

SUNTRUST BANKS INC
Form 424B5
November 04, 2014
Table of Contents

FILED PURSUANT TO RULE 424(B)(5)
REGISTRATION NO: 333-183516

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT (Subject to Completion)

(To Prospectus dated August 23, 2012)

Issued November 4, 2014

SunTrust Banks, Inc.

Depository Shares Each Representing a 1/100th Interest

in a Share of Fixed-to-Floating Rate Perpetual Preferred Stock, Series F

Each of the depository shares offered hereby represents a 1/100th ownership interest in a share of Fixed-to-Floating Rate Perpetual Preferred Stock, Series F (the *Shares* or the *Series F Preferred Stock*), \$100,000 liquidation preference per share (equivalent to \$1,000 per depository share), of SunTrust Banks, Inc. (*SunTrust*) deposited with U.S. Bank National Association, as depository. The depository shares are evidenced by depository receipts. As a holder of depository shares, you are entitled to all proportional rights and preferences of the Series F Preferred Stock (including dividend, voting, redemption and liquidation rights). You must exercise such rights through the depository.

Holders of Series F Preferred Stock will be entitled to receive dividend payments only when, as and if declared by our board of directors or a duly authorized committee of the board. Dividends will be payable from the date of original issue to, but excluding, December 15, 2019 at a rate of % per annum, payable semi-annually, in arrears, on June 15 and December 15 of each year, beginning on June 15, 2015 and ending on December 15, 2019. From and including December 15, 2019, we will pay dividends when, as, and if declared by our board of directors or such committee at a floating rate equal to three-month LIBOR plus a spread of % per annum, payable quarterly, in arrears, on March 15, June 15, September 15 and December 15 of each year, beginning on March 15, 2020.

Dividends on the Shares will be non-cumulative. In the event dividends are not declared on Series F Preferred Stock for payment on any dividend payment date, then those dividends will not be cumulative and will not accrue or be payable, and if we have not declared a dividend before the dividend payment date for any dividend period, we will have no obligation to pay dividends for that dividend period, whether or not dividends on the Series F Preferred Stock are declared for any future dividend period.

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On any dividend payment date occurring on or after December 15, 2019 we may redeem the Series F Preferred Stock, in whole or in part, at a redemption price of \$100,000 per Share (equivalent to \$1,000 per depositary share), plus any declared and unpaid dividends. In addition, we may redeem the Series F Preferred Stock, in whole but not in part, at any time within 90 days following a Regulatory Capital Event (as defined herein), at a redemption price of \$100,000 per Share (equivalent to \$1,000 per depositary share), plus any declared and unpaid dividends. The Series F Preferred Stock will not have voting rights, except as set forth under [Description of Series F Preferred Stock](#) [Voting Rights](#) beginning on page S-19.

We do not intend to list the depositary shares or the Series F Preferred Stock on any securities exchange.

Neither the Series F Preferred Stock nor the depositary shares are savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality.

Investing in the depositary shares involves risk. See [Risk Factors](#) beginning on page S-9 of this prospectus supplement to read about factors you should consider before investing in the depositary shares.

Neither the Securities and Exchange Commission, any state securities commission, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System (the Federal Reserve) nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Depositary Share	Total
Initial public offering price ⁽¹⁾	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to SunTrust Banks, Inc.	\$	\$

(1) The initial public offering price set forth above does not include dividends, if any, that may be declared. Dividends, if declared, will be calculated from the date of original issuance, which is expected to be November , 2014.

The underwriters expect to deliver the depositary shares in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on November , 2014. Beneficial interests in the depositary shares will be shown on, and transfers thereof will be effected only through, records maintained by The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V.

SunTrust Robinson Humphrey, Inc., our subsidiary, is participating in this offering of depositary shares as an underwriter. Accordingly, this offering is being conducted in compliance with the provisions of Financial Industry Regulatory Authority (*FINRA*) Rule 5121.

Joint Bookrunners

Goldman, Sachs & Co.

Morgan Stanley

SunTrust Robinson Humphrey

Prospectus Supplement dated November , 2014

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>ABOUT THIS PROSPECTUS SUPPLEMENT</u>	S-ii
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	S-iii
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	S-iv
<u>SUMMARY</u>	S-1
<u>RISK FACTORS</u>	S-9
<u>USE OF PROCEEDS</u>	S-14
<u>REGULATORY CONSIDERATIONS</u>	S-15
<u>SELECTED FINANCIAL DATA</u>	S-16
<u>CAPITALIZATION</u>	S-18
<u>DESCRIPTION OF THE SERIES F PREFERRED STOCK</u>	S-19
<u>DESCRIPTION OF THE DEPOSITARY SHARES</u>	S-30
<u>BOOK-ENTRY, DELIVERY AND FORM OF DEPOSITARY SHARES</u>	S-33
<u>UNITED STATES FEDERAL TAX CONSEQUENCES TO HOLDERS OF DEPOSITARY SHARES</u>	S-37
<u>EMPLOYEE RETIREMENT INCOME SECURITY ACT</u>	S-42
<u>UNDERWRITING</u>	S-44
<u>VALIDITY OF SHARES</u>	S-49
<u>EXPERTS</u>	S-49

Prospectus

<u>ABOUT THIS PROSPECTUS</u>	1
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	1
<u>USE OF PROCEEDS</u>	2
<u>VALIDITY OF SECURITIES</u>	2
<u>EXPERTS</u>	2

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the heading *Where You Can Find More Information*.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to *SunTrust*, *we*, *us*, *our* or similar references mean SunTrust Banks, Inc. and its subsidiaries.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus filed by us with the Securities and Exchange Commission (the SEC). This prospectus supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this prospectus supplement, the accompanying prospectus or any free writing prospectus filed by us with the SEC and the documents referred to in this prospectus supplement and which are made available to the public. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus or any free writing prospectus filed by us with the SEC or any document incorporated by reference is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase, any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public from the SEC's web site at <http://www.sec.gov>. To receive copies of public records not posted to the SEC's web site at prescribed rates, you may complete an online form at <http://www.sec.gov>, send a fax to (202) 772-9337 or submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information. Our SEC filings are also available at the offices of the New York Stock Exchange. For further information on obtaining copies of our public filings at the New York Stock Exchange, you should call 212-656-3000.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the *Exchange Act* (other than, in each case, information deemed to have been furnished and not filed in accordance with SEC rules), prior to the termination of the offering:

Annual Report on Form 10-K for the year ended December 31, 2013;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014; and

Current Reports on Form 8-K dated December 11, 2013 (Form 8-K/A filed February 24, 2014), January 21, 2014, February 11, 2014, March 26, 2014, April 22, 2014, April 24, 2014, June 17, 2014, July 3, 2014, August 12, 2014, September 9, 2014 (Item 8.01 only) and November 4, 2014.

You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing), at no cost, by writing or calling us at the following address:

SunTrust Banks, Inc.

303 Peachtree Street, NE

Atlanta, Georgia 30308

Telephone: 404-588-7711

Attn: Corporate Secretary

We have also filed a registration statement (No. 333-183516) with the SEC relating to the securities offered by this prospectus supplement and the accompanying prospectus. This prospectus supplement is part of the registration statement. You may obtain from the SEC a copy of the registration statement and exhibits that we filed with the SEC when we registered the depositary shares and the Series F Preferred Stock. The registration statement may contain additional information that may be important to you.

Unless otherwise indicated, currency amounts in this prospectus supplement are stated in U.S. dollars.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information included or incorporated by reference in this prospectus supplement may contain forward-looking statements, including statements about credit quality and the future prospects of SunTrust. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words *believes*, *expects*, *anticipates*, *estimates*, *intends*, *plans*, *targets*, *potentially*, *probably*, *projects*, *outlook* or similar expressions or future conditions. Words such as *may*, *will*, *should*, *would* and *could*.

Such statements are based upon the current beliefs and expectations of SunTrust's management and on information currently available to management. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, as amended, or the *Securities Act*, and Section 21E of the Exchange Act. Such statements speak as of the date hereof, and SunTrust does not assume any obligation to update the statements included or incorporated by reference herein or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements can be found beginning on page 8 of SunTrust's Annual Report on Form 10-K for the year ended December 31, 2013 and elsewhere in SunTrust's periodic reports and Current Reports filed on Form 8-K with the SEC and available at the SEC's internet site (<http://www.sec.gov>). Those factors include:

our framework for managing risks may not be effective in mitigating risk and loss to us;

as one of the largest lenders in the Southeast and Mid-Atlantic United States and a provider of financial products and services to consumers and businesses across the United States, our financial results have been, and may continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the United States, and a deterioration of economic conditions or of the financial markets may materially adversely affect our lending and other businesses and our financial results and condition;

legislation and regulation, including the Dodd-Frank Act, as well as future legislation and/or regulation, could require us to change certain of our business practices, reduce our revenue, impose additional costs on us, or otherwise adversely affect our business operations and/or competitive position;

we are subject to capital adequacy and liquidity guidelines and, if we fail to meet these guidelines, our financial condition would be adversely affected;

loss of customer deposits and market illiquidity could increase our funding costs;

we rely on the mortgage secondary market and government-sponsored enterprises for some of our liquidity;

we are subject to credit risk;

our allowance for loan and lease losses may not be adequate to cover our eventual losses;

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we may have more credit risk and higher credit losses to the extent that our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral;

iv

Table of Contents

we will realize future losses if the proceeds we receive upon liquidation of nonperforming assets are less than the carrying value of such assets;

a downgrade in the U.S. government's sovereign credit rating, or in the credit ratings of instruments issued, insured or guaranteed by related institutions, agencies or instrumentalities, could result in risks to us and general economic conditions that we are not able to predict;

weakness in the real estate market, including the secondary residential mortgage loan markets, has adversely affected us and may continue to adversely affect us;

we are subject to certain risks related to originating and selling mortgages, and may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, borrower fraud, or certain breaches of our servicing agreements, and this could harm our liquidity, results of operations, and financial condition;

financial difficulties or credit downgrades of mortgage and bond insurers may adversely affect our servicing and investment portfolios;

we face certain risks as a servicer of loans, and may be terminated as a servicer or master servicer, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions, if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions;

we are subject to risks related to delays in the foreclosure process;

we are subject to risks related to delays in the foreclosure process;

we face risks related to recent mortgage settlements;

we may continue to suffer increased losses in our loan portfolio despite enhancement of our underwriting policies and practices;

our mortgage production and servicing revenue can be volatile;

changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital and liquidity;

changes in interest rates could also reduce the value of our mortgage servicing rights and mortgages held for sale, reducing our earnings;

the fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings;

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clients could pursue alternatives to bank deposits, causing us to lose a relatively inexpensive source of funding;

consumers may decide not to use banks to complete their financial transactions, which could affect net income;

we have businesses other than banking which subject us to a variety of risks;

hurricanes and other disasters may adversely affect loan portfolios and operations and increase the cost of doing business;

negative public opinion could damage our reputation and adversely impact business and revenues;

v

Table of Contents

we rely on other companies to provide key components of our business infrastructure;

a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber-attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses;

the soundness of other financial institutions could adversely affect us;

we depend on the accuracy and completeness of information about clients and counterparties;

competition in the financial services industry is intense and could result in losing business or margin declines;

maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services;

our ability to receive dividends from our subsidiaries could affect our liquidity and ability to pay dividends;

disruptions in our ability to access global capital markets may adversely affect our capital resources and liquidity;

any reduction in our credit rating could increase the cost of our funding from the capital markets;

we have in the past and may in the future pursue acquisitions, which could affect costs and from which we may not be able to realize anticipated benefits;

we are subject to certain litigation, and our expenses related to this litigation may adversely affect our results;

we may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations;

we depend on the expertise of key personnel, and if these individuals leave or change their roles without effective replacements, operations may suffer;

we may not be able to hire or retain additional qualified personnel and recruiting and compensation costs may increase as a result of turnover, both of which may increase costs and reduce profitability and may adversely impact our ability to implement our business strategies;

our accounting policies and processes are critical to how we report our financial condition and results of operations, and require management to make estimates about matters that are uncertain;

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changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition;

our stock price can be volatile;

our disclosure controls and procedures may not prevent or detect all errors or acts of fraud;

our financial instruments carried at fair value expose us to certain market risks;

our revenues derived from our investment securities may be volatile and subject to a variety of risks; and

we may enter into transactions with off-balance sheet affiliates or our subsidiaries.

Table of Contents

SUMMARY

The following information should be read together with the information contained in or incorporated by reference in other parts of this prospectus supplement and in the accompanying prospectus. It may not contain all the information that is important to you. You should carefully read this entire prospectus supplement and the accompanying prospectus, as well as the information to which we refer you and the information incorporated by reference herein, before making a decision about whether to invest in the depositary shares representing interests in our Series F Preferred Stock.

SunTrust Banks, Inc.

SunTrust Banks, Inc., with total assets of \$186.8 billion as of September 30, 2014, is one of the nation's largest commercial banking organizations whose businesses provide a broad range of financial services to consumer, business, and corporate clients.

Through our flagship subsidiary, SunTrust Bank, we offer a full line of financial services for consumers and businesses including deposit, credit, mortgage banking, and trust and investment services. Additional subsidiaries provide asset management, securities brokerage, and capital market services. SunTrust's client base encompasses a broad range of individuals and families, businesses, institutions, and governmental agencies.

SunTrust enjoys strong market positions in some of the highest growth markets in the United States and also serves clients in selected markets nationally. Our priorities include consistency in financial performance, quality in customer service and a strong commitment to all segments of the communities we serve.

As of September 30, 2014, SunTrust had 1,454 retail and specialized service branches and 2,192 ATMs, which are located primarily in Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia and the District of Columbia. In addition, SunTrust provides clients with a selection of branch-based and technology-based banking channels, including the internet, mobile, ATMs, and telebanking. Our internet address is www.suntrust.com. Information presented on or accessed through our web site is not incorporated into, or made a part of, this prospectus supplement.

As of September 30, 2014, SunTrust had total assets under advisement of \$149.6 billion. This includes \$103.2 billion in trust assets as well as \$46.4 billion in retail brokerage assets. SunTrust's mortgage servicing portfolio was \$135.8 billion as of September 30, 2014.

Our principal executive offices are located at SunTrust Banks, Inc., 303 Peachtree Street, NE, Atlanta, Georgia 30308. Our telephone number is 404-588-7711.

Table of Contents

Summary of the Offering

*The following summary contains basic information about the depositary shares representing interests in our Series F Preferred Stock and the offering and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of these securities, you should read the sections of this prospectus supplement entitled *Description of the Series F Preferred Stock* and *Description of the Depositary Shares*.*

Issuer SunTrust Banks, Inc.

Securities Offered depositary shares, each representing a 1/100th ownership interest in a share of Fixed-to-Floating Rate Perpetual Preferred Stock, Series F, no par value (the *Shares* or the *Series F Preferred Stock*), with a liquidation preference of \$100,000 per Share (equivalent to \$1,000 per depositary share) and \$ in the aggregate, of SunTrust. Each holder of a depositary share will be entitled, through the depositary, in proportion to the applicable fraction of a Share represented by such depositary share, to all the rights and preferences of the Shares represented thereby (including dividend, voting, redemption and liquidation rights).

SunTrust may from time to time elect to issue additional depositary shares representing additional Shares, and all such additional Shares will be deemed to form a single series with the Shares represented by the depositary shares offered hereby.

Dividends Dividend Rate. Dividends on the Shares will accrue at a rate equal to (i) % per annum for each semi-annual dividend period from the issue date of the depositary shares to, but excluding, December 15, 2019, (the *Fixed Rate Period*) and (ii) three-month LIBOR plus a spread of % per annum, for each quarterly dividend period from December 15, 2019 through the redemption date of the Preferred Stock, if any (the *Floating Rate Period*).

Dividend Payment Dates. During the Fixed Rate Period, we will pay dividends on the Preferred Stock semi-annually, in arrears, on June 15 and December 15 of each year, beginning on June 15, 2015 and ending on December 15, 2019, and during the Floating Rate Period, we will pay dividends on the Preferred Stock quarterly, in arrears, on March 15, June 15, September 15 and December 15 of each year, beginning on March 15, 2020, subject to adjustment in the case that a dividend payment date after December 15, 2019 falls on a day that is not a business day as described under *Description of Series F Preferred Stock Dividends* below.

Table of Contents

Declaration of Dividends, etc. Holders of Shares will be entitled to receive cash dividends, only when, as and if declared by SunTrust's board of directors or a duly authorized committee of the board, payable at the dividend rate applied to the liquidation preference per Share.

Non-Cumulative Dividends. Dividends on the Shares will be non-cumulative. For any dividend payment date we will have no obligation to pay dividends for the corresponding dividend period after that dividend payment date or to pay interest with respect to those dividends, whether or not we declare dividends on the Shares for any subsequent dividend period.

Redemption

On any dividend payment date occurring on or after December 15, 2019, we may redeem the Shares, in whole or in part, at a redemption price equal to \$100,000 per Share (equivalent to \$1,000 per depository share), plus any declared and unpaid dividends, without regard to any undeclared dividends.

In addition, we may redeem the Shares, in whole but not in part, at any time within 90 days following a Regulatory Capital Event (as defined herein), at a redemption price equal to \$100,000 per Share (equivalent to \$1,000 per depository share), plus any declared and unpaid dividends, without regard to any undeclared dividends.

The Shares will not be subject to any sinking fund or other obligation of SunTrust to redeem, repurchase or retire the Shares.

Ranking

The Shares:

will rank senior to SunTrust's junior stock with respect to the payment of dividends and distributions upon liquidation, dissolution or winding-up. Junior stock includes SunTrust's common stock and any other class of stock that ranks junior to the Shares either as to the payment of dividends or as to the distribution of assets upon any liquidation, dissolution or SunTrust's winding-up.

will rank equally with SunTrust's outstanding Perpetual Preferred Stock, Series A, Perpetual Preferred Stock, Series B and Perpetual Preferred Stock, Series E and at least equally with each other series of parity stock that SunTrust may issue with respect to the payment of dividends and distributions upon liquidation, dissolution or SunTrust's winding-up.

Table of Contents

During any dividend period, so long as any Shares remain outstanding, unless (a) the full dividends for the then-current dividend period on all outstanding Shares have been paid, or declared and funds set aside therefor and (b) we are not in default on our obligation to redeem any Shares that have been called for redemption as described herein:

no dividend whatsoever shall be paid or declared on SunTrust's common stock or other junior stock, other than:

a dividend payable in junior stock;

cash in lieu of fraction shares in connection with such dividend; or

any dividend in connection with the implementation of a shareholders' rights plan, or the redemption or repurchase of any rights under any such plan;

no common stock or other junior stock shall be purchased, redeemed or otherwise acquired for consideration by SunTrust, other than:

as a result of a reclassification of junior stock for or into other junior stock;

the exchange or conversion of one share of junior stock for or into another share of junior stock;

through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock;

purchases, redemptions or other acquisitions of shares of junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants;

purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the preceding dividend period, including under a contractually binding stock repurchase plan;

purchases of shares of junior stock by any investment banking subsidiary of SunTrust in connection with the distribution thereof;

purchases of shares of junior stock by any investment banking subsidiary of SunTrust in connection with market-making or other secondary-market activities in the ordinary course of business of the subsidiary; or

the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged; and

S-4

Table of Contents

no shares of parity stock shall be repurchased, redeemed or otherwise acquired for consideration by us otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series F Preferred Stock and such parity stock except:

as a result of a reclassification of parity stock for or into other parity stock;

the exchange or conversion of one share of parity stock for or into another share of parity stock;

through the use of the proceeds of a substantially contemporaneous sale of other shares of parity stock;

purchases, redemptions or other acquisitions of shares of parity stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants;

purchases of shares of parity stock pursuant to a contractually binding requirement to buy parity stock existing prior to the preceding dividend period, including under a contractually binding stock repurchase plan;

purchases of shares of parity stock by any investment banking subsidiary of SunTrust in connection with the distribution thereof;

purchases of shares of parity stock by any investment banking subsidiary of SunTrust in connection with market-making or other secondary-market activities in the ordinary course of business of the subsidiary; or

the purchase of fractional interests in shares of parity stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged.

On any dividend payment date for which full dividends are not paid, or declared and funds set aside therefor, upon the Shares and other equity securities designated as ranking on parity with the Shares as to payment of dividends, all dividends paid or declared for payment on that dividend payment date with respect to the Shares and any such dividend parity stock shall be shared first ratably by the holders of any such shares who have the right to receive dividends with respect to prior dividend periods, in proportion to the respective amounts of the unpaid dividends relating to prior dividend periods, and thereafter by the holders of these shares on a *pro rata* basis.

Liquidation Rights

Upon SunTrust's voluntary or involuntary liquidation, dissolution or winding-up, holders of depositary shares representing the Shares are entitled to receive out of SunTrust's assets that are available for distribution to shareholders, before any distribution

Table of Contents

is made to holders of common stock or other junior stock, a liquidating distribution in the amount of \$100,000 per Share (equivalent to \$1,000 per depositary share), plus any declared and unpaid dividends, without regard for any undeclared dividends.

Distributions will be made pro rata as to the Shares and any other parity stock and only to the extent of SunTrust's assets, if any, that are available after satisfaction of all liabilities to creditors.

Voting Rights

Holders of depositary shares representing the Shares will have no voting rights, except as provided below or as otherwise provided by applicable law. Holders of depositary shares must act through the depositary to exercise any voting rights.

If and when dividends payable on the Shares and on any other class or series of stock of SunTrust ranking on a parity with the Shares as to payment of dividends and that have equivalent voting rights (including the Perpetual Preferred Stock, Series A, Perpetual Preferred Stock, Series B, and Perpetual Preferred Stock, Series E) (*voting parity stock*) shall have not been declared and paid in an aggregate amount equal, as to any such class or series, to at least six quarterly dividends (whether or not consecutive), the number of directors then constituting SunTrust's board of directors will be increased by two and the holders of Shares, together with the holders of all other affected classes and series of voting parity stock, voting as a single class, shall be entitled to elect the two additional directors at any annual meeting of shareholders or any special meeting of holders of Shares and holders of voting parity stock. In the case of the Shares, these voting rights shall continue until full dividends have been paid for at least one year.

Additionally, so long as any Shares remain outstanding, the affirmative vote of the holders of at least two-thirds of the Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), will be required to:

authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking senior to the Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up, or reclassify any authorized shares of capital stock into Shares; or

amend, alter or repeal the provisions of our articles of incorporation, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Shares or the holders thereof.

Table of Contents

Maturity	The Shares do not have any maturity date, and SunTrust is not required to redeem the Shares. Accordingly, the Shares will remain outstanding indefinitely, unless and until SunTrust decides to redeem them. SunTrust may not redeem the Shares without receiving the prior approval of the Federal Reserve.
Preemptive Rights	Holders of depositary shares representing the Shares will have no preemptive rights.
Tax Consequences	Dividends paid to U.S. holders should generally be taxable as dividend income to the extent paid out of our earnings and profits (as determined for tax purposes). Dividends paid to corporate U.S. holders generally should be eligible for the dividends-received deduction, subject to certain conditions and limitations. For further information, see United States Federal Tax Consequences to Holders of Depositary Shares in this prospectus supplement.
Use of Proceeds	We expect to receive net proceeds from this offering of approximately \$, after expenses and underwriting commissions. We intend to use the net proceeds for general corporate purposes. For further information, see Use of Proceeds in this prospectus supplement.
Registrar, Transfer Agent and Paying Agent	Computershare Trust Company, N.A.
Depositary	U.S. Bank National Association.
Calculation Agent	U.S. Bank National Association.
Conflicts of Interest	<p>SunTrust Robinson Humphrey, Inc., our subsidiary, is participating in this offering of depositary shares as an underwriter. Accordingly, this offering is being conducted in compliance with the provisions of FINRA Rule 5121. SunTrust Robinson Humphrey, Inc. is not permitted to sell the depositary shares in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the customer to which the account relates.</p> <p>In the future, SunTrust Robinson Humphrey, Inc. or our other affiliates may repurchase and resell the depositary shares in market-making transactions, with resales being made at prices related to prevailing market prices at the time of the resale or at negotiated prices.</p>

Table of Contents**Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends**

The following table shows the ratio of earnings to fixed charges of our company, which includes our subsidiaries, on a consolidated basis. The ratio of earnings to fixed charges has been computed by dividing:

net income excluding income taxes plus fixed charges, by

fixed charges.

The ratio of earnings to combined fixed charges and preferred stock dividends has been computed by dividing:

net income excluding income taxes plus fixed charges, by

fixed charges plus preferred stock dividends.

Fixed charges represent interest expense, either including or excluding interest on deposits as set forth below, and the portion of net rental expense deemed to be equivalent to interest on long-term debt. Interest expense, other than on deposits, includes interest on long-term debt, funds purchased and securities sold under agreements to repurchase, trading liabilities and other short-term borrowings.

	Nine Months Ended September 30 ⁽²⁾		2013	Year Ended December 31 ⁽²⁾			2009
	2014	2013		2012	2011	2010	
Ratio of Earnings to Fixed Charges							
Including interest on deposits	4.68x	3.33x	3.67x	4.26x	1.65x	1.03x	NM ⁽¹⁾
Excluding interest on deposits	6.93x	5.43x	5.99x	7.60x	2.36x	1.07x	NM ⁽¹⁾
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends							
Including interest on deposits	4.35x	3.11x	3.41x	4.18x	1.44x	0.88x	NM ⁽¹⁾
Excluding interest on deposits	6.18x	4.79x	5.26x	7.30x	1.80x	0.77x	NM ⁽¹⁾

(1) NM-not meaningful. For the year ended December 31, 2009, earnings were inadequate to cover fixed charges by \$2.5 billion and combined fixed charges and preferred stock dividends by \$2.7 billion. Earnings included a \$751 million non-cash goodwill impairment charge in 2009, as well as elevated provision for credit losses.

(2) Ratios for periods prior to January 1, 2014 have been restated in accordance with our adoption of ASU 2014-01, Investments Equity Method and Joint Ventures: Accounting for Investments in Qualified Affordable Housing Projects .

Table of Contents

RISK FACTORS

An investment in the depositary shares involves certain risks. You should carefully consider the risks related to the depositary shares and the Series F Preferred Stock described below, the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2013, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks related to the depositary shares and faced by us described below and elsewhere in this prospectus supplement and the accompanying prospectus.

You Are Making an Investment Decision with Regard to the Depositary Shares as well as the Series F Preferred Stock.

As described in this prospectus supplement and the accompanying prospectus, we are issuing depositary shares representing fractional interests in shares of Series F Preferred Stock. Accordingly, the depositary will rely on the payments it receives on the Series F Preferred Stock to fund all payments on the depositary shares. You should carefully review the information in this prospectus supplement and the accompanying prospectus regarding both of these securities before making an investment decision.

The Series F Preferred Stock Is Equity and Is Subordinate to our Existing and Future Indebtedness.

The Shares are equity interests in SunTrust and do not constitute indebtedness. As such, the Shares will rank junior to all indebtedness and other non-equity claims on SunTrust with respect to assets available to satisfy claims on SunTrust, including in a liquidation of SunTrust. Additionally, unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of preferred stock like the Shares (1) dividends are payable only if declared by our board of directors and (2) as a corporation, we are subject to restrictions on payments of dividends and redemption price out of lawfully available funds.

Also, as a bank holding company, SunTrust's ability to declare and pay dividends is dependent on certain federal regulatory considerations. SunTrust has issued and outstanding debt securities under which we may defer interest payments from time to time, but in that case we would not be permitted to pay dividends on any of our capital stock, including the Shares, during the deferral period.

Additional Issuances of Preferred Stock or Securities Convertible into Preferred Stock May Dilute Existing Holders of the Depositary Shares.

We may, in the future, determine that it is advisable, or we may encounter circumstances where we determine it is necessary, to issue additional shares of preferred stock, securities convertible into, exchangeable for or that represent an interest in preferred stock, or preferred stock-equivalent securities. Our board of directors is authorized to cause us to issue one or more classes or series of preferred stock from time to time without any action on the part of the stockholders, including issuing additional Shares or additional depositary shares. Our board of directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over the Series F Preferred Stock with respect to dividends or upon our dissolution, winding-up and liquidation and other terms. Though the approval of holders of depositary shares representing interests in the Series F Preferred Stock will be

Table of Contents

needed to issue any equity security ranking senior to the Series F Preferred Stock, if we issue preferred stock in the future that has preference over the Series F Preferred Stock with respect to the payment of dividends or upon liquidation, or if we issue preferred stock with voting rights that dilute the voting power of the Series F Preferred Stock or depositary shares, the rights of holders of the depositary shares or the market price of the depositary shares could be adversely affected. The market price of the depositary shares could decline as a result of these other offerings, as well as other sales of a large block of depositary shares, Series F Preferred Stock or similar securities in the market thereafter, or the perception that such sales could occur. Holders of the Series F Preferred Stock or depositary shares are not entitled to preemptive rights or other protections against dilution.

Investors Should Not Expect SunTrust to Redeem the Shares on the Date They First Become Redeemable or on any Particular Date After They Become Redeemable.

The Shares are perpetual equity securities. The Shares have no maturity or mandatory redemption date and are not redeemable at the option of investors. By their terms, the Shares may be redeemed by us at our option either in whole or in part on any dividend payment date occurring on or after December 15, 2019. Any decision we may make at any time to propose a redemption of the Shares will depend, among other things, upon our evaluation of the overall level and quality of our capital components, considered in light of our risk exposures, earnings and growth strategy, as well as general market conditions at such time. Our right to redeem the Shares is subject to the limitation described below. Accordingly, investors should not expect us to redeem the Shares on the date they first become redeemable or on any particular date thereafter.

Under the Federal Reserve's risk-based capital guidelines applicable to bank holding companies, any redemption of the Shares is subject to prior approval of the Federal Reserve. There can be no assurance that the Federal Reserve will approve any redemption of the Shares that we may propose. We understand that the factors that the Federal Reserve will consider in evaluating a proposed redemption include its evaluation of the overall level and quality of our capital components, considered in light of our risk exposures, earnings and growth strategy, and other supervisory considerations.

SunTrust May Be Able to Redeem the Shares prior to the Dividend Payment Date in June 2023.

By their terms, the Shares may be redeemed by SunTrust prior to the dividend payment date in June 2023 upon the occurrence of certain events involving the capital treatment of the Shares. In particular, upon SunTrust's determination in good faith that an event has occurred that would constitute a Regulatory Capital Event (as defined herein), SunTrust may, at its option at any time within 90 days following such Regulatory Capital Event, redeem in whole but not in part the Shares, subject to regulatory approval. See Description of the Series Preferred Stock Redemption.

If a Regulatory Capital Event occurs, SunTrust would have the right, subject to regulatory approval, to redeem the Shares in accordance with their terms prior to the dividend payment date in December 2019 at a redemption price equal to \$100,000 per Share (equivalent to \$1,000 per depositary share), plus any declared and unpaid dividends.

Dividends on the Shares Will Be Non-Cumulative.

Dividends on the Series F Preferred Stock are discretionary and will not be cumulative. If our board of directors does not authorize and declare a dividend for any dividend period, holders of depositary shares would not be entitled to receive any such dividend, and any such unpaid dividend will not accrue or be payable. We will have no obligation to pay dividends for a dividend period after the dividend payment date for that period if our board of directors has not declared such dividend before

Table of Contents

the related dividend payment date, whether or not dividends are declared for any subsequent dividend period with respect to the Shares or any other preferred stock we have issued or may issue.

The dividend rate will vary commencing on December 15, 2019 and any dividends declared may be less than the initial fixed annual rate of % in effect until December 15, 2019.

The annual dividend rate on the Shares commencing on December 15, 2019 will equal three-month LIBOR plus a spread of % per annum. Therefore, any dividends declared after December 15, 2019 may vary from period to period and could be more or less than the fixed rate for the initial ten-year period. SunTrust has no control over a number of factors that may affect market interest rates, including geopolitical conditions and economic, financial, political, regulatory, judicial or other events that affect the markets generally and that are important in determining the existence, magnitude, and longevity of market rate risk.

The historical levels of three-month LIBOR are not an indication of the future levels of three-month LIBOR.

In the past, the level of three-month LIBOR has experienced significant fluctuations. You should note that historical levels, fluctuations and trends of three-month LIBOR are not necessarily indicative of future levels. Any historical upward or downward trend in three-month LIBOR is not an indication that three-month LIBOR is more or less likely to increase or decrease at any time during the Floating Rate Period, and you should not take the historical levels of three-month LIBOR as an indication of its future performance.

Our Results of Operations and Our Ability to Fund Dividend Payments and All Payments on Our Other Obligations Depend Upon the Results of Operations of Our Subsidiaries.

SunTrust Banks, Inc. is a separate and distinct legal entity from our banking and non-banking subsidiaries. Our principal source of funds to make payments on securities is dividends from our banking subsidiaries. Various federal and state statutes and regulations limit the amount of dividends that our banking and non-banking subsidiaries may pay to us without regulatory approval. In particular, dividend and other distributions from our bank subsidiary to us would require notice to or approval of the applicable regulatory authority. There can be no assurances that we would receive such approval.

In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice, such authority may require, after notice and hearing, that such bank cease and desist from such practice. Depending on the financial condition of our banking subsidiaries, the applicable regulatory authority might deem us to be engaged in an unsafe or unsound practice if our banking subsidiaries were to pay dividends. The Federal Reserve has issued policy statements generally requiring insured banks and bank holding companies only to pay dividends out of current operating earnings.

Payment of dividends could also be subject to regulatory limitations if any of our banking subsidiaries became *under-capitalized* for purposes of the *prompt corrective action* regulations of the federal bank regulatory agencies that are the primary regulators of our banking subsidiaries.

Furthermore, our right to participate in any distribution of assets of any of our subsidiaries upon its liquidation or otherwise, and thus your ability as a holder of the depository shares to benefit indirectly from such distribution, will be subject to the prior claims of creditors of such subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, our depository shares are effectively subordinated to all existing and future liabilities and obligations of our subsidiaries.

Table of Contents

If We Are Deferring Payments on our Outstanding Junior Subordinated Debt Securities or Are in Default Under the Indentures Governing Those Securities, We Will Be Prohibited from Making Distributions on or Redeeming the Shares.

The terms of our outstanding junior subordinated debt securities prohibit us from declaring or paying any dividends or distributions on the Shares, or redeeming, purchasing, acquiring or making a liquidation payment with respect to the Shares, if we are aware of any event that would be an event of default under the indenture governing those junior subordinated debt securities or at any time when we have deferred interest thereunder.

Holders of Shares Will Have Limited Voting Rights.

Holders of the depositary shares or the Shares have no voting rights with respect to matters that generally require the approval of voting shareholders, except as required by law and as provided below under **Description of the Series F Preferred Stock Voting Rights**.

General Market Conditions and Unpredictable Factors Could Adversely Affect Market Prices for the Depositary Shares.

There can be no assurance about the market prices for the depositary shares. Several factors, many of which are beyond our control, will influence the market value of the depositary shares. Factors that might influence the market value of the depositary shares include:

whether dividends have been declared and are likely to be declared on the Shares from time to time;

our creditworthiness;

the market for similar securities; and

economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

Accordingly, the depositary shares that an investor purchases, whether in this offering or in the secondary market, may trade at a discount to the price that the investor paid for the depositary shares.

A Downgrade, Suspension or Withdrawal of Any Rating Assigned by a Rating Agency to SunTrust or Our Securities, Including the Depositary Shares and the Series F Preferred Stock, Could Cause the Liquidity or Trading Price of the Depositary Shares to Decline Significantly.

Real or anticipated changes in the credit ratings assigned to the depositary shares, the Series F Preferred Stock or our credit ratings generally could affect the trading price of the depositary shares. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. In addition, credit rating agencies continually review their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the financial services industry as a whole and may change their credit rating for us and our securities, including the Series F Preferred Stock and depositary shares, based on their overall view of our industry. A future downgrade, withdrawal, or the announcement of a possible downgrade or withdrawal in the ratings assigned to the depositary shares, the Series F Preferred Stock, us or our other securities, or any perceived decrease in our creditworthiness could cause the trading price of the depositary shares to decline significantly.

Table of Contents

The Shares and the Related Depositary Shares May Not Have an Active Trading Market.

The Shares and the related depositary shares are new issues with no established trading market. The underwriters have advised us that they intend to make a market in the depositary shares. However, they are not obligated to do so and may discontinue any market making in the depositary shares at any time in their sole discretion. Therefore, we cannot assure you that a liquid trading market for the depositary shares will develop, that you will be able to sell your depositary shares at a particular time or that the price you receive when you sell will be favorable.

The Depositary Shares Are not Insured or Guaranteed By the FDIC.

The depositary shares are not savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and are not insured by the Federal Deposit Insurance Corporation (the FDIC) or any other governmental agency or instrumentality. In addition, the depositary shares are not guaranteed under the FDIC s Temporary Liquidity Guarantee Program.

Table of Contents

USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately \$ _____, after expenses and underwriting commissions. We intend to use the net proceeds for general corporate purposes, which may include securities repurchase programs, capital expenditures, working capital, repayment or reduction of long-term and short-term debt and the financing of acquisitions. Pending such use of the net proceeds, we may invest the proceeds in highly liquid short-term securities.

S-14

Table of Contents

REGULATORY CONSIDERATIONS

As a financial holding company and a bank holding company under the Bank Holding Company Act of 1956, as amended (the *BHC Act*), SunTrust is subject to regulation, supervision and examination by the Federal Reserve. For a discussion of the material elements of the regulatory framework applicable to financial holding companies, bank holding companies and their subsidiaries and specific information relevant to SunTrust, please refer to SunTrust's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and the subsequent reports we file with the SEC, which are incorporated by reference in this prospectus supplement. This regulatory framework is intended primarily for the protection of depositors and the federal deposit insurance funds and, after the Dodd-Frank Act and other reforms of recent years, the financial stability of the United States and not for the protection of security holders. As a result of this regulatory framework, SunTrust's earnings are affected by actions of the Federal Reserve, the FDIC, which insures the deposits of our banking subsidiaries within certain limits, and the SEC, which regulates the activities of certain subsidiaries engaged in the securities business.

SunTrust's earnings are also affected by general economic conditions, our management policies and legislative action.

In addition, there are numerous governmental requirements and regulations that affect our business activities. A change in applicable statutes, regulations or regulatory policy may have a material effect on SunTrust's business.

Depository institutions, like SunTrust's bank subsidiaries, are also affected by various federal and state laws, including those relating to consumer protection and similar matters. SunTrust also has other financial services subsidiaries regulated, supervised and examined by the Federal Reserve, as well as other relevant state and federal regulatory agencies and self-regulatory organizations. SunTrust's non-bank subsidiaries may be subject to other laws and regulations of the federal government or the various states in which they are authorized to do business.

Table of Contents**SELECTED FINANCIAL DATA**

The following is selected consolidated financial data for SunTrust for the nine months ended September 30, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011.

The selected consolidated financial data for the nine months ended September 30, 2014 and 2013 are derived from our unaudited consolidated financial statements filed in a Current Report on Form 8-K dated November 4, 2014. Results for the nine months ended September 30, 2014 are not necessarily indicative of results for any other interim period or for the year as a whole. The selected consolidated financial data for each of the years ended December 31, 2013, 2012 and 2011 are derived from our audited consolidated financial statements. Our consolidated financial statements for each of the three fiscal years ended December 31, 2013, 2012 and 2011 were audited by Ernst & Young LLP, an independent registered public accounting firm. The summary below should be read in conjunction with our unaudited consolidated condensed financial statements included in a Current Report on Form 8-K dated November 4, 2014 and our audited consolidated financial statements, and the related notes thereto, and the other detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2013. For more information, see the section entitled "Where You Can Find More Information."

(Dollars in millions, except per share amounts)	Nine Months Ended September 30		Year Ended December 31		
	2014	2013	2013	2012	2011
Summary of Operations					
Interest income	\$ 4,036	\$ 4,045	\$ 5,388	\$ 5,867	\$ 6,181
Interest expense	407	405	535	765	1,116
Net interest income	3,629	3,640	4,853	5,102	5,065
Provision for credit losses	268	453	553	1,395	1,513
Net interest income after provision for credit losses	3,361	3,187	4,300	3,707	3,552
Noninterest income	2,528	2,401	3,214	5,373	3,421
Noninterest expense	4,134	4,470	5,831	6,283	6,193
Income before provision for income taxes	1,755	1,118	1,683	2,797	780
Provision for income taxes	364	184	322	813	120
Net income including income attributable to noncontrolling interest	1,391	934	1,361	1,984	660
Net income attributable to noncontrolling interest	11	16	17	26	13
Net income	\$ 1,380	\$ 918	\$ 1,344	\$ 1,958	\$ 647
Net income available to common shareholders	\$ 1,343	\$ 884	\$ 1,297	\$ 1,931	\$ 495
Net interest income-FTE(1)	3,734	3,733	4,980	5,225	5,179
Total revenue-FTE(1)	6,262	6,134	8,194	10,598	8,600
Net Income Per Average Common Share					
Diluted	\$ 2.51	\$ 1.64	\$ 2.41	\$ 3.59	\$ 0.94
Basic	2.54	1.65	2.43	3.62	0.94
Dividends declared per common share	0.50	0.25	0.35	0.20	0.12
Market Price					
High	\$ 41.26	\$ 36.29	\$ 36.99	\$ 30.79	\$ 33.14
Low	36.23	26.93	26.93	18.07	15.79
Close	38.03	32.42	36.81	28.35	17.70

Table of Contents

(Dollars in millions, except per share amounts)	Nine Months Ended September 30		2013	Year Ended December 31	
	2014	2013		2012	2011
Selected Average Balances					
Total assets	\$ 180,098	\$ 172,061	\$ 172,497	\$ 176,134	\$ 172,440
Earning assets	160,491	153,412	153,728	153,479	147,802
Loans	130,010	121,649	122,657	122,893	116,308
Consumer and commercial deposits	130,369	126,947	127,076	126,249	122,672
Total shareholders equity	21,972	21,138	21,167	20,495	20,696
As of Period End					
Total assets	\$ 186,818	\$ 171,777	\$ 175,335	\$ 173,442	\$ 176,859
Earning assets	165,434	154,802	156,978	151,223	154,696
Loans	132,151	124,340	127,877	121,470	122,495
Allowance for loan and lease losses	1,968	2,071	2,044	2,174	2,457
Consumer and commercial deposits	135,077	126,861	127,735	130,180	125,611
Long-term debt	12,942	9,985	10,700	9,357	10,908
Total shareholders equity	22,269	21,070	21,422	20,985	20,066
Financial Ratios and Other Data					
Return on average total assets	1.02%	0.71%	0.78%	1.11%	0.38%
Return on average common shareholders equity	8.45	5.79	6.34	9.56	2.56
Net interest margin-FTE(1)	3.11	3.25	3.24	3.40	3.50
Efficiency ratio-FTE(1)	66.01	72.88	71.75	59.67	72.49
Allowance to period-end loans	1.49	1.67	1.60	1.80	2.01
Nonperforming assets to total loans plus OREO, other repossessed assets and nonperforming loans held for sale	0.71	1.04	0.91	1.52	2.76
Common dividend payout ratio	19.8	15.2	14.5	5.6	12.9
Full-service banking offices	1,454	1,508	1,497	1,616	1,659
ATMs	2,192	2,846	2,243	2,923	2,899
Full-time equivalent employees	25,074	26,409	26,281	26,778	29,182
Average common shares-diluted (thousands)	535,222	539,488	539,093	538,061	527,618
Average common shares-basic (thousands)	529,429	534,887	534,283	534,149	523,995
Regulatory Capital Ratios(2)					
Tier 1 common equity	9.60%	9.94%	9.82%	10.04%	9.22%
Tier 1 capital ratio	10.50	10.97	10.81	11.13	10.90
Total risk-based capital ratio	12.30	13.04	12.81	13.48	13.67
Tier 1 leverage ratio	9.50	9.46	9.58	8.91	8.75

(1) We present net interest income, total revenue, net interest margin and the efficiency ratio on a fully taxable equivalent (*FTE*) basis. The *FTE* basis adjusts for the tax-favored status of income from certain loans and investments. We believe this measure to be the preferred industry measurement of net interest income and it enhances comparability of net interest income arising from taxable and tax-exempt sources.

(2) Ratios as of September 30, 2014 are estimated as of October 17, 2014.

Table of Contents**CAPITALIZATION**

The following table sets forth the carrying amount of our capitalization, as of September 30, 2014:

On an actual basis; and

As adjusted to give effect to the sale and issuance of depository shares, each representing a 1/100th interest in a Share in this offering at an offering price of \$1,000 per share.

This table should be read in conjunction with the information set forth under Selected Financial Data and our unaudited consolidated financial statements filed in a Current Report on Form 8-K dated November 4, 2014, which are incorporated by reference into this document.

(Dollars in millions, except per share amounts)	As of September 30, 2014	
	Actual	As Adjusted
Long-term debt		
Subordinated notes and debentures	\$ 1,994	\$ 1,994
Notes issued to trusts formed to issue trust preferred securities	627	627
Other long-term debt	10,321	10,321
Total long-term debt	12,942	12,942
Stockholders' equity		
Series A Preferred Stock, \$100,000 Liquidation Preference per share; 1,725 shares outstanding actual and as adjusted	172	172
Series B Preferred Stock, \$100,000 Liquidation Preference per share; 1,025 shares outstanding actual and as adjusted	103	103
Series E Preferred Stock, \$100,000 Liquidation Preference per share; 4,500 shares outstanding actual and as adjusted	450	450
Series F Preferred Stock, \$100,000 Liquidation Preference per share; no shares outstanding actual, shares outstanding as adjusted		
Common Stock, \$1.00 par value per share	550	550
Additional paid in capital	9,090	
Retained earnings	13,020	13,020
Treasury stock, at cost, and other	(939)	(939)
Accumulated other comprehensive income, net of tax	(177)	(177)
Total shareholders' equity	22,269	
Total long-term debt and shareholders' equity	\$ 35,211	\$
Capital Adequacy - Current U.S. Standards(1)		
Tier 1 common equity	9.60%	%
Tier 1 capital ratio	10.50	
Total risk-based capital ratio	12.30	
Tier 1 leverage ratio	9.50	

(1) Ratios as of September 30, 2014 are estimated as of October 17, 2014.

Table of Contents

DESCRIPTION OF THE SERIES F PREFERRED STOCK

*The depositary will be the sole holder of the Shares, as described under **Description of Depositary Shares** below, and all references in this prospectus supplement to the holders of the Shares shall mean the depositary. However, the holders of the depositary shares representing the Shares will be entitled, through the depositary, to exercise the rights and preferences of the holders of the Shares, as described under **Description of Depositary Shares**.*

The following is a brief description of the terms of the Shares, which does not purport to be complete in all respects. This description is subject to and qualified in its entirety by reference to our restated articles of incorporation, as amended, including our articles of amendment with respect to the Shares, copies of which are available upon request from us.

General

Under our restated articles of incorporation, as amended, we have authority to issue up to 50 million shares of preferred stock with no par value per share. The Series F Preferred Stock represents a single series of our authorized preferred stock. We are offering _____ depositary shares, representing shares of the Series F Preferred Stock by this prospectus supplement and the accompanying prospectus. When issued, at the time or times selected by us in our discretion, the Shares will be validly issued, fully paid and nonassessable. The holders of Shares will be entitled to receive cash dividends when, as and if declared out of assets legally available for payment in respect of the Shares by our board of directors or a duly authorized committee of the board in their sole discretion. Dividends will be non-cumulative, as discussed below under **Dividends**. If we do not declare dividends, then these unpaid dividends will not cumulate, accrue or be payable.

Prior to the issuance of the Shares, we will have filed articles of amendment to our articles of incorporation with respect to the Shares with the Secretary of State of Georgia. When issued, the Shares will have a fixed liquidation preference of \$100,000 per share (equivalent to \$1,000 per depositary share). The Shares will not be convertible into our common stock or any other class or series of our securities and will not be subject to any sinking fund or any other obligation of us for their repurchase or retirement.

Ranking

With respect to the payment of dividends and the amounts to be paid upon liquidation, the Shares will rank:

senior to our common stock and all other equity securities designated as ranking junior to the Shares; and

will rank equally with SunTrust's outstanding Perpetual Preferred Stock, Series A (the *Series A Preferred Stock*), Perpetual Preferred Stock, Series B (the *Series B Preferred Stock*) and Perpetual Preferred Stock, Series E (the *Series E Preferred Stock*) and at least equally with all other equity securities designated as ranking on parity with the Shares as to payment of dividends or the amounts to be paid upon liquidation, as applicable.

During any Dividend Period, so long as any Shares remain outstanding, unless (a) the full dividends for the then-current Dividend Period on all outstanding Shares have been paid, or declared and funds set aside therefor and (b) we are not in default on our obligation to redeem any Shares that have been called for redemption as described below under **Redemption** :

Table of Contents

no dividend whatsoever shall be paid or declared on our common stock or other junior stock, other than:

a dividend payable in junior stock;

cash in lieu of fraction shares in connection with such dividend; or

any dividend in connection with the implementation of a shareholders' rights plan, or the redemption or repurchase of any rights under any such plan;

no common stock or other junior stock shall be purchased, redeemed or otherwise acquired for consideration by us, other than:

as a result of a reclassification of junior stock for or into other junior stock;

the exchange or conversion of one share of junior stock for or into another share of junior stock;

through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock;

purchases, redemptions or other acquisitions of shares of junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants;

purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the preceding dividend period, including under a contractually binding stock repurchase plan;

purchases of shares of junior stock by any investment banking subsidiary of SunTrust in connection with the distribution thereof;

purchases of shares of junior stock by any investment banking subsidiary of SunTrust in connection with market-making or other secondary-market activities in the ordinary course of business of the subsidiary; or

the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged; and

no shares of parity stock shall be repurchased, redeemed or otherwise acquired for consideration by us otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series F Preferred Stock and such parity stock except:

as a result of a reclassification of parity stock for or into other parity stock;

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the exchange or conversion of one share of parity stock for or into another share of parity stock;

through the use of the proceeds of a substantially contemporaneous sale of other shares of parity stock;

purchases, redemptions or other acquisitions of shares of parity stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants;

purchases of shares of parity stock pursuant to a contractually binding requirement to buy parity stock existing prior to the preceding dividend period, including under a contractually binding stock repurchase plan;

purchases of shares of parity stock by any investment banking subsidiary of SunTrust in connection with the distribution thereof;

S-20

Table of Contents

purchases of shares of parity stock by any investment banking subsidiary of SunTrust in connection with market-making or other secondary-market activities in the ordinary course of business of the subsidiary; or

the purchase of fractional interests in shares of parity stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged.

On any Dividend Payment Date (as defined below) for which full dividends are not paid, or declared and funds set aside therefor, upon the Shares and other equity securities designated as ranking on parity with the Shares as to payment of dividends (including the Series A Preferred Stock, Series B Preferred Stock and Series E Preferred Stock) (dividend parity stock), all dividends paid or declared for payment on that Dividend Payment Date with respect to the Shares and the dividend parity stock shall be shared:

first ratably by the holders of any such shares who have the right to receive dividends with respect to Dividend Periods prior to the then-current Dividend Period, in proportion to the respective amounts of the unpaid dividends relating to prior Dividend Periods; and

thereafter by the holders of these shares on a *pro rata* basis.

Subject to the foregoing, such dividends (payable in cash, stock or otherwise) as may be determined by our board of directors (or a duly authorized committee of the board) may be declared and paid on our common stock and any other stock ranking equally with or junior to the Shares from time to time out of any funds legally available for such payment, and the Shares shall not be entitled to participate in any such dividend.

Dividends

Dividends on the Shares will not be mandatory. Holders of Shares, in preference to the holders of our common stock and of any other shares of our stock ranking junior to the Shares as to payment of dividends, will be entitled to receive, only when, as and if declared by our board of directors or a duly authorized committee of the board, out of assets legally available for payment, cash dividends. These dividends will be payable at a rate (the *Dividend Rate*) equal to (i) % per annum for each semi-annual dividend period from the issue date of the depositary shares to, but excluding, December 15, 2019, (the *Fixed Rate Period*) and (ii) three-month LIBOR plus a spread of % per annum, for each quarterly dividend period from December 15, 2019 through the redemption date of the Preferred Stock, if any (the *Floating Rate Period*), applied to the \$100,000 liquidation preference per share (equivalent to \$1,000 per depositary share) and will be paid (a) during the Fixed Rate Period, semi-annually, in arrears, on June 15 and December 15 of each year, except as provided below, beginning on June 15, 2015 and ending on December 15, 2019, and (b) during the Floating Rate Period, quarterly, in arrears, on March 15, June 15, September 15 and December 15 of each year, except as provided below, beginning on March 15, 2020 (each, a *Dividend Payment Date*), with respect to the Dividend Period, or portion thereof, ending on the day preceding the respective Dividend Payment Date. A *Dividend Period* means each period commencing on (and including) a Dividend Payment Date and continuing to (but not including) the next succeeding Dividend Payment Date, except that the first Dividend Period for the initial issuance of Shares will commence upon the date of original issuance of the Shares. Dividends will be paid to holders of record on the respective date fixed for that purpose by our board of directors or a committee thereof in advance of payment of each particular dividend. The corresponding record dates for the depositary shares will be the same as the record dates for the Shares.

Table of Contents

Dividends on the Shares offered hereby will accrue from the original issue date, which is expected to be November , 2014.

If a day on or before December 15, 2019 that would otherwise be a Dividend Payment Date is not a business day, then such date will nevertheless be a dividend payment date but dividends on the Series F Preferred Stock, when, as and if declared, will be paid on the next succeeding business day (without adjustment in the amount of the dividend per share of the Series F Preferred Stock). If a day after December 15, 2019 that would otherwise be a Dividend Payment Date is not a business day, then the next succeeding business day will be the applicable dividend payment date and dividends, when, as and if declared, will be paid on such next succeeding business day.

Dividends payable on the Shares for the Fixed Rate Period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Shares for the Floating Rate Period will be computed based on the actual number of days in a dividend period and a 360-day year.

The Dividend Rate for each Dividend Period in the Floating Rate Period will be determined by the calculation agent using three-month LIBOR as in effect on the second London banking day prior to the beginning of the dividend period, which date is the *dividend determination date* for the dividend period. The calculation agent then will add three-month LIBOR as determined on the dividend determination date and the applicable spread. Absent manifest error, the calculation agent's determination of the dividend rate for a dividend period for the Shares will be binding and conclusive on you, the transfer agent, and us. A *London banking day* is any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

The term *three-month LIBOR* means the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000, as that rate appears on Reuters screen page LIBOR01 at approximately 11:00 a.m., London time, on the relevant dividend determination date. If no offered rate appears on Reuters screen page LIBOR01 on the relevant dividend determination date at approximately 11:00 a.m., London time, then the calculation agent, after consultation with us, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least \$1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, the calculation agent will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the dividend determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable dividend period in an amount of at least \$1,000,000 that is representative of single transactions at that time. If three quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, three-month LIBOR for the next dividend period will be equal to three-month LIBOR in effect for the then-current dividend period.

We are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The Federal Reserve is authorized to determine, under certain circumstances relating to the financial condition of a bank holding company, such as us, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In addition, we are subject to Georgia state laws relating to the payment of dividends.

Table of Contents

Dividends on the Shares offered hereby will be non-cumulative. For any Dividend Payment Date we have no obligation to pay dividends for the corresponding Dividend Period after that Dividend Payment Date or to pay interest with respect to these dividends, whether or not we declare dividends on the Shares for any subsequent Dividend Period.

Conversion Rights

The Shares will not be convertible into shares of any other class or series of our stock.

Redemption

On any dividend payment date occurring on or after December 15, 2019, the Shares will be redeemable at our option, in whole or in part, at a redemption price equal to \$100,000 per Share (equivalent to \$1,000 per depositary share), plus any declared and unpaid dividends, without regard to any undeclared dividends.

In addition, the Shares may also be redeemed in whole but not in part at any time within 90 days following a Regulatory Capital Event (as defined herein), at a redemption price equal to \$100,000 per Share (equivalent to \$1,000 per depositary share), plus any declared and unpaid dividends, without regard to any undeclared dividends.

A *Regulatory Capital Event* means the good faith determination by SunTrust that, as a result of (i) any amendment to, clarification of, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any Shares, (ii) any proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of any Shares, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations or policies with respect thereto that is announced after the initial issuance of any Shares, there is more than an insubstantial risk that SunTrust will not be entitled to treat the full liquidation preference amount of \$100,000 per Share then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines of the Federal Reserve (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency) as then in effect and applicable, for so long as any Share is outstanding.

Appropriate federal banking agency means the appropriate Federal banking agency with respect to SunTrust as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

Any redemption will be subject to the limitations described below under *Redemption or Repurchase Subject to Restrictions*. Holders of Shares will have no right to require the redemption or repurchase of the Shares. If notice of redemption of any Shares has been given and if the funds necessary for the redemption have been set aside by us for the benefit of the holders of any Shares so called for redemption, then, from and after the redemption date, those Shares shall no longer be deemed outstanding and all rights of the holders of those Shares (including the right to receive any dividends) will terminate, except the right to receive the redemption price.

If fewer than all of the outstanding Shares are to be redeemed, the Shares to be redeemed will be selected either *pro rata* from the holders of record of the Shares in proportion to the number of Shares held by those holders or by lot or in such other manner as our board of directors or a committee thereof may determine to be fair and equitable.

Table of Contents

We will mail notice of every redemption of Shares by first class mail, postage prepaid, addressed to the holders of record of the Shares to be redeemed at their respective last addresses appearing on our books. This mailing will be at least 30 days and not more than 60 days before the date fixed for redemption (provided, however, that if the Shares or the depository shares representing the Shares are held in book-entry form through The Depository Trust Company, or *DTC*, we may give this notice in any manner permitted by DTC). Any notice mailed or otherwise given as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives this notice, and failure duly to give this notice by mail or otherwise, or any defect in this notice or in the mailing or provision of this notice, to any holder of Shares designated for redemption will not affect the redemption of any other Shares. Each notice shall state:

the redemption date;

the number of Shares to be redeemed and, if less than all the Shares held by the holder are to be redeemed, the number of Shares to be redeemed from the holder;

the redemption price; and

the place or places where the Shares are to be redeemed.

If notice of redemption of any Shares has been given and if the funds necessary for the redemption have been set aside by us for the benefit of the holders of any Shares so called for redemption, then, from and after the redemption date, those Shares shall no longer be deemed outstanding and all rights of the holders of those Shares (including the right to receive any dividends) will terminate, except the right to receive the redemption price.

Redemption or Repurchase Subject to Restrictions

Under the Federal Reserve's risk-based capital guidelines applicable to bank holding companies, any redemption of the Shares is subject to prior approval of the Federal Reserve. Subject to this limitation and the terms of any preferred stock ranking senior to the Shares or of any outstanding debt instruments, we or our affiliates may from time to time purchase any outstanding Shares by tender, in the open market or by private agreement.

Liquidation Rights

In the event that we voluntarily or involuntarily liquidate, dissolve or wind up our affairs, holders of Shares will be entitled to receive an amount per Share (the *Total Liquidation Amount*) equal to the fixed liquidation preference of \$100,000 per Share (equivalent to \$1,000 per depository share), plus any declared and unpaid dividends, without regard to any undeclared dividends. Holders of the Shares will be entitled to receive the Total Liquidation Amount out of our assets that are available for distribution to shareholders, after payment or provision for payment of our debts and other liabilities but before any distribution of assets is made to holders of our common stock or any other shares ranking, as to that distribution, junior to the Shares.

The Series F Preferred Stock may be fully subordinate to interests held by the U.S. government in the event of a receivership, insolvency, liquidation, or similar proceeding, including a proceeding under the orderly liquidation authority provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

If our assets are not sufficient to pay the Total Liquidation Amount in full to all holders of Shares and all holders of any shares of our stock ranking as to any such distribution on a parity with the Shares, the amounts paid to the holders of Shares and to such other shares will be paid *pro rata* in

Table of Contents

accordance with the respective Total Liquidation Amount for those holders. If the Total Liquidation Amount per Share has been paid in full to all holders of Shares and the liquidation preference of any other shares ranking on parity with the Shares has been paid in full, the holders of our common stock or any other shares ranking, as to such distribution, junior to the Shares will be entitled to receive all of our remaining assets according to their respective rights and preferences.

For purposes of the liquidation rights, neither the sale, conveyance, exchange or transfer of all or substantially all of our property and assets, nor the consolidation or merger by us with or into any other corporation or by another corporation with or into us, will constitute a liquidation, dissolution or winding-up of our affairs.

Voting Rights

Except as indicated below or otherwise required by law, the holders of Shares will not have any voting rights.

Right to Elect Two Directors Upon Non-Payment of Dividends

If and whenever the dividends on the Shares and any other class or series of our stock that is on parity with Shares as to payment of dividends and that has voting rights equivalent to those described in this paragraph (including the Series A Preferred Stock, Series B Preferred Stock and Series E Preferred Stock) (*voting parity stock*) have not been declared and paid in an aggregate amount equal, as to any such class or series, to at least six quarterly dividends (whether or not consecutive), the number of directors then constituting our board of directors will be increased by two. Holders of Shares, together with the holders of all other affected classes and series of voting parity stock, voting as a single class, will be entitled to elect the two additional members of our board of directors (the *Preferred Stock Directors*) at any annual meeting of shareholders or any special meeting of the holders of Shares and any voting parity stock for which dividends have not been paid, called as provided below.

At any time after this voting power has vested as described above, our Secretary may, and upon the written request of holders of record of at least 20% of the outstanding Shares and voting parity stock (addressed to the Secretary at our principal office) must, call a special meeting of the holders of Shares and voting parity stock for the election of the Preferred Stock Directors. Notice for a special meeting will be given in a similar manner to that provided in our by-laws for a special meeting of the shareholders, which we will provide upon request, or as required by law. If our Secretary is required to call a meeting but does not do so within 20 days after receipt of any such request, then any holder of Shares may (at our expense) call such meeting, upon notice as provided in this section, and for that purpose will have access to our stock books. The Preferred Stock Directors elected at any such special meeting will hold office until the next annual meeting of our shareholders unless they have been previously terminated as described below. In case any vacancy occurs among the Preferred Stock Directors, a successor will be elected by our board of directors to serve until the next annual meeting of the shareholders upon the nomination of the then remaining Preferred Stock Director or, if none remains in office, by the vote of the holders of record of a majority of the outstanding Shares and voting parity stock, voting as a single class. The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

Whenever full dividends have been paid on the Shares and any non-cumulative voting parity stock for at least one year and all dividends on any cumulative voting parity stock have been paid in full, then the right of the holders of Shares to elect the Preferred Stock Directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of

Table of Contents

dividends in respect of future Dividend Periods), the terms of office of all Preferred Stock Directors will immediately terminate and the number of directors constituting our board of directors will be reduced accordingly.

As used in this prospectus supplement, *voting parity stock* means any and all series of dividend parity stock having voting rights to elect directors upon the non-payment of dividends equivalent to those described above.

Under regulations adopted by the Federal Reserve, if the holders of any series of preferred stock are or become entitled to vote for the election of directors, such series will be deemed a class of voting securities for purposes of the BHC Act and any company holding 25% or more of such series, or any company that otherwise exercises a *controlling influence* over us, will be subject to regulation as a bank holding company under the BHC Act. In addition, at the time the series is deemed a class of voting securities for purposes of the BHC Act, any other bank holding company will be required to obtain the prior approval of the Federal Reserve under the BHC Act to acquire or retain more than 5% of that series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that series.

Other Voting Rights

So long as any Shares remain outstanding, the affirmative vote of the holders of at least two-thirds of the Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), will be required to:

authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking senior to the Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up, or reclassify any authorized shares of capital stock into Shares; or

amend, alter or repeal the provisions of our articles of incorporation, whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Shares or the holders thereof; *provided, however*, that with respect to the occurrence of any event set forth in the second bullet point above, so long as any Shares remain outstanding with the terms thereof materially unchanged or new shares of the surviving corporation or entity are issued with the same terms as the Shares, in each case taking into account that upon the occurrence of this event we may not be the surviving entity, the occurrence of any such event shall not be deemed to materially and adversely affect any right, preference, privilege or voting power of the Shares or the holders thereof, and provided, further, that any increase in the amount of our authorized common stock or preferred stock or the creation or issuance of any other series of common stock or other equity securities ranking on a parity with or junior to the Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding-up and any change to the number of directors or number of classes of directors shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

Under Georgia law, the vote of the holders of a majority of the outstanding Shares, voting as a separate voting group, is required for:

certain amendments to the articles of incorporation impacting the Shares;

the approval of any dividend payable in Shares to holders of shares of another class or series of our stock; or

Table of Contents

the approval of any proposed share exchange that includes the Shares.

In addition, holders of the Shares will be able to vote together with the holders of all shares of common stock and other preferred stock entitled to vote, voting as a single group, on the approval of a plan of merger if the plan of merger contains a provision that, if contained in a proposed amendment to the articles of incorporation, would require action on the proposed amendment. Further, in the case of any merger where we are the surviving corporation, the right of holders of the Shares to vote separately as a group on a plan of merger does not apply if:

the articles of incorporation of the surviving corporation will not differ from our articles of incorporation as then in effect;

each shareholder of the surviving corporation whose shares were outstanding immediately before the effective date of the merger will hold the same number of shares, with identical designations, preferences, limitation, and relative rights, immediately after the merger; and

the number and kind of shares outstanding immediately after the merger, plus the number and kind of shares issuable as a result of the merger and by the conversion of securities issued pursuant to the merger or the exercise of rights and warrants issued pursuant to the merger, will not exceed the total number and kind of shares of the surviving corporation authorized by its articles of incorporation immediately after the merger.

Each holder of Shares will have one vote per Share on any matter on which holders of Shares are entitled to vote, including any action by written consent.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required, all outstanding Shares shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holders of Shares to effect the redemption.

Registrar, Transfer Agent and Paying Agent

Computershare Trust Company, N.A. will act as registrar, transfer agent and paying agent for the Shares.

Registration of transfers of Shares will be effected without charge by or on behalf of SunTrust, but upon payment in respect of any tax or other governmental charges which may be imposed in relation to it.

The registrar, transfer agent and paying agent will not be required to register or cause to be registered any transfer of Shares after they have been called for redemption.

Calculation Agent

U.S. Bank National Association will be the calculation agent for the Shares.

Other Preferred Stock

Our articles of incorporation authorize our board of directors to provide for the issuance of preferred stock in one or more series, without shareholder action. Our board of directors is authorized to fix the designation, powers, preferences and rights, and the qualifications, limitations and restrictions of the shares of each series of preferred stock we issue. For each series of preferred stock, the board

Table of Contents

is permitted to specify the designation of each series and the number of shares in the series; the rate of dividends payable on the series; the timing of the dividend payments and the date from which dividends accumulate; whether the shares of the series can be redeemed and, if applicable, the terms and conditions for redemption; the liquidation preference and amount for the series; any conversion rights and, if applicable, the terms and conditions for conversion; and the voting rights, if any, for the series.

Series A Preferred Stock. We have issued depositary shares representing ownership interests in 5,000 shares of Perpetual Preferred Stock, Series A, with a \$100,000 liquidation preference per share. The Series A Preferred Stock is not convertible into our common stock or any other class or series of our securities and will not be subject to any sinking fund or other similar obligation for their repurchase or retirement. Dividends on the Series A Preferred Stock, if declared, will accrue and be payable quarterly at a rate per annum equal to the greater of three-month LIBOR plus 0.53%, or 4.00%. Dividends on the shares are non-cumulative. Shares of the Series A Preferred Stock have priority over our common stock with regard to the payment of dividends. The Series A Preferred Stock is redeemable at our option at a redemption price equal to \$100,000 per share, plus any declared and unpaid dividends. The Series A Preferred Stock does not have any voting rights other than with respect to certain limited matters, including the right (together with all other holders of preferred stock) to elect two directors if we fail to pay six quarterly dividends, the right to vote on matters that could adversely affect the holders of the Series A Preferred Stock and on certain other matters to the extent required by law.

Series B Preferred Stock. In connection with the issuance of preferred purchase securities by one of our wholly owned trust subsidiaries, we designated a series of preferred stock, consisting of 5,010 designated shares of Perpetual Preferred Stock, Series B, with a \$100,000 liquidation preference per share. 1,025 shares of the Series B Preferred Stock were issued on December 15, 2011 pursuant to stock purchase contracts to our wholly owned trust subsidiary. The Series B Preferred Stock is not convertible into our common stock or any other class or series of our securities and is not subject to any sinking fund or any other similar obligation for its repurchase or retirement. Dividends on the Series B Preferred Stock, if such dividends are declared, will accrue and be payable quarterly. These dividends will be calculated at a rate per annum that will be reset quarterly and will equal the greater of (i) three-month LIBOR for the applicable dividend period plus 0.645% and (ii) 4.00%. Dividends on the shares are non-cumulative. Shares of the Series B Preferred Stock will have priority over our common stock with regard to the payment of dividends. Each share of the Series B Preferred Stock is redeemable at our option at a redemption price equal to \$100,000, plus an amount equal to any declared and unpaid dividends. The Series B Preferred Stock does not have any voting rights other than with respect to certain limited matters, including the right (together with all other holders of preferred stock) to elect two directors if we fail to pay six quarterly dividends, the right to vote on matters that could adversely affect the holders of the Series B Preferred Stock and on certain other matters to the extent required by law.

Series C Preferred Stock and Series D Preferred Stock. As part of the Capital Purchase Program established by the United States Treasury, we entered into separate purchase agreements with the United States Treasury pursuant to which we issued and sold to the United States Treasury 35,000 shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series C, having a liquidation preference of \$100,000 per share, or Series C Preferred Stock, and 13,500 shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series D, having a liquidation preference of \$100,000 per share, or Series D Preferred Stock. We issued to the United States Treasury in connection with each of the Series C Preferred Stock transaction and the Series D Preferred Stock transaction a ten-year warrant relating to the purchase of up to 11,891,280 shares of our common stock at an initial exercise price of \$44.15 per share and the purchase of up to 6,008,902 shares of our common stock at an initial exercise price of \$33.70 per share (the *Series A Warrants*), respectively. On March 30, 2011, we

Table of Contents

repurchased all of the Series C Preferred Stock and Series D Preferred Stock. On September 28, 2011, we purchased and retired Series A Warrants to purchase approximately 4 million shares of our common stock.

Series E Preferred Stock. We have issued depositary shares representing ownership interests in 4,500 shares of Perpetual Preferred Stock, Series E, with a \$100,000 liquidation preference per share. The Series E Preferred Stock is not convertible into our common stock or any other class or series of our securities and will not be subject to any sinking fund or other similar obligation for their repurchase or retirement. Dividends on the Series E Preferred Stock, if declared, will accrue and be payable quarterly at a rate per annum equal to 5.875%. Dividends on the shares are non-cumulative. Shares of the Series E Preferred Stock have priority over our common stock with regard to the payment of dividends. The Series E Preferred Stock is redeemable at our option at a redemption price equal to \$100,000 per share, plus any declared and unpaid dividends. The Series E Preferred Stock does not have any voting rights other than with respect to certain limited matters, including the right (together with all other holders of preferred stock) to elect two directors if we fail to pay six quarterly dividends, the right to vote on matters that could adversely affect the holders of the Series E Preferred Stock and on certain other matters to the extent required by law.

Table of Contents

DESCRIPTION OF THE DEPOSITARY SHARES

Please note that in this prospectus supplement, references to holders of depositary shares mean those who own depositary shares registered in their own names, on the books that we or the depositary maintain for this purpose, and not indirect holders who own beneficial interests in depositary shares registered in street name or issued in book-entry form through DTC.

The following is a brief description of the terms of the depositary shares representing the Shares, which does not purport to be complete in all respects. This description is subject to and qualified in its entirety by reference to our restated articles of incorporation, as amended, including our articles of amendment with respect to the Shares, copies of which are available upon request from us.

General

We are issuing fractional interests in Shares in the form of depositary shares. Each depositary share will represent a 1/100th ownership interest in one Share, and will be evidenced by a depositary receipt. The Shares represented by depositary shares will be deposited under a deposit agreement among us, U.S. Bank National Association, as the depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares. Subject to the terms of the deposit agreement, each holder of a depositary share will be entitled, through the depositary, in proportion to the applicable fraction of a Share represented by that depositary share, to all the rights and preferences of the Shares represented thereby (including dividend, voting, redemption and liquidation rights).

Immediately following the issuance of the Shares, we will deposit the Shares with the depositary, which will then issue the depositary shares to the underwriters. Copies of the forms of deposit agreement and the depositary receipt may be obtained from us upon request and in the manner described in the accompanying prospectus.

Dividends and Other Distributions

The depositary will distribute any cash dividends or other cash distributions received in respect of the deposited Shares to the record holders of depositary shares relating to the underlying Shares in proportion to the number of depositary shares held by the holders. The depositary will distribute any property received by it other than cash to the record holders of depositary shares entitled to those distributions, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make a distribution. In that event, the depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders of the depositary shares in proportion to the number of depositary shares they hold.

Record dates for the payment of dividends and other matters relating to the depositary shares will be the same as the corresponding record dates for the Shares.

The amounts distributed to holders of depositary shares will be reduced by any amounts required to be withheld by the depositary or by us on account of taxes or other governmental charges.

Redemption of Depositary Shares

If we redeem the Shares represented by the depositary shares, the depositary shares will be redeemed from the proceeds received by the depositary resulting from the redemption of the Shares held by the depositary. The redemption price per depositary share will be equal to 1/100th of the

Table of Contents

redemption price per share payable with respect to the Shares (or \$1,000 per depositary share plus dividends as applicable). Whenever we redeem Shares held by the depositary, the depositary will redeem, as of the same redemption date, the number of depositary shares representing the Shares so redeemed.

In case of any redemption of less than all of the outstanding depositary shares, the depositary shares to be redeemed will be selected by the depositary *pro rata* or in any other manner determined by the depositary to be equitable. In any such case, we will redeem depositary shares only in increments of 100 depositary shares and any integral multiple thereof.

After the date fixed for redemption, the depositary shares called for redemption will no longer be deemed to be outstanding, and all rights of the holders of those shares will cease, except the right to receive the amount payable and any other property to which the holders were entitled upon the redemption. To receive this amount or other property, the holders must surrender the depositary receipts evidencing their depositary shares to the depositary. Any funds that we deposit with the depositary for any depositary shares that the holders fail to redeem will be returned to us after a period of two years from the date we deposit the funds.

Withdrawal of Series F Preferred Stock

Unless the related depositary shares have previously been called for redemption, any holder of depositary shares may receive the number of whole Shares and any money or other property represented by those depositary receipts after surrendering the depositary receipts at the corporate trust office of the depositary, paying any taxes, charges and fees provided for in the deposit agreement and complying with any other requirement of the deposit agreement. Holders of depositary shares making these withdrawals will be entitled to receive whole Shares, but holders of whole Shares will not be entitled to deposit those Shares under the deposit agreement or to receive depositary receipts for those Shares after withdrawal. If the depositary shares surrendered by the holder in connection with withdrawal exceed the number of depositary shares that represent the number of whole Shares to be withdrawn, the depositary will deliver to that holder at the same time a new depositary receipt evidencing the excess number of depositary shares.

Voting the Shares

When the depositary receives notice of any meeting at which the holders of the Shares are entitled to vote, the depositary will mail the information contained in the notice to the record holders of the depositary shares relating to the Shares. Each record holder of the depositary shares on the record date, which will be the same date as the record date for the Shares, may instruct the depositary to vote the amount of the Shares represented by the holder's depositary shares. To the extent possible, the depositary will vote the amount of the Shares represented by depositary shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any depositary shares representing the Shares, it will vote all depositary shares of that series held by it proportionately with instructions received.

Amendment and Termination of the Deposit Agreement

We may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement at any time and from time to time by agreement with the depositary. However, any amendment that imposes additional charges or materially and adversely alters any

Table of Contents

substantial existing right of the holders of depositary shares will not be effective unless the holders of at least a majority or, in the case of amendments relating to or affecting rights to receive dividends or distributions or voting or redemption rights, two-thirds of the holders of the affected depositary shares then outstanding approve the amendment. We will make no amendment that impairs the right of any holder of depositary shares, as described above under **Withdrawal of Preferred Stock**, to receive Shares and any money or other property represented by those depositary shares, except in order to comply with mandatory provisions of applicable law. Holders who retain or acquire their depositary receipts after an amendment becomes effective will be deemed to have agreed to the amendment and will be bound by the amended deposit agreement.

The deposit agreement will automatically terminate if:

all outstanding depositary shares have been redeemed; or

a final distribution in respect of the Shares has been made to the holders of depositary shares in connection with any liquidation, dissolution or winding-up of SunTrust.

We may terminate the deposit agreement at any time, and the depositary will give notice of that termination to the recordholders of all outstanding depositary receipts not less than 30 days before the termination date. In that event, the depositary will deliver or make available for delivery to holders of depositary shares, upon surrender of the depositary receipts evidencing the depositary shares, the number of whole or fractional Shares as are represented by those depositary shares.

Charges of Depositary; Taxes and Other Governmental Charges

We will pay the fees, charges and expenses of the depositary provided in the deposit agreement to be payable by us. Holders of depositary receipts will pay any taxes and governmental charges and any charges provided in the deposit agreement to be payable by them, including a fee for the withdrawal of Shares upon surrender of depositary receipts. If the depositary incurs fees, charges or expenses for which it is not otherwise liable at the election of a holder of a depositary receipt or other person, that holder or other person will be liable for those fees, charges and expenses.

Resignation and Removal of Depositary

The depositary may resign at any time by giving us notice, and we may remove or replace the depositary at any time.

Reports to Holders

We will deliver all required reports and communications to holders of the Shares to the depositary. It will forward those reports and communications to the holders of depositary shares.

Limitation on Liability of the Depositary

The depositary will not be liable if it is prevented or delayed by law or any circumstances beyond its control in performing its obligations under the deposit agreement. The obligations of the depositary under the deposit agreement will be limited to performance in good faith of its duties under the agreement, and it will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares, depositary receipts or Shares unless satisfactory and reasonable protection from expenses and liability is furnished. This is called an indemnity. The depositary may rely upon written advice of counsel or accountants, upon information provided by holders of depositary receipts or other persons believed to be competent and upon documents believed to be genuine.

Table of Contents

BOOK-ENTRY, DELIVERY AND FORM OF DEPOSITARY SHARES

The Shares will be issued in registered form to the depository. The depository shares will be issued in book-entry form through DTC. DTC will act as securities depository for the depository shares. The depository shares will be issued only as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. The depository shares will be accepted for clearance by DTC. Beneficial interests in the global securities will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants. Owners of beneficial interests in the depository shares will receive all payments relating to their depository shares in U.S. dollars. One or more fully registered global security certificates, representing the total aggregate number of depository shares, will be issued and will be deposited with DTC and will bear a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in the depository shares, so long as the depository shares are represented by global security certificates.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a *banking organization* within the meaning of the New York Banking Law, a member of the Federal Reserve System, a *clearing corporation* within the meaning of the New York Uniform Commercial Code and a *clearing agency* registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities deposited with it by its participants, and it facilitates the settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*DTCC*). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to DTC's system is also available to others such as both U.S. and non-U.S. securities brokers and dealers (including agents), banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The DTC rules applicable to its participants are on file with the SEC.

Purchases of depository shares under the DTC system must be made by or through direct participants, which will receive a credit for the depository shares on DTC's records. The ownership interest of each beneficial owner of depository shares will be recorded on the direct or indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Under a book-entry format, holders may experience some delay in their receipt of payments, as such payments will be forwarded by the depository to Cede & Co., as nominee for DTC. DTC will forward the payments to its participants, who will then forward them to indirect participants or holders. Beneficial owners of depository shares other than DTC or its nominees will not be recognized by the depository as registered holders of the depository shares entitled to the rights of holders thereof. Beneficial owners that are not participants will be permitted to exercise their rights only indirectly through and according to the procedures of participants and, if applicable, indirect participants.

Table of Contents

To facilitate subsequent transfers, all depositary shares deposited by direct participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of depositary shares with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the depositary shares; DTC's records reflect only the identity of the direct participants to whose accounts the depositary shares are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of redemption notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. If less than all of the depositary shares are being redeemed, DTC will determine the amount of the interest of each direct participant to be redeemed in accordance with its then current procedures.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to depositary shares unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts depositary shares are credited on the record date (identified in a listing attached to the omnibus proxy).

DTC may discontinue providing its services as securities depository with respect to the depositary shares at any time by giving reasonable notice to the issuer or its agent. Under these circumstances, in the event that a successor securities depository is not obtained, certificates for the depositary shares are required to be printed and delivered. We may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the depositary shares will be printed and delivered to DTC.

As long as DTC or its nominee is the registered owner of the global security certificates, DTC or its nominee, as the case may be, will be considered the sole owner and holder of the global security certificates and all depositary shares represented by these certificates for all purposes under the instruments governing the rights and obligations of holders of depositary shares. Except in the limited circumstances referred to above, owners of beneficial interests in global security certificates:

will not be entitled to have such global security certificates or the depositary shares represented by these certificates registered in their names;

will not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in global security certificates; and

will not be considered to be owners or holders of the global security certificates or the depositary shares represented by these certificates for any purpose under the instruments governing the rights and obligations of holders of depositary shares.

All redemption proceeds, distributions and dividend payments on the depositary shares represented by the global security certificates and all transfers and deliveries of depositary shares will be made to DTC or its nominee, as the case may be, as the registered holder of the depositary shares. DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or its agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of

Table of Contents

customers in bearer form or registered in street name, and will be the responsibility of that participant and not of DTC, the depository, the issuer or any of their agents, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or its agent, disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners will be the responsibility of direct and indirect participants.

Ownership of beneficial interests in the global security certificates will be limited to participants or persons that may hold beneficial interests through institutions that have accounts with DTC or its nominee. Ownership of beneficial interests in global security certificates will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by DTC or its nominee, with respect to participants' interests, or any participant, with respect to interests of persons held by the participant on their behalf. Euroclear and Clearstream will hold interests in the global security certificates on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which in turn will hold such interests in customers' securities accounts in their respective names on the books of DTC. Payments, transfers, deliveries, exchanges, redemptions and other matters relating to beneficial interests in global security certificates, including those held through Euroclear and Clearstream, may be subject to various policies and procedures adopted by DTC from time to time. Neither we nor any agent for us will have any responsibility or liability for any aspect of DTC's or any direct or indirect participant's records relating to, or for payments made on account of, beneficial interests in global security certificates, or for maintaining, supervising or reviewing any of DTC's records or any direct or indirect participant's records relating to these beneficial ownership interests.

Crossmarket transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its U.S. depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (European time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant U.S. global security certificates in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time-zone differences, credits of depository shares received in Clearstream and Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and will be credited the business day following the DTC settlement date. Such credits or any transactions in the depository shares settled during such processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of depository shares by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfer of interests in the global security certificates among participants, DTC, Euroclear and Clearstream are under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. We will not have any responsibility for the performance by DTC or its direct or indirect participants under the rules and procedures governing DTC.

Table of Contents

Because DTC can act only on behalf of direct participants, who in turn act only on behalf of direct or indirect participants, and certain banks, trust companies and other persons approved by it, the ability of a beneficial owner of depositary shares to pledge the depositary shares to persons or entities that do not participate in the DTC system may be limited due to the unavailability of physical certificates for the depositary shares.

DTC has advised us that it will take any action permitted to be taken by a registered holder of any securities under the depositary agreement or our restated articles of incorporation only at the direction of one or more participants to whose accounts with DTC the depositary shares are credited.

The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be accurate, but we assume no responsibility for the accuracy thereof.

Table of Contents

**UNITED STATES FEDERAL TAX CONSEQUENCES TO
HOLDERS OF DEPOSITARY SHARES**

The following is a summary of the material U.S. federal income tax consequences relating to the purchase, ownership and disposition of depositary shares, each representing a 1/100th ownership interest in a share of Series F Preferred Stock. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the *Code*), Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as currently in effect and all of which are subject to change, possibly retroactively, and to different interpretations. In addition, this section is based in part upon the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. This summary does not address all of the U.S. federal income tax consequences that may be relevant to a particular investor, and does not address any aspect of state, local, non-U.S. or other U.S. federal tax consequences. This summary addresses only depositary shares held as capital assets within the meaning of the Code and does not address U.S. federal income tax consequences applicable to investors that are subject to special tax rules, such as:

securities dealers or brokers, or traders in securities electing mark-to-market treatment;

banks, thrifts, or other financial institutions;

insurance companies;

regulated investment companies or real estate investment trusts;

tax-exempt organizations;

persons holding depositary shares as part of a straddle, hedge, synthetic security or conversion transaction for U.S. federal income tax purposes, or as part of some other integrated investment;

partnerships or other pass-through entities;

persons that purchase or sell depositary shares as part of a wash-sale for tax purposes;

persons subject to the alternative minimum tax;

certain former citizens or residents of the United States;

a passive foreign investment company or a controlled foreign corporation for U.S. federal income tax purposes; or

U.S. Holders (as defined below) whose functional currency is not the U.S. dollar.

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For purposes of this summary, the term *U.S. Holder* means a beneficial owner of depositary shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, or (iv) a trust if (A) a United States court has the authority to exercise primary supervision over the administration of the trust and one or more United States persons (as defined under the Code) are authorized to control all substantial decisions of the trust or (B) it has a valid election in place to be treated as a United States person. The term *Non-U.S. Holder* means a beneficial owner of depositary shares that is not a U.S. Holder and that is not a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds depositary shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding depositary shares, you should consult your own tax advisor.

S-37

Table of Contents

If you are considering the purchase of depositary shares, you should consult your own tax advisor concerning the particular U.S. federal income tax consequences to you of an investment in depositary shares, as well as the consequences to you arising under the laws of any other taxing jurisdiction, including any state, local or non-U.S. income tax consequences.

General

Beneficial owners of depositary shares will be treated as owning the underlying Series F Preferred Stock for U.S. federal income tax purposes.

U.S. Holders

Distributions

Distributions paid by us with respect to depositary shares will constitute dividends for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. If the amount of a distribution with respect to depositary shares exceeds our current and accumulated earnings and profits, such distribution will be treated first as a tax-free return of capital to the extent of the U.S. holder's adjusted tax basis in depositary shares, and thereafter as capital gain. We expect for the foreseeable future to have sufficient earnings and profits for all distributions on the depositary shares to qualify as dividends for U.S. federal income tax purposes.

Subject to certain exceptions for short-term and hedged positions, dividends paid to certain non-corporate U.S. Holders (including individuals) are subject to a maximum federal income tax rate of 20%. Subject to exceptions for short-term and hedged positions, dividends paid to corporate U.S. Holders of depositary shares will be eligible for the dividends-received deduction.

Any dividend that exceeds certain thresholds in relation to your tax basis in your depositary shares could be characterized as an extraordinary dividend under the Code. If you are a corporation, you have held the stock for two years or less before the dividend announcement date, and you receive an extraordinary dividend, generally you will be required to reduce your tax basis in your depositary shares with respect to which such dividend was made by the non-taxed portion of such dividend. If the amount of the reduction exceeds your tax basis in such depositary shares, the excess is treated as taxable gain.

Sale, Exchange or Redemption

Subject to the discussion below regarding certain redemptions, a U.S. Holder will recognize capital gain or loss upon the sale, exchange, redemption or other taxable disposition (each, a disposition) of depositary shares in an amount equal to the difference between the amount realized on the disposition and the holder's adjusted tax basis in depositary shares at the time of the disposition. Capital gain, if any, recognized by a U.S. Holder will be long-term capital gain if the U.S. Holder's holding period for the depositary shares exceeded one year at the time of the disposition. In the case of non-corporate U.S. Holders, long-term capital gains generally are subject to federal income tax at reduced rates. The deductibility of capital losses is subject to limitations.

Under certain circumstances, an amount paid to a U.S. Holder of depositary shares in connection with a redemption of Series F Preferred Stock may be treated as a distribution (taxed in the manner described under *Distributions* above) as opposed to an amount realized on the disposition of depositary shares, if immediately following the redemption the U.S. Holder owns directly or indirectly

Table of Contents

(taking into account applicable constructive ownership rules) shares of any class of our stock. U.S. Holders that own (or are deemed to own) shares of any class of our stock should consult their own tax advisors regarding the consequences to them of receiving a payment on depositary shares in connection with a redemption of Series F Preferred Stock.

Additional Tax on Net Investment Income

Section 1411 of the Code imposes an additional 3.8% tax on the net investment income of certain U.S. citizens and resident aliens, and on the undistributed net investment income of certain estates and trusts. Among other items, net investment income generally includes gross income from dividends and net gain from the disposition of property, including the depositary shares, unless such income or gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive trading activities). You should consult your tax advisor with respect to this additional tax.

Information Reporting and Backup Withholding

In general, a U.S. Holder (other than a corporation or other exempt holder) will be subject to information reporting requirements with respect to dividends and other taxable distributions, and the proceeds from a sale, redemption or other disposition of depositary shares. In addition, a U.S. Holder will be subject to backup withholding on such amounts if the U.S. Holder (i) fails to provide an accurate taxpayer identification number to the payor; (ii) has been notified by the Internal Revenue Service that it has failed to report all interest or dividends required to be shown on its U.S. federal income tax returns; or (iii) in certain circumstances, fails to comply with applicable certification requirements.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service on a timely basis.

Non-U.S. Holders

Distributions

Except as described below, dividends paid to a Non-U.S. Holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. In order to claim the benefits of an applicable income tax treaty, a Non-U.S. Holder generally will be required to provide a properly completed Internal Revenue Service Form W-8BEN or W-8BEN-E and make certain certifications, under penalty of perjury, to establish its status as a non-U.S. person and its entitlement to treaty benefits. Non-U.S. Holders eligible for a reduced rate of United States withholding tax under an applicable income tax treaty may obtain a refund of any amounts withheld in excess of that rate by filing a timely refund claim with the Internal Revenue Service.

Dividends paid to a Non-U.S. Holder that are effectively connected with the holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment maintained by the holder in the United States) generally are exempt from the 30% United States withholding tax, provided the holder complies with applicable certification requirements (for example, by providing the payor with a properly completed Form W-8ECI). Instead, such dividends will be subject to U.S. federal income tax in the same manner as if the Non-U.S. Holder were a U.S. Holder, as described above. Corporate Non-U.S. Holders may also be subject to an additional branch profits tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) on effectively connected dividends received with respect to depositary shares.

Table of Contents

Sale, Exchange or Redemption

A Non-U.S. Holder generally will not be subject to U.S. federal income tax on gain recognized on a disposition of depository shares unless (i) the gain is effectively connected with the holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the holder in the United States); (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are satisfied; or (iii) we are or have been a United States real property holding corporation for U.S. federal income tax purposes and certain other conditions are satisfied. We have not been, are not and do not anticipate becoming a United States real property holding corporation for U.S. federal income tax purposes.

Gain from the disposition of depository shares by a Non-U.S. Holder that is treated as effectively connected with the holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by the holder in the United States) generally will be subject to U.S. federal income tax in the same manner as if the holder were a U.S. Holder, as described above. Corporate Non-U.S. Holders may also be subject to the branch profits tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) on effectively connected gain. As discussed above under U.S. Holders Sale, Exchange or Redemption, an amount paid to a holder of depository shares in connection with a redemption of Series F Preferred Stock may under certain circumstances be treated as a distribution. In that case, the payment would be subject to the rules for distributions described above.

U.S. Federal Estate Tax

Preferred stock held by a Non-U.S. Holder at the time of death will be included in the holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Dividends paid to a Non-U.S. Holder on depository shares generally will be subject to information reporting requirements. Copies of the information returns reporting such dividends and any withholding thereon may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. In addition, such dividends generally will be subject to backup withholding unless the Non-U.S. Holder certifies under penalty of perjury that it is not a United States person (and the payor does not have actual knowledge or reason to know that such holder is a United States person), or the holder otherwise establishes an exemption from backup withholding. Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of depository shares that is effected within the United States or conducted through certain United States-related financial intermediaries, unless the Non-U.S. Holder certifies its non-U.S. status under penalty of perjury (and the payor does not have actual knowledge or reason to know that the holder is a United States person), or the holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service on a timely basis.

Table of Contents

Additional Withholding Requirements Under FATCA

Sections 1471 through 1474 of the Code (commonly referred to as FATCA) generally will impose a 30% withholding tax on (i) dividends paid on depositary shares and (ii) gross proceeds from the sale or other disposition of depositary shares after December 31, 2016, in each case if the shares are held by or through:

certain foreign financial institutions (including investment funds), unless the institution otherwise qualifies for an exemption or enters into an agreement with the U.S. Treasury (i) to collect and report, on an annual basis, information with respect to accounts in the institution held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons, and (ii) to withhold on certain payments; or

a non-financial non-U.S. entity, unless the entity (i) either certifies to the applicable withholding agent or the IRS that the entity does not have any substantial United States owners or provides certain information regarding the entity s substantial United States owners or (ii) otherwise establishes an exemption from such withholding tax.

The rules described above may be modified by an intergovernmental agreement entered into between the United States and an applicable foreign country, or by future Treasury regulations or other guidance. Non-U.S. holders are encouraged to consult their tax advisors regarding the possible implications of these rules on their investment in depositary shares.

Table of Contents

EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (ERISA) (each, a Plan), should consider the fiduciary standards of ERISA in the context of the Plan 's particular circumstances before authorizing an investment in the depositary shares. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under ERISA or the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit a Plan, as well as individual retirement accounts, Keogh plans and other plans that are subject to Section 4975 of the Code (also Plans), from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code with respect to the Plan. A violation of these prohibited transaction rules may result in excise tax under the Code or penalties or other liabilities under ERISA or the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (Non-ERISA Arrangements) are not subject to the requirements of Section 406 of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, non-U.S or other laws (Similar Laws).

The acquisition of the depositary shares by a Plan or any entity whose underlying assets include plan assets by reason of a Plan 's investment in the entity (a Plan Asset Entity) with respect to which SunTrust or any of its affiliates is or becomes a party in interest or disqualified person may result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, unless the depositary shares are acquired pursuant to an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or PTCEs , that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase of the depositary shares. These exemptions are PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for transactions involving certain insurance company general accounts), and PTCE 96-23 (for transactions managed by in-house asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of the depositary shares, provided that neither the issuer of the depositary shares nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more and receives no less than adequate consideration in connection with the transaction (the service provider exemption). There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Any purchaser of the depositary shares or any interest therein will be deemed to have represented by its purchase of the depositary shares or any interest therein that it either (1) is not a Plan, a Plan Asset Entity or a Non-ERISA Arrangement and is not purchasing the depositary shares on behalf of or with the assets of any Plan, a Plan Asset Entity or Non-ERISA Arrangement or (2) the purchase of the depositary shares will not constitute a non-exempt prohibited transaction or a similar violation under any applicable Similar Laws. Any person making the decision to invest in the depositary shares on behalf of a Plan or Plan Asset Entity will, by purchasing the depositary shares, be deemed to have also represented that (1) the purchaser will pay no more than adequate consideration in connection with the purchase of the depositary shares, (2) neither SunTrust nor any of its affiliates is a fiduciary (within

Table of Contents

the meaning of ERISA or any Similar Laws) with respect to the purchaser in connection with the purchaser's acquisition of or investment in the depositary shares and (3) no advice provided by SunTrust or any of its affiliates has formed a primary basis for any investment decision by or on behalf of such purchaser in connection with the purchase of the depositary shares.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing the depositary shares on behalf of or with the assets of any Plan, a Plan Asset Entity or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or the potential consequences of any purchase under Similar Laws, as applicable. Purchasers of the depositary shares have exclusive responsibility for ensuring that their purchase of the depositary shares does not violate the fiduciary or prohibited transaction rules of ERISA or the Code or any similar provisions of Similar Laws. The sale of any depositary shares to a Plan, Plan Asset Entity or Non-ERISA Arrangement is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement or that such investment is appropriate for such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement.

Table of Contents

UNDERWRITING (CONFLICTS OF INTEREST)

We are offering the depositary shares described in this prospectus supplement through a number of underwriters. We have entered into an underwriting agreement with the underwriters listed below for whom Goldman, Sachs & Co., Morgan Stanley & Co. LLC and SunTrust Robinson Humphrey, Inc. are acting as representatives. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement, the number of depositary shares listed next to its name below:

Underwriter	Number of Depositary Shares
Goldman, Sachs & Co.	
Morgan Stanley & Co. LLC	
SunTrust Robinson Humphrey, Inc.	

Total
The underwriters are committed to take and pay for all of the depositary shares being offered, if any are taken. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated. The offering of the depositary shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The underwriters propose to offer the depositary shares directly to the public at the initial public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of \$ _____ per depositary share sold to institutional investors and \$ _____ per depositary share sold to retail investors. Any such dealers may resell depositary shares to certain other brokers or dealers at a discount of up to \$ _____ per depositary share from the initial public offering price per depositary share sold to retail investors. After the initial public offering of the depositary shares, the offering price and other selling terms may be changed by the underwriters. Sales of depositary shares made outside of the U.S. may be made by affiliates of the underwriters.

Prior to this offering, there has been no public market for the depositary shares being offered. We do not expect that there will be any separate public trading market for the shares of the Series F Preferred Stock except as represented by the depositary shares. We do not expect that there will be any separate public trading market for the shares of Series F Preferred Stock except as represented by the depositary shares.

The underwriting fee is equal to the public offering price per depositary share less the amount paid by the underwriters to us per depositary share. The following table shows the per depositary share and total underwriting discounts and commissions to be paid to the underwriters. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional depositary shares.

Per depositary share	\$
Total	\$

In connection with the offering, the underwriters may purchase and sell depositary shares in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of depositary shares than they are required to purchase in the offering. The underwriters must close out any short position by purchasing depositary shares in the open market. A short position is

Table of Contents

more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the depositary shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of depositary shares made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased depositary shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or lessening a decline in the market price of the depositary shares, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the depositary shares. As a result, the price of the depositary shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

We have agreed with the underwriters not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of, any of our securities substantially similar to the Series F Preferred Stock or the related depositary shares, including any options or warrants to purchase shares of the Series F Preferred Stock or securities convertible into or exchangeable for shares of the Series F Preferred Stock, during the period from the date of this prospectus supplement continuing through the date 30 days after the date of this prospectus supplement, except with the prior written consent of the representatives.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments, including serving as counterparties to certain derivative and hedging arrangements, and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities or instruments of the issuer. Such investment and securities activities may have involved, and in the future may involve, our securities and instruments. If any of the underwriters or their affiliates has a lending relationship with SunTrust, certain of those underwriters or their affiliates may hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities. The underwriters and their respective affiliates may also make investment recommendations or publish or

Table of Contents

express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Selling Restrictions

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), including each Relevant Member State that has implemented the 2010 PD Amending Directive with regard to persons to whom an offer of securities is addressed and the denomination per unit of the offer of securities (each, an Early Implementing Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), no offer of depositary shares will be made to the public in that Relevant Member State (other than offers (the Permitted Public Offers) where a prospectus will be published in relation to the depositary shares that has been approved by the competent authority in a Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive), except that with effect from and including that Relevant Implementation Date, offers of depositary shares may be made to the public in that Relevant Member State at any time:

- A. to qualified investors as defined in the Prospectus Directive, including:
 - (a) (in the case of Relevant Member States other than Early Implementing Member States), legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities, or any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than 43.0 million and (iii) an annual turnover of more than 50.0 million as shown in its last annual or consolidated accounts; or
 - (b) in the case of Early Implementing Member States), persons or entities that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC, and those who are treated on request as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or
- B. to fewer than 100 (or, in the case of Early Implementing Member States, 150) natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted in the Prospectus Directive, subject to obtaining the prior consent of the representative for any such offer; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of depositary shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than a Relevant Member State where there is a Permitted Public Offer) who initially acquires any depositary shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (A) it is a qualified investor, and (B) in the case of any depositary shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the depositary shares acquired by it in the offering have not

Table of Contents

been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Subscribers has been given to the offer or resale. In the case of any depositary shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the depositary shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any depositary shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representative has been obtained to each such proposed offer or resale.

For the purpose of the above provisions, the expression an offer to the public in relation to any depositary shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer of any depositary shares to be offered so as to enable an investor to decide to purchase any depositary shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC (including the 2010 PD Amending Directive, in the case of Early Implementing Member States) and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Notice to Investors in the United Kingdom

Each of the underwriters severally represents, warrants and agrees as follows:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling with Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the company; and
- (b) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the depositary shares in, from or otherwise involving the United Kingdom.

Japan

The depositary shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any depositary shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

The depositary shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the

Table of Contents

Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the depositary shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to depositary shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus supplement and the accompanying prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the depositary shares may not be circulated or distributed, nor may the depositary shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person, or any person pursuant to Section 275 (1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the depositary shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust will not be transferable for six months after that corporation or that trust has acquired the depositary shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Conflicts of Interest

SunTrust Robinson Humphrey, Inc., our subsidiary, is participating in this offering of depositary shares as an underwriter. Accordingly, this offering is being conducted in compliance with the provisions of FINRA Rule 5121. SunTrust Robinson Humphrey, Inc. is not permitted to sell the depositary shares in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the customer to which the account relates.

In the future, SunTrust Robinson Humphrey, Inc. or our other affiliates may repurchase and resell the depositary shares in market-making transactions, with resales being made at prices related to prevailing market prices at the time of the resale or at negotiated prices.

Table of Contents

VALIDITY OF SHARES

The validity of the Shares and the depositary shares offered hereby will be passed upon for us by King & Spalding LLP, Atlanta, Georgia and for the underwriters by Sullivan & Cromwell LLP, New York, New York. Sullivan & Cromwell LLP will rely as to matters of Georgia law upon the opinions of King & Spalding LLP and Raymond D. Fortin, Esq., Corporate Executive Vice President, General Counsel and Corporate Secretary of SunTrust. As of October 14, 2014, Mr. Fortin beneficially owned 411,055 shares of our common stock inclusive of options to purchase 366,826 shares of our common stock, which he is deemed to beneficially own in accordance with Rule 13d-3, and inclusive of 6,945 restricted stock units which remain subject to forfeiture until vested. Sullivan & Cromwell LLP regularly performs legal services for SunTrust and its affiliates.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 and the effectiveness of our internal control over financial reporting as of December 31, 2013, as set forth in their reports, which are incorporated by reference in this prospectus supplement and elsewhere in the registration statement. Our financial statements and our management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2013 are incorporated by reference in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

Table of Contents

PROSPECTUS

SunTrust Banks, Inc.

Senior Debt Securities

Subordinated Debt Securities

Purchase Contracts

Units

Warrants

Depository Shares

Preferred Stock

Common Stock

The securities listed above may be offered and sold by us and/or may be offered and sold, from time to time, by one or more selling securityholders to be identified in the future. We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in the securities described in the applicable prospectus supplement.

This prospectus may not be used to sell securities unless accompanied by the applicable prospectus supplement.

These securities will be our equity securities or unsecured obligations, will not be savings accounts, deposits or other obligations of any bank or savings association, and will not be insured by the Federal Deposit Insurance Corporation, the bank insurance fund or any other governmental agency or instrumentality.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 23, 2012

Table of Contents

TABLE OF CONTENTS

	Page
<u>About this Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>Use of Proceeds</u>	2
<u>Validity of Securities</u>	2
<u>Experts</u>	2

Unless the context requires otherwise, references to we, us, our or similar terms are to SunTrust Banks, Inc. and its subsidiaries.

ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a shelf registration process. Under this shelf registration statement, we may sell, either separately or together, senior debt securities, subordinated debt securities, purchase contracts, units, warrants, preferred stock, depositary shares representing interests in preferred stock, and common stock in one or more offerings.

Each time we sell securities, we will provide a prospectus supplement, pricing supplement, index supplement, product supplement and/or other type of offering document or supplement (together referred to herein as a prospectus supplement) that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and the applicable prospectus supplement together with the additional information described under the heading Where You Can Find More Information.

The registration statement that contains this prospectus, including the exhibits to the registration statement, contains additional information about us and the securities offered under this prospectus. That registration statement can be read at the SEC web site or at the SEC offices mentioned under the heading Where You Can Find More Information.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC web site at <http://www.sec.gov>. To receive copies of public records not posted to the SEC's web site at prescribed rates, you may complete an online form at <http://www.sec.gov>, send a fax to (202) 772-9337 or submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information. Our SEC filings are also available at the offices of the New York Stock Exchange. For further information on obtaining copies of our public filings at the New York Stock Exchange, you should call 212-656-3000.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) (other

Table of Contents

than, in each case, information that is deemed not to have been filed in accordance with SEC rules), until we sell all the securities offered by this prospectus:

All reports filed by SunTrust pursuant to Sections 13(a) or 15(d) of the Exchange Act since December 31, 2011;

the description of SunTrust's Perpetual Preferred Stock, Series A, no par value and \$100,000 liquidation preference per share, contained in our Registration Statement on Form 8-A, under Section 12(b) of the Exchange Act, filed September 12, 2006, including any amendment or report filed for the purpose of updating such description; and

the description of SunTrust's common stock, \$1.00 par value per share, contained in our Registration Statement on Form 8-A, under Section 12(b) of the Exchange Act, filed March 5, 2003, including any amendment or report filed for the purpose of updating such description.

You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing), at no cost, by writing or calling us at the following address:

SunTrust Banks, Inc.

303 Peachtree Street, NE

Atlanta, Georgia 30308

Telephone: 404-658-4879

Attn: Corporate Secretary

You should rely only on the information contained or incorporated by reference in this prospectus and the applicable prospectus supplement. We have not authorized anyone else to provide you with additional or different information. We may only use this prospectus to sell securities if it is accompanied by a prospectus supplement. We are only offering these securities in jurisdictions where the offer is permitted. You should not assume that the information in this prospectus or the applicable prospectus supplement or any document incorporated by reference is accurate as of any date other than the dates of the applicable documents.

USE OF PROCEEDS

We intend to use the net proceeds from the sales of the securities as set forth in the applicable prospectus supplement.

VALIDITY OF SECURITIES

Unless otherwise indicated in the applicable prospectus supplement, some legal matters will be passed upon for us by our counsel, King & Spalding LLP. Any underwriters will be represented by their own legal counsel.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in our Current Report on Form 8-K dated August 1, 2012 for the year ended December 31, 2011, and the effectiveness of our internal control over financial reporting as of December 31, 2011 included in our Annual Report on Form 10-K, as set forth in their reports, which are incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements as of December 31, 2011 are incorporated by reference in reliance on Ernst & Young LLP's reports, given on the authority of such firm as experts in accounting and auditing.

Table of Contents

SunTrust Banks, Inc.

Depository Shares

Each Representing a 1/100th

Interest in a Share of

Perpetual Preferred Stock, Series F

Goldman, Sachs & Co.

Morgan Stanley

SunTrust Robinson Humphrey

ng Director or Supervisory Directors against all expenses (including attorneys' fees) judgments, fines and amounts paid in settlement with respect to any threatened pending or completed action, suit or proceeding as well as against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of an action or proceeding, if such person acted in good faith and in a manner he reasonably could believe to be in or not opposed to our best interests. An exception is made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for gross negligence or willful misconduct in the performance of his duty to us.

Classes of Shares

The authorized classes of our shares consist of Common Shares, Financing Preference Shares and Preference Shares. No Financing Preference Shares or Preference Shares have been issued.

Common Shares

Common Shares are issued in registered form only. Common Shares are available either without issue of a share certificate (Type I shares) or with issue of a share certificate (Type II shares), in either case in the form

Table of Contents

of an entry in the share register. The Type II shares are registered with American Stock Transfer & Trust Company, our transfer agent and registrar in New York (the New York Transfer Agent). At the discretion of the Supervisory Board, Type I shares may be issued and will be registered with TMF Management B.V. in Amsterdam, The Netherlands.

The transfer of registered shares requires that we issue a written instrument of transfer and the written acknowledgment of such transfer (or, in the case of Type II shares, the New York Transfer Agent (in our name)), and surrender of the share certificates, if any, to us or (in our name) to the New York Transfer Agent. Upon surrender of a share certificate for the purpose of transfer of the relevant shares, we (or the New York Transfer Agent in our name) acknowledge the transfer by endorsement on the share certificate or by issuance of a new share certificate to the transferee, at the discretion of the Managing Board.

Financing Preference Shares

No Financing Preference Shares are outstanding. If issued, Financing Preference Shares will be issued in registered form only. No share certificates are issued for Financing Preference Shares. Financing Preference Shares must be fully paid up upon issue. The preferred dividend rights attached to Financing Preference Shares are described under Dividends below. We have no present plans to issue any such Financing Preference Shares.

Preference Shares

No Preference Shares are outstanding. If issued, Preference Shares will be issued in registered form only. No share certificates are issued for Preference Shares. Only 25% of the par value thereof is required to be paid upon subscription for Preference Shares. The obligatory payable part of the nominal amount (call) must be equal for each Preference Share. The Managing Board may, subject to the approval of the Supervisory Board, resolve on which day and up to which amount a further call must be paid on Preference Shares which have not yet been paid up in full. The preferred dividend rights attached to Preference Shares are described under Dividends below. Pursuant to our Articles of Association and the resolution adopted by our general meeting on June 14, 2002, QIAGEN's Supervisory Board is entitled to resolve to issue Preference Shares. If our Supervisory Board opposes an intended take-over of our Company and Preference Shares are issued, the nature of the Preference Shares is such that the bidder may as a result withdraw its bid. Alternatively, the bidder could enter into negotiations with our Managing Board and/or Supervisory Board and agree on a higher offer price for our shares. There are currently no Preference Shares outstanding. Preference Shares may only be issued in the event that (I) in the opinion of the Supervisory Board, any person who did not acquire shares at our incorporation, shall, alone or pursuant to a mutual arrangement for co-operation jointly with one or more other persons, directly or indirectly, have acquired or given notice of an intent to acquire (beneficial) ownership of an amount of Common Shares or Financing Preference Shares, which in aggregate equals 20% or more of our share capital then outstanding in the form of Common Shares and Financing Preference Shares; (ii) the Supervisory Board shall declare any person to be an adverse person upon a determination that such person, alone or together with its affiliates or associates, has become the (beneficial) owner of an amount of Common Shares or Financing Preference Shares which the Supervisory Board determines to be substantial (which amount shall in no event be less than 10% of the shares then outstanding), and a determination that (a) such ownership is intended to cause or pressure us to enter into transactions intended to provide such person with short-term financial gain under circumstances that would not be in the interest of QIAGEN and our shareholders or (b) such ownership is reasonably likely to cause a material adverse impact on our business prospects.

Pre-emptive Rights

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Under the Articles, existing holders of Common Shares will have pre-emptive rights in respect of future issuances of Common Shares in proportion to the number of Common Shares held by them, unless limited or excluded as described below. Holders of Common Shares shall not have pre-emptive rights in respect of future issuances of Financing Preference Shares or Preference Shares. Holders of Financing Preference Shares and Preference Shares shall not have pre-emptive rights in respect of any future issuances of share capital. Pre-emptive rights do not apply with respect to shares issued against contributions other than in cash or shares issued to our employees or one of our group companies. Under the Articles, the Supervisory Board has the power to limit or exclude any pre-emptive rights to which shareholders may be entitled provided that it has been authorized by the General Meeting to do so. The Supervisory Board has been granted such authority through June 14, 2007. The authority of the Supervisory Board to limit or exclude pre-emptive rights can only be exercised if at that time the authority to issue shares is in full force and effect. The authority to limit or exclude pre-emptive rights may be extended in the same manner as the authority to issue shares. If there is no designation

Table of Contents

of the Supervisory Board to limit or exclude pre-emptive rights in force, the general meeting of shareholders shall have authority to limit or exclude such pre-emptive rights, but only upon the proposal of the Supervisory Board.

Resolutions of the General Meeting (i) to limit or exclude pre-emptive rights or (ii) to designate the Supervisory Board as the corporate body that has authority to limit or exclude pre-emptive rights, require a majority of at least two-thirds of the votes cast in a meeting of shareholders if less than 50% of the issued share capital is present or represented. For these purposes, issuances of shares include the granting of rights to subscribe for shares, such as options and warrants, but not the issue of shares upon exercise of such rights.

Acquisition of our Own Shares

We may acquire our own shares, subject to certain provisions of Dutch law and the Articles, if (i) shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called up capital and any reserves required by Dutch law or the Articles and (ii) we and our subsidiaries would not thereafter hold shares with an aggregate par value exceeding one-tenth of our issued share capital. Shares that we hold in our own capital or shares held by one of our subsidiaries may not be voted. The Managing Board, subject to the approval of the Supervisory Board, may effect our acquisition of shares in our own capital. Our acquisitions of shares in our own capital may only take place if the General Meeting has granted to the Managing Board the authority to effect such acquisitions. Such authority may apply for a maximum period of 18 months and must specify the number of shares that may be acquired, the manner in which shares may be acquired and the price limits within which shares may be acquired.

Capital Reduction

Subject to the provisions of Dutch law and the Articles, the General Meeting may, upon the proposal of the Supervisory Board, resolve to reduce the issued share capital by (i) canceling shares or (ii) reducing the par value of shares through an amendment of the Articles. Cancellation with repayment of shares or partial repayment on shares or release from the obligation to pay up may also be made or given exclusively with respect to Common Shares, Financing Preference Shares or Preference Shares.

Annual Accounts

We have a calendar fiscal year. Dutch law requires that within five months after the end of our fiscal year, unless the General Meeting has extended this period by a maximum period of six months on account of special circumstances, the Managing Board must submit to the shareholders a report with respect to such fiscal year, including our financial statements for such year accompanied by a report of an independent accountant. The annual report is submitted to the annual General Meeting for adoption.

Dividends

Subject to certain exceptions, dividends may only be paid out of profits as shown in our annual financial statements as adopted by the General Meeting. Distributions may not be made if the distribution would reduce shareholders' equity below the sum of the paid-up capital and any

reserves required by Dutch law or the Articles.

Out of profits, dividends must first be paid on any outstanding Preference Shares (the Preference Share Dividend) in a percentage (the Preference Share Dividend Percentage) of the obligatory amount (call) paid up on such shares as at the beginning of the fiscal year in respect of which the distribution is made. The Preference Share Dividend Percentage is equal to the Average Main Refinancing Rates during the financial year for which the distribution is made. Average Main Refinancing Rate shall be understood to mean the average value on each individual day during the financial year for which the distribution is made of the Main refinancing Rates prevailing on such day. Main refinancing Rate shall be understood to mean the rate of the Main Refinancing Operation as determined and published from time to time by the European Central Bank. If and to the extent that profits are not sufficient to pay the Preference Share Dividend in full, the deficit shall be paid out of the reserves, with the exception of any reserve, which was formed as share premium reserve upon the issue of Financing Preference Shares. If in any fiscal year the profit is not sufficient to make the distributions referred to above and if no distribution or only a partial distribution is made from the reserves referred to above, such that the deficit is not fully made good no further distributions will be made as described below until the deficit has been made good.

Out of profits remaining after payment of any dividends on Preference Shares, such amounts shall be kept in reserve as determined by the Supervisory Board. Out of any remaining profits not allocated to reserve, a dividend

Table of Contents

(the Financing Preference Share Dividend) shall be paid on the Financing Preference Shares in a percentage (the Financing Preference Share Dividend Percentage) over the par value, increased by the amount of share premium that was paid upon the first issue of Financing Preference Shares, which percentage is related to the average effective yield on the prime interest rate on corporate loans in the United States as quoted in the Wall Street Journal. If and to the extent that the profits are not sufficient to pay the Financing Preference Share Dividend in full, the deficit may be paid out of the reserves if the Managing Board so decides with the approval of the Supervisory Board, with the exception of the reserve which was formed as share premium upon the issue of Financing Preference Shares.

Insofar as the profits have not been distributed or allocated to reserves as specified above, they are at the free disposal of the General Meeting provided that no further dividends will be distributed on the Preference Shares or the Financing Preference Shares.

The General Meeting may resolve, on the proposal of the Supervisory Board, to distribute dividends or reserves, wholly or partially, in the form of QIAGEN shares.

Distributions as described above are payable as from a date to be determined by the Supervisory Board. The date of payment on Type I shares may differ from the date of payment on Type II shares. Distributions will be made payable at an address or addresses in The Netherlands to be determined by the Supervisory Board, as well as at least one address in each country where the shares are listed or quoted for trading. The Supervisory Board may determine the method of payment of cash distributions, provided that cash distributions in respect of Type II shares will, subject to certain exceptions, be paid in the currency of a country where our shares are listed or quoted for trading, converted at the close of business on a day to be determined for that purpose by the Supervisory Board.

Dutch law, making the declaration of dividends out of the profits that are at the free disposal of the General Meeting the exclusive right of the General Meeting, is different from the corporate law of most jurisdictions in the United States, which permit a corporation's board of directors to declare dividends.

Shareholder Meetings, Voting Rights and Other Shareholder Rights

The annual General Meeting is held within six months after the end of each fiscal year for the purpose of, among other things, adopting the annual accounts and the filling of any vacancies on the Managing and Supervisory Boards.

Extraordinary General Meetings are held as often as deemed necessary by the Managing Board or Supervisory Board, or upon the request of one or more shareholders and other persons entitled to attend meetings jointly representing at least 40% of our issued share capital or by one or more shareholders jointly representing at least 10% of our issued share capital as provided for under the laws of The Netherlands.

General Meetings are held in Amsterdam, Haarlemmermeer (Schiphol Airport), Arnhem, Maastricht, Rotterdam, Venlo or The Hague. The notice convening a General Meeting must be given to the shareholders by mail and by advertisement in at least one national daily newspaper published in The Netherlands no later than the fifteenth day prior to the meeting. The notice will contain or be accompanied by the agenda for the meeting.

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The agenda shall contain such subjects to be considered at the General Meeting, as the persons convening or requesting the meeting shall decide. One or more shareholders representing at least 10% of the issued share capital may request the Managing Board or Supervisory Board in writing, at least sixty days but not more than ninety days before the anniversary of the date on which the prior year's meeting was convened, to include certain subjects in the agenda. No valid resolutions can be adopted at a General Meeting in respect of subjects which are not mentioned in the agenda. According to the Proposed Legislation holders of shares representing solely or jointly at least one hundredth part of the issued share capital, or represents a value of at least EUR 50,000,000 may request the company not later than on the sixtieth day prior to the day of the general meeting to include certain subjects on the notice convening a meeting, provided that it is not detrimental to the vital interest of the company.

General Meetings are presided over by the chairman of the Supervisory Board or, in his absence, by any person nominated by the Supervisory Board.

At the General Meeting, each share shall confer the right to cast one vote, unless otherwise provided by law or the Articles. No votes may be cast in respect of shares that we or our subsidiaries hold, or by usufructuaries and pledges of shares. All shareholders and other persons entitled to vote at General Meetings are entitled to attend

Table of Contents

General Meetings, to address the meeting and to vote. They must notify the Managing Board in writing of their intention to be present or represented not later than on the third day prior to the day of the meeting, unless the Managing Board permits notification within a shorter period of time prior to any such meeting. Subject to certain exceptions, resolutions may be passed by a simple majority of the votes cast.

Except for resolutions to be adopted by the meeting of holders of Preference Shares, our Articles of Association do not allow the adoption of shareholders resolutions by written consent (or otherwise without holding a meeting).

A resolution of the General Meeting to amend the Articles, dissolve QIAGEN, issue shares or grant rights to subscribe for shares or limit or exclude any pre-emptive rights to which shareholders shall be entitled is valid only if proposed to the General Meeting by the Supervisory Board.

A resolution of the General Meeting to amend the Articles is further only valid if the complete proposal has been made available for inspection by the shareholders and the other persons entitled to attend General Meetings at our offices as from the day of notice convening such meeting until the end of the meeting. A resolution to amend the Articles to change the rights attached to the shares of a specific class requires the approval of the relevant class meeting.

Resolutions of the General Meeting in a meeting that has not been convened by the Managing Board and/or the Supervisory Board, or resolutions included on the agenda for the meeting at the request of shareholders, will be valid only if adopted with a majority of two-thirds of votes cast representing more than half the issued share capital, unless the Articles require a greater majority or quorum. Our Articles do not provide for shareholders to act by written consent outside of a General Meeting.

A resolution of the General Meeting to approve a legal merger or the sale of all or substantially all of our assets is valid only if adopted by a vote of at least two-thirds of the issued share capital, unless proposed by the Supervisory Board, in which case a simple majority of the votes cast shall be sufficient.

A shareholder shall upon request be provided, free of charge, with written evidence of the contents of the share register with regard to the shares registered in its name. Furthermore any shareholder shall, upon written request, have the right, during normal business hours, to inspect our share register and a list of our shareholders and their addresses and shareholdings, and to make copies or extracts therefrom. Such request must be directed to our Managing Directors at our registered office in the Netherlands or at our principal place of business. Financial records and other company documents (other than made public) are not available in this manner for shareholder review but an extract of the minutes of the general meeting shall be made available.

According to the Proposed Legislation certain resolutions of the Managing Board regarding a significant change in the identity or nature of the company are subject to the approval of the general meeting. The following resolutions of the Managing Board acquire the approval of the general meeting in any event:

- (i) The transfer of the enterprise or practically the entire enterprise to a third party;

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- (ii) To conclude or cancel any long lasting cooperation by the company or an affiliate (*dochtermaatschappij*) with any other legal person or company or as a fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or the cancellation thereof is of essential importance to the company;

- (iii) To acquire or dispose of a participation interest in the capital of a company with a value of at least one-third of the sum of the assets according to the consolidated balance sheet with explanatory notes thereto according to the last adopted annual accounts of the company, by the company or an affiliate (*dochtermaatschappij*).

No Derivative Actions; Right to Request Independent Inquiry

Dutch law does not afford shareholders the right to institute actions on behalf of or in our interest. Shareholders holding at least one-tenth of our issued capital or EUR 225,000 in nominal amount of our shares may inform the Managing Board and the Supervisory Board of their objections as to the policy or the course of our affairs and, within a reasonable time thereafter, may request the Enterprises Division of the Court of Appeal in Amsterdam to order an inquiry into the policy and the course of our affairs by independent investigators. If such an inquiry is ordered and the investigators conclude that there has been mismanagement, the shareholders can request the Division to order certain measures such as a suspension or annulment of resolutions.

Table of Contents

Liquidation Rights

In the event of our dissolution and liquidation, the assets remaining after payment of all debts and liquidation expenses will be distributed among registered holders of Common Shares in proportion to the par value of their Common Shares, subject to liquidation preference rights of holders of Preference Shares and Financing Preference Shares, if any.

Restrictions on Transfer of Preference Shares

The Supervisory board upon application in writing must approve each transfer of Preference Shares. If approval is refused, the Supervisory Board will designate prospective purchasers willing and able to purchase the shares, otherwise the transfer will be deemed approved.

Limitations on Rights to Own Securities

Other than with respect to usufructuaries and pledges who have no voting rights, our Articles do not impose limitations on rights to own securities.

Provisions which may Defer or Prevent a Change in Control

Our Articles of Association allow us, under certain circumstances, to prevent a third party from obtaining a majority of the voting control of our shares by issuing preference shares. Pursuant to these provisions (and pursuant to the resolution adopted by our general meeting on June 14, 2002), the Supervisory Board is authorized to issue preference shares if (i) a person has (directly or indirectly) acquired or has expressed a desire to acquire, more than 20% of our issued capital or (ii) a person holding at least a 10% interest in us has been designated as a hostile person by the Supervisory Board.

If the Supervisory Board opposes an intended take-over and authorizes the issuance of preference shares, the bidder may withdraw its bid or enter into negotiations with the Managing Board and/or Supervisory Board and agree on a higher bid price for our shares.

Ownership Threshold Requiring Disclosure

Our Articles do not provide an ownership threshold above which ownership must be disclosed.

Exchange Controls

There are currently no limitations either under the laws of The Netherlands or in our Articles of Association, to the rights of shareholders from outside The Netherlands to hold or vote Common Shares. Under current foreign exchange regulations in The Netherlands, there are no material limitations on the amount of cash payments that we may remit to residents of foreign countries.

Obligation of Shareholders to Disclose Major Holdings

Holders of our ordinary shares or rights to acquire ordinary shares (which includes convertible bonds) may be subject to notification obligations under the Dutch 1996 Act on the Disclosure of Holding in Listed Companies (the 1996 Disclosure Act) and the Dutch 1995 Act on the Supervision of the Securities Trade (the 1995 Securities Act).

Under the 1996 Disclosure Act, any person who, directly or indirectly, acquires or disposes of an interest or a potential interest (which includes convertible bonds) in the capital or the voting rights of a public limited liability company incorporated under Dutch law with an official listing on a stock exchange within the European Economic Area, including the Prime Standard trading segment of the Frankfurt Stock Exchange, must immediately give written notice to the company and the Netherlands Authority for the Financial Markets (AFM) if, as a result of such acquisition or disposal, the percentage of our capital or voting rights held by such person falls within another percentage range as compared to the percentage range applicable to the rights held by such person previously. The percentage ranges referred to in the Disclosure Act are 0-5%, 5-10%, 10-25%, 25-50%, 50-66²/₃% and over 66²/₃%.

On July 3, 2003, a draft bill to amend the 1996 Disclosure Act was submitted to the Second Chamber of the Dutch Parliament. According to the Explanatory Notes to the proposed bill, it is anticipated that the following percentage ranges will be introduced: 0% to less than 5%, 5% to less than 10%, 10% to less than 15%, 15% to less than 20%, 20% to less than 25%, and 25% or more. Under the proposed bill, above 25%, all direct or indirect transactions in our capital or voting rights must be reported.

Table of Contents

For the purpose of the notification obligation, the following interests must be taken into account: (i) ordinary shares directly held (or acquired or disposed of) by any person, (ii) ordinary shares held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement and (iii) ordinary shares which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right which such person has (or acquires or disposes of), including through the exercise of options or warrants. Special rules apply to the attribution of the ordinary shares which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of ordinary shares can also be subject to a notification obligation if such person has, or can acquire, the right to vote on ordinary shares. If a pledgor or usufructuary acquires such voting rights, this may trigger a notification obligation for the holder of the ordinary shares.

Under section 2A of the Disclosure Act, each of our managing and supervisory directors must without delay notify both the AFM and us of any changes in his interest or potential interest in our capital or voting rights, unless such change is not caused by the relevant director himself.

The AFM will publish all disclosures made public by means of an advertisement in a newspaper distributed throughout The Netherlands as well as on its public website (www.afm.nl).

In addition, pursuant to the 1995 Securities Act and a decree based thereon, a holder that directly or indirectly has a capital interest of more than 25% in QIAGEN must by means of a standard form within ten days after the end of the month in which the transaction took place notify the AFM of any and all transactions (including, without limitation, an acquisition or disposal of ordinary shares) that it carries out or causes to be carried out in our issued securities (including convertible bonds). If that shareholder is a legal entity and not an individual, the obligation is extended to its managing directors and members of its supervisory board. The notification obligation also rests on the spouses of the 25% shareholders, relations by blood or affinity to the first degree and other persons who share a household with these persons, and relations by blood or affinity to the first degree who do not share a household with these persons but hold at least 5% of our shares or will obtain this percentage through the transaction. The AFM keeps a public register of all notifications made pursuant to the 1996 Disclosure Act and the 1995 Securities Act and publishes any notification it receives.

Non-compliance with the notification obligations under the 1996 Disclosure Act or the 1995 Securities Act can lead to imprisonment or criminal fines, or administrative fines or other administrative sanctions. In addition, non-compliance with the notification obligations under the 1996 Disclosure Act may lead to civil sanctions, including, without limitation, suspension of the voting rights attaching to our shares held by the offender for a period of not more than three years, suspension of a resolution of our general meeting of shareholders, nullification of a resolution adopted by our general meeting of shareholders (insofar as it can be assumed that such resolution would not have been adopted if the offender had not voted) and a prohibition for the offender to acquire our ordinary shares for a period of not more than five years.

Taxation

The following is a general summary of certain material United States federal income and The Netherlands tax consequences to holders of our Common Shares (collectively, U.S. Holders) who are (i) citizens or residents of the United States, (ii) entities subject to U.S. corporate tax, (iii) certain pension trusts and other retirement or employee benefits organizations established in the United States but generally exempt from U.S. tax, (iv) certain not-for-profit organizations established in the United States but generally exempt from U.S. tax, (v) United States regulated investment companies, United States real estate investment trusts, and United States real estate mortgage conduits, and (vi) partnerships or similar pass-through entities, estates, and trusts to the extent the income of such partnerships, similar entities, estates, or trusts is subject to tax in the United States as income of a resident in its hands or the hands of its partners, beneficiaries, or grantors. This summary does not discuss every aspect of such taxation that may be relevant to U.S. Holders. Therefore, all prospective purchasers of our Common Shares who would be U.S. Holders are advised to consult their own tax advisor with respect to the United States federal, state and local tax consequences, as well as the Netherlands tax consequences, of the ownership of our Common Shares. This summary is based upon the advice of Mintz, Levin, Cohn, Ferris,

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Glovsky and Popeo, P.C. with respect to tax consequences for U.S. Holders and Baker & McKenzie with respect to tax consequences under Netherlands law.

The statements of The Netherlands and United States tax laws set out below are based on the laws in force as of the date of this Annual Report on Form 20-F, and as a consequence are subject to any changes in United States or The Netherlands law, or in the double taxation conventions between the United States and The Netherlands, occurring after such date.

Table of Contents

Netherlands Tax Considerations

The following describes the material tax consequences under Netherlands law of an investment in our Common Shares. Such description is based on current Netherlands law as interpreted under officially published case law, and is limited to the tax implications for an owner of our Common Shares who is not, or is not deemed to be, a resident of The Netherlands for purposes of the relevant tax codes (a non-resident Shareholder or Shareholder).

Dividend Withholding Tax

General. Dividends we distribute are subject to a withholding tax imposed by The Netherlands at a rate of generally 25%. The term dividends means income from shares or other rights participating in profits, as well as income from other corporate rights that is subjected to the same taxation treatment as income from shares by the laws of the Netherlands. Dividends include dividends in cash or in kind, constructive dividends, certain repayments of capital qualified as dividends, interest on loans that are treated as equity for Netherlands corporate income tax purposes and liquidation proceeds in excess of, for Netherlands tax purposes, recognized paid-in capital. Stock dividends are also subject to withholding tax derived from our paid-in share premium which is recognized for Netherlands tax purposes.

No withholding tax applies on the proceeds resulting from the sale or disposition of our Common Shares to persons other than QIAGEN and our affiliates.

A Shareholder can be eligible for a reduction or a refund of Netherlands dividend withholding tax under a tax convention which is in effect between the country of residence of the Shareholder and The Netherlands. The Netherlands has concluded such conventions with, among others, the United States, Canada, Switzerland, Japan and all EU Member States. Under most of those conventions, Netherlands dividend withholding tax is reduced to 15% or a lower rate.

U.S. Shareholders. Under the Tax Convention between The Netherlands and the United States (the Convention), the withholding tax on dividends we pay to a resident of the United States (as defined in the Convention) who is entitled to the benefits of the Convention, may be reduced to 5% (in the case of a corporate U.S. Shareholder that holds 10% or more of the voting power of a Netherlands company) or 15% (in the case of other U.S. Shareholders), unless such U.S. shareholders have a permanent establishment in The Netherlands with which the shares are effectively connected. Dividends we pay to U.S. pension funds and U.S. tax exempt organizations may be eligible for an exemption from dividend withholding tax.

Dividend Stripping. On July 9, 2002, the Netherlands Senate approved a bill containing measures against what is known as dividend stripping . According to this bill, as of April 27, 2001, a refund, reduction, exemption, or credit of Netherlands dividend withholding tax on the basis of Netherlands tax law or on the basis of a tax treaty between the Netherlands and another state, will only be granted if the dividends are paid to the beneficial owner (*uiteindelijk gerechtigde*) of the dividends. The term beneficial owner is not defined, but has been interpreted in Netherlands jurisprudence. The bill includes a non-exhaustive description of various situations in which the recipient of the dividend distribution is not deemed to be the beneficial owner. In general terms, dividend stripping can be described as the situation in which a foreign or domestic person (usually, but not necessarily, the original shareholder) has transferred his shares or his entitlement to the dividend distributions to a party that has a more favorable right to a refund or reduction of Netherlands dividend withholding tax than the foreign or domestic person. In these situations, the foreign or domestic person (usually the original shareholder) avoids Netherlands dividend withholding tax while retaining his beneficial interest in the shares and the dividend distributions, by transferring his shares or his entitlement to the dividend distributions.

Income Tax and Corporate Income Tax

General. A non-resident Shareholder will not be subject to Netherlands income tax with respect to dividends we distribute on our Common Shares or with respect to capital gains derived from the sale or disposition of our Common Shares, provided that:

(a) the non-resident Shareholder does not carry on or have an interest in a business in The Netherlands through a permanent establishment or a permanent representative to which or to whom the Common Shares are attributable or deemed to be attributable;

(b) the non-resident Shareholder does not have a direct or indirect substantial or deemed substantial interest (*aanmerkelijk belang* , as defined in the Netherlands tax code) in our share capital or, in the event the Shareholder does have such a substantial interest, such interest is a business asset ; and

Table of Contents

(c) the non-resident Shareholder is not entitled to a share in the profits of an enterprise, to which our Common Shares are attributable and that is effectively managed in The Netherlands, other than by way of securities or through an employment contract.

In general terms, a substantial interest (*aanmerkelijk belang*) in our share capital does not exist if the Shareholder (individuals as well as corporations), alone or together with his partner, does not own, directly or indirectly, 5% or more of the nominal paid-in capital of, or any class of our shares, does not have the right to acquire 5% or more of the nominal paid-in capital of, or any class of our shares (including a call option) and does not have the right to share in our profit or liquidation revenue amounting to 5% or more of the annual profits or liquidation revenue.

There is no all-encompassing definition of the term *business asset* ; whether this determination can be made in general depends on the facts presented and in particular on the activities performed by the Shareholder. If the Shareholder materially conducts a business activity, while the key interest of his investment in our Shares will not be his earnings out of the investment in our Shares but our economic activity, an investment in our Shares will generally be deemed to constitute a business asset, in particular if the Shareholder's involvement in our business will exceed regular monitoring of his investment in our Shares.

U.S. Shareholders. Pursuant to the Convention, the gain derived by a U.S. Shareholder from an alienation of our Common Shares constituting a substantial interest of the Shareholder in QIAGEN, not effectively connected or deemed connected with a permanent establishment or permanent representative of the Shareholder in The Netherlands, is not subject to Netherlands income tax or corporate income tax, provided that the gain from the alienation of our Common Shares is not derived by an individual Shareholder who has, at any time during the five-year period preceding such alienation, been a resident of The Netherlands according to Netherlands tax law and who owns, either alone or together with close relatives, at least 25% of any class of our shares.

Gift and Inheritance Tax

A gift or inheritance of our Common Shares from a non-resident Shareholder will not be subject to a Netherlands gift and inheritance tax, provided that the Shareholder does not own a business which is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands to which or to whom our Common Shares are attributable.

United States Federal Income Tax Considerations

The following summarizes the material U.S. federal income tax consequences of the ownership of our Common Shares by an investor that purchases such Common Shares and that will hold the Common Shares as capital assets. This summary does not purport to be a complete analysis or listing of all potential tax considerations and does not address holders subject to special treatment under U.S. federal income tax laws (including insurance companies, tax-exempt organizations, regulated investment companies, financial institutions, broker dealers or holders that own, actually or constructively, 10% or more of our voting shares).

As used herein, references to a *U.S. Holder* are to a holder of our Common Shares that is (i) a citizen or resident of the United States, (ii) a corporation organized under the laws of the United States or any political subdivision thereof, or (iii) a person or entity otherwise subject to United States federal income taxation on a net income basis with respect to our Common Shares (including a non-resident alien or foreign corporation that holds, or is deemed to hold, our Common Shares in connection with the conduct of a U.S. trade or business); and references to a *non-U.S. Holder* are to a holder that is not a U.S. person for U.S. federal income tax purposes.

Taxation of Dividends

To the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, distributions, if any, made with respect to our Common Shares will be includable for U.S. federal income tax purposes in the income of a U.S. Holder as ordinary dividend income in an amount equal to the sum of any cash and the fair market value of any property that we distribute, before reduction for Netherlands withholding tax. During the years 2004-2008 such dividends will be eligible to be treated by U.S. Holder individuals as qualified dividend income subject to a maximum tax rate of 15 percent. If the shareholder receiving the dividend satisfies the holding period requirements, and if we are not treated for our taxable year in which the dividend is paid, or our preceding taxable year, as a foreign personal holding company, a foreign investment company, or a passive foreign investment company (see Taxation United States Federal Income Tax Considerations Passive Foreign Investment Company Status). To the extent that such distribution exceeds our current or accumulated earnings and profits, it will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in our Common Shares and thereafter as taxable capital gain. Dividends generally will be treated as income from sources outside the United States and generally will be passive income (or, in the case of certain holders, financial services income) for purposes of the foreign tax credit limitation.

Table of Contents

Dividends we pay will not be eligible for the dividends received deduction allowed to corporations in certain circumstances under the United States Internal Revenue Code of 1986, as amended (the Code). A U.S. Holder may elect annually to either deduct The Netherlands withholding tax (see Taxation Netherlands Tax Considerations Dividend Withholding Tax) against their income or take the withholding taxes as a credit against their U.S. tax liability, subject to U.S. foreign tax credit limitation rules.

Dividends we pay in a currency other than the U.S. dollar will be included in the income of a U.S. Holder in a U.S. dollar amount based upon the exchange rate in effect on the date of receipt. A U.S. Holder will have a tax basis in such foreign currency for U.S. federal income tax purposes equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent disposition of such foreign currency (including a subsequent conversion into U.S. dollars) will be ordinary income or loss. Such gain or loss will generally be income from sources within the U.S. for foreign tax credit limitation purposes.

A non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on distributions with respect to our Common Shares that are treated as dividend income for U.S. federal income tax purposes unless such dividends are effectively connected with the conduct of a trade or business within the United States by such non-U.S. Holder, (and are attributable to a permanent establishment maintained in the United States by such non-U.S. Holder, if an applicable income tax treaty so requires as a condition for such non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of income from our Common Shares), in which case the non-U.S. Holder generally will be subject to tax in respect of such dividends in the same manner as a U.S. Holder. Any such effectively connected dividends received by a non-United States corporation may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. A non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on distributions with respect to our Common Shares that are treated as capital gain for U.S. federal income tax purposes unless such holder would be subject to U.S. federal income tax on gain realized on the sale or other disposition of our Common Shares, as discussed below.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, upon the sale or other disposition of our Common Shares, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the disposition of our Common Shares and the U.S. Holder's adjusted tax basis in our Common Shares. Such gain or loss generally will be subject to U.S. federal income tax. An individual U.S. Holder is generally subject to a maximum capital gains rate of 15% for our Common Shares held for more than a year. For U.S. federal income tax purposes, capital losses are subject to limitations on deductibility. Gain realized by a U.S. Holder on the sale or other disposition of our Common Shares generally will be treated as income from sources within the United States for purposes of the foreign tax credit limitation.

A non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of our Common Shares unless (i) the gain is effectively connected with a trade or business of the non-U.S. Holder in the United States (and is attributable to a permanent establishment maintained in the United States by such non-U.S. Holder, if an applicable income tax treaty so requires as a condition for such non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of gain from the sale or other disposition of our Common Shares) or (ii) such holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, and certain other conditions are met. Effectively connected gains realized by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Passive Foreign Investment Company Status

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We may be classified as a passive foreign investment company (PFIC) for U.S. federal income tax purposes if certain tests are met. We will be a PFIC with respect to a U.S. Holder if for any taxable year in which the U.S. Holder held our Common Shares, either (i) 75% or more of our gross income for the taxable year is passive income; or (ii) the average value of our assets (during the taxable year) which produce or are held for the production of passive income is at least 50% of the average value of all assets for such year. Passive income means, in general, dividends, interest, royalties, rents (other than rents and royalties derived in the active conduct of a trade or business and not derived from a related person), annuities, and gains from assets which would produce such income other than sales of inventory. For the purpose of the PFIC tests, if a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated as owning its proportionate share of the assets of the other corporation, and as if it had received directly its proportionate share of the income of such other corporation. The effect of this special provision with respect to QIAGEN and our ownership of our subsidiaries is that we, for purposes of the income and assets tests described above, will be

Table of Contents

treated as owning directly our proportionate share of the assets of our subsidiaries and of receiving directly our proportionate share of each of those companies' income, if any, so long as we own, directly or indirectly, at least 25% by value of the particular company's stock. Active business income of our subsidiaries will be treated as our active business income, rather than as passive income. Based on our current income, assets and activities, we do not believe that we are currently a PFIC. No assurances can be made, however, that the IRS will not challenge this position or that we will not subsequently become a PFIC.

A determination as to PFIC status is made annually (although an initial determination that we are a PFIC will generally be binding on a shareholder who does not make the qualified election discussed below with respect to the first year such shareholder holds or is deemed to hold our Common Shares). Whether we are a PFIC in any year and the tax consequences relating to PFIC status will depend on the composition of our income and assets. For example, we retain in our business a substantial amount of cash and cash equivalents, and such cash balances are considered by the IRS to be passive assets, even if held as working capital for an active business. Accurate predictions of the composition of our income are particularly difficult in light of the volatile nature of earnings patterns in technological industries. In addition, U.S. tax law is not entirely clear as to the proper classification of all types of income that we may realize or all types of assets that we may hold. We will, however, monitor our income and assets closely in order to make an annual determination as to whether we are a PFIC. Following the close of any tax year, we intend to promptly send a notice to all shareholders of record at any time during such year, if we determine that we are a PFIC.

If we are a PFIC, each of our direct and certain indirect shareholders that is a U.S. person (U.S. Shareholders) either (i) may make an election to report currently its *pro rata* share of our ordinary earnings and net capital gain even if no distributions are actually received from us (the qualified election), or (ii) upon a disposition of our Common Shares, including a disposition pursuant to an otherwise tax-free reorganization, or receipt of an excess distribution (as defined in the Code), will be subject to tax (including an interest charge) generally as if the gain or distribution were earned ratably over the period in which our Common Shares were held and face other adverse tax consequences. Alternatively, under the Taxpayer Relief Act of 1997 , effective for taxable years of U.S. persons beginning after December 31, 1997, U.S. Shareholders may make a mark-to-market election with respect to our Common Shares under which the U.S. Shareholder would include in income each year an amount equal to the excess, if any, of the market value of our Common Shares as of the close of the taxable year over the U.S. Shareholder's adjusted basis in such stock. Under this election, the U.S. Shareholder would be allowed a deduction for the excess, if any, of the adjusted basis of our Common Shares over the market value of the shares as of the close of the taxable year but only to the extent of any net mark-to-market gains with respect to our Common Shares included by the shareholder for prior taxable years. The U.S. Shareholder's adjusted basis in our Common Shares would be adjusted to reflect the amounts included or deducted under this election. Amounts included in income pursuant to a mark-to-market election, as well as gain on the actual sale or other disposition of our Common Shares would be treated as ordinary income. Ordinary loss treatment would also apply to the deductible portion of any mark-to-market loss on our Common Shares, as well as to any loss realized on the actual sale or other disposition of our Common Shares to the extent that the amount of such loss did not exceed the net mark-to-market gains previously included with respect to such stock. An election to mark to market will apply to the taxable year for which made and all subsequent taxable years, unless our Common Shares cease to be treated as marketable stock or the Secretary of the Treasury consents to the revocation of such election.

A shareholder who makes a qualified election may recognize ordinary income or loss as a result of currency fluctuations between the dates of our deemed and actual distributions.

If we become a PFIC, each U.S. Shareholder would be required annually to file IRS Form 8621 (Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with such shareholder's timely filed income tax return and with the Internal Revenue Service, whether or not the qualified election (or, for tax years after 1997, the mark-to-market election) is made. A U.S. Shareholder choosing to make a qualified election must also include a shareholder election statement and the PFIC annual information statement that we will provide (as described below) when filing IRS Form 8621 and its income tax return, and should send a copy of the shareholder election statement to the Internal Revenue Service. If we determine that we have become a PFIC, within two months after the end of each year we intend to supply the PFIC annual information statement necessary to make the qualified election for such year to each U.S. Shareholder of record at the end of such year. In such case, we also intend to supply the PFIC annual information statement to any shareholder or former shareholder who requests it.

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Prospective purchasers of our Common Shares are urged to consult their tax advisors regarding the PFIC rules and their effect on an investment in our Common Shares, with particular regard to (i) the advisability of

Table of Contents

making the qualified election in the event that we notify the shareholders that we have become a PFIC in any taxable year, or (ii) the advisability of making the mark-to-market election provided in the tax law.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, paid within the United States or through certain U.S.-related financial intermediaries on our Common Shares will be subject to information reporting requirements and backup withholding tax at the rate of 28% for a non-corporate United States person and, who also:

fails to provide an accurate taxpayer identification number;

is notified by the Internal Revenue Service that the individual has failed to report all interest or dividends required to be shown on the Federal income tax returns; or

in certain circumstances, fails to comply with applicable certification requirements.

Certain corporations and persons that are not United States persons may be required to establish their exemption from information reporting and backup withholding by certifying their status on Internal Revenue Service Form W-8 or W-9.

If a United States person sells our Common Shares to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless the individual can certify that they are a non-U.S. person, under penalties of perjury, or they otherwise establish an exemption. If a United States person sells our Common Shares through a non-U.S. office of a non-U.S. broker and the sale proceeds are paid to the person outside the United States then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to the United States person outside the United States, if the person sells our Common Shares through a non-U.S. office of a broker that is a U.S. person or has certain other contacts with the United States.

An individual generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed the individual's income tax liability by filing a refund claim with the United States Internal Revenue Service.

Foreign Currency Issues

If dividends are paid in euros, the amount of the dividend distribution included in the income of a U.S. Holder will be the U.S. dollar value of the payments made in euros, determined at a spot, euro/U.S. dollar rate applicable to the date such dividend is includible in the income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, gain or loss (if any) resulting from currency exchange fluctuations during the period from the date the dividend is paid to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss. We have never paid cash dividends on our share capital and do not intend to do so for the foreseeable future.

Documents on Display

Documents referred to in this Annual Report may be inspected at our principal executive office located at Spoorstraat 50, 5911 KJ Venlo, The Netherlands.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Our market risk relates primarily to interest rate exposures on cash, marketable securities and borrowings and foreign currency exposures on intercompany transactions. The overall objective of our risk management is to reduce the potential negative earnings effects from changes in interest and foreign exchange rates. Exposures are managed through operational methods and financial instruments. We do not use financial instruments for trading or other speculative purposes.

Interest Rate Risk

Interest income earned on our investment portfolio is affected by changes in the relative levels of market interest rates. We only invest in high-grade investment securities. For the year ended December 31, 2003, the weighted average interest rate on our marketable securities portfolio was from 1.37% to 1.46%.

Table of Contents

Borrowings against lines of credit are at variable interest rates. At December 31, 2002, we had \$935,000 of outstanding lines of credit with an average interest rate of 5.5% at December 31, 2002. We had no outstanding lines of credit at December 31, 2003. A hypothetical adverse 10 percent movement in market interest rates would not have materially impacted our financial statements.

In May 2001, we obtained two new loan facilities one for EUR 50.0 million (approximately \$63.0 million at December 31, 2003) and the other for \$43.5 million with variable interest rates based on EURIBOR (2.10% at December 31, 2003) plus 1.2% and LIBOR (1.12% at December 31, 2003) plus 1.28%, respectively. At December 31, 2003, \$99.5 million had been drawn against these facilities. A hypothetical adverse 10 percent movement in market interest rates would decrease 2003 earnings by approximately \$313,000, based on the year-end interest rate, a loan balance consistent with that at year-end and a constant foreign exchange rate.

Currency Fluctuations

We operate on an international basis. A significant portion of our revenues and expenses are earned and incurred in currencies other than the U.S. dollar. The euro is the most significant such currency, with others including the British pound, Japanese yen, Swiss franc, Norwegian krone and Canadian and Australian dollars. Fluctuations in the value of the currencies in which we conduct our business relative to the U.S. dollar have caused and will continue to cause U.S. dollar translations of such currencies to vary from one period to another. Due to the number of currencies involved, the constantly changing currency exposures, and the potential substantial volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. However, because we have substantial expenses as well as revenues in each of our principal functional currencies, the exposure of our financial results to currency fluctuations is reduced. In general terms, depreciation of the U.S. dollar against our other foreign currencies, such as occurred in 2003 with respect to the euro, will increase reported net sales. However, this impact normally will be at least partially offset in the results of operations by gains or losses from foreign currency transactions.

Currency Hedging

In the ordinary course of business, we purchase instruments with which we intend to hedge foreign currency fluctuations with the principle objective of minimizing the risks and/or costs associated with global financial and operating activities. Generally we hedge a majority of the anticipated cash flow that we expect to exchange into other currencies, subject to our short-term financing needs. We do not utilize financial instruments for trading or other speculative purposes. At December 31, 2003, these foreign currency instruments consisted of options, which give us the right, but not the obligation, to purchase foreign currencies in exchange for U.S. dollars at predetermined exchange rates. These options are marked to market through our statements of income and are not designated as effective hedges according to the provisions of SFAS 133. At December 31, 2003, the notional amount of foreign currency exchange options was \$1.0 million. The functional currency of the foreign currency exchange options was the euro, with a notional weighted average exchange rate of 1.1600.

Foreign Currency Exchange Rate Risk

Our principal production and manufacturing facility is located in Germany and intercompany sales of inventory expose us to foreign currency exchange rate risk. Intercompany sales of inventory are generally denominated in the local currency of the subsidiary purchasing the inventory in order to centralize foreign currency risk with our German subsidiary. Payment for intercompany purchases of inventory is required within 30 days from invoice date. The delay between the date the German subsidiary records revenue and the date when the payment is received from the purchasing subsidiaries exposes us to foreign exchange risk. The exposure results primarily from those transactions between Germany and the U.S.

The foreign currency exchange rate risk is partially offset by transactions of the German subsidiary denominated in U.S. dollars. Hedging instruments include foreign currency put options that are purchased to protect the majority of the existing and/or anticipated receivables resulting from intercompany sales from Germany to the U.S. These options give us the right, but not the obligation, to purchase foreign currencies in exchange for U.S. dollars at predetermined exchange rates. Management does not believe that our exposure to foreign currency exchange rate risk is material.

Item 12. Description of Securities other than Equity Securities

Not Applicable

Table of Contents

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Our Managing Directors, with the assistance of other members of management, performed an evaluation of our disclosure controls and procedures, as that term is defined in Rule 13a-14(c) of the Securities Exchange Act of 1934, as amended, within 90 days of the date of this report. Based on that evaluation, they concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in this report is recorded, processed, summarized and reported on a timely basis.

There were no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation. No significant deficiencies and material weaknesses were identified that required corrective actions.

Item 16A. Audit Committee Financial Expert

The Board has designated Dr. Heinrich Hornef as an audit committee financial expert as that term is defined in the SEC rules adopted pursuant to the Sarbanes-Oxley Act.

Item 16B. Code of Ethics

QIAGEN has in place a Code of Conduct that applies to all Directors, officers and employees which qualifies as a code of ethics, as required by recently adopted SEC and Nasdaq rule adoptions under the Sarbanes-Oxley Act of 2002. The Code of Conduct applies to QIAGEN's principal executive officer and principal financial officer, principal accounting officer or controller and other persons performing similar functions. The full text of the Code of Conduct is available from the Company upon request.

Item 16C. Principal Accountant Fees and Services

Audit fees

QIAGEN paid Ernst & Young LLP approximately \$550,000 and \$500,000 in audit fees for the fiscal years ended December 31, 2003 and 2002, respectively.

Audit fees consist of fees and expenses billed for the annual audit of QIAGEN's consolidated financial statements. They also include fees billed for other audit services, which are those services that only the statutory auditor can provide, and include the review of documents filed with the SEC.

Audit-related fees

QIAGEN paid Ernst & Young LLP approximately \$200,000 and \$100,000 in audit-related fees for the fiscal years ended December 31, 2003 and 2002, respectively.

Audit-related fees consist of fees and expenses billed for assurance and related services that are related to the performance of the audit or review of QIAGEN's financial statements and include consultations concerning financial accounting and reporting standards; internal control reviews; and statutory audit of subsidiaries' financial statements.

Tax fees

QIAGEN paid Ernst & Young LLP approximately \$300,000 in tax fees for the fiscal years ended December 31, 2003 and 2002, respectively.

Table of Contents

Tax fees include fees and expenses billed for tax compliance services, including assistance on the preparation of tax returns and claims for refund; tax consultations, such as assistance and representation in connection with tax audits and appeals, tax advice related to mergers and acquisitions, transfer pricing, and requests for rulings or technical advice from taxing authorities; tax planning services; and expatriate tax compliance, consultation and planning services.

All other fees

QIAGEN paid Ernst & Young LLP approximately \$350,000 and \$400,000 in all other fees for the fiscal years ended December 31, 2003 and 2002, respectively.

All other fees include fees and expenses billed for services such as information technology projects and cost segregation studies as allowed by the Sarbanes Oxley Act of 2002.

Pre-approval policies

All audit related services, tax services and other services rendered by Ernst & Young LLP were pre-approved by the Audit Committee. The Audit Committee has adopted a pre-approval policy that provides for the pre-approval of all services performed for us by Ernst & Young LLP.

Table of Contents

PART III

Item 17. Financial Statements

See Item 18.

Item 18. Financial Statements

See pages F-1 through F-28 included herein.

Item 19. Exhibits

- (A) The following financial statements, together with the reports of Ernst & Young LLP and Arthur Andersen LLP thereon, are filed as part of this annual report:

Report of Independent Auditors

Report of Independent Public Accountants

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Shareholders' Equity and Comprehensive Income

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

- (B) For a list of exhibits filed with this Form 20-F, refer to the exhibit index beginning on page 105.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
<u>Report of Ernst & Young LLP, Independent Auditors</u>	120
<u>Report of Independent Public Accountants</u>	121
<u>Consolidated Balance Sheets</u>	122
<u>Consolidated Statements of Income</u>	124
<u>Consolidated Statements of Shareholders' Equity and Comprehensive Income</u>	125
<u>Consolidated Statements of Cash Flows</u>	126
<u>Notes to Consolidated Financial Statements</u>	128

Table of Contents

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of QIAGEN N.V. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of QIAGEN N.V. and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of QIAGEN N.V. for the year ended December 31, 2001, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 6, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of QIAGEN N.V. as of December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Los Angeles, California

February 23, 2004

Table of Contents

This is a copy of a previously issued Arthur Andersen LLP report. Arthur Andersen LLP has not reissued the report, nor has Arthur Andersen LLP consented to the inclusion of the report. Only the Consolidated Statement of Income, the Consolidated Statement of Shareholders' Equity and Comprehensive Income and the Consolidated Statement of Cash Flows as of December 31, 2001 referred to in this report have been included in the accompanying financial statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of QIAGEN N.V. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of QIAGEN N.V. (a Netherlands company) and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of QIAGEN N.V. and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Los Angeles, California

February 6, 2002

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	As of December 31,	
	2003	2002
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 98,993,000	\$ 44,893,000
Marketable securities	6,527,000	11,530,000
Notes receivable	5,583,000	4,337,000
Accounts receivable, net of allowance for doubtful accounts of \$1,946,000 and \$2,440,000 in 2003 and 2002, respectively	60,962,000	51,451,000
Income taxes receivable	3,182,000	1,901,000
Inventories	65,160,000	56,113,000
Deferred income taxes	8,094,000	11,629,000
Prepaid expenses and other	10,360,000	11,188,000
Total current assets	258,861,000	193,042,000
Long-Term Assets:		
Property, plant and equipment, net	232,860,000	211,913,000
Long-term marketable securities, approximately \$66,000 restricted in 2002	498,000	735,000
Goodwill	30,117,000	25,569,000
Intangible assets, net of accumulated amortization of \$6,036,000 and \$3,383,000 in 2003 and 2002, respectively	14,521,000	12,750,000
Deferred income taxes	4,604,000	3,026,000
Other assets	10,469,000	7,476,000
Total long-term assets	293,069,000	261,469,000
	\$ 551,930,000	\$ 454,511,000

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	As of December 31,	
	2003	2002
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Lines of credit	\$	\$ 935,000
Current portion of long-term debt	7,909,000	1,340,000
Current portion of capital lease obligations	1,320,000	999,000
Accounts payable	19,481,000	23,661,000
Accrued liabilities	31,344,000	28,031,000
Income taxes payable	23,233,000	20,487,000
Deferred income taxes	11,991,000	6,035,000
Total current liabilities	95,278,000	81,488,000
Long-Term Liabilities:		
Long-term debt, net of current portion	100,444,000	95,733,000
Capital lease obligations, net of current portion	13,716,000	11,107,000
Other	7,706,000	3,152,000
Total long-term liabilities	121,866,000	109,992,000
Commitments and Contingencies (Note 15)		
Shareholders' Equity:		
Common shares, EUR 0.01 par value		
Authorized 260,000,000 shares		
Issued and outstanding 146,217,518 shares in 2003 and 145,533,589 shares in 2002		
	1,485,000	1,478,000
Additional paid-in capital	140,039,000	134,547,000
Retained earnings	163,270,000	120,420,000
Accumulated other comprehensive income	29,992,000	6,586,000
Total shareholders' equity	334,786,000	263,031,000
	\$ 551,930,000	\$ 454,511,000

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years ended December 31,		
	2003	2002	2001
Net sales	\$ 351,404,000	\$ 298,607,000	\$ 263,770,000
Cost of sales	118,786,000	96,508,000	79,673,000
Cost of sales restructuring	3,618,000		
Gross profit	229,000,000	202,099,000	184,097,000
Operating Expenses:			
Research and development	31,789,000	28,177,000	26,769,000
Sales and marketing	83,005,000	75,086,000	64,830,000
General and administrative	42,269,000	42,030,000	36,022,000
Acquisition and related costs		2,848,000	3,000,000
Relocation and restructuring costs	3,048,000	10,773,000	
Total operating expenses	160,111,000	158,914,000	130,621,000
Income from operations	68,889,000	43,185,000	53,476,000
Other Income (Expense):			
Interest income	1,284,000	1,234,000	1,795,000
Interest expense	(4,647,000)	(2,565,000)	(991,000)
Research and development grants	2,221,000	801,000	1,526,000
Gain (loss) on foreign currency transactions, net	1,069,000	(2,208,000)	31,000
Loss from equity method investees	(1,847,000)	(1,340,000)	(1,373,000)
Other miscellaneous (expense) income, net	286,000	(247,000)	1,859,000
Total other income (expense)	(1,634,000)	(4,325,000)	2,847,000
Income before provision for income taxes and minority interest	67,255,000	38,860,000	56,323,000
Provision for income taxes	24,405,000	15,723,000	21,896,000
Minority interest (income) expense		(5,000)	8,000
Net income	\$ 42,850,000	\$ 23,142,000	\$ 34,419,000
Basic net income per common share	\$ 0.29	\$ 0.16	\$ 0.24
Diluted net income per common share	\$ 0.29	\$ 0.16	\$ 0.24
Shares used in computing basic net income per common share	145,832,000	144,795,000	142,962,000
Shares used in computing diluted net income per common share	147,173,000	145,787,000	145,055,000



The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME**

	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity
	Shares	Amount				
BALANCE AT DECEMBER 31, 2000	142,548,487	\$ 1,450,000	\$ 103,448,000	\$ 62,859,000	\$ (401,000)	\$ 167,356,000
Net income				34,419,000		34,419,000
Unrealized loss, net on marketable securities					(3,606,000)	(3,606,000)
Realized gain, net on marketable securities					(1,296,000)	(1,296,000)
Translation adjustment					(3,575,000)	(3,575,000)
Comprehensive income						25,942,000
Exercise of stock options	862,914	8,000	4,081,000			4,089,000
Common stock issued for intangible asset	52,399		746,000			746,000
Tax benefit in connection with nonqualified stock options			14,842,000			14,842,000
BALANCE AT DECEMBER 31, 2001	143,463,800	1,458,000	123,117,000	97,278,000	(8,878,000)	212,975,000
Net income				23,142,000		23,142,000
Unrealized loss, net on marketable securities					(2,044,000)	(2,044,000)
Realized loss, net on marketable securities					38,000	38,000
Translation adjustment					17,470,000	17,470,000
Comprehensive income						38,606,000
Exercise of stock options	538,114	5,000	2,325,000			2,330,000
Common stock issued in connection with the acquisition of Xeragon, Inc.	561,123	5,000	7,950,000			7,955,000
Common stock issued in connection with the acquisition of GenoVision, A.S.	930,426	9,000	13,874,000			13,883,000
Common stock issued for intangible asset	40,126	1,000	249,000			250,000
Tax benefit in connection with nonqualified stock options, net of reclass related to vested stock options			(12,968,000)			(12,968,000)
	145,533,589	1,478,000	134,547,000	120,420,000	6,586,000	263,031,000

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BALANCE AT DECEMBER 31, 2002						
Net income				42,850,000		42,850,000
Unrealized gain, net on marketable securities					1,239,000	1,239,000
Realized gain, net on marketable securities					(201,000)	(201,000)
Translation adjustment					22,368,000	22,368,000
Comprehensive income						66,256,000
Exercise of stock options	375,508	4,000	2,109,000			2,113,000
Common stock issued in connection with the acquisition of GenoVision, A.S.	308,421	3,000	2,943,000			2,946,000
Tax benefit in connection with nonqualified stock options, net of reclass related to vested stock options			440,000			440,000
BALANCE AT DECEMBER 31, 2003	146,217,518	\$ 1,485,000	\$ 140,039,000	\$ 163,270,000	\$ 29,992,000	\$ 334,786,000

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2003	2002	2001
Cash Flows From Operating Activities:			
Net income	\$ 42,850,000	\$ 23,142,000	\$ 34,419,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,788,000	24,709,000	15,059,000
Noncash restructure costs	4,128,000	7,882,000	
In-process research and development		1,200,000	
Tax effect from non-qualified stock options, net	440,000	(12,968,000)	14,842,000
Provision for losses on accounts receivable	1,749,000	631,000	1,363,000
Deferred income taxes	12,183,000	5,027,000	(1,789,000)
(Gain) loss on disposition of property and equipment	417,000	2,000	(39,000)
(Gain) loss on sale of marketable securities	(201,000)	38,000	(1,296,000)
Loss on equity method investee	1,847,000	1,340,000	1,373,000
Minority interest		(5,000)	8,000
Net changes in operating assets and liabilities:			
(Increase) decrease in:			
Notes receivable	(783,000)	(83,000)	(959,000)
Accounts receivable	(5,738,000)	(6,909,000)	(7,888,000)
Income taxes receivable	8,117,000	543,000	(674,000)
Inventories	(6,396,000)	(18,183,000)	(3,926,000)
Prepaid expenses and other	1,745,000	(601,000)	(4,660,000)
Other assets	(4,102,000)	(1,563,000)	(228,000)
Increase (decrease) in:			
Accounts payable	(6,610,000)	(424,000)	2,349,000
Accrued liabilities	(885,000)	3,155,000	4,913,000
Income taxes payable	(11,035,000)	9,778,000	6,995,000
Other	546,000	(25,000)	(1,775,000)
Net cash provided by operating activities	64,060,000	36,686,000	58,087,000
Cash Flows From Investing Activities:			
Purchases of property, plant and equipment	(19,558,000)	(59,136,000)	(102,067,000)
Proceeds from sale of equipment	1,795,000	1,440,000	274,000
Purchases of intangible assets	(2,777,000)	(2,130,000)	(1,159,000)
Purchases of investments		(189,000)	(1,515,000)
Sales of investments			85,000
Purchases of marketable securities	(6,000)		(1,565,000)
Sales of marketable securities	6,489,000	10,958,000	16,310,000
Loan to related party		(1,675,000)	(1,778,000)
Collection of related party note receivable			617,000
Cash paid for acquisitions, net of cash acquired		(14,060,000)	
Net cash used in investing activities	(14,057,000)	(64,792,000)	(90,798,000)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CONTINUED)

	Years ended December 31,		
	2003	2002	2001
Cash Flows From Financing Activities:			
Proceeds from lines of credit			23,543,000
Repayment of lines of credit	(972,000)	(5,757,000)	(18,375,000)
Proceeds from short-term debt	3,221,000		
Repayment of short-term debt	(3,409,000)	(295,000)	(5,763,000)
Principal payments on capital leases	(1,249,000)	(1,366,000)	(1,085,000)
Proceeds from long-term debt	4,705,000	13,140,000	63,885,000
Repayment of long-term debt	(6,293,000)	(1,929,000)	(3,649,000)
Proceeds from loan convertible to grant			3,600,000
Issuance of common shares	2,113,000	2,330,000	4,089,000
Net cash (used in) provided by financing activities	(1,884,000)	6,123,000	66,245,000
Effect of exchange rate changes on cash and cash equivalents	5,981,000	10,416,000	(1,082,000)
Net increase (decrease) in cash and cash equivalents	54,100,000	(11,567,000)	32,452,000
Cash and cash equivalents, beginning of year	44,893,000	56,460,000	24,008,000
Cash and cash equivalents, end of year	\$ 98,993,000	\$ 44,893,000	\$ 56,460,000
Supplemental Cash Flow Disclosures:			
Cash paid for interest	\$ 4,670,000	\$ 4,083,000	\$ 1,113,000
Cash paid for taxes	\$ 14,038,000	\$ 13,731,000	\$ 2,086,000
Noncash Investing and Financing Activities:			
Common stock issued for intangible asset	\$	\$ 250,000	\$ 746,000
Equipment purchased through capital leases	\$ 1,757,000	\$ 21,000	\$ 502,000
Acquisitions of :			
Net assets and liabilities assumed	\$	\$ 5,119,000	\$
Developed technology and know-how	\$	\$ 8,600,000	\$
Goodwill	\$ 2,946,000	\$ 8,164,000	\$
In-process research and development	\$	\$ 1,200,000	\$

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Issuance of common stock	<u>\$ 2,946,000</u>	<u>\$ 21,883,000</u>	<u>\$</u>
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

1. Description of Business

QIAGEN N.V. and Subsidiaries (the Company) operates exclusively in the life sciences industry developing, producing and distributing biotechnology products and services, primarily for the separation and purification of nucleic acids (DNA/RNA). In addition, QIAGEN manufactures and markets synthetic nucleic acids and sells and/or licenses technologies to others. The Company's products are used in biological research by universities and research institutions as well as in genome sequencing, diagnostic and therapeutic industries. The Company's products are sold throughout the world, primarily in the United States, Europe and Japan. Similar to most companies in this line of business, the Company's products are subject to rapid technological change. Because of these technological changes, the Company needs to continuously expend resources toward research and development.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States (GAAP) and include the accounts of the Company and its wholly and majority owned subsidiaries, after elimination of all significant intercompany accounts and transactions. Investments in affiliated companies that are 50 percent or less owned and where the Company exercises significant influence over the operations are accounted for using the equity method. All other investments are accounted for under the cost method.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit in banks and other cash invested temporarily in various instruments that are short-term, highly liquid and have an original maturity of less than 90 days. The Company maintains its cash accounts in highly qualified institutions.

Marketable Securities

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The Company accounts for marketable securities in accordance with Statement of Financial Accounting Standard (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. All investments are available for sale and stated at fair value, interest income is accrued when earned, and changes in market values are reflected as unrealized gains and losses, calculated on the specific identification method, as a component of accumulated other comprehensive income.

Accounts Receivable

The Company's accounts receivable are unsecured and the Company is at risk to the extent such amounts become uncollectible. The Company continually monitors account receivable balances, and provides for an allowance for doubtful accounts at the time collection may become questionable based on payment history or age of the receivable. Write-offs of accounts receivable totaled \$1.3 million, \$253,000 and \$248,000 while provisions for doubtful accounts totaled \$1.7 million, \$631,000 and \$1.4 million for the years ended December 31, 2003, 2002 and 2001, respectively. As of December 31, 2003 and 2002, no single customer represented more than ten percent of accounts receivable or consolidated net sales.

Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market and consist of the following as of December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Raw materials	\$ 15,501,000	\$ 13,535,000
Work in process	21,179,000	16,310,000
Finished goods	28,480,000	26,268,000
Total inventories	<u>\$ 65,160,000</u>	<u>\$ 56,113,000</u>

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment

Property, plant and equipment, including equipment under capital lease, are stated at cost. Depreciation is computed using the straight-line and declining balance methods over the estimated useful lives of the assets (one to 40 years). Leasehold improvements are computed on a straight-line basis over the lesser of the remaining life of the lease or the estimated useful life. The Company has a policy of capitalizing expenditures that materially increase assets' useful lives and charging ordinary maintenance and repairs to operations as incurred. When property or equipment is disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any gain or loss is included in other miscellaneous income.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. The Company considers a history of operating losses or a change in expected sales levels to be indicators of potential impairment. Assets are grouped and evaluated for impairment at the lowest level for which there are identified cash flows that are largely independent of the cash flows of other groups of assets. The Company deems an asset to be impaired if a forecast of undiscounted projected future operating cash flows directly related to the asset, including disposal value, if any, is less than its carrying amount. If an asset is determined to be impaired, the loss is measured as the amount by which the carrying amount of the asset exceeds fair value. The Company generally measures fair value by discounting projected future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could differ from such estimates.

Revenue Recognition

The Company recognizes revenue in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* (SAB 101), as amended by SAB 101A and 101B and as updated by SAB 104. SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. Revenue from consumable product sales is generally recognized upon shipments, when all of the criteria of SAB 101 are achieved. Revenue from the sale and/or licensing of technologies is generally recognized upon delivery to the customer when all of the criteria of SAB 101 are achieved. The Company maintains a small amount of consignment inventory at certain customer locations. Revenues for the consumable products which are consigned in this manner are recognized upon consumption. Revenue from instrumentation equipment is generally not recognized until title passes to the customer, either upon shipment in the case of sales to distributors or written customer acceptance in the case of sales to end users after satisfying any installation and training requirements. For instrumentation equipment sales that contain other obligations, such as providing consumables, advanced training, extended warranty services or preventative maintenance contracts, revenue is allocated based on the relative fair values of the individual components as determined by list prices. Revenues for extended warranty services or product maintenance contracts are recognized on a straight-line basis over the contract period. The Company generally recognizes sequencing and other service revenues on a completed contract basis. For the years ended December 31, 2003, 2002 and 2001, revenues from the sale of all services constitute less than 10 percent of total net sales.

Shipping and Handling Income and Costs

The Company accounts for income and costs related to shipping and handling activities in accordance with the Emerging Issues Task Force Issue No. 00-10, Accounting for Shipping and Handling Revenues and Costs. Income from shipping and handling is included with revenue from product sales. Associated costs of shipping and handling are included in sales and marketing expenses. For the years ended December 31, 2003, 2002 and 2001, shipping and handling costs totaled \$10.6 million, \$10.8 million and \$9.3 million, respectively.

Advertising Costs

The Company accounts for advertising costs according to Statement of Position 93-7, Reporting on Advertising Costs, (SOP 93-7). Accordingly, the costs of advertising are expensed as incurred. Sales materials,

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

such a brochures and catalogues, are accounted for as prepaid supplies and expensed over the expected period of use. Advertising costs for the years ended December 31, 2003, 2002 and 2001 were \$1.4 million, \$2.9 million and \$2.2 million, respectively.

Warranty

The Company warrants its products against defects in materials and workmanship for a period of one year. A provision for estimated future warranty is recorded when consumables are shipped and when title on instrumentation equipment passes to the customer.

Foreign Currency Translation

The Company's reporting currency is the U.S. dollar. The subsidiaries' functional currencies are primarily the local currency of the respective country. Balance sheets prepared in their functional currencies are translated to the reporting currency at exchange rates in effect at the end of the accounting period except for shareholders' equity accounts, which are translated at rates in effect when these balances were originally recorded. Revenue and expense accounts are translated at a weighted average of exchange rates during the period. The cumulative effect of translation is included in accumulated other comprehensive income in the accompanying consolidated balance sheets.

Fair Value of Financial Instruments

The carrying value of the Company's cash and cash equivalents, notes receivable, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short maturities of those instruments. The carrying value of the Company's debt and capital leases approximate their fair values because of the short maturities and/or interest rates which are comparable to those available to the Company on similar terms.

Financial Instruments

In the ordinary course of business, the Company purchases foreign currency exchange options to manage potential losses from foreign currency exposures. These options give the Company the right, but not the requirement, to purchase foreign currencies in exchange for U.S. dollars at predetermined exchange rates. The principal objective of such options is to minimize the risks and/or costs associated with global financial and operating activities. The Company does not utilize financial instruments for trading or other speculative purposes. The Company accounts for these transactions in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. Premiums to purchase foreign exchange options are recorded as prepaid assets and amortized over the life of the option or immediately if the option is exercised.

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Amortization is included in other miscellaneous expense.

The table below presents the notional amounts and the weighted average exchange rates for foreign currency exchange options as of December 31, 2003 and 2002. The options outstanding at December 31, 2003 expire at various dates through February 2004 and have a fair market value of approximately \$77,000. The options outstanding at December 31, 2002 expired at various dates through February 2003 and had a fair market value of approximately \$27,000. Gains or losses from changes in the fair market values are included in other miscellaneous income, net.

Functional Currency:	2003		2002	
	Notional Weighted		Notional Weighted	
	Notional	Average Exchange	Notional	Average Exchange
	Amount	Rate	Amount	Rate
European Union euro	\$ 1,000,000	1.1600	\$ 5,600,000	1.0600

Stock-Based Compensation

At December 31, 2003, the Company has a stock option plan, which is described more fully in Note 14. The Company accounts for the plan under the recognition and measurement principles of Accounting Principles

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to or in excess of the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	2003	2002	2001
Net income, as reported	\$ 42,850,000	\$ 23,142,000	\$ 34,419,000
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(11,740,000)	(5,689,000)	(7,848,000)
Proforma net income	\$ 31,110,000	\$ 17,453,000	\$ 26,571,000
Earnings per share:			
Basic-as reported	\$ 0.29	\$ 0.16	\$ 0.24
Basic-proforma	\$ 0.21	\$ 0.12	\$ 0.19
Diluted-as reported	\$ 0.29	\$ 0.16	\$ 0.24
Diluted-proforma	\$ 0.21	\$ 0.12	\$ 0.18

Risks and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Authoritative Pronouncements

In May 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted SFAS No. 150 effective July 1, 2003, and the adoption did not have a material impact on its consolidated financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS No. 133, clarifies when a derivative contains a financing component, amends the definition of underlying to conform it to the language used in FASB Interpretation No. 45, Guarantor Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others and amends certain other existing pronouncements. The Company has only limited involvement with derivative financial instruments, does not use them for trading purposes and is not a party to any leveraged derivatives. Since the Company's put option contracts do not meet the criteria for hedge accounting, the adoption of SFAS No. 149 did not have an impact on the Company's financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. This interpretation requires a company to consolidate a variable interest entity if it is designated as the primary beneficiary of that entity even if the company does not have a majority of voting interests. A variable interest entity is generally defined as an entity where its equity is unable to finance its activities or where the owners of the entity lack the risk and rewards of ownership. This statement is effective for variable interest entities created

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

or in which an enterprise obtains an interest after January 31, 2003. The Company had no new interests in variable interest entities in 2003. The statement is effective for the quarter ended March 31, 2004, for all interests in variable entities acquired before February 1, 2003. The Company is in the process of evaluating the impact of this statement on its financial condition and results of operations.

3. Net Income per Common Share

The following schedule summarizes the information used to compute earnings per common share:

	Years ended December 31,		
	2003	2002	2001
Weighted average number of common shares used to compute basic net income per common share	145,832,000	144,795,000	142,962,000
Dilutive effect of stock options	1,341,000	992,000	2,093,000
Weighted average number of common shares used to compute diluted net income per common share	147,173,000	145,787,000	145,055,000

For the years ended December 31, 2003, 2002 and 2001, stock options to purchase 7,166,000, 5,730,000 and 1,845,000 shares, respectively, were excluded from the dilutive effect of stock options as such options were antidilutive.

4. Acquisitions

On June 14, 2002, the Company completed the acquisition of GenoVision A.S. and subsidiaries. GenoVision A.S. was formed in 1998 and is located in Oslo, Norway. Subject to the terms of the acquisition agreement, the Company paid approximately \$14.3 million in cash and issued 930,426 shares of common stock (valued at approximately \$13.9 million) in exchange for all the capital stock of GenoVision A.S. The Company agreed to pay an earn-out of up to \$3.0 million based on GenoVision's performance in the twelve months following the acquisition. The earn out was paid in August 2003 by issuing 308,421 additional shares of the Company's common stock (valued at approximately \$2.9 million) and paying related expenses of approximately \$118,000. These amounts are reflected as an increase to goodwill. In 2002, in connection with this merger, the Company expensed costs of approximately \$2.8 million, which include \$1.2 million of in-process research and development and \$1.6 million for equipment impairment. The acquisition, accounted for as a purchase under SFAS No. 141, included the purchase of all of the stock of GenoVision A.S., which, including acquisition costs, resulted in a total purchase price of \$29.5 million. A portion of the purchase price has been allocated to the assets acquired and liabilities assumed based on the estimated fair market value. Independent appraisers utilizing

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proven valuation procedures and techniques determined the value of the intangible assets acquired. These intangible assets include acquired in-process research and development, developed technology and know-how, and goodwill. As a result of the appraisal, \$3.6 million was allocated to developed technology and is being amortized on a straight line basis over ten years, \$700,000 was allocated for contractual worldwide rights of sequence specific primers for gene-based tissue typing, and is being amortized on a straight line basis over three and one-half years, and approximately \$18.9 million was allocated to goodwill. A charge of \$1.2 million for purchased in-process research and development was included in the Company's 2002 results. This charge represents the estimated fair value based on risk-adjusted cash flows related to the in-process research and development projects. At the date of acquisition, the development of these projects had not yet reached technological feasibility and the research and development in progress had no alternative future uses. The results of GenoVision's operations prior to the date of acquisition were not significant. The results of operations of the acquired company are included in the consolidated results for the Company from the date of acquisition.

On April 17, 2002, the Company completed the acquisition of Xeragon, Inc. of Huntsville, Alabama, pursuant to an agreement and plan of merger with Xeragon dated as of March 28, 2002. In connection with this acquisition, the Company issued 561,123 common shares valued at \$8.0 million, to the shareholders of Xeragon in exchange for all of the outstanding capital stock of Xeragon. Established in 2001, Xeragon is a market and technology leader for products and services focusing on synthetic nucleic acids, particularly siRNA. The acquisition, accounted for as a purchase under SFAS No. 141, included the purchase of all of the stock of Xeragon, Inc., which, including acquisition costs, resulted in a total purchase price of \$8.2 million. A portion of

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the purchase price has been allocated to the assets acquired and liabilities assumed based on the estimated fair market value at April 17, 2002. Independent appraisers utilizing proven valuation procedures and techniques determined the value of the intangible assets acquired. These intangible assets include developed technology and goodwill. As a result of the appraisal, \$4.0 million was allocated to developed technology and is being amortized on a straight line basis over ten years, \$300,000 was allocated to non-compete agreements and is being amortized straight line over three years, and approximately \$3.8 million was allocated to goodwill. The results of operations of the acquired company are included in the consolidated results for the Company from the date of acquisition. Since Xeragon, Inc. was established late in 2001, the results of operations prior to the date of acquisition were not significant.

On March 31, 2001, the Company completed the acquisition of the Sawady Group of companies (Sawady) located in Tokyo, Japan. Under the terms of the agreement QIAGEN N.V. issued 854,987 shares of its common stock, valued at the time of the closing at approximately \$18.0 million, in exchange for all of the outstanding capital stock of the Sawady Group of companies which was managed and structured as one organization, but was organized as three companies to meet the tax planning and other preferences of its shareholders. In connection with this merger, the Company recorded acquisition and related charges of approximately \$3.0 million, which include approximately \$1.0 million of direct transaction costs (primarily legal and other professional fees) and approximately \$2.0 million of expenses primarily relating to the relocation, closure and elimination of leased facilities, such as duplicate field offices. Sawady has since been renamed QIAGEN Sciences K.K. The merger was accounted for as a pooling of interests and, accordingly, the accompanying financial statements and footnotes have been restated to include the operations of Sawady for 2001. For the year ended December 31, 2001 (January 1, 2001 through March 31, 2001, the date of the merger), the Sawady revenues were approximately \$2.8 million. For the year ended December 31, 2001 (January 1, 2001 through March 31, 2001, the date of the merger), the Sawady net income was approximately \$144,000.

5. Relocation and Restructure

In December 2003, the Company committed to a relocation and restructure plan. The plan includes the relocation of the Company's North American marketing and sales operations from Valencia, California to Germantown, Maryland in order to utilize the capacity of its North American Headquarters. Additionally, in 2003, the Company decided to refocus resources dedicated to certain products related to the microarray business and accordingly discontinued certain products. The Company expensed approximately \$3.6 million to cost of sales related to the discontinued products and approximately \$1.5 million to operating expenses, of which \$1.1 million is included in accrued liabilities at December 31, 2003. Relocation and restructure costs consist of severance, for 12 terminated employees, and relocation costs for 15 employees of \$798,000, lease remuneration and other costs of \$190,000, inventory write-down of \$3.6 million and investment write-off of \$511,000. Additional costs in 2004 associated with facility closures and additional relocations are estimated to be approximately \$1.5 million. The relocation and restructure is expected to be completed in the third quarter of 2004.

During December 2002, the Company decided to close the QIAGEN Genomic's site in Bothell, Washington and to relocate several of the site's activities to other locations, mainly to facilities in Germantown, Maryland and Hilden, Germany. As a result of the closure and related re-focus of this business, the Company expensed approximately \$10.8 million, of which \$407,000 is included in accrued liabilities at December 31, 2003. Relocation and restructure costs consist of severance, for 59 terminated employees, and other costs of \$2.7 million, a non-cash write-off of facilities, equipment and other assets of \$4.7 million and a non-cash write-off of intangible assets, including developed technology and goodwill, of \$3.2 million. Additional costs in 2003 associated with the closure were approximately \$1.6 million, primarily for lease termination. The closure and relocation was completed in the second quarter of 2003.

Changes in the relocation and restructure accrual for 2003 are as follows:

	Accrual Balance 12/31/2002	2003 Amounts Accrued	Amounts Paid in Cash or Settled	Accrual Balance 12/31/2003
Relocation, severance and employee related	\$ 1,670,000	\$ 480,000	\$ (1,662,000)	\$ 488,000
Lease and facility	30,000	1,194,000	(526,000)	698,000
Inventory		324,000		324,000
Other	395,000	166,000	(542,000)	19,000
	\$ 2,095,000	\$ 2,164,000	\$ (2,730,000)	\$ 1,529,000

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income requires that comprehensive income, which is the total of net income and all other non-owner changes in equity, be displayed in the financial statements. The components of the Company's comprehensive income or loss as presented in the Consolidated Statements of Shareholders' Equity include net income, unrealized gains and losses from foreign currency translation, and unrealized gains and losses from available-for-sale marketable securities. The Company does not expect any tax impacts from realized gains or losses on marketable securities. The following table is a summary of the components of accumulated other comprehensive income:

	2003	2002
Net unrealized (loss) gain on marketable securities	\$ 96,000	\$ (942,000)
Foreign currency translation adjustments	29,896,000	7,528,000
Accumulated other comprehensive income	\$ 29,992,000	\$ 6,586,000

7. Marketable Securities

At December 31, 2003 and 2002, the investments in the following table are classified as current, as the Company's plan is generally not to hold its investments until maturity in order to take advantage of market conditions.

The contractual maturities of corporate debt securities at December 31, 2003 and 2002 are as follows:

	2003		2002	
	Cost	Fair Value	Cost	Fair Value
Maturities due:				
One to five years	\$ 5,057,000	\$ 5,035,000	\$ 10,046,000	\$ 10,044,000
Over ten years	1,500,000	1,492,000	1,500,000	1,486,000
	\$ 6,557,000	\$ 6,527,000	\$ 11,546,000	\$ 11,530,000

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At December 31, 2003, the gross unrealized losses on these securities were \$30,000. Unrealized gains and losses, net of any realized amounts are included in other comprehensive income.

At December 31, 2003, the Company held 50,000 shares in Genome Pharmaceuticals Corporation AG (GPC), classified as a long-term marketable security. At December 31, 2003, these shares had a fair market value of \$498,000 with a gross unrealized gain of \$127,000 included in other comprehensive income. In the third quarter of 2003, the Company sold 174,000 shares and realized a gain of approximately \$191,000. During 2001, the Company entered into a securities lending arrangement with Deutsche Bank and transferred 20,000 shares of GPC to Deutsche Bank in January 2002. The Company was restricted from selling the 20,000 shares during the lending period, which expired in December 2003. The Company retained all other rights to the shares and Deutsche Bank returned the shares after the lending period. In February 2004, the Company sold the remaining 50,000 shares and realized a gain of approximately \$552,000.

For the years ended December 31, 2003, 2002 and 2001, proceeds from sales of available-for-sale securities totaled \$6.5 million, \$11.0 million and \$16.3 million, respectively, and, calculated on the specific identification method, realized gains during 2003 totaled \$201,000, realized losses during 2002 totaled \$38,000 and realized gains during 2001 totaled \$1.3 million.

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Property, Plant and Equipment**

Property, plant and equipment are summarized as follows as of December 31, 2003 and 2002:

	2003	2002
Land and buildings	\$ 164,997,000	\$ 128,581,000
Machinery and equipment	82,349,000	69,564,000
Computer software	22,841,000	18,005,000
Furniture and office equipment	39,450,000	34,867,000
Leasehold improvements	11,717,000	9,816,000
Construction in progress	4,020,000	18,336,000
	325,374,000	279,169,000
Less: Accumulated depreciation and amortization	(92,514,000)	(67,256,000)
Property, plant and equipment, net	\$ 232,860,000	\$ 211,913,000

For the years ended December 31, 2003, 2002 and 2001 depreciation expense totaled \$23.5 million, \$21.4 million and \$12.9 million, respectively. Repairs and maintenance expense was \$5.2 million, \$4.2 million and \$2.8 million in fiscal years 2003, 2002 and 2001, respectively.

At December 31, 2002, construction in progress includes costs directly allocable to construction and capitalized interest of \$16.9 million, directly related to the construction of the Company's research and manufacturing facility, QIAGEN Sciences, Inc. located in Germantown, Maryland and the production and administration buildings at QIAGEN GmbH in Hilden, Germany. Interest capitalized in accordance with SFAS No. 34 for the year ended December 31, 2002 totaled \$1.1 million.

Additionally, during 2001, QIAGEN Sciences, Inc. received State and County loans totaling \$3.6 million to be used for land purchase and facility construction costs. Upon QIAGEN Sciences' achievement of certain employment levels, these loans are permanently forgiven. Upon forgiveness, the amounts will be recorded as a reduction to the cost of the assets. Should the criteria not be met, the loans become payable. At December 31, 2003, \$2.0 million of the loans had been converted to a grant as determined by the ratio of the actual employment level to the target level. The balance of \$1.6 million is included in other long-term liabilities in the accompanying balance sheet.

9. Investments

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The Company has made strategic investments in certain companies that are accounted for using the equity or cost method of accounting. A summary of these investments as of December 31, 2003 and 2002 is as follows:

Company	Percent Control	Share of loss				
		As of December 31,		for the years ended December 31,		
		2003	2002	2003	2002	2001
PreAnalytiX GmbH	50.0%	\$ 1,119,000	\$ 1,088,000	\$ 1,847,000	\$ 1,340,000	\$ 1,373,000

Company	Percent Control	Cost Investment	
		2003	2002
Zeptosens AG	17.3%	\$ 2,589,000	\$ 2,589,000
Coley Pharmaceutical Group, Inc	2.4%	\$ 1,414,000	\$ 1,414,000
QBM Cell Science	19.5%	\$ 553,000	\$ 613,000
Ingenium Pharmaceuticals AG		\$	\$ 511,000

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

From time to time, the Company has transactions with the above entities all of which are individually and in sum immaterial except for certain transactions with the joint venture PreAnalytiX. The transactions with PreAnalytiX are summarized as follows:

	As of or for the years ended	
	December 31,	
	2003	2002
Sales	\$ 1,203,000	\$ 1,367,000
Loan receivable	\$ 4,524,000	\$ 4,048,000
Accounts receivable	\$ 828,000	\$ 921,000
Accounts payable	\$ 287,000	\$ 130,000

To date, both joint venture partners have loaned equal amounts to the venture at a 4.0% interest rate. It is anticipated that both joint venture partners will convert the loan balances to additional capital at some future date.

The Company periodically reviews the carrying value of these investments for impairment, considering factors such as the most recent stock transactions and book value from the most recent financial statements. These investments are included in other assets in the accompanying consolidated balance sheets.

10. Intangible Assets

In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 addresses how intangible assets should be accounted for upon their acquisition as well as how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. With the adoption of this statement on January 1, 2002, goodwill and indefinite life intangibles are no longer subject to amortization over the estimated useful life. Goodwill is assessed for impairment each year using the fair-value-based test.

The following sets forth the intangible assets by major asset class as of December 31, 2003 and December 31, 2002:

2003	2002
------	------

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	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Amortized Intangible Assets:				
Patent and license rights	\$ 12,194,000	\$ (4,593,000)	\$ 7,930,000	\$ (2,855,000)
Developed technology	8,363,000	(1,443,000)	8,203,000	(528,000)
	<u>\$ 20,557,000</u>	<u>\$ (6,036,000)</u>	<u>\$ 16,133,000</u>	<u>\$ (3,383,000)</u>
Unamortized Intangible Assets:				
Goodwill	<u>\$ 30,117,000</u>		<u>\$ 25,569,000</u>	

The changes in the carrying amount of goodwill, by segment, for the year ended December 31, 2003, are as follows:

	<u>Norway</u>	<u>United States</u>	<u>Japan</u>	<u>Germany</u>	<u>Total</u>
Balance at December 31, 2002	\$ 20,323,000	\$ 3,758,000	\$ 1,189,000	\$ 299,000	\$ 25,569,000
GenoVision earn-out	3,030,000				3,030,000
Effect of foreign currency translation	1,306,000		151,000	61,000	1,518,000
	<u>\$ 24,659,000</u>	<u>\$ 3,758,000</u>	<u>\$ 1,340,000</u>	<u>\$ 360,000</u>	<u>\$ 30,117,000</u>

The Company has completed the fair-value based test for impairment of goodwill and intangible assets. For the year ended December 31, 2003, the fair value of goodwill and intangible assets exceeded their book value and consequently the Company had no impairment charges. As a result of the closure of the QIAGEN Genomics facility, the balances of \$1.2 million of goodwill and \$1.8 million of developed technology were written off and included in relocation and restructure costs in the accompanying consolidated statement of income for the year ended December 31, 2002.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amortization expense on intangible assets totaled approximately \$2.1 million, \$1.9 million and \$1.5 million, respectively, for the years ended December 31, 2003, 2002 and 2001. Amortization of intangibles for the next five years is expected to be approximately:

Years ended December 31:	
2004	\$ 2,130,000
2005	\$ 1,992,000
2006	\$ 1,859,000
2007	\$ 1,858,000
2008	\$ 1,749,000

In connection with the adoption of SFAS No. 142, the useful lives of intangibles are assessed for adequacy considering the contract life as well as the period of time over which the intangible will contribute to future cash flow. The unamortized cost of intangible assets is evaluated periodically and adjusted, if necessary, if later events and circumstances indicate that a permanent decline in value below the current unamortized historical cost has occurred. Through December 31, 2001, for intangibles acquired before June 30, 2001, all patents and licensing rights were amortized on a straight line basis over periods of three to seven years. The Company recognized amortization expense relating to patents and licensing rights of \$509,000 for the year ended December 31, 2001.

11. Income Taxes

Under SFAS No. 109, deferred income tax assets or liabilities are computed based on the temporary difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal income tax rate in effect for the year in which the differences are expected to reverse. Deferred income tax expenses or credits are based on the changes in the deferred income tax assets or liabilities from period to period.

The Company has recorded a net deferred tax liability of \$3.4 million at December 31, 2003.

The components of the net deferred tax (liability) asset at December 31, 2003 and 2002 are as follows:

	2003	2002
Deferred tax asset:		
Allowance for bad debts	\$ 683,000	\$ 597,000
Bonus/commission accrual	191,000	175,000
Vacation accrual	519,000	322,000

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Warranty accrual	155,000	181,000
Accrued liabilities	937,000	803,000
Depreciation and amortization	722,000	540,000
Tax credits	516,000	592,000
Net operating loss carryforward	7,577,000	7,387,000
Inventories	2,799,000	3,782,000
Deferred revenues	936,000	834,000
Capitalized start-up costs	1,773,000	1,575,000
Capital leases	486,000	
Other	896,000	790,000
	<u>18,190,000</u>	<u>17,578,000</u>
Deferred tax liability:		
Depreciation and amortization	(10,204,000)	(2,351,000)
Devaluation of Intercompany loan	(7,681,000)	(3,554,000)
Inventory	(602,000)	(1,013,000)
Accrued liabilities	(746,000)	(144,000)
Intangibles	(1,688,000)	(965,000)
United States state income taxes	(334,000)	(771,000)
Other	(347,000)	(160,000)
	<u>(21,602,000)</u>	<u>(8,958,000)</u>
Net deferred tax (liabilities) assets	<u>\$ (3,412,000)</u>	<u>\$ 8,620,000</u>

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The net deferred tax asset and liability are reflected on the Company's consolidated balance sheets at December 31, 2003 and 2002 as follows:

	2003	2002
Current deferred tax asset	\$ 8,094,000	\$ 11,629,000
Current deferred tax liabilities	(11,991,000)	(6,035,000)
Non-current deferred tax asset	4,604,000	3,026,000
Non-current deferred tax liabilities	(4,119,000)	
Net deferred tax (liabilities) assets	\$ (3,412,000)	\$ 8,620,000

Non-current deferred tax liabilities are included in other long term liabilities in the accompanying balance sheets.

As of December 31, 2003 and 2002, the Company had a net operating loss (NOL) carryforward in the U.S. of approximately \$3.1 million and \$5.3 million, respectively. These NOLs were generated primarily from the exercise of employee stock options and accelerated tax depreciation and will expire in various years through 2023. In addition, the Company had state NOLs equal to approximately \$6.3 million and \$5.7 million at December 31, 2003 and 2002, respectively. These NOLs expire at various times through 2023. As of December 31, 2003 and 2002, the Company had NOL carryforwards outside of the U.S. totaling approximately \$22.4 million and \$18.3 million, respectively. These NOLs were primarily generated from operating losses from the Company's subsidiaries. At December 31, 2003, a portion of these NOLs, approximately \$11.1 million, expires in various years through 2013. The balance does not expire. At December 31, 2003 and 2002, the Company's foreign holding company also had an NOL of \$3.1 million and \$2.3 million, respectively, with a full valuation allowance. This NOL does not expire. To the extent that future valuation allowances are required, the effect of the allowance will be recorded in the provision for income taxes in the period the determination is made.

Income before income taxes for the years ended December 31, 2003, 2002 and 2001 consisted of:

	Years Ended December 31,		
	2003	2002	2001
United States pretax income	\$ 24,253,000	\$ 2,962,000	\$ 6,611,000
Non-United States pretax income	43,002,000	35,898,000	49,712,000
	\$ 67,255,000	\$ 38,860,000	\$ 56,323,000

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The provisions for income taxes for the years ended December 31, 2003, 2002 and 2001 are as follows:

	Years Ended December 31,		
	2003	2002	2001
Current			
United States federal taxes	\$ 383,000	\$ 312,000	\$ 1,602,000
United States state taxes	(522,000)	1,147,000	1,005,000
Non-United States taxes	11,013,000	10,318,000	21,078,000
	<u>10,874,000</u>	<u>11,777,000</u>	<u>23,685,000</u>
Deferred			
United States federal taxes	6,605,000	1,074,000	391,000
United States state taxes	1,515,000	(252,000)	(190,000)
Non-United States taxes	5,411,000	3,124,000	(1,990,000)
	<u>13,531,000</u>	<u>3,946,000</u>	<u>(1,789,000)</u>
Total provision for income taxes	<u>\$ 24,405,000</u>	<u>\$ 15,723,000</u>	<u>\$ 21,896,000</u>

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Differences between the provision for income taxes and income taxes at the United States statutory federal income tax rate for the years ended December 31, 2003, 2002 and 2001 are as follows:

	Years Ended December 31,					
	2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent
Income taxes at United States statutory federal rate	\$ 22,867,000	34.0%	\$ 13,213,000	34.0%	\$ 19,150,000	34.0%
United States state income taxes, net of federal income tax effect	783,000	1.2	389,000	1.0	509,000	0.9
Non-United States taxes at rates greater than United States statutory federal rate	1,793,000	2.7	900,000	2.3	2,186,000	3.9
Benefit from facility closure	(1,985,000)	(3.0)				
Nondeductible goodwill amortization			446,000	1.2	56,000	0.1
Nondeductible purchased in- process research & development			336,000	0.9		
Other items, net	947,000	1.4	439,000	1.1	(5,000)	
Total provision for income taxes	\$ 24,405,000	36.3%	\$ 15,723,000	40.5%	\$ 21,896,000	38.9%

12. Accrued Liabilities

Accrued liabilities at December 31, 2003 and 2002 consist of the following:

	2003	2002
Royalties	\$ 8,760,000	\$ 6,188,000
Payroll and related accruals	6,894,000	5,649,000
Deferred revenue	4,122,000	3,180,000
Sales and other taxes	2,796,000	2,116,000
Professional and other fees	2,238,000	1,640,000
Relocation and restructuring costs	1,529,000	2,095,000
Warranty	1,247,000	1,327,000
Acquisition and related costs		1,225,000
Management bonuses	526,000	745,000

Other	<u>3,232,000</u>	<u>3,866,000</u>
Total accrued liabilities	<u>\$ 31,344,000</u>	<u>\$ 28,031,000</u>

13. Lines of Credit and Debt

The Company has seven separate lines of credit amounting to \$11.2 million, with interest rates ranging from 5.40 percent to 7.25 percent, none of which was utilized at December 31, 2003. There were no short-term borrowings outstanding at December 31, 2003 and 2002. Interest expense on line of credit and short-term borrowings was \$9,000, \$115,000 and \$302,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Long-term debt consists of the following:

	<u>2003</u>	<u>2002</u>
3.75% note due in semi-annual payments of EUR 639,000 (approximately \$805,000 at December 31, 2003) with a final payment due in March 2009	\$ 8,856,000	\$ 8,711,000
Note payable bearing interest at EURIBOR (2.10% at December 31, 2003) plus 1.2%, payment of EUR 5.0 million (approximately \$6.3 million at December 31, 2003) due May 2004 with a final payment of EUR 39,472,000 due in July 2005	56,022,000	44,887,000
Note payable bearing interest at LIBOR (1.12% at December 31, 2003) plus 1.28%, due in one final payment of \$43,475,000 July 2005	43,475,000	43,475,000
Total long-term debt	<u>108,353,000</u>	97,073,000
Less current portion	<u>7,909,000</u>	1,340,000
Long-term portion	<u>\$ 100,444,000</u>	<u>\$ 95,733,000</u>

The two notes due in July 2005 are part of the loan facilities obtained in 2001 from a group of banks led by Deutsche Bank, that allow the Company to borrow up to a total of EUR 50.0 million and \$43.5 million. In accordance with the terms of the lending agreements, as amended, on May 27, 2003 the facilities were reduced to EUR 95.0 million and on May 27, 2004 will be reduced to EUR 90.0 million. The loan agreements contain certain financial and non-financial covenants, including but not limited to the encumbrance of land and accounts receivable, restriction on the transfer of any patents to third parties and the maintenance of certain financial ratios. The Company was in compliance with these covenants at December 31, 2003. The proceeds of these facilities are primarily dedicated to the refinancing of previously made acquisitions of land and the construction of manufacturing, research and administrative facilities thereon.

Future principal maturities of long-term debt as of December 31, 2003 are as follows:

<u>Year ending December 31,</u>	
2004	\$ 7,909,000
2005	94,809,000
2006	1,610,000
2007	1,610,000
2008	1,610,000
Thereafter	805,000
	<u>\$ 108,353,000</u>

Interest expense, net of capitalized interest of approximately \$3.2 million in 2002, on long-term debt was \$3.1 million, \$1.7 million and \$321,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

14. Stock Options

On April 30, 1996, the Company adopted the QIAGEN N.V. 1996 Employee, Director and Consultant Stock Option Plan (the Option Plan). The Option Plan allows for incentive stock options, as well as for non-qualified options, generally with terms of 10 years, subject to earlier termination in certain situations. Generally, the options vest over a three-year period. The vesting and exercisability of certain options will be accelerated in the event of a Change of Control, as defined. The exercise price of the options is determined by the Supervisory Board or by the Compensation Committee, and to date all grants have been at the market value on the grant date or at a premium above the closing market price on the grant date. The Company has reserved 23,968,000 shares of common stock for issuance under this plan.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Information regarding the Option Plan as of December 31, 2001, 2002 and 2003, and changes during the years then ended is summarized as follows:

	<u>Option Shares</u>	<u>Weighted Average Exercise Price</u>
December 31, 2000	7,001,017	\$ 14.47
Granted	2,713,415	\$ 21.11
Exercised	(862,914)	\$ 4.82
Forfeited	(619,861)	\$ 33.97
December 31, 2001	8,231,657	\$ 16.28
Granted	4,468,457	\$ 9.65
Exercised	(538,114)	\$ 4.59
Forfeited	(903,220)	\$ 20.40
December 31, 2002	11,258,780	\$ 13.88
Granted	3,347,097	\$ 8.91
Exercised	(375,508)	\$ 5.64
Forfeited	(874,369)	\$ 7.53
December 31, 2003	13,356,000	\$ 12.62

At December 31, 2003, 2002 and 2001, 6,791,673, 5,108,991 and 3,969,284 options were exercisable at a weighted average price of \$14.83, \$13.72 and \$9.64 per share, respectively. The weighted average fair value of options granted during 2003, 2002 and 2001 was \$5.41, \$5.18 and \$14.38, respectively. The options outstanding at December 31, 2003 expire in various years through 2013. Information about stock options outstanding at December 31, 2003 is summarized as follows:

<u>Range of Exercise Prices</u>	<u>Number Outstanding at 12/31/03</u>	<u>Weighted Average Remaining Contract Life</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable at 12/31/03</u>	<u>Weighted Average Exercise Price</u>
\$ 1.06 - \$ 4.59	1,487,246	4.62 Years	\$ 2.92	1,167,498	\$ 2.46
\$ 4.63 - \$ 5.84	1,527,996	8.02 Years	\$ 5.39	617,102	\$ 5.39
\$ 5.96 - \$ 6.91	1,835,434	8.68 Years	\$ 6.35	359,311	\$ 6.54
\$ 7.53 - \$ 9.40	1,897,725	6.41 Years	\$ 8.71	1,355,248	\$ 8.57

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\$10.43 - \$11.96	1,732,246	9.51 Years	\$ 10.95	131,377	\$ 11.02
\$12.51 - \$15.48	1,693,486	8.18 Years	\$ 14.77	659,319	\$ 14.78
\$16.75 - \$20.56	1,569,855	7.31 Years	\$ 19.20	1,108,648	\$ 19.25
\$20.80 - \$43.63	1,485,352	6.86 Years	\$ 32.02	1,266,510	\$ 33.07
\$47.13 - \$49.75	126,660	6.65 Years	\$ 48.59	126,660	\$ 48.59
<hr/>	<hr/>	<hr/>		<hr/>	
\$ 1.06 - \$49.75	13,356,000	7.49 Years	\$ 12.62	6,791,673	\$ 14.83
<hr/>	<hr/>	<hr/>		<hr/>	

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants: weighted average risk-free interest rates of 2.56 percent, 3.44 percent and 4.33 percent and a weighted average expected life of six years for the years ended December 31, 2003, 2002 and 2001, respectively. The weighted average expected volatility was 73 percent, 76 percent and 75 percent, for the years ended December 31, 2003, 2002 and 2001, respectively. It is assumed that no dividends would be issued during the option term.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option value models also require the input of highly subjective assumptions such as expected option life and expected stock price volatility. Because the Company's stock-based compensation plans have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the Company believes that the existing option valuation model does not necessarily provide a reliable single measure of the fair value of awards from this plan.

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. Commitments and Contingencies***Lease Commitments*

The Company leases facilities and equipment under operating lease arrangements expiring in various years through 2018. Certain facility and equipment leases constitute capital leases. The accompanying consolidated financial statements include the assets and liabilities arising from these capital lease obligations.

Minimum future obligations under capital and operating leases at December 31, 2003 are as follows:

	Capital Leases	Operating Leases
2004	\$ 1,985,000	\$ 5,930,000
2005	1,830,000	3,320,000
2006	1,562,000	1,342,000
2007	1,415,000	1,036,000
2008	1,415,000	839,000
Thereafter	14,138,000	4,510,000
	<u>22,345,000</u>	<u>\$ 16,977,000</u>
Less: Amount representing interest	(7,309,000)	
	<u>15,036,000</u>	
Less: Current portion	(1,320,000)	
	<u>\$ 13,716,000</u>	

Rent expense under noncancelable operating lease agreements was \$6.5 million, \$7.9 million and \$6.6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Purchase Commitments

At December 31, 2003, the Company had commitments with several vendors to purchase certain products during 2004, 2005, 2006 and 2007 totaling approximately \$13.9 million, \$974,000, \$400,000 and \$400,000, respectively.

Commitments

In October 1998, the Company announced that it had signed a five-year supply agreement with Abbott Laboratories (Abbott), which has been extended awaiting completion of certain studies. According to the agreement, the Company will supply Abbott with various proprietary nucleic acid sample purification and preparation products. Under the terms of this agreement, Abbott committed to certain purchases of the Company's products over the term of the contract. The Company committed to certain expansions of its production capacity and product quality and received payments for such achievements.

Contingencies

From time to time the Company may be party to legal proceedings incidental to its business. Certain claims, suits or complaints arising out of the normal course of business have been filed or were pending against the Company at December 31, 2003. Although it is not possible to predict the outcome of such matters, based on the facts known to the Company and after consultation with legal counsel, management believes that such matters will not have a material adverse effect on its financial position or results of operations.

During the normal course of business, the Company is subject to audit by taxing authorities for varying periods in various tax jurisdictions. Tax audits in Germany for the years 1994 through 2001 were concluded in 2003. In June 2001, the Company received notification that the taxing authorities were examining the treatment of expenses related to stock options for the years 1994 through 1997, which are required to be accrued when vested under the German Commercial Code, due to a reimbursement agreement between QIAGEN N.V. and QIAGEN GmbH which requires that QIAGEN GmbH make payments to QIAGEN N.V. of an amount equal to the spread on stock option exercises. Based on the advice received from tax experts and its tax advisors, the Company had accrued for the expense of the stock options in the statutory financial statements and in the

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

German tax returns, but such expenses were not recorded in the consolidated financial statements prepared under U.S. GAAP. The matter examined by the taxing authorities was whether the option expenses were deductible for tax purposes on an accrual basis or only on a payment basis upon the exercise of the options. The taxing authorities ultimately concluded that the stock option expenses were deductible for tax purposes on an accrual basis, with a change to the valuation method. Accordingly, there was no income statement impact or impact on earnings per share to the Company's U.S. GAAP financial statements.

16. Employee Benefits

In September 1992, QIAGEN, Inc. (Valencia) adopted the QIAGEN, Inc. Employees 401(k) Savings Plan (the Plan). The purpose of the Plan is to provide retirement benefits to all eligible employees, which include employees of QIAGEN, Inc., QIAGEN Sciences, Inc. and QIAGEN Genomics, Inc. Matching contributions and profit sharing contributions may be made to the Plan at the discretion of the Supervisory Board. In 2003, 2002 and 2001, total matching contributions to the Plan were approximately \$852,000, \$293,000 and \$701,000, respectively.

Operon adopted a defined contribution plan effective January 1, 1994, benefiting substantially all Operon employees. Operon may make matching contributions at the discretion of the Supervisory Board. In 2003, 2002 and 2001 matching contributions to the plan totaled approximately \$215,000, \$272,000 and \$144,000, respectively.

As of December 31, 2003, QIAGEN GmbH has deferred compensation plans for one officer and one employee. The present value of the future compensation obligation of \$416,000, \$289,000 and \$200,000 has been accrued in the accompanying consolidated financial statements at December 31, 2003, 2002 and 2001, respectively.

During 2003, QIAGEN GmbH established a defined contribution plan for certain executives. The Company makes matching contributions up to an established maximum. In 2003, matching contributions to the plan totaled approximately \$21,000.

During 1999, QIAGEN KK established a retirement plan for one officer. The employee is entitled to a lump sum distribution based on a formula tied to years of service. As such, an amount of \$390,000, \$295,000 and \$215,000 has been accrued in the accompanying consolidated financial statements at December 31, 2003, 2002 and 2001, respectively.

17. Licensing Agreements

The Company has licensing agreements with companies, universities and individuals, some of which require certain up-front payments. Royalty payments are required on net product sales ranging from one to ten percent of covered products. Several of these agreements have minimum royalty requirements. The accompanying consolidated financial statements include accrued royalties relating to these agreements in the amount of \$8.8 million and \$6.2 million at December 31, 2003 and 2002, respectively. Royalty expense relating to these agreements amounted to \$17.4 million, \$13.3 million and \$10.0 million for the years ended December 31, 2003, 2002 and 2001, respectively. Royalty expense is primarily recorded in cost of sales, with a small portion recorded as research and development expense depending on the use of the technology under license. Some of these agreements also have minimum raw material purchase requirements and requirements to perform specific types of research.

18. Related Party Transactions

From time to time the Company may have transactions with companies in which the Company also holds an interest. See Note 9 for discussion of these investments and transactions.

19. Segment and Related Information

The Company operates exclusively in the life sciences industry generating revenue from the sale of products, and services primarily for the separation and purification of nucleic acids (DNA/RNA). In addition, the

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Company manufactures and markets synthetic nucleic acids and sells and/or licenses technologies to others. Reportable segments are based on the geographic locations of the subsidiaries. The reportable segments derive revenues from all of the Company's product and service offerings. It is not practicable to provide a detail of revenues for each group of similar products and services offered by the Company.

The Company's reportable segments include the Company's production and manufacturing facilities in Germany, the United States, Switzerland and Norway, and distribution subsidiaries in the United States, Switzerland, Japan, the United Kingdom and Other Countries (consisting of the Company's subsidiaries in Canada, France, Australia, Italy and Austria). The Company's holding company is located in the Netherlands.

The Company evaluates performance based on several factors, of which the primary financial measure is operating income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2 of the Notes to Consolidated Financial Statements.

Summarized financial information concerning the Company's reportable segments is shown in the following tables:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net Sales			
Germany	\$ 153,143,000	\$ 136,334,000	\$ 121,744,000
United States	261,366,000	221,762,000	147,609,000
Switzerland	34,916,000	30,953,000	27,898,000
Japan	46,839,000	34,937,000	34,417,000
United Kingdom	24,651,000	19,252,000	16,282,000
Norway	1,974,000	1,859,000	
Other Countries	46,172,000	27,871,000	17,844,000
Subtotal	569,061,000	472,968,000	365,794,000
Intersegment Elimination	(217,657,000)	(174,361,000)	(102,024,000)
Total	\$ 351,404,000	\$ 298,607,000	\$ 263,770,000

Net sales are attributed to countries based on the location of the Company's subsidiary. During 2003, 2002 and 2001, no single customer represented more than ten percent of consolidated net sales. United States export sales did not exceed ten percent of consolidated net sales during fiscal 2003, 2002 or 2001.

Table of Contents**QIAGEN N.V. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Operating Income (Loss)	2003	2002	2001
Germany	\$ 22,355,000	\$ 28,573,000	\$ 30,914,000
United States	32,641,000	4,802,000	10,326,000
Switzerland	(798,000)	269,000	4,119,000
Japan	8,432,000	7,090,000	5,956,000
United Kingdom	3,967,000	3,525,000	3,566,000
Norway	(2,623,000)	(2,874,000)	
Other Countries	6,932,000	2,410,000	1,174,000
The Netherlands	(3,047,000)	(2,326,000)	(2,611,000)
Subtotal	67,859,000	41,469,000	53,444,000
Intersegment elimination	1,030,000	1,716,000	32,000
Total	\$ 68,889,000	\$ 43,185,000	\$ 53,476,000

The Netherlands component of operating income (loss) is primarily general and administrative expenses. The intersegment elimination represents the elimination of intercompany profit.

Depreciation and Amortization	2003	2002	2001
Germany	\$ 12,158,000	\$ 11,037,000	\$ 6,926,000
United States	9,719,000	10,817,000	5,764,000
Switzerland	1,524,000	995,000	371,000
Japan	592,000	707,000	1,614,000
United Kingdom	242,000	91,000	107,000
Norway	767,000	412,000	
Other Countries	398,000	278,000	158,000
The Netherlands	388,000	372,000	119,000
Total	\$ 25,788,000	\$ 24,709,000	\$ 15,059,000

Assets	2003	2002
Germany	\$ 292,107,000	\$ 243,411,000
United States	157,117,000	155,160,000
Switzerland	41,879,000	27,551,000
Japan	36,393,000	29,128,000
United Kingdom	10,929,000	10,383,000

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Norway	38,279,000	31,877,000
Other Countries	20,713,000	17,474,000
The Netherlands	180,046,000	152,266,000
	<hr/>	<hr/>
Subtotal	777,463,000	667,250,000
Intersegment Elimination	(225,533,000)	(212,739,000)
	<hr/>	<hr/>
Total	\$ 551,930,000	\$ 454,511,000
	<hr/>	<hr/>

Assets of The Netherlands include cash and cash equivalents, investments, prepaid assets and certain intangibles. The intersegment elimination represents intercompany investments and advances.

Table of Contents

QIAGEN N.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2003 and 2002, the investment in equity method investees totaled (\$4,812,000) and (\$3,438,000) for Switzerland. These investments are included in the asset amounts presented above.

Capital Expenditures	2003	2002	2001
Germany	\$ 6,816,000	\$ 35,506,000	\$ 44,420,000
United States	8,374,000	17,944,000	53,477,000
Switzerland	1,356,000	1,967,000	3,401,000
Japan	548,000	3,131,000	305,000
United Kingdom	1,496,000	97,000	106,000
Norway	102,000	239,000	
Other Countries	518,000	252,000	358,000
The Netherlands	348,000		
Total	\$ 19,558,000	\$ 59,136,000	\$ 102,067,000

Long-Lived Assets	2003	2002
Germany	\$ 137,542,000	\$ 117,144,000
United States	96,954,000	97,245,000
Switzerland	8,553,000	6,993,000
Japan	5,263,000	5,939,000
United Kingdom	1,428,000	167,000
Norway	29,084,000	22,435,000
Other Countries	1,433,000	2,017,000
The Netherlands	8,208,000	6,503,000
Total	\$ 288,465,000	\$ 258,443,000

Table of Contents

QIAGEN N.V.

EXHIBIT INDEX

- 1.1 Articles of Association as confirmed by notarial deed as of July 6, 2000 (English translation) (6)
- 2.1 Credit Contract for a Club Deal between QIAGEN GmbH, Deutsche Bank AG, Stadtsparkasse Dusseldorf, and IKB Deutsche Industriebank AG, dated May 28, 2001 (English Translation) (6)
- 2.2 Amended and Restated Guaranty Agreement between QIAGEN Sciences, Inc. and QIAGEN GmbH, dated February 28, 2002 (6)
- 2.3 Amended and Restated Promissory Note between QIAGEN Sciences, Inc. and QIAGEN North American Holdings, Inc., dated February 28, 2002 (6)
- 2.4 Amended and Restated Promissory Note between QIAGEN North American Holdings, Inc., and QIAGEN GmbH, dated February 28, 2002 (6)
- 2.5 Amended and Restated Indemnity Deed of Trust, between QIAGEN Sciences, Inc. and Richard Sugarman, dated February 28, 2002 (6)
- 2.6 Third Supplement to the Credit Agreement for a Club Deal of May 28, 2001 between QIAGEN GmbH, Deutsche Bank AG, Stadtsparkasse Dusseldorf, and IKB Deutsche Industriebank AG, dated July 31, 2002 (7)
- 4.1 Lease between QIAGEN, Inc. and Haserjian Bros. Realty Co., a California General Partnership, dated May 16, 1996 (Filed as Exhibit 10.1) (2)
- 4.2 Lease between QIAGEN GmbH and Brixton Estate Deutschland GmbH dated March 14, 1997 (the Albert-Einstein-Str. Lease (Filed as Exhibit 10.1(a)) (3)
- 4.3 The Albert-Einstein-Str. Lease Contract Summary (Filed as Exhibit 10.1(b)) (3)
- 4.4 Exercised Option to Extend Lease Between QIAGEN Inc. and Haserjian Bros. Realty Co., a California General Partnership, dated February 10, 1999. (Filed as Exhibit 10.1) (4)
- 4.5 Master Agreement among Becton, Dickinson and Company, Becton Dickinson Sample Collection GmbH, QIAGEN AG, and QIAGEN N.V., dated August 5, 1999 (Filed as Exhibit 10.1) (5)
- 4.6 Lease Between QIAGEN GmbH and Gisantus Grundstücksverwaltungsgesellschaft mbH, dated January 13, 1997 (the Max-Volmer-Strasse 4 Lease) (Filed as Exhibit 10.3) (5)
- 4.7 The Max-Volmer-Strasse 4 Lease Summary (Filed as Exhibit 10.3(a)) (6)
- 4.8 Second Amendment to the Standard Industrial/Commercial Single-Tenant Lease Net Dated May 15, 1996, and the First Amendment Date for Reference Purposes as February 10, 1999, between QIAGEN, Inc. and Haserjian Bros. Realty Co., a California General Partnership (6)
- 4.9 Third Amendment to the Standard Industrial/Commercial Single-Tenant Lease-Net, dated October 4, 2001, between QIAGEN, Inc. and Haserjian Bros. Realty Co., a California General Partnership (6)
- 4.10 Managing Director Agreement by and between DIAGEN Institute for Molecular Biological Diagnostics GmbH. and Dr. Metin Colpan, dated August 30, 1985 (English Translation) (7)
- 4.11 Employment Agreement by and between DIAGEN Institute for Molecular Biological Diagnostics GmbH. and Mr. Peer M. Schatz, dated February 24, 1993 (English Translation) (7)

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- 4.12 Employment Agreement by and between QIAGEN AG and Peer M. Schatz, dated May 29, 1998 (English Translation) (7)
- 4.13 Employment Agreement between QIAGEN N.V. and Metin Colpan, dated October 5, 2000 (7)
- 4.14 Employment Agreement between QIAGEN N.V. and Peer M. Schatz, dated October 5, 2000 (7)

Table of Contents

4.15	Agreement and Plan of Merger by and among QIAGEN N.V., Xenopus Merger Sub, Inc. and Xeragon, Inc. dated as of March 28, 2002 (7)
4.16	Agreement on Acquisition of Shares and Subscription Rights in GenoVision AS by QIAGEN N.V. dated May 24, 2002 (7)
4.17	Change in Control Agreement between QIAGEN N.V. and Metin Colpan, as of September 30, 2002 (7)
4.18	Change in Control Agreement between QIAGEN N.V. and Peer M. Schatz, as of September 30, 2002 (7)
4.19	Letter between QIAGEN GmbH and Metin Colpan Regarding Addition of a Change in Control Provision, as of September 30, 2002 (English Translation) (7)
4.20	Letter between QIAGEN GmbH and Peer M. Schatz Regarding Addition of a Change in Control Provision, as of September 30, 2002 (English Translation) (7)
*4.21	Employment Agreement by and between QIAGEN GmbH and Dr. Joachim Schorr, dated July 1, 1992 (English Translation)
*4.22	Supplement to Employment Agreement by and between QIAGEN GmbH and Dr. Joachim Schorr, dated June 22, 1999 (English Translation)
*4.23	Employment Agreement by and between QIAGEN GmbH and Roland Sackers, dated September 30, 1999 (English Translation)
*4.24	Employment Agreement by and between QIAGEN N.V. and Roland Sackers, dated October 1, 1999 (English Translation)
*4.25	Employment Agreement by and between QIAGEN GmbH and Bernd Uder, dated March 1, 2001 (English Translation)
4.26	QIAGEN N.V. 1996 Employee, Director and Consultant Stock Option Plan (filed as exhibit 10.3) (1)
*6.1	EPS Calculation Explanation
*8.1	List of Subsidiaries
*10.1	Consent of Ernst & Young LLP
*12.1	Certifications under Section 302; Peer M. Schatz, Managing Director and Chief Executive Officer
*12.2	Certifications under Section 302; Roland Sackers, Deputy Managing Director and Chief Financial Officer
*13	Certifications under Section 906; Peer M. Schatz, Managing Director and Chief Executive Officer and Roland Sackers, Deputy Managing Director and Chief Financial Officer

* Included in this filing

- (1) Incorporated by reference to Registration Statement of QIAGEN N.V. on Form F-1 filed with the Securities and Exchange Commission on May 30, 1996, as amended.
- (2) Incorporated by reference to Form 20-F Annual Report of QIAGEN N.V. filed with the Securities and Exchange Commission on May 27, 1997.
- (3) Incorporated by reference to Form 20-F Annual Report of QIAGEN N.V. filed with the Securities and Exchange Commission on May 21, 1998.
- (4) Incorporated by reference to Form 20-F Annual Report of QIAGEN N.V. filed with the Securities and Exchange Commission on March 31, 1999.
- (5) Incorporated by reference to Form 20-F Annual Report of QIAGEN N.V. filed with the Securities and Exchange Commission on March 31, 2000.
- (6) Incorporated by reference to Form 20-F Annual Report of QIAGEN N.V. filed with the Securities and Exchange Commission on March 31, 2001.
- (7) Incorporated by reference to Form 20-F Annual Report of QIAGEN N.V. filed with the Securities and Exchange Commission on March 31, 2002.

Table of Contents

Corporate Governance

QIAGEN N.V. CORPORATE GOVERNANCE

150

Table of Contents

Corporate Governance

Declaration of Compliance of QIAGEN N.V. regarding the German Corporate Governance Code

In the Company's 2001 Annual Report, the Management Board and the Supervisory Board of QIAGEN N.V. declared their intention to disclose in QIAGEN's future Annual Reports the Company's compliance with the German Corporate Governance Code pursuant to §161 of the German Stock Corporation Law (AktG) or state the deviations recorded in the period. QIAGEN N.V. is a company organized under the laws of the Netherlands and subject to laws, rules and regulations in the Netherlands. As such, the Company's compliance with the German Corporate Governance Code is dependent on such code's compatibility with these foreign laws, rules, regulations and customs, which QIAGEN is subject to. QIAGEN hereby declares compliance with the above German Corporate Governance Code and Declaration on Corporate Governance with the following exceptions:

1. Item 2.2.1 paragraph 1

The Management Board submits to the General Meeting the Annual Financial Statements and the Consolidated Financial Statements. The General Meeting resolves on the appropriation of net income and the discharge of the acts of the Management Board and of the Supervisory Board. It elects the shareholders' representatives to the Supervisory Board and, as a rule, the auditors.

Under Netherlands law, there are no specific requirements with respect to shareholders' representatives in the Supervisory Board. However according to the Dutch Corporate Governance Code (the Dutch Code), the composition of the Supervisory Board shall be such that the members are able to act critically and independently of one another and the Management Board and any particular interests. A member of the Supervisory Board shall be deemed not to be independent if amongst other things holds at least ten percent of the shares in the company.

2. Item 2.2.1 paragraph 2

Furthermore, the General Meeting resolves on the Articles of Association, the purpose of the company, amendments to the Articles of Association and essential corporate measures such as, in particular, inter-company agreements and transformations, the issuing of new shares and, in particular, of convertible bonds and bonds with warrants, and the authorization to purchase own shares.

Pursuant to QIAGEN's Articles of Association and as customary for a Netherlands listed company, the Supervisory Board shall have the power to resolve upon the issue of shares and to determine the price and further terms and conditions of such share issue, if and in so far as the Supervisory Board has been designated by the general meeting of shareholders, hereinafter referred to as the general meeting, as the authorized orgaan (corporate body) for this purpose. At the last general meeting of shareholders, the Supervisory Board was authorized to do so for a period of five years.

3. Item 2.2.2

When new shares are issued, shareholders, in principle, have pre-emptive rights corresponding to their share of the equity capital.

Pursuant to QIAGEN's Articles of Association and as customary for a Netherlands listed company, the Supervisory Board shall have the power to limit or exclude any pre-emptive rights to which shareholders shall be entitled, but only if and in so far as it has been granted such authority by the general meeting, and provided further that the Supervisory Board can only exercise such authority if at that time it also has authority to resolve upon the issue of shares. At the last general meeting, the Supervisory Board was granted such authority for a period of five years.

4. Item 2.3.3

The company shall facilitate the personal exercising of shareholders' voting rights. The company shall also assist the shareholders in the use of proxies. The Management Board shall arrange for the appointment of a representative to exercise shareholders' voting rights in accordance with instructions; this representative should also be reachable during the General Meeting.

In the general meetings the shareholders are able to issue their voting rights by giving a proxy to the Company's counsel.

5. Item 3.7

In the event of a takeover offer, the Management Board and Supervisory Board of the target company must submit a statement of their reasoned position so that the shareholders can make an informed decision on the offer.

Table of Contents

Corporate Governance

After the announcement of a takeover offer, the Management Board may not take any actions outside the ordinary course of business that could prevent the success of the offer unless the Management Board has been authorized by the General Meeting or the Supervisory Board has given its approval. In making their decisions, the Management and Supervisory Boards are obliged to act in the best interests of the shareholders and of the enterprise. In appropriate cases the Management Board should convene an extraordinary General Meeting at which shareholders discuss the takeover offer and may decide on corporate actions.

In the Declaration on Corporate Governance the following was declared: In the event of a takeover offer, Signatories undertake to convene wherever possible an extraordinary general meeting, at which shareholders may discuss the takeover, offer and may decide on corporate actions. In the event of a takeover offer, foreign companies signatory to this Declaration undertake to publish on the internet, in the same place as their Corporate Governance Guidelines, what actions they are going to take as applicable in the laws governing in their respective jurisdiction.

6. Item 4.2.3 paragraph 3

The salient points of the compensation system and the concrete form of a stock options scheme or comparable instruments for components with long-term incentive effect and risk elements shall be published on the company's website in plainly understandable form and be detailed in the annual report. This shall include information on the value of stock options.

Information on Stock Options and the Stock Option Plan is given in QIAGEN's Annual Report. Since March 2004 the Stock Option Plan has been published on QIAGEN's website.

7. Item 4.2.3 paragraph 4

The Chairman of the Supervisory Board shall outline the salient points of the compensation system and any changes thereto to the General Meeting.

This information was not given on the last annual general meeting. QIAGEN intends to comply with this amendment to the Code as of May 21, 2003 in future and will give this information on the next annual general meeting.

8. Item 5.1.2 paragraph 1

The Supervisory Board appoints and dismisses the members of the Management Board. Together with the Management Board, it ensures that there is long-term successor planning.

The Supervisory Board may delegate preparations for the appointment of members of the Management Board to a committee, which also determines the conditions of the employment contracts including compensation.

Pursuant to QIAGEN's Articles of Association and as customary for a Netherlands corporation the Managing Directors shall be appointed by the general meeting after the joint meeting of the Supervisory Board and the Managing Board - hereinafter referred to as: the Joint Meeting - has made a binding nomination for each vacancy.

9. Item 5.4.5 paragraph 1 sentence 1

Compensation of the members of the Supervisory Board is specified by resolution of the General Meeting or in the Articles of Association.

Pursuant to QIAGEN's Articles of Association the Supervisory Board shall determine the compensation of the members of the Supervisory Board, upon the (non-binding) recommendation by the Compensation Committee. According to the Dutch Code the general meeting should determine the remuneration of the members of the Supervisory Board. This principle has also been included in a draft bill, pending before the first chamber of Dutch parliament. When this bill shall be enacted, it shall be applicable to QIAGEN.

10. Item 5.4.5 paragraph 2

Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise.

The members of the Supervisory Board receive fixed compensation as well as performance-related compensation in the form of stock options.

11. Item 6.2

As soon as the company becomes aware of the fact that an individual acquires, exceeds or falls short of 5, 10, 25, 50 or 75% of the voting rights in the company by means of a purchase, sale or any other manner, the Management Board will disclose this fact without delay.

QIAGEN is organized under the laws of the Netherlands and as such, its shareholders and the Company are not subject to § 21, 22 of the German Wertpapierhandelsgesetz which regulates such reporting requirements. Therefore, the Company is not always informed of changes to shareholder s

Table of Contents

Corporate Governance

positions as to such hurdles and can not report such changes. United States shareholders holding over 5% of the Company's shares are required to submit filings under Schedules 13D or 13G. In addition, United States institutional investment managers having equity assets undermanagement of \$100 million or more are required to file a Form 13F on a quarterly basis with the SEC listing the shares over which they have control. QIAGEN discloses any relevant information from these sources in its Annual Report on Form 20-F.

12. Item 6.5

Any information which the company discloses abroad in line with corresponding capital market law provisions shall also be disclosed domestically without delay.

QIAGEN, from time to time, makes filings with the Authority for Financial Markets in the Netherlands, the Securities and Exchange Commission in the United States of America and regulatory bodies in Germany. These links are also available on QIAGEN's website:

<http://www.QIAGEN.com>

<http://www.autoriteit-fm.nl>

<http://www.SEC.gov>

13. Item 7.1.1 last sentence

For corporate law purposes (calculation of dividend, shareholder protection), Annual Financial Statements will be prepared according to national regulations (German Commercial Code), which also form the basis for taxation.

As QIAGEN is a limited liability company organized under the laws of the Netherlands for corporate law purposes (calculation of dividend, shareholder protection), the Annual Financial Statements will be prepared according to Dutch GAAP, which also form the basis for calculations, including but not limited to distributions and taxation.

Table of Contents

Corporate Governance

Declaration on Corporate Governance

On October 28, 2002 QIAGEN N.V. signed the Declaration on Corporate Governance . This Declaration on Corporate Governance (the Declaration) constitutes a voluntary undertaking by companies belonging to the former Nemax 50 index to implement international and nationally recognized standards of fair and responsible corporate governance.

The Declaration is based upon national legislation applicable to companies, recognized standards of good (corporate) conduct, and market practice. The Declaration seeks to enhance confidence of investors, customers and clients, employees, and the general public in the management and supervision of signatory companies. Companies accepting the Declaration on Corporate Governance (the Signatories) undertake to voluntarily comply with all recommendations of the German Corporate Governance Code (indicated therein by use of the word shall ; hereinafter the Recommendations).

QIAGEN wishes to emphasize that these Statements are not intended to, and shall not, have a binding effect on QIAGEN for the future. The Managing Board and the Supervisory Board are committed to the Company s benefits, the interests of its shareholders and its other stakeholders and will govern QIAGEN accordingly.

Only the laws to which QIAGEN is subject are binding on QIAGEN. Rules of conduct going beyond binding laws that are generally accepted for the proper conduct of a company represent a valuable instrument of guidance and of assistance for management. This includes the recommendations of the German Corporate Governance Code, which present us with a general set of guidelines for our activities.

Nevertheless, situations may arise in the course of business where these voluntarily adopted standards, in a particular case, prove to be too inflexible or burdensome, or unnecessarily restrict established practices. Finally, there are standards incorporated in the German Corporate Governance Code which are unique and arise outside of the control of the Managing Board or the Supervisory Board. In such circumstances, contrary to the above-made Statement of Principles, there may be deviations from the recommendations of the German Corporate Governance Code. However, we will monitor such deviations to determine whether they remain necessary and, if appropriate, revise them. We will each year report such deviations or revisions respectively in the annual Compliance Statement and explain them when not being self-explanatory.

The Supervisory and Managing Board of QIAGEN N.V.

The Dutch Corporate Governance Code

On December 9, 2003 the Dutch Corporate Governance Committee published the Dutch Corporate Governance Code (the Dutch Code) regarding principles of good corporate governance and best practice provisions. The Dutch Code contains the principles and concrete best practice provisions which the persons involved in a listed company (including management board members and supervisory board members) and stakeholders should observe in relation to one another. A listed company should explain in its Annual Report whether, and if so why and to what

extent, it does not apply the best practice provisions of the Dutch Code. The Dutch Code has come into force with effect from the financial year starting on (or after) January 1, 2004. From the Annual Report for the 2004 financial year onwards, listed companies will therefore be expected to devote a chapter in the Annual Report to the broad outline of their corporate governance structure and to compliance with the Dutch Code, as well as the non-application of any best practice provisions.

In this Annual Report the Managing Board and the Supervisory Board report on QIAGEN's corporate governance structure. Since 2002 QIAGEN has been committed to publishing its compliance with the German Corporate Governance Code. The German Corporate Governance Code bears a resemblance with the Dutch Code. In general QIAGEN endorses the principles of the Dutch Code that are applicable to QIAGEN and already complies with certain best practice provisions of the Dutch Code. Nevertheless, QIAGEN intends to devote a chapter in its next Annual Report to outline the compliance with the Dutch Code.

Table of Contents**QIAGEN Contact International****[GRAPHIC REPRESENTATION OF QIAGEN AROUND THE WORLD]**

The Netherlands	Germany	Norway	USA
QIAGEN N.V.	QIAGEN GmbH	QIAGEN AS	QIAGEN
Spoorstraat 50	QIAGEN Strasse 1	Frysjavaeien 40	North American Headquarters
5911 KJ Venlo	40724 Hilden	0884 Oslo	19300 Germantown Rd
Phone (+31) 77-320-8400	Phone (+49) 2103-29-0	Phone (+47) 23-00-53-53	Germantown
Fax (+31) 77-320-8409	Fax (+49) 2103-29-21777	Fax (+47) 23-00-53-50	MD 20874
			Phone (+1) 240-686-7774
QIAGEN Benelux B.V.	QIAGEN Operon GmbH	Switzerland	Fax (+1) 240-686-7775
Spoorstraat 50	Nattermannallee 1		
5911 KJ Venlo	50829 Koln	QIAGEN AG	QIAGEN Inc.
	Phone (+49) 221-170-90-0	Auf dem Wolf 39	27220 Turnberry Lane
Australia	Fax (+49) 221-170-90-100	4052 Basel	Valencia
		Phone (+41) 61-319-30-30	CA 91355-1106
QIAGEN Ply Ltd	Italy	Fax (+41) 61-319-30-33	Orders (+1) 800-426-8157
PO Box 641			Fax (+1) 800-718-2056
Doncaster	QIAGEN S.p.A.	QIAGEN Instruments AG	
Victoria 3108	Via Grosio, 10/10	Feldbachstrasse	QIAGEN Sciences Inc.
Phone (+61) 3-9840-9800	20151 Milan	8634 Hombrechtikon	19300 Germantown Rd
Fax (+61) 3-9840-9840	Phone (+39) 2-33-43-04-11	Phone (+41) 55-254-21-11	Germantown
	Fax (+39) 2-33-43-04-26	Fax (+41) 55-254-21-00	MD 20874
Canada			Phone (+1) 240-686-7700
	Japan	United Kingdom	Fax (+1) 240-686-1618

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Table of Contents

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This annual report, in addition to historical information, contains certain forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. Such statements may involve significant risks and uncertainties and actual results could differ materially from those expressed or implied herein. Please refer to the section entitled Risk Factors under Item 3 of our Form 20-F for the year ended December 31, 2003, which accompanies and is part of this Annual Report, for a discussion related to forward-looking statements contained in this Annual Report.

Table of Contents

Glossary

Amniocentesis Sampling amniotic fluid and suspended fetal cells for testing. Used to gain information about the fetus during pregnancy.

Amino acids The building blocks (subunits) of proteins.

Array-Ready Oligo Sets Sets of long oligonucleotides ready to spot onto microarrays. See microarray.

BAC/PAC DNA Bacterial artificial chromosome/phage artificial chromosome usually used for cloning large templates for sequencing projects.

Carrier proteins Transport proteins that carry specific substances in the blood or across cell membranes.

Cell line Population of cells cultured in vitro, generally for several generations and subcultures, originally derived from a primary cell culture.

Centrioles Short, fibrous, rod-shaped subunits of animal cells that anchor and coordinate microfilaments.

Ceramides A class of lipid found in cell membranes.

Chemokines Inflammatory cytokines that have the ability to attract and activate leukocytes. They are divided into at least three structural branches based on their amino acid structure.

Chromatin A relaxed complex of DNA and the histone proteins that are used to package DNA within the nucleus.

Chromosomes The self-replicating structure within eukaryote (higher) cells; composed of condensed DNA and histone proteins.

Cofactors Charged atoms or molecules that assist, or promote, enzymatic reactions.

Complement components A series of related proteins used during an immune response to punch holes into invading organisms.

Complementary DNA (cDNA) A DNA molecule with a sequence complementary to an mRNA produced by reverse transcription.

Cosmid DNA A cloning vector made up of plasmid and phage DNA sequences.

Cytoplasm The mostly aqueous compartment of the cell between the nucleus and other membrane.

DNA Deoxyribonucleic acid. Macromolecule with a double helix structure built up from the four bases adenine, guanine, cytosine, and thymine. DNA transmits genetic information.

Drug target Target for clinically relevant or therapeutic molecules used to fight genetic disorders and disease.

Erythrocytes Red blood cell.

Functional genomics Study of the functions of genes.

Gene expression Transfer of genetic information to its active form, usually from DNA via RNA (transcription) into protein (translation).

Gene silencing Repression of gene expression especially using the recently discovered mechanism of RNAi (RNA interference). siRNA duplexes can be designed to target and repress expression of specific genes.

Gene therapy Use of DNA to replace or modify the function of faulty genes in a living organism in order to cure or prevent disease and genetic disorders.

Genetic vaccination Use of specific DNA sequences that cause, or promote, an immune response leading to effective vaccination against specific disease-causing agents.

Genome The entire genetic information of an organism. In most organisms consists of DNA, in some viruses can consist of RNA.

Genomic DNA A representative sample of all the DNA in a genome.

Genotyping Study or testing of genotypes variations in the genetic information among different individuals.

Glycoproteins Protein molecules with attached carbohydrates.

Golgi apparatus A stack of membrane-bound vesicles where mature proteins are modified with carbohydrates and packaged.

Table of Contents

Haptoglobins Plasma glycoproteins that form a stable complex with haemoglobin to aid the recycling of iron.

Hemoglobins Oxygen carrying protein found in erythrocytes.

High-throughput screening Testing of large numbers of samples per day, often simultaneously.

Immunoglobulins Structurally related glycoproteins that function as antibodies. They are divided into five classes (IgA, IgD, IgE, IgG, IgM).

Lambda phage A type of bacteriophage, which uses the *E. coli* bacterium as host. Widely used for molecular cloning.

Leukocytes Cells that help the body fight infections and other diseases. Also called white blood cells.

Lipids A class of complex macromolecules soluble in uncharged liquids, but only very slightly in water; includes fats, waxes, and oils.

Lymphocytes White blood cells that fight infection and disease.

Lysosomes Vacuoles used for the internalization and lysis of external substances.

M13 phage A type of phage with single-stranded DNA.

Messenger RNA (mRNA) RNA molecules that acts as messenger of the genetic information encoded by a gene (DNA) produced by the process of transcription. Serves as the template for protein synthesis during translation and frequently has a tail of adenine-residues (poly-A⁺ mRNA).

Microarray Array of many macromolecules spotted onto a solid phase to allow interactions with target molecules in solution. For example, DNA oligonucleotides spotted onto a chip interact with target RNA molecules that hybridize to reveal the presence of certain species of RNA molecules in a mixed population.

Microarray reader Instrument used to detect interactions between molecules on microarrays.

Microfilaments The smallest components of the cell skeleton. They are composed chiefly of actin and myosin and help organize the movement of chromosomes during cell division.

Microfluidic assays Assays performed on an extremely small scale using very small flow systems of liquids.

Microtubules Fibrous protein structures that form part of the cell skeleton .

Mitochondria Powerhouses of the cell. Membrane-bound compartments used for the production of energy from sugars.

Mitochondrial DNA DNA contained in mitochondria.

Mitochondrial nucleic acid DNA and RNA found in mitochondria.

Molecular biology The study of life processes at the molecular level, typically through the study of nucleic acids and proteins.

Molecular diagnostics The use of DNA, RNA, and proteins to test for specific states of health or disease.

Nuclear membranes Lipid membranes that surround the nucleus.

Nuclei Plural of nucleus. Small, membrane-bound compartment of cells containing DNA and the nucleolus.

Nucleic acid Single or double-stranded polynucleotide.

RNA or DNA.

Oligo Oligonucleotide. Short chain of nucleotide units. Usually chemically synthesized, short single-stranded DNA molecule.

PI A type of phage.

PCR Polymerase chain reaction. The sequence-specific amplification of DNA molecules using heat-stable polymerase enzymes.

Phage Bacteriophage a virus that infects and damages bacteria.

Pharmacogenomics The study of how defined genotypes affect the pharmacological effects of drugs and how they are metabolized.

Plasma Cellular fluid in which blood cells are suspended.

Table of Contents

Plasma membranes The external, limiting lipid bilayer membranes of cells.

Plasmid DNA Circular DNA molecule commonly found in bacteria and used as the workhorse for many molecular biology procedures.

Polymerases An enzyme that catalyzes the production of a nucleic acid strand by using an existing strand as a template used in PCR and RT-PCR.

Primary cells Cells taken directly from tissues usually for the purpose of creating a cell culture, or cell line.

Proteome The entire set of proteins that an organism can produce.

Real-time RT-PCR Reverse-transcriptase polymerase chain reaction in real time. A technique which converts RNA molecules into DNA molecules and then monitors their amplification by PCR. Often used to measure the amount of a specific RNA molecule in a sample.

Ribosomes Small cellular components composed of rRNA that translate mRNA into protein.

RNA Ribonucleic acid. Includes many types of biologically relevant molecules, especially mRNA (messenger RNA) which is copied from DNA and encodes proteins.

RT-PCR Reverse-transcriptase polymerase chain reaction. A technique that transcribes RNA molecules into DNA molecules, which are then amplified by PCR.

Table of Contents

[GRAPHIC]

160

Table of Contents

QIAGEN N.V., VENLO, THE NETHERLANDS

Annual Report 2003

161

Table of Contents

CONTENTS

<u>Managing Directors Report</u>	
<u>Managing Directors Report</u>	164
<u>Financial Statements</u>	
<u>Consolidated Balance Sheet</u>	167
<u>Consolidated Statement of Income</u>	169
<u>Consolidated Statement of Cash Flows</u>	170
<u>Notes to Consolidated Financial Statements</u>	172
<u>Balance Sheet</u>	186
<u>Statement of Income</u>	188
<u>Notes to Financial Statements</u>	189
<u>Other Information</u>	
<u>Appropriation of Net Income</u>	196
<u>Subsequent Events</u>	197
<u>Auditors Report</u>	198
<u>The page number of the last page is</u>	198

Table of Contents

MANAGING DIRECTORS REPORT

163

Table of Contents

QIAGEN N.V., VENLO

MANAGING DIRECTORS REPORT

QIAGEN's mission is to contribute to our customers' success by innovating and supplying outstanding products and services in all areas where our expertise is required. Our products and technologies enable our customers to achieve breakthroughs in research and new standards in healthcare which contribute to improving people's lives.

We are pleased to inform you that 2003 was another successful year for QIAGEN in continuing our 18-year history of growth. We have further expanded our market and technology leadership in our focus areas in the life science industry. Our net sales increased to \$351.4 million in 2003, representing 18% growth over 2002, and net income increased 115% to \$37.4 million in 2003 over 2002. Excluding the charges described below, net income increased 29% to \$40.9 million. For 2003, this excludes relocation and restructure charges of \$1.5 million related to the closure of QIAGEN Genomics, Inc., \$1.0 million related to the relocation and restructure of our North American sales and marketing organization, and \$4.1 million related to the discontinuation of certain products. For 2002, this excludes charges of \$2.8 million related to the acquisition of GenoVision A.S. and \$14.9 million related to the closure of QIAGEN Genomics, Inc.

In 2003, we created significant value from our acquisitions made in 2002. The successful integration of GenoVision A.S. as QIAGEN A.S. further strengthened QIAGEN's leading position in the nucleic acid purification market by creating a substantial new technology portfolio in nucleic acid purification using magnetic particle technologies. Our second transaction completed in 2002, QIAGEN's Gene Silencing division (formerly Xeragon Inc.) demonstrated very rapid growth and was fully integrated in only a few months. In addition, a number of important cooperation agreements with prestigious business partners, including Novartis Pharma AG, artus GmbH, Affymetrix, Inc., Thermo Electron Corporation, Intradigm Corporation, and Agilent Technologies, Inc. positioned QIAGEN as the leading provider of innovative technologies and products dedicated to meet the complex needs generated by the functional genomics and molecular diagnostics markets.

At QIAGEN, we take pride in our technology leadership. It is a privilege that results from our outstanding level of commitment and the continued trust of our customers. Our growth is fuelled by the continual enhancement of our focused product and technology portfolio and by innovations targeting further improvements of our products' quality. In 2003, QIAGEN expanded its product portfolio by targeting focused application segments in the life science market and by launching 34 new innovative products based on separation, purification, and handling of nucleic acids. By offering a range of integrated technologies that synergize to offer complete solutions for the most demanding gene expression applications, from validation of gene silencing by microarray analysis and quantitative RT-PCR to automated standardization of complex workflows, we continue to retain the trust and brand-loyalty of our customers.

Table of Contents

QIAGEN N.V., VENLO

QIAGEN's broad range of products and technologies, innovative expertise, and close associations with over 400,000 scientists and opinion leaders ensure we remain close to the sources of emergent applications and technologies that are shaping our future business. By using our core competence to leverage further expansion of our business in key areas such as molecular diagnostics and gene therapy, QIAGEN will continue to hold a prime position in the molecular biology marketplace.

We are proud of the entrepreneurial spirit, the exceptional talent and the proven commitment of nearly 1600 QIAGEN employees all over the world. Our employees drive our penetration into our growing target markets and bring excellence to all segments of the value chain. Their focus on increasing our customers' success fuels our mission to develop and manufacture innovative new products for collecting, purifying, and handling nucleic acids. The quality of QIAGEN products and services and the strengths of QIAGEN's worldwide marketing and sales network assure our strategic position as the key provider of these critical tools. We look forward to a bright and dynamic future for QIAGEN.

Thank you for your interest in QIAGEN.

Venlo, The Netherlands, March 26, 2004

Peer M. Schatz

Chief Executive Officer

Table of Contents

FINANCIAL STATEMENTS

166

Table of Contents**CONSOLIDATED BALANCE SHEET****December 31, 2003**

(Before proposed appropriation of net income)

Assets

	2003		2002	
	\$000	\$000	\$000	\$000
Fixed assets				
Intangible fixed assets	36,565		36,714	
Tangible fixed assets	232,860		211,913	
Financial fixed assets	15,137		10,791	
	<u> </u>		<u> </u>	
Total fixed assets		284,562		259,418
Current assets				
Inventories	65,160		56,113	
Receivables	94,708		92,036	
Cash	98,993		44,893	
	<u> </u>		<u> </u>	
Total current assets		258,861		193,042
		<u> </u>		<u> </u>
Total assets		543,423		452,460
		<u> </u>		<u> </u>

Table of Contents

QIAGEN N.V., VENLO

Group equity and liabilities

	2003		2002	
	\$000	\$000	\$000	\$000
Group equity		326,279		260,980
Long-term liabilities		121,866		109,992
Current liabilities		95,278		81,488
Total group equity and liabilities		543,423		452,460

Table of Contents

QIAGEN N.V., VENLO

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 2003

	2003		2002	
	\$000	\$000	\$000	\$000
Net sales	351,404		298,607	
Cost of sales	118,786		96,508	
Gross profit		232,618		202,099
Selling expenses	83,005		75,086	
General and administrative expenses	76,950		73,466	
Acquisition cost and related cost			2,848	
Closure and related cost	6,666		14,853	
Total operating expenses		166,621		166,253
Operating income		65,997		35,846
Financial income (expense)		(3,363)		(1,331)
Income from ordinary activities before taxation		62,634		34,515
Tax on income on ordinary activities		(24,405)		(15,723)
Share of net loss of participating interests		(797)		1,340
Income from ordinary activities after taxation		37,432		17,452
Minority interests				5
Net income		37,432		17,457

Table of Contents

QIAGEN N.V., VENLO

CONSOLIDATED STATEMENT OF CASH FLOWS**Year ended December 31, 2003**

	2003		2002	
	\$000	\$000	\$000	\$000
Cash flows from operating activities				
Net income	37,432		17,457	
Adjustment for:				
Depreciation and amortization	32,256		26,314	
Non-cash closure costs	4,128		11,962	
In-process research and development			1,200	
Tax effect from non-qualified stock options, net	440		(12,968)	
Provision for losses on accounts receivable	1,749		631	
Deferred income taxes	12,183		5,027	
Loss on disposition of property and equipment	417		2	
(Gain) loss on marketable securities	(213)		38	
Loss on equity method investee	797		1,340	
Minority interest			(5)	
Increase in inventories	(6,396)		(18,183)	
Increase in receivables	(761)		(8,613)	
(Decrease) increase in current liabilities	(17,972)		12,484	
Net cash provided by operating activities		64,060		36,686
Cash flows from investing activities				
Payments to acquire subsidiaries			(189)	
Purchases of marketable securities	(6)			
Payments to acquire tangible fixed assets	(19,558)		(59,136)	
Receipts from disposals of tangible fixed assets	1,795		1,440	
Payments to acquire intangibles	(2,777)		(2,130)	
Sale of marketable securities	6,489		10,958	
Loan to related party			(1,675)	
Cash paid for acquisitions			(14,060)	
Net cash used in investing activities		(14,057)		(64,792)
Net cash flow (carried forward)		50,003		(28,106)

Table of Contents

QIAGEN N.V., VENLO

	<u>2003</u>		<u>2002</u>	
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Net cash flow (brought forward)		50,003		(28,106)
Cash flows from financing activities				
Proceeds from issuance of share capital	2,113		2,330	
Proceeds from long-term borrowings	4,705		13,140	
Repayments of long-term borrowings	(7,542)		(3,295)	
Proceeds from short-term borrowings	3,221			
Repayments of short-term borrowings	(4,381)		(6,052)	
	<u> </u>		<u> </u>	
Net cash provided by financing activities		(1,884)		6,123
Effect of exchange rate changes on cash and cash equivalents		5,981		10,416
		<u> </u>		<u> </u>
Increase (decrease) in cash		<u>54,100</u>		<u>(11,567)</u>

Table of Contents

QIAGEN N.V., VENLO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

General

QIAGEN N.V. and Subsidiaries (the Company) operates exclusively in the life sciences industry developing, producing and distributing biotechnology products and services, primarily for the separation and purification of nucleic acids (DNA/RNA). In addition, the Company manufactures and markets synthetic nucleic acids and sells and/or licenses technologies to others. The Company's products are used in biological research by universities and research institutions as well as in genome sequencing, diagnostic and therapeutic industries. The Company's products are sold throughout the world, primarily in the United States, Europe and Japan. Similar to most companies in this line of business, the Company's products are subject to rapid technological change. Because of these technological changes, the Company needs to continuously expend resources toward research and development.

Summary of significant accounting policies

General

The financial statements have been prepared under the historical cost convention and in conformity with the requirements of the Netherlands Civil Code. As permitted by Section 402, Book 2 of the Code, a condensed statement of income is presented for the Company itself.

Consolidation

The consolidated financial statements include the Company and its majority-owned subsidiaries. Reference is made to the Notes to Financial Statements for information regarding consolidated subsidiaries. Intercompany transactions and balances, and unrealised profits on intercompany transactions, are eliminated on consolidation.

The results of investments acquired are included from the date of acquisition and for investments sold, up to the date of disposal.

Translation of foreign currencies

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The Company's reporting currency is the U.S. dollar. The subsidiaries' functional currencies are primarily the local currency of the respective country. Balance sheets prepared in their functional currencies are translated to the reporting currency at exchange rates in effect at the end of the accounting period except for shareholders' equity accounts, which are translated at rates in effect when these balances were originally recorded. Revenue and expense accounts are translated at the weighted average of exchange rates during the period. The resulting net translation adjustments are included in retained earnings.

Table of Contents

QIAGEN N.V., VENLO

Intangible fixed assets

Intangible fixed assets comprise of goodwill, patented and licensed rights and developed technology. The goodwill is the excess of the cost over the net asset value of an acquired business and is amortized over a period of five to ten years using the straight-line method. The patent and licensed rights and development technology are amortised over a period considering the contract life as well as the period of time over which the intangible will contribute to future cash flow. The book value of the intangible assets are principles periodically reviewed and adjusted if circumstances show a significant decline in value below the unamortised historical cost.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range depending on the economic life from one to forty years.

Lease improvements are capitalized and depreciated over the lesser of the term of the lease, or the remaining economic life. The Company has a policy of capitalising expenditures that materially increase assets' useful lives and charging ordinary maintenance and repairs to operations as incurred. When property or equipment is disposed of, the cost and related accumulated depreciation and amortisation are removed from the accounts and any gain or loss is included in the miscellaneous income.

Investments

The Company has made strategic investments in certain companies that are accounted for using the equity or cost method of accounting.

Participating interests in which the Company has significant influence on the policymaking, are shown at their net asset value. If the Company does not have significant influence, the participating interest is shown at cost price. Reference is made to the Notes to Financial Statements for details of participating interests.

Dividends are recorded when declared.

Inventories

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Inventories are stated at the lower of cost, determined on the first-in, first-out method, and net realizable value. Work-in-progress and finished goods include costs of raw materials and direct and indirect production costs.

Table of Contents

QIAGEN N.V., VENLO

Receivables

Receivables are stated net of an allowance for doubtful accounts. The marketable securities are stated at fair value.

Taxation

Deferred taxation is provided, using the liability method, for all timing differences between tax and financial reporting. Deferred tax assets arising from tax loss carry forwards are only recognized if recovery is reasonably certain.

Other assets and liabilities

All other assets and liabilities are stated at the amounts at which they were acquired or incurred.

Income and expense

Sales are stated net of discounts and value-added taxes and are accounted for in the year in which the goods or services are delivered. Other income, costs and expenses are allocated to the year to which they relate. Losses are accounted for in the year in which they are identified. Research and development expenditure is written off as incurred.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash consists of current (including short-term deposit) accounts with banks and cash in hand. Payments of interest and income taxes are included in cash flows from operating activities.

Intangible fixed assets

	<u>2003</u>	<u>2002</u>
Goodwill	\$000	\$000
	22,044	23,964

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Patent and licensed rights	7,601	5,075
Developed technology	6,920	7,675
	<u> </u>	<u> </u>
	36,565	36,714
	<u> </u>	<u> </u>

Table of Contents

QIAGEN N.V., VENLO

The movements during the year are as follows:

	Goodwill	Patent and licensed rights	Developed technology	Total
	\$000	\$000	\$000	\$000
Net book value at January 1, 2003	23,964	5,075	7,675	36,714
Additions		2,774		2,774
Acquisitions of subsidiaries (earn out)	3,030			3,030
Disposals		(36)		(36)
Depreciation charge for the year	(6,468)	(1,267)	(883)	(8,618)
Translation adjustments	1,518	1,055	128	2,701
Net book value at December 31, 2003	22,044	7,601	6,920	36,565
Accumulated depreciation at December 31, 2003	8,073	4,593	1,443	14,109

The goodwill has an economic life of five to ten years, which is based on the expected future contribution to cash flows of the Company.

Tangible fixed assets

	2003	2002
	\$000	\$000
Land and buildings	149,695	119,405
Machinery and equipment	46,131	43,116
Other	33,014	31,056
Assets under construction	4,020	18,336
	232,860	211,913

Table of Contents

QIAGEN N.V., VENLO

The movements during the year are as follows:

	Land and buildings	Machinery and equipment	Other	Assets under construction	Total
	\$000	\$000	\$000	\$000	\$000
Net book value at January 1, 2003	119,405	43,116	31,056	18,336	211,913
Additions/transfers	19,676	9,829	8,993	(14,942)	23,556
Disposals	(903)	(460)	(425)	(83)	(1,871)
Depreciation charge for the year	(4,579)	(9,412)	(9,533)		(23,524)
Translation adjustments	16,096	3,058	2,923	709	22,786
Net book value at December 31, 2003	149,695	46,131	33,014	4,020	232,860
	Land and buildings	Machinery and equipment	Other	Assets under construction	Total
	\$000	\$000	\$000	\$000	\$000
Accumulated depreciation at December 31, 2003	13,955	36,394	42,165		92,514

Financial fixed assets

	2003	2002
	\$000	\$000
Participating interests	(191)	1,978
Loans to participating interests	4,524	4,048
Deferred income tax	4,604	3,026
Other long term assets	6,200	1,739
	15,137	10,791

Table of Contents

QIAGEN N.V., VENLO

The movements during the year are as follows:

	Participating interests		Deferred income tax	Other long term assets	Total
	Investments	Loans			
	\$000	\$000	\$000	\$000	\$000
Balance at January 1, 2003	1,978	4,048	3,026	1,739	10,791
Additions			1,578	4,882	6,460
Disposals/repayments/write-downs	(736)			(421)	(1,157)
Share of net profit	(1,847)				(1,847)
Translation adjustments	414	476			890
Balance at December 31, 2003	(191)	4,524	4,604	6,200	15,137

The Company has recorded a net deferred tax liability of \$3.4 million at December 31, 2003. This can be specified as follows:

	2003	2002
	\$000	\$000
Short term deferred tax assets	8,094	11,629
Short term deferred tax liabilities	(11,991)	(6,035)
Long term deferred tax assets	4,604	3,026
Long term deferred tax liabilities	(4,119)	
	(3,412)	8,620

Realisation of tax assets is dependent on generating sufficient taxable income in the future. Although realization is not assured, management believes it is more likely than not that all of the net deferred tax asset will be realised. To the extent that future valuation allowances are required, the effect of the allowance will be recorded in the provision for income taxes in the period the determination is made.

Table of Contents

QIAGEN N.V., VENLO

Inventories

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
Raw materials and supplies	15,501	13,535
Work-in-progress	21,179	16,310
Finished goods	28,480	26,268
	<u>65,160</u>	<u>56,113</u>

Receivables

Accounts receivable	60,962	51,451
Marketable securities	6,527	11,530
Notes receivable	5,583	4,337
Short term deferred tax assets	8,094	11,629
Current income tax receivable	3,182	1,901
Prepaid expenses	10,360	11,188
	<u>94,708</u>	<u>92,036</u>

The Company holds marketable securities which have maturity dates ranging from one to over ten years. Since the Company does not have the intent to hold these securities till they mature, and will take advantage of market conditions, these investments are shown as current. The cost price of the marketable securities amounts to \$6,557,000.

Group equity

Reference is made to the Notes to Financial Statements for details of group equity.

Table of Contents

QIAGEN N.V., VENLO

Long-term liabilities

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
Long term debt	100,444	95,733
Capital lease obligations	13,716	11,107
Other	7,706	3,152
	<u>121,866</u>	<u>109,992</u>

The long-term debt can be specified as follows:

	<u>2003</u>	<u>2002</u>	<u>Amounts due after five years 2003</u>	<u>Amounts due after five years 2002</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Notes payable bearing interest at EURIBOR plus 1,2%, due in July 2005	56,022	44,887		
Notes payable bearing interest at LIBOR plus 1,28%, due in July 2005	43,475	43,475		
3,75 % note due in March 2009	8,856	8,711	639	2,010
	<u>108,353</u>	<u>97,073</u>	<u>639</u>	<u>2,010</u>
Less amounts due within one year	<u>7,909</u>	<u>1,340</u>		
	<u>100,444</u>	<u>95,733</u>		

The two notes due in July 2005 are part of the loan facilities obtained in 2001 from a group of banks led by Deutsche Bank, that allow the Company to borrow up to a total of 50 million and \$43.5 million. In accordance with the terms of the lending agreements, as amended, on May 27, 2003 the facilities were reduced to 95.0 million and on May 27, 2004 will be reduced to 90.0 million. The loan agreements contain certain financial and non-financial covenants, including but not limited to the encumbrance of land and accounts receivable, restriction on the transfer of any patents to third parties and the maintenance of certain financial ratios. The Company was in compliance with these covenants at December 31, 2003. The proceeds of these facilities are primarily dedicated to the refinancing of previously made acquisitions of land and the construction of manufacturing, research and administrative facilities thereon.

Table of Contents

QIAGEN N.V., VENLO

Minimum future obligations under capital leases at December 31, 2003 are as follows:

	Capital leases
	\$000
2004	1,985
2005	1,830
2006	1,562
2007	1,415
2008	1,415
Thereafter	14,138
Total	22,345
Less: amount representing interest	(7,309)
	15,036
Less: current portion	(1,320)
Capital lease obligations	13,716

The consolidated financial statements include the assets and liabilities arising from these capital lease obligations.

Other long term liabilities at December 31, 2003 are as follows:

	2003	2002
	\$000	\$000
Deferred tax	4,119	
Other	3,587	3,152
	7,706	3,152
Current liabilities		
Trade accounts payable	19,481	23,661
Short term deferred tax liability	11,991	6,035
Current income tax payable	23,233	20,487
Lines of credit		935
Long-term debt due within one year	7,909	1,340
Capital lease obligations due within one year	1,320	999
Payroll and related accruals	6,894	5,649
Sales and other taxes	2,796	2,116

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Accrued liabilities	21,654	20,266
	<u> </u>	<u> </u>
	95,278	81,488
	<u> </u>	<u> </u>

Table of Contents

QIAGEN N.V., VENLO

The Company has seven separate lines of credit amounting to \$11.2 million, with interest rates ranging from 5.40% to 7.25%, none of which was utilized at December 31, 2003. There were no short-term borrowings outstanding at December 31, 2003 and 2002. Interest expense on line of credit and short-term borrowings was \$9,000 and \$115,000 for the years ended December 31, 2003 and 2002, respectively.

Commitments**Lease commitments**

The Company leases facilities and equipment under operating lease arrangements expiring in various years through 2018.

	Operational leases
	\$000
2004	5,930
2005	3,320
2006	1,342
2007	1,036
2008	839
Thereafter	4,510
Total	16,977

Purchase commitments

The Company has entered into commitments with several vendors to purchase certain products during 2004, 2005 and 2006 and 2007 totalling approximately \$13.9 million, \$1.0 million, \$400,000 and \$400,000 respectively.

Table of Contents

QIAGEN N.V., VENLO

Other commitments

In October 1998, the Company announced that it had signed a five-year supply agreement with Abbott Laboratories (Abbott), which has been extended awaiting completion of certain studies. According to the agreement, the Company will supply Abbott with various proprietary nucleic acid sample purification and preparation products. Under the terms of this agreement, Abbott committed to certain purchases of the Company's products over the term of the contract. The Company committed to certain expansions of its production capacity and product quality and received payments for such achievements.

Contingencies

From time to time the Company may be party to legal proceedings incidental to its business. Certain claims, suits or complaints arising out of the normal course of business have been filed or were pending against the Company at December 31, 2003. Although it is not possible to predict the outcome of such matters, based on the facts known to the Company and after consultation with legal counsel, management believes that such matters will not have a material adverse effect on its financial position or results of operations.

During the normal course of business, the Company is subject to audit by taxing authorities for varying periods in various tax jurisdictions. Tax audits in Germany for the years 1994 through 2001 were concluded in 2003. In June 2001, the Company received notification that the taxing authorities were examining the treatment of expenses related to stock options for the years 1994 through 1997, which are required to be accrued when vested under the German Commercial Code, due to a reimbursement agreement between QIAGEN N.V. and QIAGEN GmbH which requires that QIAGEN GmbH make payments to QIAGEN N.V. of an amount equal to the spread on stock option exercise. Based on the advice received from tax experts and its tax advisors, the Company had accrued for the expense of the stock options in the statutory financial statements and in the German tax returns, but such expenses were not recorded in the consolidated financial statements. The matter examined by the taxing authorities was whether the option expenses were deductible for tax purposes on an accrual basis or only on a payment basis upon the exercise of the options. The taxing authorities ultimately concluded that the stock option expenses were deductible for tax purposes on an accrual basis, with a change to the valuation method. Accordingly, there was no income statement impact or impact on earnings per share to the Company's financial statements.

Financial instruments

Credit risks

The Company has no significant credit risks, other than those which have already been allowed for, nor any concentrations of credit with a single customer or in an industry or geographical region which carries an unusually high credit risk.

Table of Contents

QIAGEN N.V., VENLO

Fair value of financial instruments

The carrying value of the Company's cash and cash equivalents, notes receivable, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short maturities of those instruments. The carrying value of the Company's debt and capital leases approximate their fair values because of the short maturities and/or interest rates which are comparable to those available to the Company on similar terms.

Net sales

The Company and its subsidiaries operate exclusively in the life science industry, generating revenue from the sale of products and services primarily for the separation and purification of nucleic acids. In addition, the Company manufactures and markets synthetic nucleic acids and sells and/or licenses technologies to others. Therefore the reportable segments for sales are based on geographic locations of the subsidiaries. The geographical composition of net sales was:

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
United States	154,386	156,008
Germany	70,504	49,902
Japan	40,546	34,877
United Kingdom	24,651	19,252
Other	61,317	38,568
	<u>351,404</u>	<u>298,607</u>

Acquisition and related costs

The Company regularly acquires other companies. The cost relating to such acquisitions is separately shown in the statement of income to further enhance the understanding of the activities and financial results of the Company.

Closure and related costs

The Company committed to a relocation and restructure plan. The plan includes the relocation of the Company's North American marketing and sales operations. Additionally, in 2003, the Company decided to refocus resources dedicated to certain products related to the microarray business and accordingly discontinued certain products. The Company expensed approximately \$3.6 million related to the discontinued products

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and approximately \$1.5 million to operating expenses. Additional costs in 2004 associated with facility closures and additional relocations are estimated to be approximately \$1.5 million. The relocation and restructure is expected to be completed in the third quarter of 2004.

Table of Contents

QIAGEN N.V., VENLO

During December 2002, the Company decided to close the QIAGEN Genomics site in Bothell, Washington and to relocate several of the site's activities to other locations. Additional costs in 2003 associated with the closure were approximately \$1.6 million, primarily for lease termination. The closure and relocation was completed in the second quarter of 2003.

Financial income (expense)

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
Interest income	1,284	1,234
Interest expense	(4,647)	(2,565)
	<u>(3,363)</u>	<u>(1,331)</u>

Taxation

The charge for taxation includes Dutch and foreign taxation.

As of December 31, 2003 and 2002, the Company had a net operating loss (NOL) carryforward in the U.S. of approximately \$3.1 million and \$5.3 million, respectively. These NOLs were generated primarily from the exercise of employee stock options and accelerated tax depreciation and will expire in various years through 2023. In addition, the Company had state NOLs equal to approximately \$6.3 million and \$5.7 million at December 31, 2003 and 2002, respectively. These NOLs expire at various times through 2023. As of December 31, 2003 and 2002, the Company had NOL carryforwards outside of the U.S. totaling approximately \$22.4 million and \$18.3 million, respectively. These NOLs were primarily generated from operating losses from the Company's subsidiaries. At December 31, 2003, a portion of these NOLs, approximately \$11.1 million, expires in various years through 2013. The balance does not expire. At December 31, 2003 and 2002, the Company's foreign holding company also had an NOL of \$3.1 million and \$2.3 million, respectively, with a full valuation allowance. This NOL does not expire. To the extent that future valuation allowances are required, the effect of the allowance will be recorded in the provision for income taxes in the period the determination is made.

Table of Contents

QIAGEN N.V., VENLO

Employee information

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
Wages and salaries	83,012	74,366
Social security costs	15,904	14,385
	<u>98,916</u>	<u>88,751</u>

The average number of personnel employed during the year was:

	<u>2003</u>	<u>2002</u>
Research and Development	269	279
Production/Logistics	470	526
Sales	481	484
Marketing	104	123
Administration	229	239
	<u>1,553</u>	<u>1,651</u>

Table of Contents**BALANCE SHEET****December 31, 2003**

(Before proposed appropriation of net income)

Assets

	2003		2002	
	\$000	\$000	\$000	\$000
Fixed assets				
Intangible fixed assets	22,799		24,448	
Tangible fixed assets	1,441		75	
Financial fixed assets	271,580		217,281	
	<u> </u>		<u> </u>	
Total fixed assets		295,820		241,804
Current assets				
Receivables	9,578		12,081	
Cash	48,335		22,454	
	<u> </u>		<u> </u>	
Total current assets		57,913		34,535
		<u> </u>		<u> </u>
Total assets		353,733		276,339
		<u> </u>		<u> </u>

Table of Contents

QIAGEN N.V., VENLO

Shareholders equity and liabilities

	2003		2002	
	\$000	\$000	\$000	\$000
Shareholders equity				
Share capital	1,485		1,478	
Additional paid-in capital	140,039		134,547	
Cumulative translation adjustment	29,864		7,496	
Retained earnings	117,459		100,002	
Net income	37,432		17,457	
		326,279		260,980
Long term liabilities		7,159		4,956
Trade accounts payable	183		91	
Payables to group companies	19,548		9,839	
Accrued liabilities	564		473	
Current liabilities		20,295		10,403
Total shareholders equity and liabilities		353,733		276,339

Table of Contents

QIAGEN N.V., VENLO

STATEMENT OF INCOME**Year ended December 31, 2003**

	2003	2002
	<u> </u>	<u> </u>
	\$000	\$000
Net income from investments (after income tax)	43,032	23,760
Other income (after income tax)	(5,600)	(6,303)
	<u> </u>	<u> </u>
Net income	37,432	17,457
	<u> </u>	<u> </u>

Table of Contents

QIAGEN N.V., VENLO

NOTES TO FINANCIAL STATEMENTS**December 31, 2003****Significant accounting policies**

The accounting policies are the same as those described in the Notes to Consolidated Financial Statements. Investments in subsidiary companies are stated at the Company's share in their net asset value.

As permitted by Section 402, Book 2 of the Code, a condensed statement of income is presented for the Company itself.

Intangible fixed assets

	2003	2002
	\$000	\$000
Goodwill	22,044	23,964
Patent and licensed rights	755	484
	22,799	24,448

The movements during the year are as follows:

	Goodwill	Patent and licensed rights	Total
	\$000	\$000	\$000
Net book value at January 1, 2003	23,964	484	24,448
Additions	3,030	401	3,431
Depreciation charge for the year	(6,468)	(130)	(6,598)
Translation adjustments	1,518		1,518
Net book value at December 31, 2003	22,044	755	22,799
Accumulated depreciation at December 31, 2003	8,073	653	8,726



The goodwill has an economic life of five to ten years, which is based on the expected future contribution to cash flows of the Company.

Table of Contents

QIAGEN N.V., VENLO

Tangible fixed assets

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
Land		74
Machinery and equipment	1,441	1
	<u>1,441</u>	<u>75</u>

The movements during the year are as follows:

	<u>Land</u>	<u>Machinery and equipment</u>	<u>Total</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Net book value at January 1, 2003	74	1	75
Addition and retirement	(74)	1,600	1,526
Depreciation charge for the year		(160)	(160)
	<u> </u>	<u> </u>	<u> </u>
Net book value at December 31, 2003		1,441	1,441
	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation at December 31, 2003	0	195	195
	<u> </u>	<u> </u>	<u> </u>

Financial fixed assets

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
Investments in subsidiary companies	265,641	211,783
Other investments	4,621	5,416
Loans receivable	1,318	82
	<u>271,580</u>	<u>217,281</u>

Table of Contents

QIAGEN N.V., VENLO

The movements during the year are as follows:

	<u>Investments</u>	<u>Participating Interests</u>	<u>Loans</u>	<u>Total</u>
	\$000	\$000	\$000	\$000
Balance at January 1, 2003	211,783	5,416	82	217,281
Additions	9,801		1,246	11,047
Disposals/repayments/write-downs		(795)	(10)	(805)
Dividend	(20,265)			(20,265)
Share of net profit	43,032			43,032
Translation adjustments	20,850			20,850
Tax benefit options	440			440
	<u>265,641</u>	<u>4,621</u>	<u>1,318</u>	<u>271,580</u>

At December 31, 2003, the Company's investments comprise:

<u>Name</u>	<u>Registered office</u>	<u>% owned</u>
Subsidiary companies:		
QIAGEN Operon GmbH	Cologne, Germany	100%
QIAGEN AG	Basel, Switzerland	100%
QIAGEN A.S.*	Oslo, Norway	100%
QIAGEN GmbH**	Hilden, Germany	100%
QIAGEN, Inc	Mississauga, Canada	100%
QIAGEN Instruments AG	Hombrechtikon, Switzerland	100%
QIAGEN K.K.	Tokyo, Japan	100%
QIAGEN Ltd	Crawley, England	100%
QIAGEN Pty ltd	Clifton Hill, Australia	100%
QIAGEN S.A.	Courtaboeuf Cedex, France	100%
QIAGEN S.p.A.***	Milan, Italy	100%
QIAGEN NAH, Inc****	Valencia, United States	100%
QIAGEN Sciences K.K.	Tokyo, Japan	100%
Participating interests:		
PreAnalytix GmbH	Hombrechtikon, Switzerland	50.0%
Zeptosens AG	Witterswil, Switzerland	17.3%
QBM Cell Science Inc	Ottawa, Canada	19.5%
Coley Pharmaceutical Inc	Wellesley, United States	2.4%
GPC Biotech AG	Martinsried, Germany	0.2%
Ingenium Pharmaceuticals AG	Martinsried, Germany	0.4%

* and subsidiaries GenoVision Inc. (US) and GenoVision Vertriebs GmbH (Austria), both 100% owned. QIAGEN A.S. also has a 60% interest in Particle Solutions A.S. (Norway)

Table of Contents

QIAGEN N.V., VENLO

- ** and subsidiaries QIAGEN Biosciences GmbH and QE Diagnostiksysteme GmbH in Germany (all 100% owned).
 *** 75% owned by QIAGEN N.V. and 25% owned by QIAGEN GmbH
 **** and subsidiaries QIAGEN, Inc., QIAGEN Sciences, Inc., Xeragon, Inc., QIAGEN Genomics, Inc. and QIAGEN Operon, Inc. (all 100% owned).

Receivables

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
Marketable securities	6,499	11,503
Receivables	2,130	2
Prepaid expenses	949	576
	<u>9,578</u>	<u>12,081</u>

The Company holds marketable securities which have maturity dates ranging from one to over ten years. Since the Company does not have the intent to hold these securities till they mature, and will take advantage of market conditions, these investments are shown as current.

Shareholders equity

	<u>Share Capital</u>	<u>Additional paid- capital</u>	<u>Cumulative translation adjustment</u>	<u>Retained Earnings</u>	<u>Net Income</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Balance at January 1, 2003	1,478	134,547	7,496	100,002	17,457
Shares issued	7	5,052			
Net income prior year					(17,457)
Net income				17,457	37,432
Translation adjustments			22,368		
Tax benefit in connection with stock options, net of reclass related to vested stock options		440			
Balance at December 31, 2003	<u>1,485</u>	<u>140,039</u>	<u>29,864</u>	<u>117,459</u>	<u>37,432</u>

Table of Contents

QIAGEN N.V., VENLO

Shares issued were fully paid. The issued share capital at December 31, 2003 comprised 146,217,518 shares (2002: 145,533,589 shares) of EUR 0.01 each, all of which are fully paid. Shares issued relate to acquisition of one company and stock options exercised.

Long-term liabilities

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
Due to group companies	7,159	4,956

These loans have been granted by group companies to QIAGEN N.V. No interest is paid over these loans, no repayment scheme has been agreed upon.

Employee information

The average number of employees during the year was 4 (2002: 4).

Remuneration of the Managing and Supervisory Directors

Remuneration of current and former Managing and Supervisory Directors amounted to:

	<u>2003</u>	<u>2002</u>
	<u>\$000</u>	<u>\$000</u>
Managing Directors	1,050	872
Supervisory Directors	83	80
	<u>1,133</u>	<u>952</u>

Guarantees

The Company has given guarantees to banks as security for credit facilities of certain of its foreign subsidiaries amounting to 1,500,000 and Japanese Yen 169,000,000 at December 31, 2003.

Table of Contents

QIAGEN N.V., VENLO

The Company has given bank guarantees to renters as security for the rent of facilities of certain of its foreign subsidiaries amounting to 406,645.50 at December 31, 2003.

The Company has given bank guarantees for certain of its foreign subsidiaries amounting to 527,822.97 at December 31, 2003.

The Company has concluded a subordination agreement with PreAnalytix GmbH amounting to CHF 5,925,000.

For guarantees given in connection with the loan from a group of banks led by Deutsche Bank, reference should be made to the note to the consolidated financial statements on long-term liabilities.

Subsequent event

No events or transactions have occurred since the annual report for 2003 was drawn up, that would have a material impact on the financial statements as presented.

Venlo, The Netherlands, March 26, 2004.

Managing Directors

Peer M.Schatz

Chief Executive Officer

Table of Contents

OTHER INFORMATION

195

Table of Contents

Appropriation of Net Income

According to Article 40 till 42 of the articles of association, the allocation of net income will be as follows. Subject to certain exceptions, dividends may only be paid out of profits as shown in our annual report as adopted by the General Meeting of Shareholders. Distributions may not be made if the distribution would reduce the shareholders' equity below the sum of the paid-up capital and any reserves required by Dutch Law or the Articles.

Out of profits, dividends must first be paid on any outstanding Preference Shares (the Preference Share Dividend) in a percentage (the Preference Share Dividend Percentage) of the obligatory amount (call) paid up on such shares at the beginning of the fiscal year in respect of which the distribution is made. The Preference Share Dividend Percentage is equal to the Average Main Refinancing Rates during the financial year for which the distribution is made. Average Main Refinancing Rate shall be made understood to mean the average value on each individual day during the financial year for which the distribution is made of the Main Refinancing Rates prevailing on such day. Main Refinancing Rate shall be understood to mean the rate of the Main Refinancing Operation as determined and published from time to time by the European Central Bank. If and to the extent that profits are not sufficient to pay the Preference Share Dividend in full, the deficit shall be paid out of the reserves, with the exception of any reserve, which was formed as share premium reserve upon the issue of Financing Preference Shares. If in any fiscal year the profit is not sufficient to make the distributions referred to above and if no distribution or only a partial distribution is made from the reserves referred to above, such that the deficit is not fully made good no further distributions will be made as described below until the deficit has been made good.

Out of profits remaining after payment of any dividends on Preference Shares such amounts shall be kept in reserve as determined by the Supervisory Board. Out of any remaining profits not allocated to reserve, a dividend shall be paid on the Financing Preference Shares in a percentage over the par value, increased by the amount of share premium that was paid upon the first issue of Financing Preference Shares, which percentage is related to the average effective yield on the prime interest rate on corporate loans in the United States as quoted in the Wall Street Journal. If and to the extent that the profits are not sufficient to pay the Financing Preference Share Dividend in full, the deficit may be paid out of the reserves if the Managing Board so decides with the approval of the Supervisory Board, with the exception of the reserve which was formed as share premium upon the issue of Financing Preference Shares.

Insofar as the profits have not been distributed or allocated to the reserves as specified above, they are at the free disposal of the General Meeting of Shareholders, provided that no further dividends will be distributed on the Preference Shares or the Financing Preference Shares.

The General Meeting may resolve, on the proposal of the Supervisory Board, to distribute dividends or reserves, wholly or partially, in the form of QIAGEN shares.

Table of Contents

Subsequent Events

No events or transactions have occurred since the annual report for 2003 was drawn up, that would have a material impact on the financial statements as presented.

Table of Contents

AUDITORS REPORT

Introduction

We have audited the financial statements of Qiagen N.V., Venlo, for the year ended December 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2003 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Amsterdam, March 26, 2004

Ernst & Young Accountants

Table of Contents

SIGNATURES

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

QIAGEN N.V.

By: /s/ PEER M. SCHATZ
Peer M. Schatz

Chief Executive Officer

Date: July 7, 2004