

SUNTRUST BANKS INC
Form 10-Q
November 04, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

Commission File Number 001-08918

SUNTRUST BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia (State or other jurisdiction)	58-1575035 (I.R.S. Employer
of incorporation or organization)	Identification No.)
303 Peachtree Street, N.E., Atlanta, Georgia 30308	
(Address of principal executive offices)	(Zip Code)

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(404) 588-7711

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At October 28, 2009, 499,150,479 shares of the Registrant's Common Stock, \$1.00 par value, were outstanding.

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PART I FINANCIAL INFORMATION

The following unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and accordingly do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary to comply with Regulation S-X have been included. Operating results for the three and nine month periods ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full year of 2009.

Table of Contents**Item 1. FINANCIAL STATEMENTS (UNAUDITED)****SunTrust Banks, Inc.****Consolidated Statements of Income/(Loss)**

(Dollars and shares in thousands, except per share data) (Unaudited)	For the Three Months Ended		For the Nine Months Ended	
	September 30 2009	2008	September 30 2009	2008
Interest Income				
Interest and fees on loans	\$1,370,318	\$1,688,019	\$4,180,248	\$5,258,075
Interest and fees on loans held for sale	57,286	64,937	191,524	236,437
Interest and dividends on securities available for sale				
Taxable interest	177,712	153,006	527,573	462,523
Tax-exempt interest	9,660	10,852	30,377	33,395
Dividends ¹	18,620	21,410	54,848	84,672
Interest on funds sold and securities purchased under agreements to resell	395	7,527	1,890	23,208
Interest on deposits in other banks	33	198	209	646
Trading account interest	23,498	71,365	93,462	243,055
Total interest income	1,657,522	2,017,314	5,080,131	6,342,011
Interest Expense				
Interest on deposits	334,992	545,898	1,157,768	1,873,547
Interest on funds purchased and securities sold under agreements to repurchase	1,460	31,321	6,634	123,648
Interest on trading liabilities	4,658	8,830	15,735	21,463
Interest on other short-term borrowings	2,970	11,220	11,718	47,084
Interest on long-term debt	175,984	273,832	599,063	833,473
Total interest expense	520,064	871,101	1,790,918	2,899,215
Net interest income	1,137,458	1,146,213	3,289,213	3,442,796
Provision for loan losses	1,133,929	503,672	3,090,208	1,511,721
Net interest income after provision for loan losses	3,529	642,541	199,005	1,931,075
Noninterest Income				
Service charges on deposit accounts	219,071	240,241	635,689	682,376
Trust and investment management income	118,874	147,477	351,891	465,898
Other charges and fees	133,433	128,776	385,553	385,588
Card fees	82,370	78,138	238,535	230,465
Retail investment services	51,361	72,791	163,474	218,855
Investment banking income	75,343	62,164	211,915	178,571
Mortgage production related income	28,143	50,028	444,001	199,085
Mortgage servicing related income	60,193	62,654	283,203	124,300
Trading account profits/(losses) and commissions	(86,866)	121,136	(9,593)	100,048
Net gain on sale of businesses	-	81,813	-	200,851
Gain from ownership in Visa	-	-	112,102	86,305
Net gain on sale/leaseback of premises	-	-	-	37,039
Other noninterest income	46,437	66,958	126,024	184,106
Net securities gains ²	46,692	173,046	25,170	662,247
Total noninterest income	775,051	1,285,222	2,967,964	3,755,734
Noninterest Expense				
Employee compensation	541,347	596,050	1,683,597	1,788,398
Employee benefits	124,690	100,160	422,201	334,852
Outside processing and software	146,850	132,361	430,570	348,731
Operating losses	18,425	135,183	73,616	210,100
Marketing and customer development	38,157	217,693	103,146	320,599
Net occupancy expense	90,445	88,745	265,082	260,669

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Equipment expense	41,616	51,931	128,948	155,317
Mortgage reinsurance	10,000	47,956	104,620	79,928
Credit and collection services	69,128	50,568	183,315	112,133
Amortization/impairment of goodwill/intangible assets	13,741	18,551	794,712	104,001
Other real estate expense	88,317	32,304	181,725	69,433
Regulatory assessments	45,473	19,061	241,621	34,387
Net loss on debt extinguishment	2,276	-	15,836	11,723
Visa litigation	-	20,000	7,000	(19,124)
Other noninterest expense	198,382	154,732	472,853	481,723
Total noninterest expense	1,428,847	1,665,295	5,108,842	4,292,870
Income/(loss) before provision/(benefit) for income taxes	(650,267)	262,468	(1,941,873)	1,393,939
Provision/(benefit) for income taxes	(336,056)	(52,767)	(635,790)	241,685
Net income/(loss) including income attributable to noncontrolling interest	(314,211)	315,235	(1,306,083)	1,152,254
Net income attributable to noncontrolling interest	2,730	2,791	9,485	8,893
Net income/(loss)	(\$316,941)	\$312,444	(\$1,315,568)	\$1,143,361
Net income/(loss) available to common shareholders	(\$377,144)	\$304,397	(\$1,416,953)	\$1,115,920
Net income/(loss) per average common share				
Diluted	(\$0.76)	\$0.87	(\$3.41)	\$3.19
Basic	(0.76)	0.87	(3.41)	3.20
Dividends declared per common share	0.01	0.77	0.21	2.31
Average common shares - diluted ³	494,169	350,970	415,444	349,613
Average common shares - basic	494,169	349,916	415,444	348,409
¹ Includes dividends on common stock of The Coca-Cola Company	\$12,300	\$11,400	\$36,900	\$44,520

² Includes other-than-temporary impairment losses of \$9.7 million for the three months ended September 30, 2009, consisting of \$89.7 million of total unrealized losses, net of \$80.0 million of non-credit related unrealized losses recorded in other comprehensive income, before taxes, and other-than-temporary impairment losses of \$16.1 million for the nine months ended September 30, 2009, consisting of \$96.1 million of total unrealized losses, net of \$80.0 million of non-credit related unrealized losses recorded in other comprehensive income, before taxes.

³ For earnings per share calculation purposes, the impact of dilutive securities are excluded from the diluted share count during periods that the Company has recognized a net loss available to common shareholders because the impact would be anti-dilutive.

See Notes to Consolidated Financial Statements (unaudited).

Table of Contents**SunTrust Banks, Inc.****Consolidated Balance Sheets**

	As of	
	September 30 2009	December 31 2008
(Dollars in thousands) (Unaudited)		
Assets		
Cash and due from banks	\$4,303,550	\$5,622,789
Interest-bearing deposits in other banks	25,098	23,999
Funds sold and securities purchased under agreements to resell	829,089	990,614
Cash and cash equivalents	5,157,737	6,637,402
Trading assets	6,673,623	10,396,269
Securities available for sale ¹	22,122,850	19,696,537
Loans held for sale (loans at fair value: \$2,862,755 as of September 30, 2009; \$2,424,432 as of December 31, 2008)	4,577,549	4,032,128
Loans (loans at fair value: \$468,658 as of September 30, 2009; \$270,342 as of December 31, 2008)	116,487,938	126,998,443
Allowance for loan and lease losses	(3,024,000)	(2,350,996)
Net loans	113,463,938	124,647,447
Premises and equipment	1,553,342	1,547,892
Goodwill	6,314,382	7,043,503
Other intangible assets (mortgage servicing rights at fair value: \$783,242 as of September 30, 2009; \$0 as of December 31, 2008)	1,604,136	1,035,427
Customers' acceptance liability	5,911	5,294
Other real estate owned	571,553	500,481
Unsettled sales of securities available for sale	3,094,620	6,386,795
Other assets	7,578,106	7,208,786
Total assets	\$172,717,747	\$189,137,961
Liabilities and Shareholders' Equity		
Noninterest-bearing consumer and commercial deposits	\$23,590,252	\$21,522,021
Interest-bearing consumer and commercial deposits	90,010,990	83,753,686
Total consumer and commercial deposits	113,601,242	105,275,707
Brokered deposits (CDs at fair value: \$1,206,402 as of September 30, 2009; \$587,486 as of December 31, 2008)	4,953,103	7,667,167
Foreign deposits	776,697	385,510
Total deposits	119,331,042	113,328,384
Funds purchased	1,037,562	1,120,079
Securities sold under agreements to repurchase	2,186,204	3,193,311
Other short-term borrowings (debt at fair value: \$0 as of September 30, 2009; \$399,611 as of December 31, 2008)	1,692,889	5,166,360
Long-term debt (debt at fair value: \$3,575,807 as of September 30, 2009; \$7,155,684 as of December 31, 2008)	18,177,280	26,812,381
Acceptances outstanding	5,911	5,294
Trading liabilities	2,531,114	3,240,784
Unsettled purchases of securities available for sale	313,582	8,898,279
Other liabilities	4,533,879	4,872,284
Total liabilities	149,809,463	166,637,156
Preferred stock	4,911,416	5,221,703
Common stock, \$1.00 par value	514,667	372,799
Additional paid in capital	8,520,533	6,904,644
Retained earnings	8,886,150	10,388,984
Treasury stock, at cost, and other	(1,076,633)	(1,368,450)
Accumulated other comprehensive income, net of tax	1,152,151	981,125
Total shareholders' equity	22,908,284	22,500,805

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Total liabilities and shareholders' equity	\$172,717,747	\$189,137,961
Common shares outstanding	499,146,588	354,515,013
Common shares authorized	750,000,000	750,000,000
Preferred shares outstanding	50,225	53,500
Preferred shares authorized	50,000,000	50,000,000
Treasury shares of common stock	15,520,007	18,284,356
¹ Includes net unrealized gains on securities available for sale	\$1,903,166	\$1,413,330

See Notes to Consolidated Financial Statements (unaudited).

Table of Contents**SunTrust Banks, Inc.****Consolidated Statements of Shareholders' Equity**

(Dollars and shares in thousands, except per share data) (Unaudited)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock and Other¹	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2008	\$500,000	348,411	\$370,578	\$6,707,293	\$10,646,640	(\$1,661,719)	\$1,607,149	\$18,169,941
Net income	-	-	-	-	-	-	-	-