million in the second quarter and first six months of last year. NIE growth is estimated to be in the range of three to five percent over the next twelve months excluding the impact of the amortization of goodwill.

## Capital Adequacy

At June 30, 2001, shareholders' equity totaled $\$ 2.9$ billion or 7.6 percent of total assets. Since December 31, 2000, shareholders' equity increased $\$ 94.0$ million primarily as a result of net income for the six months of $\$ 259.7$ million. In addition, shareholders' equity increased $\$ 86.8$ million as a result of higher valuation of the AFS portfolio, of which $\$ 26.6$ million was a result of transferring approximately $\$ 2.1$ billion of securities from held-to-maturity to available-for-sale in conjunction with AmSouth's adoption of Statement 133. The increase in shareholders' equity also reflected $\$ 12.8$ million of other comprehensive income associated with cash flow hedges, of which $\$ 5.7$ million was related to the initial adoption of Statement 133. These increases in shareholders' equity were offset by the declaration of dividends of $\$ 159.2$ million and the purchase of 7.5 million shares of AmSouth common stock for $\$ 129.4$ million during the first six months of 2001.

Table 10 presents the capital amounts and risk-adjusted capital ratios for AmSouth and AmSouth Bank at June 30, 2001 and 2000. At June 30, 2001, AmSouth exceeded the regulatory minimum required risk-adjusted Tier 1 Capital Ratio of $4.00 \%$ and risk-adjusted Total Capital Ratio of $8.00 \%$. In addition, the riskadjusted capital ratios for AmSouth Bank were above the regulatory minimums, and the Bank was well capitalized at June 30, 2001.

Table 1--Financial Summary

June 30


| End-of-period balances: |  |  |  |
| :---: | :---: | :---: | :---: |
| Loans net of unearned income | \$24,740,424 | \$25,589,410 | (3.3) \% |
| Total assets | 38,447,223 | 42,596,066 | (9.7) |
| Total deposits | 25,984,901 | 27,898,918 | (6.9) |
| Shareholders' equity | 2,907,451 | $2,820,951$ | 3.1 |
| Year-to-date average balances: |  |  |  |
| Loans net of unearned incom | \$24,671,034 | \$26,661,764 | (7.5) \% |
| Total assets | 38,438,335 | 43,492,251 | (11.6) |
| Total deposits | 26,042,410 | 27,835,856 | (6.4) |
| Shareholders' equity. | $2,845,837$ | $2,925,475$ | (2.7) |


| Six Months Ended June 30 |  | Three Months Ended June 30 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | \% |  |  | \% |
| 2001 | 2000 | Change | 2001 | 2000 | Change |

(In thousands except per share data)

| Net income. | \$259,732 | \$238, 834 | 8.8\% | \$ | 133,521 | \$ | 99,897 | $33.7 \%$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Earnings per common share................ | 0.70 | 0.61 | 14.8 |  | 0.36 |  | 0.26 | 38.5 |
| Diluted earnings per common share......... | 0.70 | 0.61 | 14.8 |  | 0.36 |  | 0.26 | 38.5 |
| Return on average assets (annualized).. | $1.36 \%$ | $1.10 \%$ |  |  | 1.40\% |  | $0.93 \%$ |  |
| Return on average equity (annualized).. | 18.40 | 16.42 |  |  | 18.72 |  | 13.84 |  |
| Operating efficiency.. | 54.25 | 64.35 |  |  | 53.42 |  | 68.99 |  |
| Selected ratios |  |  |  |  |  |  |  |  |
| Average equity to assets............... | $7.40 \%$ | $6.73 \%$ |  |  | $7.45 \%$ |  | $6.69 \%$ |  |
| End-of-period equity to assets............ | 7.56 | 6.62 |  |  | 7.56 |  | 6.62 |  |
| End-of-period tangible equity to assets.... | 6.78 | 5.77 |  |  | 6.78 |  | 5.77 |  |
| Allowance for loan losses to loans net of unearned income... | 1.54 | 1.35 |  |  | 1.54 |  | 1.35 |  |
| Common stock data |  |  |  |  |  |  |  |  |
| Cash dividends declared............. | \$ 0.42 | \$ 0.40 |  | \$ | 0.21 | \$ | 0.20 |  |
| Book value at end of period............... | 7.88 | 7.45 |  |  | 7.88 |  | 7.45 |  |
| Market value at end of period............... | 18.49 | 15.75 |  |  | 18.49 |  | 15.75 |  |
| Average common shares outstanding.......... | 370,457 | 389,138 |  |  | 368,688 |  | 386,682 |  |
| Average common shares outstanding-diluted. | 373,695 | 392,035 |  |  | 372,464 |  | 389,571 |  |

Table 2--Year-to-Date Yields Earned on Average Interest-Earning Assets and Rates Paid on Average Interest-Bearing Liabilities

(Taxable equivalent basis-dollars in thousands)


Total available-for-


| Loans. | 15,523 |  | 17,669 |  |
| :---: | :---: | :---: | :---: | :---: |
| Available-for-sale |  |  |  |  |
| securities. |  | 2,481 |  | 1,706 |
| Held-to-maturity |  |  |  |  |
| securities. |  | 8,098 |  | 9,566 |
| Total taxable equivalent |  |  |  |  |
| adjustment.. |  | 26,102 |  | 28,941 |
| Net interest |  |  |  |  |
| income. | \$ | 673,217 | \$ | 721,209 |

NOTE: The taxable equivalent adjustment has been computed based on the statutory federal income tax rate, adjusted for applicable state income taxes net of the related federal tax benefit. Loans net of unearned income includes nonaccrual loans for all periods presented. Available-for-sale securities excludes certain noninterest-earning, marketable equity securities. Statement 133 valuation adjustments related to time deposits, certificates of deposit of $\$ 100,000$ or more and other interest-bearing liabilities are included in other liabilities.

Table 3--Quarterly Yields Earned on Average Interest-Earning Assets and Rates Paid on Average Interest-Bearing Liabilities

2001

| Sec | Quarter |  | First Quarter |  |  | Fourth Quart |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Average | Revenue/ | Yield/ | Average | Revenue/ | Yield/ | Average | Reven |
| Balance | Expense | Rate | Balance | Expense | Rate | Balance | Expen |

(Taxable equivalent basis-doll

| Assets |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Interest-earning |  |  |  |  |  |  |  |  |
| assets: |  |  |  |  |  |  |  |  |
| Loans net of unearned income. $\qquad$ | \$24,695,993 | \$512, 895 | 8.33\% | \$24,645,798 | \$530,572 | 8.73\% | \$24,599,887 | \$556, |
| Available-for-sale |  |  |  |  |  |  |  |  |
| securities:...... |  |  |  |  |  |  |  |  |
| Taxable. | 4,163,800 | 82,981 | 7.99 | 3,900,993 | 71,850 | 7.47 | 1,869,932 | 34, |
| Tax-free | 89,578 | 1,725 | 7.72 | 95,192 | 1,830 | 7.80 | 62,293 | 1 , |
| Total available- |  |  |  |  |  |  |  |  |
| for-sale |  |  |  |  |  |  |  |  |
| securities. | 4,253,378 | 84,706 | 7.99 | 3,996,185 | 73,680 | 7.48 | 1,932,225 | 35, |
| Held-to-maturity |  |  |  |  |  |  |  |  |
| securities: |  |  |  |  |  |  |  |  |
| Taxable. | 4,185,593 | 70,594 | 6.76 | 4,256,209 | 72,571 | 6.91 | 6,298,607 | 108, |
| Tax-free. | 341,906 | 6,340 | 7.44 | 347,660 | 6,316 | 7.37 | 395,589 | 7, |
| Total held-tomaturity |  |  |  |  |  |  |  |  |


| securities.. | 4,527,499 | 76,934 | 6.82 | 4,603,869 | 78,887 | 6.95 | 6,694,196 | 115, |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Total investment securities..... | 8,780,877 | 161,640 | 7.38 | $8,600,054$ | 152,567 | 7.19 | 8,626,421 | 151, |
| Other interestearning assets.... | 1,470,097 | 19,711 | 5.38 | 1,888,326 | 27,115 | 5.82 | $2,123,852$ | 36, |
| Total interestearning assets... | 34,946,967 | 694,246 | 7.97 | 35,134,178 | 710,254 | 8.20 | 35,350,160 | 744 , |
| Cash and other assets. | 3,726,748 |  |  | 3,705,571 |  |  | 3,657,475 |  |
| Allowance for loan |  |  |  |  |  |  |  |  |
| losses.. | $(380,983)$ |  |  | $(381,223)$ |  |  | $(367,361)$ |  |
| Market valuation on available-for-sale |  |  |  |  |  |  |  |  |
| securities | 86,153 |  |  | 39,921 |  |  | $(8,998)$ |  |
|  | \$ $38,378,885$ |  |  | \$38,498,447 |  |  | \$38,631,276 |  |
|  | =========== |  |  | ========== |  |  | =========== |  |
| Liabilities and Shareholders' |  |  |  |  |  |  |  |  |
| Equity |  |  |  |  |  |  |  |  |
| Interest-bearing |  |  |  |  |  |  |  |  |
| liabilities: |  |  |  |  |  |  |  |  |
| Interest-bearing demand deposits... | \$ 9,902,714 | 72,061 | 2.92 | \$ 9,707,570 | 83,607 | 3.49 | \$ 9,401,061 | 88, |
| Savings deposits.. | 1,219,045 | 4,641 | 1.53 | 1,211,685 | 4,909 | 1.64 | 1,244,649 | 5, |
| Time deposits.... | 7,716,673 | 110,539 | 5.75 | 7,824,754 | 116,585 | 6.04 | 8,010,342 | 122, |
| Foreign time deposits......... | 279,454 | 2,434 | 3.49 | 332,426 | 3,797 | 4.63 | 397,954 | 5, |
| Certificates of deposit of |  |  |  |  |  |  |  |  |
| \$100,000 or more.. | $2,323,449$ | 34,082 | 5.88 | 2,518,103 | 38,467 | 6.20 | 2,659,888 | 42, |
| Federal funds purchased and |  |  |  |  |  |  |  |  |
| securities sold under agreements |  |  |  |  |  |  |  |  |
| to repurchase.. | $2,243,192$ | 21,368 | 3.82 | $2,341,302$ | 27,617 | 4.78 | $2,388,137$ | 32, |
| Other interestbearing |  |  |  |  |  |  |  |  |
| liabilities. | $6,336,607$ | 90,082 | 5.70 | 6,383,876 | 94,992 | 6.03 | 6,485,954 | 102, |
| Total interestbearing |  |  |  |  |  |  |  |  |
| liabilities... | 30,021,134 | 335,207 | 4.48 | $30,319,716$ | 369,974 | 4.95 | 30,587,985 | 399, |
| Net interest |  |  |  |  |  |  |  |  |
| spread..... |  |  | 3.49\% |  |  | 3.25\% |  |  |
|  |  |  | ==== |  |  | === |  |  |
| Noninterest- |  |  |  |  |  |  |  |  |
| deposits..... | 4,566,584 |  |  | 4,482,747 |  |  | 4,527,554 |  |
| Other |  |  |  |  |  |  |  |  |
| liabilities. | 930,883 |  |  | 864,755 |  |  | 758,421 |  |
| equity........... | $2,860,284$ |  |  | 2,831,229 |  |  | $2,757,316$ |  |
|  | \$38, 378, 885 |  |  | \$38,498, 447 |  |  | \$38,631, 276 |  |
| Net interest |  |  |  |  |  |  |  |  |
| income/margin on a |  |  |  |  |  |  |  |  |
| basis............. |  | 359,039 | 4.12\% |  | 340,280 | 3.93\% |  | 344 |


| Taxable equivalent |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Loans. | 10,405 |  |  |  |
| Available-for-sale |  |  |  |  |
| securities. | 1,224 |  |  |  |
| Held-to-maturity |  |  |  |  |
| securities | 4,036 |  |  |  |
| Total taxable equivalent |  |  |  |  |
| adjustment. | 15,665 |  |  |  |
| Net interestincome....... |  |  |  |  |
|  |  |  |  |  |
|  |  | ==== |  |  |
|  | Second Quarter |  |  |  |
|  | Yield/ <br> Rate | Average Balance | Revenue/ <br> Expense | $\begin{gathered} \text { Yield/ } \\ \text { Rate } \end{gathered}$ |
| Assets |  |  |  |  |
| Interest-earning |  |  |  |  |
| assets: |  |  |  |  |
| Loans net of 8 91\% \$26,642,183 \$584,125 8.82\% |  |  |  |  |
| Available-for-sale |  |  |  |  |
| securities:...... |  |  |  |  |
| Taxable. | 6.64 | 5,989,040 | 99,186 | 6.66 |
| Tax-free | 7.04 | 66,625 | 1,100 | 6.64 |
| Total available-for-sale |  |  |  |  |
| Held-to-maturity |  |  |  |  |
| securities: |  |  |  |  |
| Taxable. | 6.85 | 6,522,650 | 112,119 | 6.91 |
| Tax-free. | 7.18 | 391,612 | 7,147 | 7.34 |
| Total held-tomaturity |  |  |  |  |
| Total investment |  |  |  |  |
| Other interestearning assets.... | 6.39 | 234,593 | 3,740 | 6.41 |
| Total interest- |  |  |  |  |
| Cash and other |  |  |  |  |
|  |  | 4,148,144 |  |  |
| Allowance for loan |  |  |  |  |
| losses......... (352,305) |  |  |  |  |
| Market valuation on available-for-sale |  |  |  |  |
| securities....... |  | $(252,612)$ |  |  |
|  |  | \$43,389,930 |  |  |

```
Assets
Interest-earning
assets:
    Loans net of
    unearned income... 8.91% $26,642,183 $584,125 8.82%
    Available-for-sale
        Taxable......... 6.64 5,989,040 99,186 6.66
        Total available-
        for-sale
        eld-to-maturity
        securities:
        Total held-to-
        maturity
        Total investment
        securities......
            6.39
        234,593 3,740
        07,417 8.15
Cash and other
assets..........
Allowance for loan
Market valuation on
available-for-sale
securities.........
    $43,389,930
```

| Liabilities and Shareholders' |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Equity |  |  |  |  |
| Interest-bearing |  |  |  |  |
| liabilities: |  |  |  |  |
| Interest-bearing |  |  |  |  |
| Savings deposits. | 1.69 | 1,722,267 | 9,566 | 2.23 |
| Time deposits. | 5.90 | 7,593,438 | 105,684 | 5.60 |
| Foreign time deposits..... | 6.38 | 1,427,241 | 21,341 | 6.01 |
| Certificates of |  |  |  |  |
| \$100,000 or more.. | 6.26 | 2,813,227 | 40,744 | 5.83 |
| Federal funds |  |  |  |  |
| purchased and |  |  |  |  |
| securities sold |  |  |  |  |
| under agreements |  |  |  |  |
| to repurchase. | 5.96 | $3,720,045$ | 51,032 | 5.52 |
| Other interest- |  |  |  |  |
| bearing |  |  |  |  |
| liabilities. | 6.34 | 8,266,919 | 124,080 | 6.04 |
| Total interest- |  |  |  |  |
| liabilities. | 5.25 | 35,057,540 | 432,325 | 4.96 |
| Net interest |  |  |  |  |
| spread... | $2.94 \%$ |  |  | 3.19\% |
| Noninterest- |  |  |  |  |
| bearing demand |  |  |  |  |
| deposits......... 4,770,285 |  |  |  |  |
| Other |  |  |  |  |
| liabilities.......$658,389$ |  |  |  |  |
| Shareholders' |  |  |  |  |
| equity........... |  | 2,903,716 |  |  |
|  |  | \$43,389,930 |  |  |
| Net interest |  |  |  |  |
| taxable equivalent |  |  |  |  |
| basis. | 3.59\% |  | 375,092 | $3.79 \%$ |
| Taxable equivalent |  |  |  |  |
| adjustment: |  |  |  |  |
| Loans. |  |  | 16,785 |  |
| Available-for-sale |  |  |  |  |
| securities.... |  |  | 848 |  |
| Held-to-maturity |  |  |  |  |
| securities. |  |  | 4,823 |  |
|  |  |  |  |  |
|  |  |  | 22,456 |  |
| Net interest |  |  |  |  |
| income..... |  |  | \$352,636 |  |

## Edgar Filing: AMSOUTH BANCORPORATION - Form 10-Q

NOTE: The taxable equivalent adjustment has been computed based on the statutory federal income tax rate, adjusted for applicable state income taxes net of the related federal tax benefit. Loans net of unearned income includes nonaccrual loans for all periods presented. Available-for-sale securities excludes certain noninterest-earning, marketable equity securities. Statement 133 valuation adjustments related to time deposits, certificates of deposit of $\$ 100,000$ or more and other interest-bearing liabilities are included in other liabilities.

21

Table 4--Maturities and Interest Rates Exchanged on Swaps


NOTE: The interest rates exchanged are calculated assuming that interest rates remain unchanged from June 30 , 2001. Call option expiration date is used as maturity date until the option expires. The information presented could change as LIBOR rates change and call options are exercised or expire.

Table 5--Loans and Credit Quality



* Net of unearned income.
** Exclusive of accruing loans 90 days past due and $\$ 35.6$ million of nonperforming assets classified as held for accelerated disposition at June 30, 2000.

Table 6--Allowance for Loan Losses

2001
2000
2nd Quarter 1st Quarter 4th Quarter 3rd Quarter 2nd Quarter
(Dollars in thousands)

| Balance at beginning of period. | \$380,646 | \$380,434 | \$365,164 | \$346,030 | \$353,784 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Loans charged off | $(57,478)$ | $(50,506)$ | $(55,221)$ | $(48,319)$ | $(34,471)$ |
| Recoveries of loans previously charged |  |  |  |  |  |
| off | 11,395 | 12,518 | 14,411 | 12,890 | 11,743 |
| Net charge-offs. | $(46,083)$ | $(37,988)$ | $(40,810)$ | $(35,429)$ | $(22,728)$ |
| Addition to allowance charged to expense | 46,100 | 38,200 | 55,600 | 123,800 | 22,800 |
| Allowance <br> sold/transferred, net.. | -0- | -0- | -0- | $(69,091)$ | $(5,500)$ |
| Allowance transferred to other liabilities...... |  | -0- | 480 | (146) | $(2,326)$ |
| Balance at end of period.................. | \$380,663 | \$380,646 | \$380,434 | \$365,164 | \$346,030 |
| Allowance for loan losses to loans net of unearned income........ | 1.54\% | 1.55\% | 1.55\% | 1.49\% | $1.35 \%$ |
| Allowance for loan losses to nonperforming |  |  |  |  |  |
| loans* | 193.11\% | 181.84\% | 211.75\% | 249.99\% | 290.58\% |
| Allowance for loan losses to nonperforming |  |  |  |  |  |



[^0]Table 7--Nonperforming Assets

| 2001 |  | 2000 |  |  |
| :---: | :---: | :---: | :---: | :---: |
| June 30 | March 31 | December 31 September 30 June 30 |  |  |
|  | (Dollars in thousands) |  |  |  |
| \$197,120 | \$209,333 | \$179,659 | \$146,069 | \$119,082 |
| 20,380 | 13,688 | 12,360 | 12,714 | 13,780 |
| 6,177 | 4,888 | 4,259 | 3,906 | 1,810 |
| \$223,677 | \$227,909 | \$196,278 | \$162,689 | \$134,672 |

Nonperforming assets* to
loans net of unearned income, foreclosed properties and repossessions......... $0.90 \% 0.93 \% 0.80 \%$ 0.66\%
Accruing loans 90 days past due.............. $\$ 88,747$ \$ 89,237 \$ $85,410 \quad \$ 78,314 \quad \$ 70,800$

* Exclusive of accruing loans 90 days past due and $\$ 35.6$ million of nonperforming assets classified as held for accelerated disposition at June 30, 2000.

Table 8--Investment Securities

| June | 2001 | June 30, 2000 |  |
| :---: | :---: | :---: | :---: |
| Carrying | Market | Carrying | Market |
| Amount | Value | Amount | Value |

Held-to-maturity:
U.S. Treasury and federal agency
securities........................ \$2, 868,385 \$2,909,346 \$5,077,783 \$4,941,889
Other securities................... 1,297,765 1,316,900 1,453,111 1,404,206
State, county and municipal secu-
rities............................. 342,377 355,991 401,722 380,736

```
$4,508,527 $4,582,237 $6,932,616 $6,726,831
========== ========== ========== ==========
Available-for-sale:
    U.S. Treasury and federal agency
        securities....................... $3,534,854
    Other securities.................
        872,491
        96,549
$4,503,894
$5,935,980
$,
NOTES:
1. The weighted average remaining life, which reflects the amortization on mortgage related and other asset-backed securities, and the weighted average yield on the combined held-to-maturity and available-for-sale portfolios at June 30, 2001, were approximately 4.7 years and \(6.66 \%\), respectively. Included in the combined portfolios was \(\$ 7.5\) billion of mortgage-backed securities. The weighted-average remaining life and the weighted-average yield of mortgage-backed securities at June 30, 2001, were approximately 4.3 years and \(6.63 \%\), respectively. The duration of the combined portfolios, which considers the repricing frequency of variable rate securities, is approximately 3.1 years.
2. The available-for-sale portfolio included net unrealized gains of \(\$ 98.1\) million and unrealized losses of \(\$ 206.3\) million at June 30, 2001 and 2000, respectively.
```

24

Table 9--Other Interest-Bearing Liabilities


Total other long-term debt. . . . . . . . . . . . . . . . . . . . . . . . . . . . $\$ 992,053 \$ 980,808$

Table 10--Capital Amounts and Ratios

June 30


| Tier 1 capital: |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| AmSouth. | \$2,590,226 | $7.70 \%$ | \$2,668,147 | $7.37 \%$ |
| AmSouth Bank. | 3,278,150 | 9.77 | 3,283,431 | 9.03 |
| Total capital: |  |  |  |  |
| AmSouth. | \$3,716,964 | 11.04\% | \$3,809,992 | 10.53\% |
| AmSouth Bank. | 3,970,705 | 11.83 | 3,941,495 | 10.84 |
| Leverage: |  |  |  |  |
| AmSouth | \$2,590,226 | $6.80 \%$ | \$2,668,147 | $6.20 \%$ |
| AmSouth Bank. | 3,278,150 | 8.62 | 3,283,431 | 7.65 |

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included on page 15 of Part 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Several of AmSouth's subsidiaries are defendants in legal proceedings arising in the ordinary course of business. Some of these proceedings seek relief or damages that are substantial. The actions relate to AmSouth's lending, collections, loan servicing, deposit taking, investment, trust, and other activities.

Among the actions which are pending against AmSouth subsidiaries are actions filed as class actions. The actions are similar to others that have been brought in recent years against financial institutions in that they seek punitive damage awards in transactions involving relatively small amounts of actual damages. A disproportionately higher number of the lawsuits against AmSouth have been filed in Mississippi relative to the amount of deposits held by AmSouth in Mississippi. In addition, lawsuits brought in Alabama and Mississippi against AmSouth and other corporate defendants typically demand higher damages than similar lawsuits brought elsewhere. Legislation has been enacted in Alabama that is designed to limit the potential amount of punitive damages that can be recovered in individual cases in the future. However,

## Edgar Filing: AMSOUTH BANCORPORATION - Form 10-Q

AmSouth cannot predict the effect of the legislation at this time.

It may take a number of years to finally resolve some of these legal proceedings pending against AmSouth subsidiaries, due to their complexity and for other reasons. It is not possible to determine with any certainty at this time the corporation's potential exposure from the proceedings. At times, class actions are settled by defendants without admission or even an actual finding of wrongdoing but with payment of some compensation to purported class members and large attorney's fees to plaintiff class counsel. Nonetheless, based upon the advice of legal counsel, AmSouth's management is of the opinion that the ultimate resolution of these legal proceedings will not have a material adverse effect on AmSouth's financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

The regular Annual Meeting of Shareholders of AmSouth was held on April 19, 2001, at which meeting the shareholders (i) elected four nominees as directors, and (ii) approved an amendment to AmSouth's 1996 Long Term Incentive Compensation Plan to increase the number of shares of common stock reserved under the plan. The following is a tabulation of the voting on these matters.

ELECTION OF DIRECTORS


AMENDMENT OF 1996 LONG TERM INCENTIVE COMPENSATION PLAN

|  | Votes |  | Broker |
| :---: | :---: | :---: | :---: |
| Votes For | Against | Abstentions | Nonvotes |
| 194,116,047 | 46,353,294 | 6,987,670 | 58,934,993 |

26

Item 6. Exhibits and Reports on Form 8-K
Item 6(a) -- Exhibits
The exhibits listed in the Exhibit Index at page 29 of this Form 10-Q are filed herewith or are incorporated by reference herein.

Item 6(b) -- Reports on Form 8-K

No reports on Form 8-K were filed by AmSouth during the period April 1, 2001 to June 30, 2001.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, AmSouth has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 13, 2001

August 13, 2001

By: $\frac{\text { /s/ C. Dowd Ritter }}{}$| Chairman, Dowd Ritter |
| :---: |
| Chief Executive Officer |

By: $\frac{\text { Ls/ Donald R. Kimble }}{}$| Executive Vice President, |
| :---: |
| Chief Accounting Officer |
| and Controller |

28

EXHIBIT INDEX

The following is a list of exhibits including items incorporated by reference.

3-a Restated Certificate of Incorporation of AmSouth Bancorporation (1)

3-b By-Laws of AmSouth Bancorporation (2)

10-a 1996 Long Term Incentive Compensation Plan, as amended (3)

15 Letter Re: Unaudited Interim Financial Information

NOTES TO EXHIBITS
(1) Filed as Exhibit 3.1 to AmSouth's Report on Form 8-K filed October 15, 1999, incorporated herein by reference.
(2) Filed as Exhibit 3-b to AmSouth's Form 10-Q Quarterly Report for the quarter ended March 31, 2001, incorporated herein by reference.
(3) Filed as Appendix B to AmSouth's Proxy Statement, dated March 12, 2001, for the Annual Meeting of Shareholders on April 19, 2001, incorporated herein by reference.


[^0]:    * Exclusive of accruing loans 90 days past due and $\$ 35.6$ million of nonperforming assets classified as held for accelerated disposition at June 30, 2000.

