

NATIONAL COMMERCE FINANCIAL CORP

Form 425

June 03, 2004

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

Subject Company: National Commerce Financial Corporation

Commission File Number: 333-116112

This filing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the benefits of the merger between SunTrust Banks, Inc. ("SunTrust") and National Commerce Financial Corporation ("NCF"), including future financial and operating results, SunTrust's plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of SunTrust's and NCF's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the ability to obtain governmental approvals of the merger on the proposed terms and schedule; the failure of SunTrust and NCF stockholders to approve the merger; the risk that the businesses will not be integrated successfully; the risk that the cost savings and any revenue synergies from the merger may not be fully realized or may take longer to realize than expected; disruption from the merger making it more difficult to maintain relationships with clients, employees or suppliers; increased competition and its effect on pricing, spending, third-party relationships and revenues; the risk of new and changing regulation in the U.S. and internationally. Additional factors that could cause SunTrust's and NCF's results to differ materially from those described in the forward-looking statements can be found in the 2003 Annual Reports on Form 10-K of SunTrust and NCF, and in the Quarterly Reports on Form 10-Q of SunTrust and NCF filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission's internet site (<http://www.sec.gov>). The forward-looking statements in this filing speak only as of the date of the filing, and neither SunTrust nor NCF assumes any obligation to update the forward-looking statements or to update the reasons why actual results could differ from those contained in the forward-looking statements.

On June 3, 2004, SunTrust filed a registration statement with the SEC containing SunTrust's and NCF's preliminary joint proxy statement/prospectus regarding the proposed merger. **Stockholders are urged to read the preliminary joint proxy statement/prospectus filed with the SEC on June 3, 2004 and the definitive joint proxy statement/prospectus when it becomes available because they contain, or will contain, important information.** Stockholders will be able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about SunTrust and NCF, without charge, at the Securities and Exchange Commission's internet site (<http://www.sec.gov>). Copies of the definitive joint proxy statement/prospectus and the filings with the Securities and Exchange Commission that will be incorporated by reference in the definitive joint proxy statement/prospectus can also be obtained, without charge, by directing a request to SunTrust Banks, Inc., 303 Peachtree St., N.E., Atlanta, Georgia 30308; Attention: Investor Relations; or National Commerce Financial Corporation, One Commerce Square, Memphis, Tennessee, 38159; Attention: Investor Relations.

The respective directors and executive officers of SunTrust and NCF and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed merger. **Information regarding SunTrust's directors and executive officers is available in the proxy statement filed with the Securities and Exchange Commission by SunTrust on March 2, 2004, and information regarding NCF's directors and executive officers is available in the proxy statement filed with the Securities and Exchange Commission by NCF on March 17, 2004. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, is available in the preliminary joint proxy statement/prospectus contained in the registration statement filed by SunTrust with the SEC on June 3, 2004.**

**Strategically Focused**

**on Performance**

**on Growth**

**on Opportunity**

*Sanford C. Bernstein*

*Strategic Decisions Conference*

**June 2004**

**L. Phillip Humann**

**William R. Reed, Jr.**

**Gary Peacock, Jr.**

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This presentation could include some non-GAAP measures to describe SunTrust's performance. The reconciliation of those measures to GAAP measures can be found in SunTrust's earnings press release, on SunTrust's website in the press release section of the Investor Relations pages and in the appendix of this presentation.

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**why SunTrust?**

*Strategically focused* on performance, growth and opportunity

Our focus is showing *results*

NCF merger provides new *opportunities*

**performance perspective**

**Pre 2000**

**2001 - 2003**

**2004 & beyond**

Experienced double digit earnings per share growth

Strong economy in the Southeast

Solid equity markets

Investments in capital markets and growth in large corporate loans paid off as credit losses remained low

Southeast economy not immune to economic slowdown

Record corporate charge offs, created negative impact to many financial institutions including SunTrust

Shift in portfolio toward asset sensitivity, coupled with a shorter-term duration & assuming a rising rate environment, resulted in margin pressures

Economic rebound, stock market improvement and rising rates augur well for future performance

Focus is on execution of our model and strategies; momentum evident

NCF merger enhances geographic reach, retail capabilities

***Strategic Focus***



**Enhanced**

**Franchise**

**One**

**Bank**

**Take**

**the Lead**

**Profit  
Acceleration**

**1999**

**Focused on  
efficiency,  
ability to  
deliver  
common  
customer  
experience**

**Implemented  
series of  
operational  
initiatives**

**Placed highest  
priority on sales  
and client  
retention**

**Established high  
performance as  
the standard**

**Focused on  
achieving  
*breakthrough  
results***

**Introduced  
new  
geographic  
structure and  
operating  
model**

**Aligned top  
talent to key  
leadership  
positions**

**Intensified  
local market,  
client and  
sales focus**

**Extended  
footprint into  
key growth  
markets with  
Mid Atlantic  
acquisition**

**Collapsed 28  
bank charters**

**Streamlined  
administrative  
structure**

**S<sup>3</sup> and E<sup>2</sup>**

**Implemented  
new revenue  
initiatives in  
key  
businesses**

**Created  
process  
efficiencies  
and  
consistency  
in key  
business  
lines**

**building for growth**

**2004**

*Strategic Focus*

**defining breakthrough results**

Double-digit *revenue growth*

A leading *market share* in the highest growth markets

Continued increase in *sales* per FTE per day and *cross-LOB sales*

Continued *expense discipline* operating leverage and efficiency ratio improvement

Consistent, best-in-class *credit quality*

*Investments* for future growth

**Strong earnings  
growth**

**Premium P/E**

**Solid stock  
performance**

**leads to**

***Strategic Focus***

**our geographic approach differentiates**

Delivery Scale/

Multiple Channels

Product Array

and Expertise

Ability to Serve

All Segments

True

Client Management

Personalized,

Quality Service

Decisions Close

to Customer

***Deliver Big Bank  
Capabilities***

***Local Decisions and  
Responsiveness***

***with***

***Strategic Focus***

**our operating model**

**Five Primary LOBs**

**Commercial (including  
Real Estate)**

**Corporate and  
Investment Banking  
(including Capital  
Markets)**

**Mortgage**

**Retail (including  
Business Banking,  
Private Banking and De  
Novo Banking)**

**Private Client Services**

**Centralized Support areas**

**HR**

**Finance**

**Technology**

**Marketing**

**Credit**

**Efficiency and Quality**

**Four Groups**

**Central (primarily  
Georgia and  
Tennessee)**

**Carolina Group (North  
and South Carolina)**

**Florida**

**Mid-Atlantic (primarily  
DC, Maryland and  
Virginia)**

**20+ Regions with a local  
executive and dedicated  
management team**

**50+ local banking markets**

**Run the business**

*Strategy direction and  
installation design*

**Drive customer sales,  
service and relationship  
acquisition, expansion  
and retention**

*Excellence in  
execution*

**Provide expertise in their  
respective disciplines**

*Industry leading  
competence*

STI LOBs

Geographies

STI Functions

*Strategic Focus*

**Our business model brings advantages  
to the customer, to STI and to our shareholders**



**operating model advantages**

**Clear vision and focus on corporate priorities**

**Better, quicker execution with more consistency**

**Lower cost of delivery through standardization**

**Ability to specialize in product development and delivery**

**Effective risk management on a consolidated basis**

**Broad view of talent and bench strength**

**Advantages to  
the Customer**

**Advantages to  
STI and Our Shareholders**

**Quality interactions and service**

**Personalized relationship management**

**Appropriate customization based on unique client  
needs**

**Sophisticated products and services**

**Expertise from centrally managed operation**

**Consistency in the SunTrust experience**

***Strategic Focus***

**Sell**

**Serve**

**Sustain**

**Managing  
Change**

**Continuous  
Improvement**

**S<sup>3</sup>**

**E<sup>2</sup>**

World class sales organization with  
industry leading results

Differentiated by high quality  
service

Committed to retaining customers  
and building relationships

Improving results, how we operate  
and how we interact with each other

Installing new initiatives, adopting  
new behaviors and aligning to our  
operating model

**sales priority**

**Excellence in Execution**

*Strategic Focus*

**earnings momentum**

**Earnings growth accelerating**

**Net Income**

**Earnings per Share**

**Return on Avg. Assets**

**Return on Avg. Assets less net  
unrealized gains on  
securities portfolio <sup>(1)</sup>**

**Return on Avg. Equity**

**Return on Avg.  
Realized Equity <sup>(1)</sup>**

**1Q 2004**

**1Q 2003**

**Change**

\$342.5

1.21

1.09

1.11

14.40

17.13

\$327.8

1.17

1.12

1.15

15.13

18.16

9%

8%

4 b.p.

4 b.p.

(48) b.p.

(57) b.p.

(1)

Excludes net gains in Company's security portfolio due to its ownership of 48.3 million shares of The Coca-Cola Company.

The Company believes this is a more indicative performance measure when being compared to other companies.

(2)

Annualized.

**4Q 2003**

**Sequential  
Change**

**1Q04 : 1Q03**

**1Q04 : 4Q03**

19%

17%

7 b.p.

8 b.p.

25 b.p.

46 b.p.

\$358.5

1.26

1.16

1.19

14.65

17.59

(2)

(2)

**Results**

**fee income growth**

**Fee income growth momentum continuing**

**Trust and Investment Mgmt.**

**Retail Investment**

**Deposit Charges**

**Mortgage Fees**

**Corp & Invst. Banking**

**Credit Card Fees**

**Other Charges & Fees**

**Other Non-interest income**

**Total Fees<sup>(1)</sup>**

**(\$ in millions)**

\$130

44

165

(1)

77

29

79

42

565

\$136

46

163

7

74

32

93

39

590

13%

22%

3%

NM

15%



11%  
18%  
48%  
17%  
\$121  
37  
158  
(8)  
65  
29  
78  
26  
506  
20%  
19%  
(5)%  
NM  
(12)%  
39%  
67%  
(29)%  
18%  
**1Q 2003**  
**1Q 2004**  
**1Q2004:**  
**1Q2003**

**4Q 2003**

**1Q04:4Q03**

**(Annualized)**

(1)

Fees without Securities net gains.

***Results***

**net interest income potential**

**Securities Portfolio Margin Profile    Dry Powder**

(1)

Yields on investment securities available for sale. Does not include held-to-maturity securities or trading securities unless breakout is unavailable.

(2)

Assumes \$25bn security portfolio, 35% tax rate, 280mm shares outstanding and 63 b.p. improvement in yield.

Source: Company Reports

One of the lowest securities yields among top 50 banks

Very short duration compared to peers

Normalizing securities yield to historical relative position adds approximately \$102mm after-tax or \$0.36 per share<sup>2</sup>

**Yield Change (b.p.)**

**4Q 2001**

**1Q 2004**

**1Q2004:4Q2001**

Wells Fargo

7.25

6.24

(101)

National City

5.10

5.26

16

Wachovia

6.49

4.97

(152)

Bank One

5.41

4.93

(48)

Bank of America

6.10

4.91

(119)

Fifth Third

7.39

4.40

(299)

KeyCorp

6.78

4.36

(242)

U.S. Bancorp

5.88

4.14

(174)

BB&T

6.77

4.04

(273)

PNC Financial

5.25

3.56

(169)

Average w/o SunTrust

6.24

4.68

(156)

SunTrust

6.02

3.83

(219)

STI Yield vs. Average

(22)

(85)

(63)

National Commerce

6.97

4.82

(215)

**Securities Yields**

**1**

**Results**

**net interest margin trends**

**Margin has rebounded from lows experienced in 2003**

Adjusted for impact of Three Pillars and the consolidation of certain Affordable Housing partnerships

***Results***

**significant business momentum    loan growth**

Note: All loan data reflects average balances over stated time period.

***Results***

**Retail**

**Commercial**

**CIB**

**PCS**

**Mortgage**

**Total STI**

**Total (ex. CIB)**

\$25

22

15

2

16

80

65

\$23

20

16

2

12

73

57

10.9%

6.5

(5.9)

22.6

29.5

9.4

13.6

**Three Months**

**Ended March 31,**

**2004**

**2003**



**Y-o-Y**

***\$ in billions***

**significant business momentum    deposit shift**

Note: All deposit data reflects average balances over stated time period.

(1) Total of DDA, NOW and Savings

(\$ in billions)

**2003**

**2002**

**2001**

**CAGR**

**2004**

**2003**

**Y-o-Y**

DDA

\$

18

\$

15

\$

13

15.0

%

\$

19

\$

16

16.7

%

NOW

12

10

8

17.5

12

11

8.9

MMA

22

20

16

18.5

22

22

1.3

Savings

6

6

6

1.6

6

6

1.9

CDs

11

13

13

(5.9)

11

12

(10.2)

Total

69

65

57

10.6

70

67

4.3

Total Low Cost

(1)

36

32

28

13.0

38

34

11.4

**Year Ended December 31,**

**Three Months**

**Ended March 31,**

***Results***

**first quarter 2004 sales highlights**

*Most Key Product Sales Are Up Double Digit Over Last Year*

**Retail**

Equity Line/Loan  
Products up **25 %**

Indirect Lending sales up  
**20%**

Private Banking  
consumer loan sales up  
**39%**

Business Banking loan  
production up **30%** ; Visa

sales up **37%**

Consumer credit cards  
up **31%**

New personal checking  
up **8%** and closings down  
**3%** vs. 4Q03

Retail Investment  
referrals to PCS up **27%**

### **Commercial**

Deposits up **14%**-- Loans  
up almost **7%**

Treasury Management  
sales up **8%**

STRH Capital Markets /  
Foreign Exchange fees up  
**34%** over last year

### **CIB**

Equity Fees up **59%**

Number of TM deals up  
**41%**, dollars up **23%**

Total Capital Markets  
revenue up **7%**

Product penetration up  
**30%**

### **PCS**

Group Trust new business  
up **56%**

Retail Investment sales up  
**24%**

Improvement in New to  
Lost Business Ratio for  
Personal Trust improved  
by **76%** - - **12%**  
improvement in lost Trust  
Business

Wealth Strategist  
productivity up **19%**

Referrals to Retail up  
**133%**

**Mortgage**

\$12.5 billion in  
applications, **47%** over  
plan

\$6.5 billion in closings,  
**10%** over plan

Cross-sold over 33,000  
target banking products  
up over **180%** over '03

**STOLI**

SunTrust Online  
Loans/Lines up **41%**

Credit card sales up **20%**

Deposit accounts up  
**15%**

Core sales per FTE/day  
up **14%**

***Results***

**sti and ncf combination makes best footprint better**



Financial scale

\$25+bn market cap

\$148bn assets

\$97bn deposits

1,723 full-service offices  
in 11 states plus D.C.

#3 in market share in  
Southeast

Top 5 rank in 20 of 25  
largest high growth  
markets in Southeast

Adds meaningful  
presence in some of  
the highest growth  
North Carolina and  
South Carolina  
markets

Solidifies positions in  
Virginia and  
Tennessee

*Opportunity*

**Best Footprint in  
Banking just got  
better**

**Best Footprint in  
Banking**

**Enhanced overall  
growth rate**

**Expanded product  
offering to be overlaid  
across expanded  
customer bases/  
distribution systems**

**SunTrust**

## National Commerce

### Pro Forma Result

#### **The acquisition of National Commerce represents much more than a logical geographic extension of SunTrust's franchise**

Large, high growth,  
MSA focused franchise

Entry into attractive  
new markets North  
Carolina

Strong retail franchise  
with leading de novo /  
in-store expertise

Small business

Commercial RE

Mortgage

Large corporate/  
middle market

Cash management/  
trust

Asset management

Investment  
banking/brokerage

Mortgage

Large retail franchise

Proven de novo growth  
strategy

Entrepreneurial, high  
growth, revenue-based  
culture

Focus on efficiency

Established/leader  
ship positions in  
high growth

markets

Greater capital  
resources

**compelling strategic combination**

*Opportunity*

**create best of breed retail model**

National Commerce Expertise

**Customized pricing strategy  
based on market maturity**

**Industry leading  
in-store strategy**

**Proven de novo expertise  
into new markets**

SunTrust's Large Retail Franchise

<b>Households Served</b>	<b>3.8mm</b>	
<b>Deposit Accounts</b>	<b>4.3mm</b>	
<b>Loan Accounts</b>	<b>2.3mm</b>	
<b>Retail Branches</b>	<b>1,207</b>	
<b>In-store</b>	<b>153</b>	
<b>ATMs</b>		<b>2,235</b>
<b>Retail Deposits</b>	<b>\$53.4bn</b>	

*Opportunity*

**National Commerce's in-store model represents strength for combined enterprise**

**8**

**4**

**Employees**

**2,000**

**400-500**

**Square feet**

**1**

**2.3**

**Visits per week**

**3 thousand**

**16 24 thousand**

**Traffic per week**

**36 Months**

**18 Months**

**Breakeven**

**\$400,000**

**\$225,000**

**Operating  
Expenses**

**\$1-2 million**

**\$200,000**

**Capex**

**In a stand-alone  
bank branch**

**With an In-store  
Partner**

De novo in-store branch meets 8,000 of our competitor s  
customers within 1 week

***Opportunity***

Target high-population, high growth MSAs

Partner with the store that has leading market share (#1 or #2), high weekly traffic volume and an excellent reputation for service and quality

Identify locations where hub branches will be easy to add

Train and incentivize the employees to sell

87% of total assets, excluding CCB merger, obtained via de novo growth equating to a 15% annualized de novo total asset growth

## **Strategy**

## **Timeline**



Start-up phase

Years 1 2

Deposits priced 50-100 bps above  
local competition

Loan volumes are low and  
deposits are reinvested in lower  
yielding investment securities

ROA of 40-50 bps

ROE of 5-10%

### **Stage 1**

High growth phase

Years 3 6

Deposit costs begin to decline

Loan volume increases

NIM expansion and improvement  
in efficiency ratio

ROA of 1.00%-1.20%

ROE of 14%-17%

### **Stage 2**

Mature phase

Years 7+

Deposit rates at market

Loan demand matches deposit  
growth

Branch has reached a steady-  
state growth

ROA of 1.50+%

ROE of 20+%

### **Stage 3**

Source: National Commerce investor presentations

**National Commerce Expansion History**

**Assets (\$ millions)**

18 Years

3 Years

**National Commerce's retail engine:  
de novo branching expertise**

*Opportunity*

**National Commerce's de novo success story**

*Opportunity*

Partnered with America's #1 Retailer

Wal-Mart's sales on one day last fall - \$1.42 billion were larger than the GDPs of 36 countries

Store traffic of 35,000 - 50,000 customers per week

**National Commerce's de novo success story**

**Wal-Mart**

Original 16 North Georgia Wal-Marts

Deposits \$491,086; largest \$68,760

Loans \$78,275; largest \$10,182

Average deposits 30,700,000

Average loans 4,900,000

Average pretax April 2004 YTD annualized - \$571,000

\$0.03 per share annually for NCF

Opportunities for growth

16 new Wal-Mart Money Centers in North Georgia; 8 opened in last sixty days

77 new Wal-Mart Super Centers; 55 in Florida; 22 in Southern Georgia will open starting in August 2004 through 2Q 2006

Evaluating additional locations for growth

***Opportunity***

core commercial opportunities

**SunTrust has leading products and capabilities: #1 bank in primary bank relationship in existing footprint**

**Overlapping SunTrust expertise within National Commerce banking footprint results in highly significant middle market opportunity**

**Estimated Number of Middle Market Companies in NCI Footprint**

North Carolina 4,500+

South Carolina 900+

*Opportunity*

**SunTrust's wealth management model represents strength for combined enterprise**

**Registered Representatives**

**Trusco AUM Growth**

**Investment Management Income**

**Superb New Customer Sales and Retention**

**Financial metrics strong given performance of overall equity markets and when compared to peers**

*Opportunity*

**why SunTrust?**

We are *uniquely positioned* to provide big bank resources through a locally empowered management team

Our size enables us to take advantage of *economies of scale*

We have *the best people* and we have a highly effective approach to managing these top performers

Our people work effectively across business and product lines to build *lasting client relationships*

We have the *best footprint* we are in some of the fastest growing markets in the country

We consistently maintain *best-in-class credit quality*

We have a firm commitment to shareholders demonstrated through decades of *consistent earnings and dividend growth*

Bright prospect; *positioned for the future*

**reconciliations appendix**

**Return on Avg. Assets**

**Impact of excluding net unrealized**

**securities gains**

**Return on Avg. Assets less net unrealized**



**gains on securities portfolio**

**Return on Avg. Equity**

**Impact of excluding net unrealized**

**securities gains on securities portfolio**

**Return on Avg. Realized Equity**

**1.16%**

**0.03**

**1.19%**

**14.65%**

**2.94**

**17.59%**

**1Q 04**

**1.09%**

**0.02**

**1.11%**

**14.40%**

**2.73**

**17.13%**

**7 b.p.**

**1 b.p.**

**8 b.p.**

**25 b.p.**

**21 b.p.**

**46 b.p.**

**1.12**

**0.03**

**1.15%**

**15.13%**

**3.03**

**18.16%**

**4 b.p.**

**-**

**4 b.p.**

**(48) b.p.**

**(9) b.p.**

**(57) b.p.**

**4Q 03**

**Sequential  
Change**

**1Q 04 vs 4Q 03**

**Change**

**1Q 04 vs 1Q 03**

**1Q 03**

**reconciliations appendix**

**Net Interest Margin**

**Net Interest Margin Impact of**

**Three Pillars Consolidation**

**Net Interest Margin Impact of**

**Consolidation of certain Affordable  
Housing partnerships**

**Net Interest Margin Adjusted for the Impact  
of Three Pillars and Affordable Housing**

**1Q 04**

**3.13%**

**0.04%**

**0.01%**

**3.18%**

**4Q 03**

**3Q 03**

**3.09%**

**0.06%**

**0.01%**

**3.16%**

**2.98%**

**0.06%**

**0.02%**

**3.06%**