AMSOUTH BANCORPORATION
Form 10-Q
November 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2001 Commission file number 1-7476

AmSouth Bancorporation
(Exact Name of registrant as specified in its charter)

Delaware	63-0591257
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

AmSouth--Sonat Tower 1900 Fifth Avenue North Birmingham, Alabama	35203
(Address of principal executive offices)	(Zip Code)

(205) 320-7151
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

As of October 31, 2001, AmSouth Bancorporation had 364,421,000 shares of common stock outstanding.

AMSOUTH BANCORPORATION

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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: the execution of AmSouth's strategic initiatives; legislation; general economic conditions, especially in the Southeast; changes in interest rates, yield curves and interest rate spread relationships; 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 including capital market inefficiencies that may affect the marketability and valuation of available-for-sale securities; changes in accounting and tax principles, policies or guidelines; other economic, competitive, governmental, and regulatory factors affecting AmSouth's operations, products, services, compliance costs and prices; and the outcome of litigation, which is inherently uncertain and depends on the findings of judges and juries. The terrorist attacks of September 11, 2001 have had a negative impact on the economy. It is impossible to predict what future effect these events or any United States response may have. To the extent there is a prolonged negative impact on the economy, the effects may include adverse changes in customers' borrowing, investing or spending patterns, market disruptions, currency fluctuations, exchange controls, restriction of asset growth, negative effects on credit quality and other effects that could adversely impact the performance, earnings and revenue growth of the financial services industry, including AmSouth. 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.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

AMSOUTH BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CONDITION
(Unaudited)

	September 30 2001
A S S E T S	
Cash and due from banks	$ 1,035,436
Federal funds sold and securities purchased under agreements to resell	300,000
Trading securities	18,906
Available-for-sale securities	4,749,826
Held-to-maturity securities (market value of $4,535,163, $6,729,880 and $6,620,957, respectively)	4,389,327
Loans held for sale	161,103
Loans	25,534,112
Less: Allowance for loan losses	360,717
Unearned income	633,052
Net loans	24,540,343
Other interest-earning assets	337,625
Premises and equipment, net	677,916
Accrued interest receivable and other assets	2,054,323
	$38,264,805
L I A B I L I T I E S A N D S H A R E H O L D E R S ' E Q U I T Y	
Deposits and interest-bearing liabilities:	
Deposits:	
Noninterest-bearing demand	$ 4,715,663
Interest-bearing demand	10,161,426
Savings	1,221,159
Time	7,324,214
Foreign time	290,527
Certificates of deposit of $100,000 or more	2,160,959
Total deposits	25,873,948
Federal funds purchased and securities sold under agreements to repurchase	2,071,030
Other borrowed funds	81,173
Long-term Federal Home Loan Bank advances	5,106,188
Other long-term debt	1,025,167
Total deposits and interest-bearing liabilities	34,157,506
Accrued expenses and other liabilities	1,136,637
Total liabilities	35,294,143
Shareholders' equity:	
Preferred stock--no par value:	
Authorized--2,000,000 shares; Issued and outstanding--none	-0-
Common stock--par value $1 a share:	
Authorized--750,000,000 shares; Issued--416,935,522, 416,941,331 and 416,948,890 shares, respectively	416,935
Capital surplus	697,996
Retained earnings	2,618,080
Cost of common stock in treasury--52,017,327, 43,134,387 and 41,811,565 shares,	

respectively	(813,814)
Deferred compensation on restricted stock	(17,532)
Accumulated other comprehensive income/(loss)	68,997
Total shareholders' equity	2,970,662
	$38,264,805

See notes to consolidated financial statements.

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AMSOUTH BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	Nine Months Ended September 30	
	2001	2000
	(In thousands excep	
INTEREST INCOME		
Loans	$1,508,937	$1,699,559
Available-for-sale securities	240,699	295,151
Held-to-maturity securities	216,539	342,947
Trading securities	266	2,102
Loans held for sale	13,200	6,569
Federal funds sold and securities purchased under agreements to resell	43,108	2,731
Other interest-earning assets	4,018	1,270
Total interest income	2,026,767	2,350,329
INTEREST EXPENSE		
Interest-bearing demand deposits	217,629	238,952
Savings deposits	13,367	31,806
Time deposits	328,731	322,791
Foreign time deposits	8,383	58,918
Certificates of deposit of $100,000 or more	102,585	124,023
Federal funds purchased and securities sold under agreements to repurchase	64,649	155,501
Other borrowed funds	7,997	86,815
Long-term Federal Home Loan Bank advances	220,905	221,422
Other long-term debt	43,267	51,114
Total interest expense	1,007,513	1,291,342
NET INTEREST INCOME	1,019,254	1,058,987
Provision for loan losses	133,500	172,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	885,754	886,987
NONINTEREST REVENUES		
Service charges on deposit accounts	191,128	170,959
Trust income	85,138	85,635
Consumer investment services income	72,364	177,745

Bank owned life insurance policies	40,393	36,633
Interchange income	41,458	37,070
Mortgage income	20,033	13,144
Portfolio income	9,802	(108,164)
Loss on sale of loans held for accelerated disposition	-0-	(23,414)
Dealer securitization loss	-0-	(18,925)
Gains (losses) on sales of businesses	-0-	46
Other noninterest revenues	101,982	99,259
Total noninterest revenues	562,298	469,988
NONINTEREST EXPENSES		
Salaries and employee benefits	442,501	444,643
Equipment expense	90,493	92,555
Net occupancy expense	83,879	87,137
Postage and office supplies	36,498	38,430
Communications expense	31,282	30,620
Amortization of intangibles	25,548	28,941
Marketing expense	26,541	28,458
Subscribers' commissions	-0-	82,618
Merger-related costs	-0-	110,178
Other noninterest expenses	140,510	138,571
Total noninterest expenses	877,252	1,082,151
INCOME/(LOSS) BEFORE INCOME TAXES	570,800	274,824
Income taxes/(benefits)	174,975	72,256
NET INCOME/(LOSS)	$ 395,825	$ 202,568
Average common shares outstanding	368,945	384,808
Earnings/(Loss) per common share	$ 1.07	$ 0.53
Diluted average common shares outstanding	372,489	387,724
Diluted earnings/(loss) per common share	$ 1.06	$ 0.52

See notes to consolidated financial statements.

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

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Deferred Compensati on Restric Stock
			(In thousands)		
BALANCE AT JANUARY 1, 2001	$416,941	$691,677	$2,466,048	$(651,328)	$ (2,381
Comprehensive income:					
Net income	-0-	-0-	395,825	-0-	-0-
Other comprehensive income, net of tax:					
Cumulative effect of accounting change (net of $6,324 tax expense)	-0-	-0-	-0-	-0-	-0-

Change in unrealized gains on derivative instruments (net of $8,009 tax expense)....................	-0-	-0-	-0-	-0-	-0-
Changes in unrealized gains and losses on available-for-sale securities, net of reclassification adjustment (net of $68,345 tax expense).............................	-0-	-0-	-0-	-0-	-0-
Comprehensive income.......................					
Cash dividends declared....................	-0-	-0-	(236,088)	-0-	-0-
Common stock transactions:..................					
Purchase of common stock...............	-0-	-0-	-0-	(218,064)	-0-
Employee stock plans...................	(6)	6,205	(7,361)	47,192	(15,151
Dividend reinvestment plan.............	-0-	114	(344)	8,386	-0-
BALANCE AT SEPTEMBER 30, 2001...............	$416,935	$697,996	$2,618,080	$(813,814)	$(17,532
Disclosure of reclassification amount:					
Unrealized holding gains on available-for-sale securities arising during the period..					
Less: Reclassification adjustments 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: Reclassifiction adjustment for gains realized in net income....................					
Net unrealized gains on derivatives, net of tax......................................					

See notes to consolidated financial statements.

AMSOUTH BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30	
	2001	2000
	(In thousands)	
OPERATING ACTIVITIES		
Net income..	$ 395,825	$ 202,568
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses......................	133,500	172,000
Depreciation and amortization of premises and		

equipment	66,370	64,127
Amortization of premiums and discounts on held-to-maturity securities and available-for-sale securities	(17,319)	4,059
Noncash portion of merger-related costs	-0-	67,052
Net gain on branch sales	-0-	(7,668)
Net (increase) decrease in loans held for sale	(68,292)	32,349
Net decrease in trading securities	6,539	27,239
Net (gains) losses on sales of available-for-sale securities	(8,251)	98,280
Gains on sales of loans to dealer conduits	-0-	(9,323)
Net loss on dealer securitization	-0-	18,925
Write-down of mortgage conduit assets	-0-	24,751
Gains on sales of loans to mortgage conduits	(1,993)	(15,808)
Gains on sales of business operations, subsidiaries, and other assets	(3,983)	-0-
Net loss on loans held for accelerated disposition	-0-	23,414
Net increase in accrued interest receivable and other assets	(119,449)	(211,429)
Net increase (decrease) in accrued expenses and other liabilities	117,902	(38,877)
Provision for deferred income taxes	158,801	72,256
Amortization of intangible assets	25,515	28,908
Other operating activities, net	31,013	37,062
Net cash provided by operating activities	716,178	589,885
INVESTING ACTIVITIES		
Proceeds from maturities and prepayments of available-for-sale securities	892,245	470,549
Proceeds from sales of available-for-sale securities	361,163	2,900,801
Purchases of available-for-sale securities	(1,814,799)	(769,000)
Proceeds from maturities, prepayments and calls of held-to-maturity securities	1,238,921	759,794
Purchases of held-to-maturity securities	(939,830)	(449,472)
Net decrease (increase) in federal funds sold and securities purchased under agreements to resell	1,855,665	(73,273)
Net increase in other interest-earning assets	(276,565)	(23,605)
Net increase in loans, excluding dealer securitization and mortgage and dealer conduits sales	(596,919)	(1,775,388)
Proceeds from sales of loans to dealer conduits	-0-	1,001,106
Proceeds from sales of loans to mortgage conduits	100,248	1,199,711
Net purchases of premises and equipment	(110,085)	(27,838)
Net cash received (paid) on sales of branches, business operations, subsidiaries and other assets	13,000	(37,664)
Net cash provided by investing activities	723,044	3,175,721
FINANCING ACTIVITIES		
Net decrease in deposits	(766,532)	(898,025)
Net decrease in federal funds purchased and securities sold under agreements to repurchase	(249,234)	(1,841,935)
Net decrease in other borrowed funds	(455,675)	(1,302,299)
Issuance of long-term Federal Home Loan Bank advances and other long-term debt	600,983	5,375,000
Payments for maturing long-term debt	(393,282)	(4,982,144)
Cash dividends paid	(234,786)	(230,774)
Proceeds from employee stock plans and dividend		

reinvestment plan	36,373	49,218
Purchase of common stock	(218,064)	(345,044)
Net cash used for financing activities	(1,680,217)	(4,176,003)
Decrease in cash and cash equivalents	(240,995)	(410,397)
Cash and cash equivalents at beginning of period	1,276,431	1,562,485
Cash and cash equivalents at end of period	$ 1,035,436	$ 1,152,088

See notes to consolidated financial statements.

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

Nine Months Ended September 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 after-tax transition adjustment associated with the adoption of Statement 133 was immaterial to net income and increased other comprehensive income by 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. 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 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 isolation 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, "Business Combinations" (Statement 141), and Statement No. 142, "Goodwill and Other Intangible Assets" (Statement 142). 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, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (Statement 121).

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 to conform with the new criteria in Statement 141. 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 $288.6 million, and unamortized identifiable intangible assets in the amount of $18.3 million, all of which will be subject to the transition provisions of Statements 141 and 142. The full impact of adoption is yet to be determined, however, amortization expense related to goodwill was $32.5 million, or $.08 per share, and $22.1 million, or $.06 per share, for the year ended December 31, 2000 and the nine months ended September 30, 2001, respectively.

On October 3, 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (Statement 144). Statement 144 supersedes FASB Statement 121 and provides a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of Statement 121, the new rules significantly change the criteria that would have to be met to classify an asset as held-for-sale. Statement 144 also supersedes the provisions of APB Opinion 30 with regard to reporting the effects of a disposal of a segment of a business and will require expected future operating losses from discontinued operations to be displayed in discontinued operations in the period(s) in which the losses are incurred (rather than as of the measurement date as presently required by APB 30). In addition, more dispositions will qualify for discontinued operations treatment in the income statement. This statement will be effective for AmSouth beginning January 2002. AmSouth does not anticipate that this statement will have a material impact on its financial condition or results of operations.

Cash Flows--For the nine months ended September 30, 2001 and 2000, AmSouth paid interest of $1.0 billion and $1.3 billion, respectively. During the nine months ended September 30, 2001 and 2000, AmSouth received income tax refunds of $11.3 million and $6.3 million, respectively. Noncash transfers from loans to foreclosed properties for the nine months ended September 30, 2001 and 2000, were $30.3 and $22.9 million, respectively, and noncash transfers from foreclosed properties to loans were $687 thousand and $1.3 million, respectively. For the nine months ended September 30, 2001, AmSouth had noncash transfers from loans to available-for-sale securities and other assets of approximately $1.6 million and $1.0 million, respectively, in connection with the participation of loans to third-party conduits. For the same period of 2000, AmSouth had noncash transfers from loans to available-for-sale securities, other assets and other liabilities of approximately $30.8 million, $22.7 million and $11.4 million, respectively, 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.

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 nine-month period ended September 30, 2001, AmSouth recognized a net gain of $185,000 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 million of AmSouth's loans were designated as the hedged items to the interest rate swap agreements at September 30, 2001. During the nine-month period ended September 30, 2001, AmSouth recognized a net gain of $208,000 related to the ineffective portion of its hedging instruments.

Comprehensive Income--Total comprehensive income was $213.1 million and $572.4 million for the three and nine months ended September 30, 2001 and $89.6 million and $324.0 million for the three and nine months ended September 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.

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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 September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
	(In thousands except per share data)			
Earnings per common share computation:				
Numerator:				
Net income/(loss)........................	$136,093	$(36,266)	$395,825	$202,568
Denominator:				
Average common shares outstanding..........	365,970	376,240	368,945	384,808
Earnings/(Loss) per common share.............	$ .37	$ (0.10)	$ 1.07	$ .53
Diluted earnings per common share computation:				
Numerator:				
Net income/(loss)........................	$136,093	$(36,266)	$395,825	$202,568
Denominator:				
Average common shares outstanding..........	365,970	376,240	368,945	384,808
Dilutive shares contingently issuable......	4,146	-0-	3,544	2,916

Average diluted common shares outstanding..	370,116	376,240	372,489	387,724
Diluted earnings/(loss) per common share......	$ .37	$ (0.10)	$ 1.06	$ .52

Shareholders' Equity--On April 20, 2000, AmSouth's Board of Directors (The Board) 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 September 30, 2001, 34.5 million shares have been purchased under this authorization at a cost of $587.8 million. On September 19, 2001, The Board approved an additional 25 million shares of common stock for repurchase over the next two years. Through September, no shares had been repurchased under this authorization. Cash dividends of $0.21 per common share were declared in the third quarter of 2001. This represents a five percent increase over the dividend paid during the third quarter of 2000.

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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, non-deposit funding and off-balance sheet financial instruments. Treasury & Other also includes income from bank owned life insurance policies, ineffectiveness related to hedging strategies, net gains on sales of businesses and other assets, 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, 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 nine months ended September 30, 2001 and 2000:

	Consumer Banking	Commercial Banking	Wealth Management	Treasury & Other	Total
			(In thousands)		
Three Months Ended September 30, 2001					
Net interest income from external customers	$ 133,806	$ 156,426	$ (291)	$ 56,096	$ 346,03
Internal funding..........................	126,387	(55,287)	1,501	(72,601)	-0
Net interest income.......................	260,193	101,139	1,210	(16,505)	346,03
Noninterest revenues......................	90,303	26,618	54,392	21,037	192,35
Total revenues............................	350,496	127,757	55,602	4,532	538,38
Provision for loan losses.................	33,976	35,170	-0-	(19,946)	49,20
Noninterest expenses......................	178,741	45,438	41,427	31,564	297,17
Income/(Loss) before income taxes.........	137,779	47,149	14,175	(7,086)	192,01
Income taxes/(benefits)...................	51,843	17,712	5,323	(18,954)	55,92
Segment net income........................	$ 85,936	$ 29,437	$ 8,852	$ 11,868	$ 136,09
Three Months Ended September 30, 2000					
Net interest income from external customers	$ 109,437	$ 185,763	$ (302)	$ 42,880	$ 337,77
Internal funding..........................	135,552	(88,773)	1,049	(47,828)	-0

Net interest income	244,989	96,990	747	(4,948)	337,77
Noninterest revenues	64,424	22,388	52,919	(109,205)	30,52
Total revenues	309,413	119,378	53,666	(114,153)	368,30
Provision for loan losses	24,071	11,357	-0-	88,372	123,80
Noninterest expenses	169,973	40,148	34,950	71,549	316,62
Income/(Loss) before income taxes	115,369	67,873	18,716	(274,074)	(72,11
Income taxes/(benefits)	43,379	25,520	7,037	(111,786)	(35,85
Segment net income/(loss)	$ 71,990	$ 42,353	$ 11,679	$(162,288)	$ (36,26
Nine Months Ended September 30, 2001					
Net interest income from external customers	$ 349,829	$ 502,303	$ (1,017)	$ 168,139	$1,019,25
Internal funding	400,579	(205,809)	4,244	(199,014)	-0
Net interest income	750,408	296,494	3,227	(30,875)	1,019,25
Noninterest revenues	259,496	77,851	157,807	67,144	562,29
Total revenues	1,009,904	374,345	161,034	36,269	1,581,55
Provision for loan losses	89,338	63,879	-0-	(19,717)	133,50
Noninterest expenses	522,959	136,605	120,845	96,843	877,25
Income/(Loss) before income taxes	397,607	173,861	40,189	(40,857)	570,80
Income taxes/(benefits)	149,642	65,284	15,078	(55,029)	174,97
Segment net income	$ 247,965	$ 108,577	$ 25,111	$ 14,172	$ 395,82
Nine Months Ended September 30, 2000					
Net interest income from external customers	$ 350,968	$ 597,893	$ (612)	$ 110,738	$1,058,98
Internal funding	381,748	(260,613)	2,564	(123,699)	-0
Net interest income	732,716	337,280	1,952	(12,961)	1,058,98
Noninterest revenues	238,685	65,016	150,496	15,791	469,98
Total revenues	971,401	402,296	152,448	2,830	1,528,97
Provision for loan losses	64,332	19,208	-0-	88,460	172,00
Noninterest expenses	527,732	115,825	109,907	328,687	1,082,15
Income/(Loss) before income taxes	379,337	267,263	42,541	(414,317)	274,82
Income taxes/(benefits)	142,630	100,491	15,995	(186,860)	72,25
Segment net income/(loss)	$ 236,707	$ 166,772	$ 26,546	$(227,457)	$ 202,56

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 September 30, 2001 and 2000, and the related consolidated statement of earnings for the three-month and nine-month periods ended September 30, 2001 and 2000, the consolidated statement of cash flows for the nine-month periods ended September 30, 2001 and 2000, and the consolidated statement of shareholders' equity for the nine-month period ended September 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.

/S/ ERNST & YOUNG LLP

November 8, 2001

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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 September 30, 2001 of $136.1 million, or $.37 per share and $395.8 million, or $1.06 per share for the first nine months of 2001. In the same periods last year, AmSouth recorded a net loss for the quarter ended September 30, 2000 of $36.3 million, or $.10 per share, and net income of $202.6 million, or $.52 per share, respectively. For the three months and nine months ended September 30, 2001, AmSouth's return on average assets (ROA) was 1.41 percent and 1.38 percent, respectively, compared to a loss on average assets of .34 percent for the third quarter of 2000 and .63 percent ROA for the first nine months of 2000. Return on average equity (ROE) increased to 18.59 percent and 18.47 percent for the third quarter and first nine months of 2001 from a loss on average equity of 5.20 percent for the same quarter of 2000 and 9.41 percent ROE for the first nine months of 2000.

Total assets at September 30, 2001 were $38.3 billion, down from $38.9 billion at year-end reflecting a decrease in Federal funds sold and securities purchased under agreements to resell, offset by increases in loans, the investment portfolio and other interest earning assets. Loans net of unearned income at September 30, 2001 increased $285 million over year-end. This increase was attributable to $977 million of growth in consumer loans offset by decreases in commercial and commercial real estate loans. The increase in consumer loans was driven by increases in home equity loans and lines. This increase also reflected higher levels of residential mortgages and indirect automobile loans being retained on the balance sheet. The decrease in commercial loans reflected management's decision, beginning in 2000, to reduce AmSouth's exposure to syndicated commercial loans while the commercial real estate portfolio decline reflected the impact of borrowers taking advantage of lower rate permanent financing from other financial institutions. Managed loans, which include loans contained in third-party conduits and loans securitized, decreased by $1.1 billion at September 30, 2001 from year-end levels. This decrease reflected lower levels of commercial loans, as previously discussed, as well as a decrease in residential first mortgages and indirect auto loans on an overall managed basis. The investment portfolio, which consists of available-for-sale (AFS) and held-to-maturity (HTM) securities, increased to $9.1 billion at September 30, 2001, compared to $8.6 billion at December 31, 2000. Federal funds sold and securities purchased under agreements to resell decreased to $300 million at September 30, 2001 from $2.2 billion at December 31, 2000. The decrease reflected management's decision to shift lower yielding Federal funds into higher yielding consumer loans and to offset planned decreases in higher cost time deposits.

On the funding side of the balance sheet, total deposits at September 30, 2001 decreased by $749 million compared to December 31, 2000. Excluding the $213 million decrease in foreign time deposits (Eurodollar deposits), domestic deposits declined by $536 million. Decreases in domestic deposits occurred primarily in higher cost time deposits. These decreases were partially offset by increases in low cost deposits, which include noninterest-bearing and interest-bearing demand deposits and savings deposits. Federal funds purchased and securities sold under agreements to repurchase and other borrowed funds decreased by $249 million and $456 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 of 2000 balance sheet restructuring transactions.

Net Interest Income

Net interest income (NII) on a fully taxable equivalent basis was $364.4 million for the third quarter of 2001, an increase of $17.3 million, or 5.0 percent, as compared to the third quarter of 2000 and an increase of $5.4 million or 6.0 percent annualized when compared to the second quarter of 2001. The increase in net interest income on a year over year and quarter over quarter basis reflected a higher net interest margin partially offset by lower average interest-earning assets. Average interest-earning assets for the third quarter of 2001 were $34.8 billion, a decrease of $3.7 billion from the same period in 2000 and a decrease of $166 million from the immediately preceding quarter. The increase in the margin reflected a favorable shift in the mix of both assets and liabilities. More profitable consumer loans replaced narrower spread commercial loans while the decline in

higher cost time deposits was offset with growth in low-cost deposits. On a year-to-date basis, net interest income on a fully taxable equivalent basis was $1.1 billion in 2001, a decrease of $33.5 million or 3.1 percent compared to the first nine months of 2000. The decrease in net interest income for the first nine months of 2001 primarily reflected a $4.5 billion decrease in average interest-earning assets, resulting from the third quarter 2000 balance sheet restructuring. The restructuring also contributed to the 31 basis point increase in the net interest margin for the first nine months of 2001 compared to the same period of 2000. AmSouth expects its margin to improve in the fourth quarter of 2001 reflecting the maturity of $2.3 billion in higher cost time deposits which have or will mature during the third and fourth quarters at a time when renewal rates would be approximately 350 basis points lower.

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 mortgage-related 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, changes in market conditions, volume differences and management's strategies, among other factors.

Based on the results of the simulation model as of September 30, 2001, AmSouth would expect NII to decrease $5 million or approximately .4 percent and increase $7 million or approximately .5 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 September 30, 2000, the simulation model indicated that NII would decrease $14.5 million or approximately 1.0 percent and increase $4.3 million or approximately .3 percent if interest rates gradually increased or decreased, respectively, from their then-current rates by 100 basis points over a 12-month period.

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 $606 million during the first nine months of 2001. At September 30, 2001, AmSouth had interest rate swaps, all of which receive fixed rates, totaling a notional amount of $2.1 billion. At September 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 September 30, 2001, the allowance for loan losses was $360.7 million, or 1.45 percent of loans net of unearned income, compared to $365.2 million, or 1.49 percent, at September 30, 2000 and $380.7 million, or 1.54 percent at June 30, 2001. The decrease in the allowance versus the second quarter of 2001 primarily reflected a significant reduction in AmSouth's exposure to nonperforming syndicated loans as a result of charging off approximately $30 million of shared national credit loans in the third quarter of 2001. The decrease in the allowance also reflected a reduction in classified commercial loans. The decrease in exposure to commercial loans was somewhat offset by an increase in the allowance associated with the consumer loan portfolio as loss experience in the consumer portfolio increased. The coverage ratio of the allowance for loan losses to nonperforming loans was 211 percent at September 30, 2001, an increase from the June 30, 2001 ratio of 193 percent.

Net charge-offs for the quarter ended September 30, 2001, were $69.1 million or 1.11 percent of average loans, on an annualized basis, an increase of $33.7 million from the $35.4 million or .55 percent of average loans reported a year earlier and $23.1 million higher than the $46.1 million of net charge-offs or .75 percent of average loans reported in the second quarter of 2001. The increase in net charge-offs for the quarter occurred in both the commercial and consumer portfolios with commercial and commercial real estate net charge-offs increasing $26.5 million compared to the third quarter of 2000 and $17.9 million compared to the second quarter of 2001. As described in the previous paragraph, the increase reflected approximately $30 million of shared national credit loans. In the consumer portfolio, net charge-offs for the third quarter were $25.5 million compared to $20.4 million in the second quarter of 2001 and $18.3 million for third quarter of 2000. Compared to the third quarter of 2000, the increase in consumer net charge-offs in the third quarter of 2001 reflected increases in most consumer loan categories. The increase versus the second quarter of 2001 was primarily the result of increases in indirect automobile loans, direct consumer loans and residential first mortgages partially offset by decreases in equity lending and bankcard and revolving credit net charge-offs. The overall increase in the consumer net charge-offs primarily reflected a continued slowing of the economy and higher rates of personal bankruptcy filings. For the nine months ended September 30, 2001, net charge-offs were $153.2 million or an annualized .83 percent of average loans compared to $83.5 million or .42 percent for the same period of 2000. On a year-to-date basis, the increase in net charge-offs occurred in both the commercial and consumer portfolios. As described in the quarterly comparisons, the increased net charge-offs reflected the impact of a slowing economy and higher rates of personal bankruptcy filings as well as the charge-offs of shared national credit loans. Fourth quarter net charge-offs are expected to return to the 70 to 80 basis point range recognized in the second quarter of 2001. The provision for loan losses for the third quarter of 2001 was $49.2 million compared to $123.8 million in the third quarter of 2000 and $46.1 million in the second quarter of 2001. For the first nine months of 2001, the provision was $133.5 million compared to $172.0 million for the corresponding year-earlier period.

Table 7 presents a five-quarter comparison of the components of nonperforming assets. At September 30, 2001, nonperforming assets as a percentage of loans net of unearned income, foreclosed properties and repossessions decreased by eight basis points to 0.82 percent compared to 0.90 percent at the end of the second quarter of 2001. Compared to the third quarter of 2000, this percentage increased 16 basis points from 0.66 percent. The decrease from the second quarter of 2001 reflected the charge-off of approximately $30 million of shared national credit loans. The increase compared to the prior year was primarily associated with a higher level of nonperforming syndicated commercial loans at September 30, 2001 compared to September 30, 2000 and reflected the impact of a slower economy.

Included in nonperforming assets at September 30, 2001 and 2000, was $114.8 million and $80.2 million, respectively, in loans that were considered to be impaired, substantially all of which were on a nonaccrual basis. At September 30, 2001 and 2000, there was $25.4 million and $42.5 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 September 30, 2001 and 2000, was $126.4 million and $61.9 million, respectively, and $130.6 million and $66.6 million, respectively, for the nine months ended September 30, 2001 and 2000.

AmSouth recorded no material interest income on its impaired loans during the three and nine months ended September 30, 2001.

Noninterest Revenues and Noninterest Expenses

Noninterest revenue (NIR) was $192.4 million during the third quarter of 2001 and $562.3 million for the first nine months of 2001 compared to $30.5 million and $470.0 million reported for the corresponding periods in 2000. NIR in 2000, however, was negatively impacted by charges recorded in connection with a third quarter financial restructuring as well as charges associated with business divestitures. The impact of these items was to reduce NIR in third quarter and year-to-date by approximately $171 million. NIR for the quarter and year-to-date period ended September 30, 2000 also included approximately $34.4 million and $117.6 million of revenues associated with IFC Holdings, Inc. (IFC), which was sold by AmSouth in the third quarter of 2000. Excluding the impact of the restructuring and business divestiture charges as well as revenues from IFC, NIR increased by 14.8 percent in the third quarter of 2001 and 7.5 percent on a year-to-date basis from adjusted NIR of $167.5 million and $523.2 million for the quarter and nine months ended September 30, 2000, respectively.

The increase in NIR versus the adjusted prior year numbers was primarily due to higher revenues generated across most categories of NIR. Categories showing improvement were led by service charges on deposits, which increased $7.4 million or 12.9 percent, and $20.2 million or 11.8 percent versus the third quarter and first nine months of 2000, respectively. 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 fees. Additionally, consumer investment services income, excluding IFC generated revenues, increased $2.5 million and $6.8 million when compared to the three months and nine months ended September 30, 2000, respectively. This increase was primarily the result of higher annuity income from AmSouth's platform annuity sales program. Interchange income for the three and nine months ended September 30, 2001 was $2.3 million and $4.4 million higher, respectively, than the corresponding periods last year due to higher transaction volumes from AmSouth checkcards and ATMs. Mortgage income in the third quarter of 2001 increased $4.4 million compared to the third quarter of 2000, adjusted for restructuring charges, yet declined by approximately $5.8 million for the nine months ended September 30, 2001, compared to the same period in 2000. The increase for the quarter was driven by higher gains on the bulk sale of mortgage loans and servicing in the secondary market. On a year-to-date comparison, the decrease in mortgage income reflected a $13.8 million decrease in gains on sales of mortgage loans to third-party conduits, partially offset by higher secondary marketing gains from the sale of mortgage loans and servicing. The decline in trust income reflected a drop in net assets under management, primarily as a result of declining market values and a decline in net new business.

Noninterest expenses (NIE) decreased from the prior year by 6.1 percent and 18.9 percent for the three months and nine months ended September 30, 2001. Excluding the impact of merger-related charges and expenses related to IFC, NIE increased 5.1 percent or $14.6 million for the quarter and 1.7 percent or $14.8 million year-to-date compared to the same periods of 2000. The increase primarily reflected higher salaries and employee benefits, and within other NIE, professional fees. On a quarterly comparison basis, higher marketing and equipment expenses also contributed to the increase in NIE versus adjusted third quarter 2000 NIE. Salaries and employee benefits increased $8.4 million and $11.9 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 as well as higher staffing levels. Professional fees increased $2.5 million on a quarterly basis and $4.9 million year-to-date compared to corresponding periods in 2000, excluding IFC. While marketing expenses on a year-to-date basis were down $1.9 million compared to the same period of 2000 as a result of cost control initiatives, third quarter marketing expenses were $2.0 million higher than the third quarter of 2000 as a result of additional expenses associated with AmSouth's equity lending initiative. Equipment expense, excluding IFC, was down $1.8 million or 2.0 percent on a year-to-date basis, primarily due to synergies achieved as a result of the merger with First American. On a quarterly comparison basis, equipment expense was higher due to an increase in software depreciation. As a result of the sale of IFC,

no expenses for subscriber commissions were incurred in 2001, compared to $24.7 million and $82.6 million in the third quarter and first nine months of last year.

Capital Adequacy

At September 30, 2001, shareholders' equity totaled $3.0 billion or 7.76 percent of total assets. Since December 31, 2000, shareholders' equity increased $157.3 million primarily as a result of net income for the nine months of $395.8 million. In addition, shareholders' equity increased $156.0 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 $20.5 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 $236.1 million and the purchase of 12.1 million shares of AmSouth common stock for $218.1 million during the first nine months of 2001.

Table 10 presents the capital amounts and risk-adjusted capital ratios for AmSouth and AmSouth Bank at September 30, 2001 and 2000. At September 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 risk-adjusted capital ratios for AmSouth Bank were above the regulatory minimums, and the Bank was well capitalized at September 30, 2001.

Table 1--Financial Summary

	September 30 2001	September 30 2000	% Change
	(In thousands)		
Balance sheet summary			
End-of-period balances:			
Loans net of unearned income.	$ 24,901,060	$ 24,481,792	1.7%
Total assets.................	38,264,805	39,407,881	(2.9)
Total deposits...............	25,873,948	26,790,431	(3.4)
Shareholders' equity.........	2,970,662	2,761,686	7.6
Year-to-date average balances:			
Loans net of unearned income.	$ 24,702,003	$ 26,309,699	(6.1)%
Total assets.................	38,359,859	42,944,326	(10.7)
Total deposits...............	26,002,930	27,686,327	(6.1)
Shareholders' equity.........	2,865,476	2,874,424	(0.3)

	Nine Months Ended September 30 2001	Nine Months Ended September 30 2000	% Change	Three Months Ended September 30 2001	Three Months Ended September 30 2000	% Cha
	(In thousands except per share data)					
Earnings summary						
Net income/(loss).........................	$395,825	$202,568	95.4%	$136,093	$(36,266)	475
Earnings/(Loss) per common share..........	1.07	0.53	101.9	0.37	(0.10)	470
Diluted earnings/(loss) per common share..	1.06	0.52	103.8	0.37	(0.10)	470
Return/(Loss) on average assets (annualized)...........................	1.38%	0.63%		1.41%	(0.34)%	
Return/(Loss) on average equity (annualized)...........................	18.47	9.41		18.59	(5.20)	
Operating efficiency......................	53.95	69.05		53.37	83.85	
Selected ratios						
Average equity to assets..................	7.47%	6.69%		7.60%	6.63%	
End-of-period equity to assets............	7.76	7.01		7.76	7.01	
End-of-period tangible equity to assets...	7.00	6.16		7.00	6.16	
Allowance for loan losses to loans net of unearned income........................	1.45	1.49		1.45	1.49	
Common stock data						
Cash dividends declared...................	$ 0.63	$ 0.60		$ 0.21	$ 0.20	
Book value at end of period...............	8.14	7.36		8.14	7.36	
Market value at end of period.............	18.07	12.50		18.07	12.50	
Average common shares outstanding.........	368,945	384,808		365,970	376,240	
Average common shares outstanding-diluted................................	372,489	387,724		370,116	376,240	

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

	2001			
	Nine Months Ended September 30			Nin
	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance
	(Taxable equivalent basis-dollars			
Assets				
Interest-earning assets:				
Loans net of unearned income........................	$24,702,003	$1,537,628	8.32%	$26,309,6
Available-for-sale securities:......................				
Taxable...	4,137,089	239,276	7.73	5,893,4
Tax-free..	88,773	5,145	7.75	65,7
Total available-for-sale securities..............	4,225,862	244,421	7.73	5,959,1
Held-to-maturity securities:........................				
Taxable...	4,142,195	209,581	6.76	6,526,7
Tax-free..	343,829	19,021	7.40	392,0
Total held-to-maturity securities................	4,486,024	228,602	6.81	6,918,8
Total investment securities...................	8,711,886	473,023	7.26	12,877,9
Other interest-earning assets.......................	1,538,899	60,592	5.26	257,0
Total interest-earning assets....................	34,952,788	2,071,243	7.92	39,444,7
Cash and other assets.................................	3,703,585			4,069,0
Allowance for loan losses.............................	(381,465)			(352,1
Market valuation on available-for-sale securities.......	84,951			(217,2
	$38,359,859			$42,944,3
Liabilities and Shareholders' Equity				
Interest-bearing liabilities:				
Interest-bearing demand deposits....................	$ 9,898,365	217,629	2.94	$ 9,368,2
Savings deposits....................................	1,214,898	13,367	1.47	1,801,3
Time deposits.......................................	7,683,111	328,731	5.72	7,677,0
Foreign time deposits...............................	308,491	8,383	3.63	1,319,2
Certificates of deposit of $100,000 or more..........	2,350,839	102,585	5.83	2,817,9
Federal funds purchased and securities sold under agreements to repurchase...........................	2,248,426	64,649	3.84	3,767,5
Other interest-bearing liabilities..................	6,319,092	272,169	5.76	7,946,1
Total interest-bearing liabilities...............	30,023,222	1,007,513	4.49	34,697,3
Net interest spread..................................			3.43%	
Noninterest-bearing demand deposits..................	4,547,226			4,702,6
Other liabilities....................................	923,935			669,8
Shareholders' equity.................................	2,865,476			2,874,4
	$38,359,859			$42,944,3
Net interest income/margin on a taxable equivalent basis		1,063,730	4.07%	

Taxable equivalent adjustment:	
Loans	28,691
Available-for-sale securities	3,722
Held-to-maturity securities	12,063
Total taxable equivalent adjustment	44,476
Net interest income	$1,019,254

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.

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

	2001			
	Third Quarter			Seco
	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance
	(Taxable equivalent basis - dollars i			
Assets				
Interest-earning assets:				
Loans net of unearned income	$24,762,932	$494,161	7.92%	$24,695,993
Available-for-sale securities:				
Taxable	4,341,632	84,445	7.72	4,163,800
Tax-free	81,699	1,590	7.72	89,578
Total available-for-sale securities	4,423,331	86,035	7.72	4,253,378
Held-to-maturity securities:				
Taxable	3,987,733	66,416	6.61	4,185,593
Tax-free	341,982	6,365	7.38	341,906
Total held-to-maturity securities	4,329,715	72,781	6.67	4,527,499
Total investment securities	8,753,046	158,816	7.20	8,780,877
Other interest-earning assets	1,265,120	13,766	4.32	1,470,097
Total interest-earning assets	34,781,098	666,743	7.61	34,946,967
Cash and other assets	3,678,731			3,726,748
Allowance for loan losses	(382,177)			(380,983
Market valuation on available-for-sale securities	127,813			86,153

	$38,205,465			$38,378,885
	===========			===========
Liabilities and Shareholders' Equity				
Interest-bearing liabilities:				
Interest-bearing demand deposits....................	$10,080,711	61,961	2.44	$ 9,902,714
Savings deposits....................................	1,213,940	3,817	1.25	1,219,045
Time deposits.......................................	7,511,350	101,607	5.37	7,716,673
Foreign time deposits...............................	313,799	2,152	2.72	279,454
Certificates of deposit of $100,000 or more..........	2,214,303	30,036	5.38	2,323,449
Federal funds purchased and securities sold under agreements to repurchase...........................	2,162,744	15,664	2.87	2,243,192
Other interest-bearing liabilities..................	6,238,392	87,095	5.54	6,336,607
	-----------	--------		-----------
Total interest-bearing liabilities................	29,735,239	302,332	4.03	30,021,134
		--------	----	
Net interest spread...................................			3.58%	
			====	
Noninterest-bearing demand deposits....................	4,591,157			4,566,584
Other liabilities......................................	974,955			930,883
Shareholders' equity...................................	2,904,114			2,860,284
	-----------			-----------
	$38,205,465			$38,378,885
	===========			===========
Net interest income/margin on a taxable equivalent basis		364,411	4.16%	
			====	
Taxable equivalent adjustment:				
Loans..		13,168		
Available-for-sale securities......................		1,241		
Held-to-maturity securities........................		3,965		

Total taxable equivalent adjustment...............		18,374		

Net interest income............................		$346,037		
		========		

	2001			
	First Quarter			Four
	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance
Assets				
Interest-earning assets:..............................				
Loans net of unearned income........................	$24,645,798	$530,572	8.73%	$24,599,887
Available-for-sale securities:				
Taxable..	3,900,993	71,850	7.47	1,869,932
Tax-free...	95,192	1,830	7.80	62,293
	-----------	--------		-----------
Total available-for-sale securities...............	3,996,185	73,680	7.48	1,932,225
	-----------	--------		-----------
Held-to-maturity securities:				
Taxable..	4,256,209	72,571	6.91	6,298,607
Tax-free...	347,660	6,316	7.37	395,589
	-----------	--------		-----------
Total held-to-maturity securities.................	4,603,869	78,887	6.95	6,694,196
	-----------	--------		-----------
Total investment securities.....................	8,600,054	152,567	7.19	8,626,421
Other interest-earning assets.......................	1,888,326	27,115	5.82	2,123,852

Total interest-earning assets.....................	35,134,178	710,254	8.20	35,350,160
Cash and other assets................................	3,705,571			3,657,475
Allowance for loan losses............................	(381,223)			(367,361
Market valuation on available-for-sale securities.......	39,921			(8,998
	$38,498,447			$38,631,276
Liabilities and Shareholders' Equity				
Interest-bearing liabilities:				
Interest-bearing demand deposits....................	$ 9,707,570	83,607	3.49	$ 9,401,061
Savings deposits....................................	1,211,685	4,909	1.64	1,244,649
Time deposits.......................................	7,824,754	116,585	6.04	8,010,342
Foreign time deposits...............................	332,426	3,797	4.63	397,954
Certificates of deposit of $100,000 or more..........	2,518,103	38,467	6.20	2,659,888
Federal funds purchased and securities sold under agreements to repurchase..........................	2,341,302	27,617	4.78	2,388,137
Other interest-bearing liabilities..................	6,383,876	94,992	6.03	6,485,954
Total interest-bearing liabilities................	30,319,716	369,974	4.95	30,587,985
Net interest spread..................................			3.25%	
Noninterest-bearing demand deposits....................	4,482,747			4,527,554
Other liabilities......................................	864,755			758,421
Shareholders' equity...................................	2,831,229			2,757,316
	$38,498,447			$38,631,276
Net interest income/margin on a taxable equivalent basis		340,280	3.93%	
Taxable equivalent adjustment:				
Loans...		5,118		
Available-for-sale securities.......................		1,257		
Held-to-maturity securities.........................		4,062		
Total taxable equivalent adjustment...............		10,437		
Net interest income............................		$329,843		

	2000		
	Third Quarter		
	Average Balance	Revenue/ Expense	Yield/ Rate
Assets			
Interest-earning assets:..............................			
Loans net of unearned income.......................	$25,613,223	$573,685	8.91%
Available-for-sale securities:			
Taxable...	5,678,994	94,775	6.64
Tax-free..	64,747	1,145	7.04
Total available-for-sale securities...............	5,743,741	95,920	6.64
Held-to-maturity securities:			
Taxable...	6,445,507	110,990	6.85

Tax-free	397,506	7,170	7.18
Total held-to-maturity securities	6,843,013	118,160	6.87
Total investment securities	12,586,754	214,080	6.77
Other interest-earning assets	262,352	4,211	6.39
Total interest-earning assets	38,462,329	791,976	8.19
Cash and other assets	3,925,391		
Allowance for loan losses	(348,796)		
Market valuation on available-for-sale securities	(178,535)		
	$41,860,389		
Liabilities and Shareholders' Equity			
Interest-bearing liabilities:			
Interest-bearing demand deposits	$ 9,502,341	87,349	3.66
Savings deposits	1,333,857	5,651	1.69
Time deposits	7,816,704	115,863	5.90
Foreign time deposits	1,234,991	19,820	6.38
Certificates of deposit of $100,000 or more	2,861,681	45,019	6.26
Federal funds purchased and securities sold under agreements to repurchase	3,540,942	53,015	5.96
Other interest-bearing liabilities	7,411,097	118,175	6.34
Total interest-bearing liabilities	33,701,613	444,892	5.25
Net interest spread			2.94%
Noninterest-bearing demand deposits	4,640,946		
Other liabilities	744,397		
Shareholders' equity	2,773,433		
	$41,860,389		
Net interest income/margin on a taxable equivalent basis		347,084	3.59%
Taxable equivalent adjustment:			
Loans		3,773	
Available-for-sale securities		822	
Held-to-maturity securities		4,711	
Total taxable equivalent adjustment		9,306	
Net interest income		$337,778	

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 4--Maturities and Interest Rates Exchanged on Swaps

	Mature During						
	2002	2003	2004	2005	2008	2009	Total
	(Dollars in millions)						
Receive fixed swaps:							
Notional amount.	$ 971	$ 290	$ 300	$ 150	$ 175	$ 175	$2,061
Receive rate....	6.62%	6.34%	6.23%	6.25%	6.13%	6.22%	6.42%
Pay rate........	3.33%	3.31%	3.27%	3.58%	3.64%	3.58%	3.38%

NOTE: The interest rates exchanged are calculated assuming that interest rates remain unchanged from September 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

	Loans* September 30		Nonperforming Loans** September 30		Net Charge-offs Nine Months Ended September 30	
	2001	2000	2001	2000	2001	2000
	(In thousands)					
Commercial:						
Commercial & industrial.......	$ 6,947,116	$ 7,478,921	$ 96,216	$ 78,168	$ 79,374	$20,933
Commercial loans--secured by real estate................	1,662,608	1,748,927	17,060	21,246	4,293	10,700
Total commercial.........	8,609,724	9,227,848	113,276	99,414	83,667	31,633
Commercial real estate:						
Commercial real estate mortgages..................	2,270,899	2,367,155	18,518	20,316	732	(345)
Real estate construction......	2,345,379	2,355,264	21,012	5,496	373	489
Total commercial real estate.................	4,616,278	4,722,419	39,530	25,812	1,105	144
Consumer:						
Residential first mortgages...	1,560,330	1,324,406	12,449	11,528	1,496	733
Equity loans & lines..........	5,104,451	4,604,648	4,546	7,532	11,020	5,709
Dealer indirect..............	3,383,871	2,845,271	1	4	30,105	27,113
Revolving credit.............	500,647	478,810	-0-	-0-	15,250	10,986
Other consumer...............	1,125,759	1,278,390	893	1,779	10,574	7,223
Total consumer...........	11,675,058	10,531,525	17,889	20,843	68,445	51,764
	$24,901,060	$24,481,792	$170,695	$146,069	$153,217	$83,541

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* Net of unearned income.

** Exclusive of accruing loans 90 days past due.

Table 6--Allowance for Loan Losses

	2001			2000	
	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarte
	(Dollars in thousands)				
Balance at beginning of period..................	$380,663	$380,646	$380,434	$365,164	$346,0
Loans charged off...............................	(81,320)	(57,478)	(50,506)	(55,221)	(48,3
Recoveries of loans previously charged off........	12,174	11,395	12,518	14,411	12,8
Net charge-offs.................................	(69,146)	(46,083)	(37,988)	(40,810)	(35,4
Addition to allowance charged to expense..........	49,200	46,100	38,200	55,600	123,8
Allowance sold/transferred, net..................	-0-	-0-	-0-	-0-	(69,0
Allowance transferred to other liabilities........	-0-	-0-	-0-	480	(1
Balance at end of period........................	$360,717	$380,663	$380,646	$380,434	$365,1
Allowance for loan losses to loans net of unearned income..	1.45%	1.54%	1.55%	1.55%	1.
Allowance for loan losses to nonperforming loans*.	211.32%	193.11%	181.84%	211.75%	249.
Allowance for loan losses to nonperforming assets*	176.69%	170.18%	167.02%	193.82%	224.
Net charge-offs to average loans net of unearned income (annualized)...........................	1.11%	0.75%	0.63%	0.66%	0.

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* Exclusive of accruing loans 90 days past due.

Table 7--Nonperforming Assets

	2001			2000	
	September 30	June 30	March 31	December 31	Septemb
	(Dollars in thousands)				
Nonaccrual loans............................	$170,695	$197,120	$209,333	$179,659	$146,
Foreclosed properties.......................	28,006	20,380	13,688	12,360	12,
Repossessions...............................	5,449	6,177	4,888	4,259	3,
Total nonperforming assets*..............	$204,150	$223,677	$227,909	$196,278	$162,
Nonperforming assets* to loans net of unearned income, foreclosed properties and repossessions............................	0.82%	0.90%	0.93%	0.80%	0
Accruing loans 90 days past due.............	$102,373	$ 88,747	$ 89,237	$ 85,410	$ 78,

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* Exclusive of accruing loans 90 days past due.

Table 8--Investment Securities

	September 30, 2001		September 30, 2000	
	Carrying Amount	Market Value	Carrying Amount	Market Value
	(In thousands)			
Held-to-maturity:				
U.S. Treasury and federal agency securities.	$2,729,479	$2,819,144	$4,940,612	$4,834,171
Other securities...........................	1,317,614	1,355,846	1,424,557	1,406,593
State, county and municipal securities......	342,234	360,173	389,566	380,193
	$4,389,327	$4,535,163	$6,754,735	$6,620,957
Available-for-sale:				
U.S. Treasury and federal agency securities.	$3,743,639		$1,378,344	
Other securities...........................	912,246		492,139	
State, county and municipal securities......	93,941		68,948	
	$4,749,826		$1,939,431	

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 September 30, 2001, were approximately 3.6 years and 6.58%, respectively. Included in the combined portfolios was $7.7 billion of mortgage-backed securities. The weighted-average remaining life and the weighted-average yield of mortgage-backed securities at September 30, 2001, were approximately 3.1 years and 6.56%, respectively. The duration of the combined portfolios, which considers the repricing frequency of variable rate securities, is approximately 2.6 years.

2. The available-for-sale portfolio included net unrealized gains of $194.2 million and unrealized losses of $15.0 million at September 30, 2001 and 2000, respectively.

Table 9--Other Interest-Bearing Liabilities

	September 30	
	2001	2000
	(In thousands)	
Other borrowed funds:		
Short-term bank notes.............	$ 0-	$500,000
Term Federal Funds purchased.......	-0-	250,000

Treasury, tax and loan notes.......	25,000	25,000
Commercial paper..................	12,524	13,803
Other short-term debt.............	43,649	44,618
Total other borrowed funds.	$ 81,173	$833,421
Other long-term debt:		
6.45% Subordinated Notes Due 2018..	$ 303,150	$303,647
6.125% Subordinated Notes Due 2009.	174,604	174,459
6.75% Subordinated Debentures Due 2025	149,928	149,911
7.75% Subordinated Notes Due 2004..	149,756	149,664
7.25% Senior Notes Due 2006........	99,673	99,548
6.875% Subordinated Notes Due 2003.	49,950	49,944
6.625% Subordinated Notes Due 2005.	49,775	49,722
Other long-term debt..............	8,016	3,864
Statement 133 valuation adjustment.	40,315	-0-
Total other long-term debt.	$1,025,167	$980,759

Table 10--Capital Amounts and Ratios

	September 30			
	2001		2000	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 capital:				
AmSouth......	$2,585,570	7.71%	$2,528,159	7.15%
AmSouth Bank.	3,266,068	9.75	3,079,995	8.73
Total capital:				
AmSouth......	$3,692,807	11.00%	$3,689,371	10.44%
AmSouth Bank.	3,939,061	11.76	3,757,339	10.65
Leverage:				
AmSouth......	$2,585,570	6.82%	$2,528,159	6.09%
AmSouth Bank.	3,266,068	8.62	3,079,995	7.43

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included on page 14 of Item 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 more significant lawsuits against AmSouth are filed in Mississippi relative to the amount of business done 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, 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 6. Exhibits and Reports on Form 8-K

Item 6(a)--Exhibits

The exhibits listed in the Exhibit Index at page 27 of this Form 10-Q are filed herewith or are incorporated by reference herein.

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

One report on Form 8-K was filed by AmSouth during the period July 1, 2001 to September 30, 2001:

A report was filed on September 19, 2001 to report the approval of AmSouth's Board of Directors for the repurchase of up to twenty-five million shares of AmSouth common stock over the next two years.

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.

November 13, 2001 By: /S/ C. DOWD RITTER

C. Dowd Ritter

Chairman, President and
Chief Executive Officer

November 13, 2001 By: /S/ DONALD R. KIMBLE

Donald R. Kimble
Executive Vice President,
Chief Accounting Officer
and Controller

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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)
4 Second Addendum to the Agreement for Advances and Security Agreement with Blanket Floating Lien
10-a AmSouth Bancorporation Amended and Restated Supplemental Retirement Plan
10-b AmSouth Bancorporation Amended and Restated Supplemental Thrift Plan
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.

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