

SUNTRUST BANKS INC
Form 10-K
February 24, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
2011 FORM 10-K
✓ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

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
of incorporation or organization)

303 Peachtree Street, N.E., Atlanta, Georgia 30308
(Address of principal executive offices) (Zip Code)

(404) 588-7711

(Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act:

Title of each class

Common Stock

Depository Shares, Each Representing 1/4000th Interest in a
Share of Perpetual Preferred Stock, Series A

7.875% Trust Preferred Securities of SunTrust Capital IX

6.100% Trust Preferred Securities of SunTrust Capital VIII

5.853% Fixed-to Floating Rate Normal Preferred Purchase
Securities of SunTrust Preferred Capital I

Warrants to Purchase Common Stock at \$44.15 per share, expiring
November 14, 2018

Warrants to Purchase Common Stock at \$33.70, expiring December 31,
2018

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities
Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Act. Yes No

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 website, 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 for such shorter period that the registrant was required to submit and
post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained
herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

58-1575035
(I.R.S. Employer
Identification No.)

Name of exchange on which registered
New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

New York Stock Exchange

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2011 was approximately \$13.9 billion, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

At February 13, 2012, 536,378,272 shares of the Registrant's Common Stock, \$1.00 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Pursuant to Instruction G of Form 10-K, information in the Registrant's Definitive Proxy Statement for its 2012 Annual Shareholder's Meeting, which it will file with the SEC no later than April 24, 2012 (the "Proxy Statement"), is incorporated by reference into Items 10-14 of this Report.

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GLOSSARY OF DEFINED TERMS

ABS — Asset-backed securities.
AFS — Available for sale.
ALCO — Asset/Liability Management Committee.
ALM — Asset/Liability Management.
ALLL — Allowance for loan and lease losses.
Alt-A — Alternative A-paper.
AOCI — Accumulated other comprehensive income.
ARM — Adjustable rate mortgages.
ARS — Auction rate securities.
ASC — FASB Accounting Standard Codification.
ASU — Accounting standards update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
BCBS — Basel Committee on Banking Supervision.
BHC Act — The Bank Holding Company Act of 1956.
Board — The Company's Board of Directors.
CCAR — Comprehensive Capital Analysis and Review.
CDO — Collateralized debt obligation.
CD — Certificate of deposit.
CDS — Credit default swaps.
CFPB — Bureau of Consumer Financial Protection.
CFTC — Commodities Futures Trading Commission.
CIB — Corporate and Investment Banking.
Class A shares — Visa Inc. Class A common stock.
Class B shares — Visa Inc. Class B common stock.
CLO — Collateralized loan obligation.
CMBS — Commercial mortgage-backed securities.
Coke — The Coca-Cola Company.
Company — SunTrust Banks, Inc.
CORO — Corporate Operational Risk Office.
CP — Commercial paper.
CPP — Capital Purchase Program.
CRA — Community Reinvestment Act of 1977.
CRC — Corporate Risk Committee.
CRE — Commercial Real Estate.
CRM — Corporate Risk Management.
CRO — Chief Risk Office.
CSA — Credit support annex.
DBRS — Dun and Bradstreet, Inc.

DDA — Demand deposit account.
DIF — Deposit Insurance Fund.
Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DTA — Deferred tax asset.
DTL — Deferred tax liability.
EAPMC — Earning Asset/Portfolio Management Committee.
EESA — The Emergency Economic Stabilization Act of 2008.
EPS — Earnings per share.
ERISA — Employee Retirement Income Security Act of 1974.
Exchange Act — Securities Exchange Act of 1934.
FASB — Financial Accounting Standards Board.
FDIA — Federal Deposit Insurance Act.
FDIC — The Federal Deposit Insurance Corporation.
FDICIA — The Federal Deposit Insurance Corporation Improvement Act of 1991.
Federal Reserve — The Board of Governors of the Federal Reserve System.
Fed funds — Federal funds.
FFELP — Federal Family Education Loan Program.
FFIEC — Federal Financial Institutions Examination Council.
FHA — Federal Housing Administration.
FHLB — Federal Home Loan Bank.
FICO — Fair Isaac Corporation.
FINRA — Financial Industry Regulatory Authority.
Fitch — Fitch Ratings Ltd.
FRB - Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GenSpring — GenSpring Family Offices, LLC.
GLB Act — Gramm-Leach-Bliley Act.
GSE — Government-sponsored enterprise.
HARP — Home Affordable Refinance Program.
HUD — U.S. Department of Housing and Urban Development.
IFRS — International Financial Reporting Standards.
IIS — Institutional Investment Solutions.
IPO — Initial public offering.
IRLC — Interest rate lock commitments.
IRS — Internal Revenue Service.
ISDA — International Swaps and Derivatives Associations Master Agreement.
KBW Bank Sector Index — Keefe, Bruyette & Woods, Inc. Bank Sector Index.
LCR — Liquidity coverage ratio.
LGD — Loss given default.
LHFI — Loans held for investment.
LHFI-FV — Loans held for investment carried at fair value.

LHFS — Loans held for sale.
LIBOR — London InterBank Offered Rate.
LOCOM — Lower of cost or market.
LTI — Long-term incentive.
LTV — Loan to value.
MBS — Mortgage-backed securities.
MD&A — Management’s Discussion and Analysis of Financial Condition and Results of Operations.
MIP — Management Incentive Plan.
MMMF — Money market mutual fund.
Moody’s — Moody’s Investors Service.
MSA — Metropolitan Statistical Area.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NCF — National Commerce Financial Corporation.
NEO — Named executive officers.
NOL — Net operating loss.
NOW — Negotiable order of withdrawal account.
NPL — Nonperforming loan.
NSF — Non-sufficient funds.
NSFR — Net stable funding ratio.
NYSE — New York Stock Exchange.
OCI — Other comprehensive income.
OCC — Office of the Comptroller of the Currency.
OFAC — Office of Foreign Assets Control.
OREO — Other real estate owned.
OTC — Over-the-counter.
OTTI — Other-than-temporary impairment.
Parent Company — Parent Company of SunTrust Banks, Inc. and subsidiaries.
Patriot Act — The USA Patriot Act of 2001.
PD — Probability of default.
PPG — Playbook for profitable growth.
PWM — Private Wealth Management.
QSPE — Qualifying special-purpose entity.
RCCs — Replacement capital covenants.
REITs — Real estate investment trusts.
RidgeWorth — RidgeWorth Capital Management, Inc.
RMBS — Residential mortgage-backed securities.
ROA — Return on average total assets.
ROE — Return on average common shareholders’ equity.
RWA — Risk-weighted assets.
S&P — Standard and Poor’s.
SBA — Small Business Administration.

SCAP — Supervisory Capital Assessment Program.
SEC — U.S. Securities and Exchange Commission.
SEO — Senior executive officers.
SERP — Supplemental Executive Retirement Plan.
SIV — Structured investment vehicles.
SPE — Special purpose entity.
STIS — SunTrust Investment Services, Inc.
STM — SunTrust Mortgage, Inc.
STRH — SunTrust Robinson Humphrey, Inc.
SunTrust — SunTrust Banks, Inc.
SunTrust Community Capital — SunTrust Community Capital, LLC.
TARP — Troubled Asset Relief Program.
TDR — Troubled debt restructuring.
The Agreements — Equity forward agreements.
Three Pillars — Three Pillars Funding, LLC.
TRS — Total return swaps.
U.S. — United States.
U.S. GAAP — Generally Accepted Accounting Principles in the United States.
U.S. Treasury — The United States Department of the Treasury.
UTB — Unrecognized tax benefits.
VA — Veterans Administration.
VAR — Value at risk.
VEBA — Voluntary Employees' Beneficiary Association.
VI — Variable interest.
VIE — Variable interest entity.
Visa — The Visa, U.S.A. Inc. card association or its affiliates, collectively.
VOE — Voting interest entity.
W&IM — Wealth and Investment Management.

PART I

Item 1. BUSINESS

General

The Company, one of the nation's largest commercial banking organizations, is a diversified financial services holding company whose businesses provide a broad range of financial services to consumer and corporate clients. SunTrust was incorporated in 1984 under the laws of the State of Georgia. The principal executive offices of the Company are located in the SunTrust Plaza, Atlanta, Georgia 30308.

Additional information relating to our businesses and our subsidiaries is included in the information set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 21, "Business Segment Reporting," to the Consolidated Financial Statements in Item 8 of this Form 10-K.

Primary Market Areas

Through its principal subsidiary, SunTrust Bank, the Company offers a full line of financial services for consumers and businesses including deposit, credit, and trust and investment services. Additional subsidiaries provide mortgage banking, asset management, securities brokerage, capital market services, and credit-related insurance. SunTrust operates primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia and enjoys strong market positions in these markets. SunTrust provides clients with a selection of branch-based and technology-based banking channels, including the internet, ATMs, and twenty-four hour telebanking. SunTrust's client base encompasses a broad range of individuals and families, businesses, institutions, and governmental agencies. Within its geographic footprint, SunTrust operated the following business segments during 2011 and 2010, with the remainder in Corporate Other and Treasury: Retail Banking, Diversified Commercial Banking, CRE, CIB, Mortgage and W&IM.

Acquisition and Disposition Activity

As part of its operations, the Company regularly evaluates the potential acquisition of and holds discussions with various financial institutions and other businesses of a type eligible for financial holding company ownership or control. Additionally, the Company regularly analyzes the values of and may submit bids for customer-based funds and other liabilities and assets of such financial institutions and other businesses. The Company may also consider the potential disposition of certain of its assets, branches, subsidiaries, or lines of businesses.

During 2011, 2010, and 2009, the Company's W&IM business acquired the assets and liabilities of an asset manager, sold \$14.1 billion of managed money market funds to Federated Investors, Inc., and acquired three family office enterprises, respectively. Additional information on these and other acquisitions and dispositions is included in Note 2, "Acquisitions/Dispositions," to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Government Supervision and Regulation

As a bank holding company and a financial holding company, the Company is subject to the regulation and supervision of the Federal Reserve. The Company's principal banking subsidiary, SunTrust Bank, is a Georgia state chartered bank with branches in Georgia, Florida, the District of Columbia, Maryland, Virginia, North Carolina, South Carolina, Tennessee, Alabama, West Virginia, Mississippi, and Arkansas. SunTrust Bank is a member of the Federal Reserve System and is regulated by the Federal Reserve, the FDIC, and the Georgia Department of Banking and Finance.

The Company's banking subsidiary is subject to various requirements and restrictions under federal and state law including requirements to maintain cash reserves against deposits, restrictions on the types and amounts of loans that may be made and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of SunTrust Bank and its subsidiaries. In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve as it attempts to control the money supply and credit availability in

order to influence the economy.

The Dodd-Frank Act, which was enacted in 2010, imposes new regulatory requirements and oversight over banks and other financial institutions in a number of ways, among which are (i) creating the CFPB to regulate consumer financial products and services; (ii) creating the Financial Stability Oversight Council to identify and impose additional regulatory oversight on large financial firms; (iii) granting orderly liquidation authority to the FDIC for the liquidation of financial corporations that pose a risk

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to the financial system of the U.S.; (iv) limiting debit card interchange fees; (v) adopting certain changes to shareholder rights and responsibilities, including a shareholder “say on pay” vote on executive compensation; (vi) strengthening the SEC’s powers to regulate securities markets; (vii) regulating OTC derivative markets; (viii) restricting variable-rate lending by requiring the ability to repay to be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; and (ix) amending the Truth in Lending Act with respect to mortgage originations, including originator compensation, minimum repayment standards, and prepayment considerations. These changes have profoundly impacted our policies and procedures and will likely continue to do so as regulators adopt regulations going forward in accordance with the time table for enacting regulations set forth in the Dodd-Frank Act.

Additionally, there have been a number of legislative and regulatory proposals that would have an impact on the operation of financial holding companies and their bank and non-bank subsidiaries. We cannot predict whether or in what form these proposals may be adopted in the future and, if adopted, what their effect will be on us.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance fund in the event the depository institution becomes in danger of default or is in default and are generally not intended for the protection of shareholders or other investors. For example, under a policy of the Federal Reserve with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and commit resources to support such institutions in circumstances where it might not do so absent such policy. Additionally, the “cross-guarantee” provisions of federal law require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. The federal banking agencies have broad powers under current federal law to require us to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized” as such terms are defined under regulations issued by each of the federal banking agencies. Under the Dodd-Frank Act, the FDIC has the authority to liquidate certain financial holding companies that are determined to pose significant risks to the financial stability of the U.S. (“covered financial companies”). Under this scenario, the FDIC would exercise broad powers to take prompt corrective action to resolve problems with the covered financial company. Details of this process, and the rights of shareholders and creditors of covered financial companies, are currently being formulated. The FDIC may make risk-based assessments of all bank holding companies with total consolidated assets greater than \$50 billion to recover losses incurred by the FDIC in exercising its authority to liquidate covered financial companies.

The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to U.S. banking organizations. Additionally, these regulatory agencies may require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve risk-based guidelines define a tier-based capital framework. Tier 1 capital includes common shareholders' equity, trust preferred securities, non-controlling interests and qualifying preferred stock, less goodwill (net of any qualifying DTL) and other adjustments. Beginning in 2013, trust preferred securities will no longer be included in Tier 1 after a three-year phase-out. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatorily convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to a certain amount and a portion of the unrealized gain on equity securities. The sum of Tier 1 and Tier 2 capital represents the Company's qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are

assigned to one of four categories of risk-weights, based primarily on relative credit risk. Additionally, the Company, and any bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations. The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. The Federal Reserve also requires the Company to calculate, report and maintain certain levels of Tier 1 common equity. Tier 1 common equity is calculated by taking the Tier 1 capital result and subtracting certain elements, including perpetual preferred stock and related surplus, non-controlling interests in subsidiaries, trust preferred securities and mandatorily convertible preferred securities. Moreover, capital requirements for bank holding companies and banks change frequently and these changes are often linked to decisions made by the BCBS of the Bank for International Settlements. Capital requirements applicable to bank holding companies and banks may increase in the near-future as a result of the Dodd-Frank Act and initiatives of the BCBS.

FDICIA, among other things, identifies five capital categories for insured depository institutions (“well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized”) and requires the respective federal regulatory agencies to implement systems for “prompt corrective action” for insured depository institutions that do not meet minimum capital requirements within such categories. Depending on the category in which an institution is classified, FDICIA imposes progressively more restrictive constraints on operations, management, and capital distributions. Failure to meet

the capital guidelines could also subject a banking institution to capital raising requirements. An “undercapitalized” bank must develop a capital restoration plan and its parent holding company must guarantee that bank's compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of 5% of the bank's assets at the time it became “undercapitalized” or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. Additionally, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality, and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital, and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a “well capitalized” institution must have a Tier 1 risk-based capital ratio of at least 6%, a total risk-based capital ratio of at least 10%, and a leverage ratio of at least 5%, among other things.

Regulators also must take into consideration: (i) concentrations of credit risk; (ii) interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance sheet position); and (iii) risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. Regulators make this evaluation as a part of their examination of the institution's regular safety and soundness. Additionally, regulators may choose to examine other factors in order to evaluate the safety and soundness of financial institutions. The Federal Reserve recently announced that its approval of certain capital actions, such as dividend increases and stock repurchase, will be tied to the level of Tier 1 common equity, and that bank holding companies must consult with the Federal Reserve's staff before taking any actions, such as stock repurchases, capital redemptions, or dividend increases, which might result in a diminished capital base.

Capital Framework and Basel III

In December 2009, the BCBS issued two consultative documents proposing reforms to bank capital and liquidity regulation. The BCBS's capital proposals would significantly revise the definitions of Tier 1 capital and Tier 2 capital, which is sometimes referred to as “Basel III.” The Basel III capital framework, among other things:

introduces as a new capital measure Tier 1 common equity, specifies that Tier 1 capital consists of Tier 1 common equity and “Additional Tier 1 capital” instruments meeting specified requirements, defines Tier 1 common equity narrowly by requiring that most deductions or adjustments to regulatory capital measures be made to Tier 1 common equity and not to the other components of capital, and expands the scope of the deductions or adjustments as compared to existing regulations;

when fully phased-in on January 1, 2019, requires banks to maintain:

as a newly adopted international standard, a minimum ratio of Tier 1 common equity to RWA of at least 4.5%, plus a 2.5% “capital conservation buffer” (which is added to the 4.5% Tier 1 common equity ratio as that buffer is phased in, effectively resulting in a minimum ratio of Tier 1 common equity to RWA of at least 7% upon full implementation);

a minimum ratio of Tier 1 capital to RWA of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);

a minimum ratio of Total (that is, Tier 1 plus Tier 2) capital to RWA of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation); and

as a newly adopted international standard, a minimum leverage ratio of 3%, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (as the average for each quarter of the month-end ratios for the quarter); and

provides for a “countercyclical capital buffer,” generally to be imposed when national regulators determine that excess aggregate credit growth becomes associated with a buildup of systemic risk, that would be a Tier 1 common equity add-on to the capital conservation buffer in the range of 0% to 2.5% when fully implemented (potentially resulting in total buffers of between 2.5% and 5%).

The capital conservation buffer is a buffer above the minimum levels designed to ensure that banks remain well-capitalized even in adverse economic scenarios. Banking institutions with a ratio of Tier 1 common equity to RWA above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) may face constraints on dividends, equity repurchases and compensation.

The implementation of the Basel III final framework requires regulations to be adopted by U.S. regulators. The U.S. banking agencies have indicated informally that they expect to propose regulations implementing Basel III in the first half of 2012 with final adoption of implementing regulations in mid to late 2012. We expect Basel III to become effective on January 1, 2013, and will require banking institutions to meet the following minimum capital ratios before the application of any buffer:

3.5% Tier 1 Common Equity to RWA;

4.5% Tier 1 capital to RWA; and

8.0% Total capital to RWA.

The Basel III final framework provides for a number of new deductions from and adjustments to Tier 1 common equity. These include, for example, the requirement that MSRs, DTAs dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from Tier 1 Common Equity to the extent that any one such category exceeds 10% of Tier 1 common equity or all such categories in the aggregate exceed 15% of Tier 1 Common Equity.

Implementation of the deductions and other adjustments to Tier 1 common equity will begin on January 1, 2014 and will be phased in over a five-year period (20% per year). The implementation of the capital conservation buffer will begin on January 1, 2016 at 0.625% and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

Notwithstanding its release of the Basel III framework as a final framework, the BCBS is considering further amendments to Basel III, including the imposition of additional capital surcharges on "globally systemically important financial institutions". While we do not expect to be considered a systemically important financial institutions for purposes of Basel III, the Dodd-Frank Act requires or permits the Federal banking agencies to adopt regulations affecting banking institutions' capital requirements in a number of respects, including potentially more stringent capital requirements for systemically important financial institutions, and some or all of these may apply to us.

We believe our current capital levels already exceed the fully phased-in Basel III capital requirement, including the capital conservation buffer. We intend to comply with those requirements when announced as they may apply to us. See additional discussion of Basel III in the "Capital Resources" section in MD&A in this Form 10-K.

Liquidity Ratios under Basel III

Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, both in the U.S. and internationally, without required formulaic measures. The Basel III final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward will be required by regulation. One test, referred to as the LCR, is designed to ensure that the banking entity maintains a level of unencumbered high-quality liquid assets greater than or equal to the greater of (i) entity's expected net cash outflow for a 30-day time horizon or, (ii) 25% of its expected total cash outflow under an acute liquidity stress scenario. The other, referred to as the NSFR, is designed to promote more

medium and long-term funding based on the liquidity characteristics of the assets and activities of banking entities over a one-year time horizon. To comply with these requirements, banks will take a number of actions which may include increasing their asset holdings of U.S. Treasury securities and other sovereign debt, increasing the use of long-term debt as a funding source, and adopting new business practices that may limit the provision of liquidity to clients. The LCR is subject to an observation period that began in 2011, but would not be introduced as a requirement until January 1, 2015, and the NSFR would not be introduced as a requirement until January 1, 2018. These new standards are subject to further rulemaking and their terms may well change before implementation.

Other Regulation

There are various legal and regulatory limits on the extent to which the Company's subsidiary bank may pay dividends or otherwise supply funds to the Company. In addition, federal and state bank regulatory agencies also have the authority to prevent a bank or bank holding company from paying a dividend or engaging in any other activity that, in the opinion of the agency, would constitute an unsafe or unsound practice. In the event of the "liquidation or other resolution" of an insured depository institution, the FDIA provides that the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against

the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, nondeposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

The FDIC insures interest-bearing deposits accounts up to \$250,000 and, until December 31, 2012, insures non-interest bearing deposit accounts on an unlimited basis. It provides this insurance through the DIF, which the FDIC maintains by assessing depository institutions an insurance premium. The amount each institution was assessed prior to April 1, 2011 was based upon statutory factors that include the average balance of insured deposits as well as the degree of risk the institution poses to the insurance fund. Pursuant to the Dodd-Frank Act, the FDIC changed how it assesses insurance premiums. Beginning April 1, 2011, the FDIC began assessing deposit insurance premiums on the basis of a depository institution's average consolidated net assets and not its deposits. Additionally, the FDIC introduced changes to the method by which it determines each depository institution's insurance premium rate to include a variety of factors that translate into a complex scorecard. Not all of the factors that are used to compute the final assessment have been finalized or fully implemented, including the definitions of "subprime loan" and "leveraged loan;" however, we anticipate that regulators will clarify these definitions in 2012 and that the FDIC will fully implement them. These changes were in addition to previous changes related to pre-funding insurance premiums. In late 2009, the FDIC required insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012. An insured institution's quarterly risk-based deposit insurance assessment will continue to be calculated on a quarterly basis, but will be paid from the amount the institution prepaid until the later of the date that amount is exhausted or June 30, 2013, at which point any remaining funds would be returned to the insured institution. Consequently, the Company's prepayment of DIF premiums made on December 29, 2009 resulted in a prepaid asset of \$925 million at that time, and after amortization, is currently at \$406 million at December 31, 2011.

FDIC regulations require that management report annually on its responsibility for preparing its institution's financial statements, establishing and maintaining an internal control structure and procedures for financial reporting, and compliance with designated laws and regulations concerning safety and soundness.

The Dodd-Frank Act created the CFPB, which is separated into five units: Research, Community Affairs, Complaint Tracking and Collection, Office of Fair Lending and Equal Opportunity, and Office of Financial Literacy. The CFPB has broad power to adopt new regulations to protect consumers, which power it may exercise at its discretion and so long as it advances the general concept of the protection of consumers. In particular, such regulations may further restrict the Company's banking subsidiary from collecting overdraft fees or limit the amount of overdraft fees that may be collected by the Company's banking subsidiary beyond the limits imposed by the 2009 amendments to Regulation E discussed below.

The BHC Act limits the activities permissible in which bank holding companies and its subsidiaries may engage. On November 12, 1999, financial modernization legislation known as the GLB Act was signed into law. Under the GLB Act, a bank holding company which elects to become a financial holding company may engage in expanded securities activities, insurance sales, underwriting activities, and other financial activities, and may also acquire securities firms and insurance companies, subject in each case to certain conditions. The Company has elected to become a financial holding company under the GLB Act. Nevertheless, the activities in which the Company may engage remain limited to a range of activities that are (i) financial in nature or incidental to such financial activity, or (ii) complimentary to a financial activity and which does not pose a risk to the safety and soundness of a depository institution or the financial system generally. The GLB Act further regulated whether the expanded activities may be engaged in by the Company's subsidiary bank, a subsidiary of the bank or elsewhere in the enterprise. If any of our banking subsidiaries ceases to be "well capitalized" or "well managed" under applicable regulatory standards, the Federal Reserve may, among other things, place limitations on our ability to conduct these broader financial activities or, if the deficiencies persist,

require us to divest the banking subsidiary. In order to become and maintain its status as a financial holding company, the Company and all of its affiliated depository institutions must be “well-capitalized,” “well-managed,” and have at least a satisfactory CRA rating. Furthermore, if the Federal Reserve determines that a financial holding company has not maintained a satisfactory CRA rating, the Company will not be able to commence any new financial activities or acquire a company that engages in such activities, although the Company will still be allowed to engage in activities closely related to banking and make investments in the ordinary course of conducting such expanded banking activities.

Federal banking regulators, as required under the GLB Act, have adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors.

There are limits and restrictions on transactions in which SunTrust Bank and its subsidiaries may engage with the Company and other Company subsidiaries. Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve's Regulation W, among other things, govern the terms and conditions and limit the amount of extensions of credit by SunTrust Bank and its subsidiaries to the Company and other Company subsidiaries, purchases of assets by SunTrust Bank and its subsidiaries from the Company and other Company subsidiaries, and the amount of collateral required to secure extensions of credit by SunTrust Bank and its subsidiaries to the Company and other Company subsidiaries. The Dodd-Frank Act significantly enhanced and expanded the scope and coverage of the limitations imposed by Sections 23A and 23B, in particular, by including within its scope derivative transactions by and between SunTrust Bank or its subsidiaries and the Company or other Company subsidiaries. The Federal Reserve enforces the terms of 23A and 23B and audits the enterprise for compliance.

In October 2011, the Federal Reserve and other regulators jointly issued a proposed rule implementing requirements of a new Section 13 to the BHC Act, commonly referred to as the "Volcker Rule." The proposed rule generally prohibits the Company and its subsidiaries from (i) engaging in proprietary trading for its own account, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund," and (iii) entering into certain relationships with a "covered fund," all subject to certain exceptions. The proposed rule also clarifies certain activities in which the Company and its subsidiaries may continue to engage. The proposed rule, when finalized, is likely to further restrict and limit the types of activities in which the Company and its subsidiaries may engage. Moreover, the proposed rule, when finalized, is likely to require the Company and its subsidiaries to adopt complex compliance monitoring systems in order to assure compliance with the final rule while engaging in activities that the Company and its subsidiaries currently conduct.

The Patriot Act substantially broadened existing anti-money laundering legislation and the extraterritorial jurisdiction of the U.S.; imposes compliance and due diligence obligations; creates crimes and penalties; compels the production of documents located both inside and outside the U.S., including those of non-U.S. institutions that have a correspondent relationship in the U.S.; and clarifies the safe harbor from civil liability to clients. The U.S. Treasury has issued a number of regulations that further clarify the Patriot Act's requirements or provide more specific guidance on their application. The Patriot Act requires all "financial institutions," as defined, to establish certain anti-money laundering compliance and due diligence programs. The Patriot Act requires financial institutions that maintain correspondent accounts for non-U.S. institutions, or persons that are involved in private banking for "non-U.S. persons" or their representatives, to establish, "appropriate, specific and, where necessary, enhanced due diligence policies, procedures, and controls that are reasonably designed to detect and report instances of money laundering through those accounts." Bank regulators are focusing their examinations on anti-money laundering compliance, and we continue to enhance our anti-money laundering compliance programs.

During the fourth quarter of 2011, the Federal Reserve's final rules related to debit card interchange fees became effective. These rules significantly limit the amount of interchange fee income that we may charge for electronic debit transactions. Similarly, in 2009, the Federal Reserve adopted amendments to its Regulation E that restrict our ability to charge our clients overdraft fees for ATM and everyday debit card transactions. Pursuant to the adopted regulation, clients must opt-in to an overdraft service in order for banks to collect overdraft fees. Overdraft fees have in the past represented a significant amount of noninterest fees collected by the Company's banking subsidiary.

Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, bank holding companies from any state may acquire banks located in any other state, subject to certain conditions, including concentration limits. In addition, a bank may establish branches across state lines by merging with a bank in another state and, as amended by the Dodd-Frank Act, subject to few restrictions. A bank holding company may not directly or indirectly acquire ownership or control of more than 5% of the voting shares or substantially all of the assets of any bank or merge or consolidate with another bank holding company without the prior approval of the Federal Reserve. Under the recently

enacted Dodd-Frank Act, a bank holding company may not acquire another bank or engage in new activities that are financial in nature or acquire a non-bank company that engages in activities that are financial in nature unless the bank holding company is both well capitalized and deemed by the Federal Reserve to be well managed. Moreover, a bank and its affiliates may not, after the acquisition of another bank, control more than 10% of the amount of deposits of insured depository institutions in the U.S. and a financial company may not merge, consolidate or acquire another company if the total consolidated liabilities of the acquiring financial company after such acquisition exceeds 10% of the aggregated consolidated liabilities of all financial companies at the end of the year preceding the transaction. In addition, certain states may have limitations on the amount of deposits any bank may hold within that state.

On July 21, 2010, the Federal Reserve and other regulators jointly published final guidance for structuring incentive compensation arrangements at financial organizations, which guidelines are applicable to all financial institutions. The guidance does not set forth any formulas or pay caps for, but contains certain principles which companies would be required to follow with respect to, employees and groups of employees that may expose the company to material amounts of risk. The three primary principles are (i) balanced risk-taking incentives, (ii) compatibility with effective controls and risk management, and (iii) strong corporate governance. The Federal Reserve will now monitor compliance with this guidance as part of its safety and soundness oversight.

The Company's non-banking subsidiaries are regulated and supervised by various other regulatory bodies. For example, STRH is a broker-dealer registered with the SEC and the FINRA. STIS is also a broker-dealer and investment adviser registered with the SEC and a member of the FINRA. RidgeWorth and several of RidgeWorth's subsidiaries are investment advisers registered with the SEC. GenSpring is a wealth management firm registered with the SEC and a member of the National Futures Association. Furthermore, under the Dodd-Frank Act, the Federal Reserve may regulate and supervise any subsidiary of the Company to determine (i) the nature of the operations and financial condition of the company, (ii) the financial, operational and other risks of the company, (iii) the systems for monitoring and controlling such risks and (iv) compliance with Title I of the Dodd-Frank Act.

Competition

SunTrust's primary operating footprint is in the Southeast and Mid-Atlantic U.S., though certain lines of business serve broader, national markets. Within those markets the Company faces competition from domestic and foreign lending institutions and numerous other providers of financial services. SunTrust competes using a client-centered model that focuses on high quality service, while offering a broad range of products and services. The Company believes that this approach better positions it to increase loyalty and expand relationships with current clients and attract new ones. Further, the Company maintains a strong presence within select markets, thereby enhancing its competitive position.

While the Company believes it is well positioned within the highly competitive industry, the industry could become even more competitive as a result of legislative, regulatory, economic, and technological changes, as well as continued consolidation. The ability of non-banking financial institutions to provide services previously limited to commercial banks has intensified competition. Because non-banking financial institutions are not subject to many of the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Although non-banking financial institutions may not have the same access to deposit funds or government programs, those non-banking financial institutions may elect, as some have done, to become financial holding companies and gain such access. Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. This could alter the competitive environment in which the Company conducts business. Some of the Company's competitors have greater financial resources or face fewer regulatory constraints. As a result of these various sources of competition, the Company could lose business to competitors or be forced to price products and services on less advantageous terms to retain or attract clients.

Employees

As of December 31, 2011, there were 29,182 full-time equivalent employees within SunTrust. None of the domestic employees within the Company are subject to a collective bargaining agreement. Management considers its employee relations to be good.

Additional Information

See also the following additional information which is incorporated herein by reference: Business Segments (under the captions "Business Segments" in Item 7, the MD&A, and "Business Segment Reporting" in Note 21 to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data); Net Interest Income (under the captions "Net Interest Income/Margin" in the MD&A and "Selected Financial Data" in Item 6); Securities (under the caption "Securities Available for Sale" in the MD&A and Note 5 to the Consolidated Financial Statements); Loans and Leases (under the captions "Loans", "Allowance for Credit Losses", and "Nonperforming Assets" in the MD&A and "Loans" and "Allowance for Credit Losses" in Notes 6 and 7, respectively, to the Consolidated Financial Statements); Deposits (under the caption "Deposits" in the MD&A); Short-Term Borrowings (under the captions "Liquidity Risk" and "Short-Term Borrowings" in the MD&A and "Other Short-Term Borrowings" in Note 10 to the Consolidated Financial Statements); Trading Activities and Trading Assets and Liabilities (under the caption "Trading Assets and Liabilities" in the MD&A and "Trading Assets and Liabilities" and "Fair Value Election and Measurement" in Notes 4 and 19,

respectively, to the Consolidated Financial Statements); Market Risk Management (under the caption "Market Risk Management" in the MD&A); Liquidity Risk Management (under the caption "Liquidity Risk" in the MD&A); Credit Risk Management (under the caption "Credit Risk Management" in the MD&A); and Operational Risk Management (under the caption "Operational Risk Management" in the MD&A).

SunTrust's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on the Company's web site at www.suntrust.com under the Investor Relations section as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to the SEC. The public may read and copy any materials the Company files with the SEC at the SEC Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's web site address is www.sec.gov. In addition, SunTrust makes available on its website at www.suntrust.com

under the heading Corporate Governance its: (i) Code of Ethics; (ii) Corporate Governance Guidelines; and (iii) the charters of SunTrust Board committees.

The Company's Annual Report on Form 10-K is being distributed to shareholders in lieu of a separate annual report containing financial statements of the Company and its consolidated subsidiaries.

Item 1A. RISK FACTORS

The risks described in this Form 10-K are not the only risks we face. Additional risks that are not presently known or that we presently deem to be immaterial also could have a material adverse effect on our financial condition, results of operations, business, and prospects.

As one of the largest lenders in the Southeast and Mid-Atlantic U.S. and a provider of financial products and services to consumers and businesses across the U.S., our financial results have been, and may continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the U.S., 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.

We generate revenue from the interest and fees we charge on the loans and other products and services we sell, and a substantial amount of our revenue and earnings comes from the net interest income and fee income that we earn from our consumer and wholesale banking businesses, including our mortgage banking business. These businesses have been, and may continue to be, materially affected by the state of the U.S. economy, particularly unemployment levels and home prices. Although the U.S. economy has continued to gradually improve from the severely depressed levels of 2008 and early 2009, economic growth has been slow and uneven and the housing market remains weak. In addition, financial uncertainty stemming from the sovereign debt crisis in Europe and U.S. debt and budget matters, including the raising of the debt limit, deficit reduction, and the downgrade of U.S. debt ratings, as well as other recent events and concerns such as the political unrest in the Middle East, the increased volatility of commodity prices and the increase in the price of oil, and the uncertainty surrounding financial regulatory reform and its effect on the revenues of financial services companies such as us, have impacted and may continue to impact the continuing global economic recovery. A prolonged period of slow growth in the U.S. economy or any deterioration in general economic conditions and/or the financial markets resulting from the above matters or any other events or factors that may disrupt or dampen the global economic recovery could materially adversely affect our financial results and condition.

The high unemployment rate in the U.S., together with elevated levels of distressed property sales and the significant decline in home prices across the U.S., including in many of our large banking markets such as Florida, may be causing consumers to delay home purchases and has resulted in elevated credit costs and nonperforming asset levels which have adversely affected our credit performance and our financial results and condition. If unemployment levels do not improve or if home prices continue to fall we would expect to incur higher than normal charge-offs and provision expense from increases in our allowance for credit losses. These conditions may adversely affect not only consumer loan performance but also commercial and CRE loans, especially for those business borrowers that rely on the health of industries or properties that may experience deteriorating economic conditions. The ability of these borrowers to repay their loans may be reduced, causing us to incur significantly higher credit losses. In addition, current economic conditions have made it more challenging for us to increase our consumer and commercial loan portfolios by making loans to creditworthy borrowers at attractive yields. Although we have significant capacity to add loans to our balance sheet, loan demand has been soft resulting in our retaining a much higher amount of lower yielding liquid assets on our balance sheet. If economic conditions do not continue to improve or if the economy worsens and unemployment rises, which would likely result in a decrease in consumer and business confidence and spending, the demand for our credit products, including our mortgages, may fall, which would adversely affect our interest and fee income and our earnings.

A deterioration in business and economic conditions, which may erode consumer and investor confidence levels, and/or increased volatility of financial markets, also could adversely affect financial results for our fee-based businesses, including our wealth management, investment advisory, and investment banking businesses. We earn fee income from managing assets for others and providing brokerage and other investment advisory and wealth management services. Because investment management fees are often based on the value of assets under management, a decrease in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business. Poor economic conditions and volatile or unstable financial markets also can adversely affect our debt and equity underwriting and advisory businesses.

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 significant regulation under state and federal laws in the U.S. Economic, financial, market, and political conditions during the past few years have led to significant new legislation and regulation in the U.S. and in other jurisdictions outside of the U.S. where we conduct business. These laws and regulations may affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue in businesses or impose additional fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations or have other negative consequences.

For example, in 2009 several legislative and regulatory initiatives were adopted that will have an impact on our businesses and financial results, including FRB amendments to Regulation E which, among other things, affect the way we may charge overdraft fees. In third quarter 2009, we also implemented policy changes to help customers limit overdraft and returned item fees. The impact on our revenue of the Regulation E amendments, as well as our policy changes, reduced our 2010 and 2011 fee revenue. The continuing impact on our future revenue could vary materially due to a variety of factors, including changes in customer behavior, economic conditions and other potential offsetting factors.

On July 21, 2010, the Dodd-Frank Act became law. The Dodd-Frank Act, among other things, (i) established a new Financial Stability Oversight Council to monitor systemic risk posed by financial firms and imposes additional and enhanced FRB regulations, including capital and liquidity requirements, on certain large, interconnected bank holding companies and systemically significant nonbanking firms intended to promote financial stability; (ii) created a liquidation framework for the resolution of covered financial companies, the costs of which would be paid through assessments on surviving covered financial companies; (iii) made significant changes to the structure of bank and bank holding company regulation and activities in a variety of areas, including prohibiting proprietary trading and private fund investment activities, subject to certain exceptions; (iv) created a new framework for the regulation of OTC derivatives and new regulations for the securitization market and strengthens the regulatory oversight of securities and capital markets by the SEC; (v) established the CFPB within the FRB, which will have sweeping powers to administer and enforce a new federal regulatory framework of consumer financial regulation; (vi) provided for increased regulation of residential mortgage activities; (vii) revised the FDIC's assessment base for deposit insurance by changing from an assessment base defined by deposit liabilities to a risk-based system based on total assets; and (viii) authorized the FRB under the Durbin Amendment to issue regulations establishing, among other things, standards for assessing whether debit card interchange fees received by debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions.

Many provisions of the Dodd-Frank Act became effective in July 2010, and additional provisions became effective upon the first anniversary of its enactment, July 21, 2011. However, a number of these and other provisions of the Dodd-Frank Act still require extensive rulemaking, guidance, and interpretation by regulatory authorities and have extended implementation periods and delayed effective dates. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and us will not be known for an extended period of time. Nevertheless, the Dodd-Frank Act, including current and future rules implementing its provisions and the interpretation of those rules, could result in a loss of revenue, require us to change certain of our business practices, limit our ability to pursue certain business opportunities, increase our capital requirements and impose additional assessments and costs on us and otherwise adversely affect our business operations and have other negative consequences. For example, the FRB recently issued final rules regarding debit card interchange fees which implement the Durbin Amendment and became effective on October 1, 2011. As a result of the new rules, we currently expect that our quarterly income will be reduced by approximately \$50 million (before tax) before the

impact of any offsetting actions. Although we expect to recapture a portion of this lost income over time through volume and product changes, there can be no assurance that we will be successful in our efforts to mitigate the negative impact to our financial results from the Durbin Amendment.

The Dodd-Frank Act (through provisions commonly known as the “Volcker Rule”) prohibits banks from engaging in some types of proprietary trading and restricts the ability of banks to sponsor or invest in private equity or hedge funds. The relevant regulatory agencies have recently proposed implementing regulations for the Volcker Rule and issued them for public comment. Although we do not have a designated proprietary trading operation, the scope of the proprietary trading prohibition and its impact on us will depend on definitions in the final rule, particularly those definitions related to statutory exemptions for market making, hedging activities and customer trading. Until more is known regarding these definitions and the other provisions of the implementing rules, we cannot determine the impact of the proprietary trading prohibition, although we expect that any meaningful limitation on our ability to hedge our risks in the ordinary course or to trade on behalf of customers or conduct related market making activities would adversely affect our business and results of operations. As of December 31, 2011, we held less than \$200 million in interests in private equity and hedge funds likely to be affected by the Volcker Rule. We expect that over time we may need to eliminate these investments and may need to cease sponsoring these funds if an applicable exemption is not available. A forced sale of some of these investments due to the Volcker Rule could result in us receiving less value than we otherwise would have received.

Depending on the provisions of the final rule, it is possible that additional structures through which we conduct our business but that are not typically referred to as private equity or hedge funds could be restricted, with an impact that we cannot presently estimate.

The Dodd-Frank Act imposes a new regulatory regime on the U.S. OTC derivatives markets. While some of the provisions related to OTC derivatives came into effect on July 16, 2011, most of the new requirements await final regulations from the relevant regulatory agencies, principally the CFTC and the SEC. Although the ultimate impact will depend on the final regulations, we expect that our derivatives business will be subject to new substantive requirements, including registration with the CFTC and/or the SEC, margin requirements in excess of current market practice, capital requirements specific to this business, real time trade reporting and robust record keeping requirements, business conduct requirements (including daily valuations, disclosure of material risks associated with swaps and disclosure of material incentives and conflicts of interest), and mandatory clearing and exchange trading of all standardized swaps designated by the relevant regulatory agencies as required to be cleared. These requirements collectively will impose implementation and ongoing compliance burdens on us and will introduce additional legal risk (including as a result of newly applicable antifraud and antimanipulation provisions and private rights of action). In addition, the relevant regulatory agencies have proposed rules to implement the Dodd-Frank Act provisions requiring retention of risk by certain securitization participants through holding interests in the securitization vehicles, but the rules are not yet finalized or effective. As a result, the ultimate impact of these Dodd-Frank Act provisions on us remains unpredictable. The impact on us could be direct, by requiring us to hold interests in a securitization vehicle or other assets that represent a portion of the credit risk held by the securitization vehicle, or indirect, by impacting markets in which we participate. Since the beginning of the financial crisis, there has been and continues to be substantially less private (that is, non-government backed) securitization activity than had previously been the case. It is unclear at present whether and to what extent the private securitization markets will rebound. In recent years we have only engaged to a limited extent in securitization transactions under circumstances where we might expect to be required to retain additional risk on our balance sheet as a result of implementation of these Dodd-Frank Act provisions. If the market for private securitizations rebounds and we decide to increase our participation in that market, we would likely be required under the regulations to retain more risk than would otherwise have been the case, with currently uncertain financial impact. In addition, other securitization reforms mandated by the Dodd-Frank Act or implemented or proposed by the SEC may have the effect of limiting our ability to execute, or increase the cost of, securitization transactions. The impact of such reforms on our business is uncertain and difficult to quantify. In February 2011, the White House delivered a report to Congress regarding proposals to reform the housing finance market in the U.S. The report, among other things, outlined various potential proposals to wind down the GSEs and reduce or eliminate over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as proposals to implement reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can guarantee, phasing in a minimum down payment requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. The extent and timing of any regulatory reform regarding the GSEs and the home mortgage market, as well as any effect on our business and financial results, are uncertain.

Any other future legislation and/or regulation, if adopted, also could have a material adverse effect on our business operations, income, and/or competitive position and may have other negative consequences. For additional information, see the “Government Supervision and Regulation” section in this Form 10-K.

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

Under regulatory capital adequacy guidelines and other regulatory requirements, we, together with our banking subsidiary and broker-dealer subsidiaries, must meet guidelines subject to qualitative judgments by regulators about components, risk weightings, and other factors. From time to time, the regulators implement changes to these regulatory capital adequacy guidelines. The Capital Framework and Basel III described in Item 1 under “Government

Supervision and Regulation,” when implemented by the U.S. banking agencies and fully phased-in, will result in higher and more stringent capital requirements for us and our banking subsidiary. In particular, the Basel III proposals will require us to maintain a minimum ratio of Tier 1 common equity to RWA of at least 7.0% when fully phased-in. Further, under the Dodd-Frank Act, the Federal Reserve, using a phased-in approach between 2013 and 2016, will no longer include trust preferred and certain other hybrid debt securities in Tier 1 Capital. Presently, we have approximately \$1.9 billion principal amount of such securities outstanding which we expect will be affected. Such eventual loss of Tier 1 Capital, and any actions (if necessary) to replace such capital, may adversely affect us.

Additionally, the Basel III framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests, including a LCR, which is designed to ensure that the banking entity maintains a level of unencumbered high-quality liquid assets greater than or equal to the entity's expected net cash outflow for a 30-day time horizon under an acute liquidity stress scenario, and a NSFR, designed to promote more medium and long-term funding based on the liquidity characteristics of the assets and activities of banking entities over a one-year time horizon. If we fail to meet these minimum liquidity capital

guidelines and other regulatory requirements, our financial condition would be materially and adversely affected. The LCR and NSFR have proposed adoption dates beginning in 2015 and 2018, respectively.

Capital requirements may impact a variety of corporate actions, such as increases in dividend payments or repurchases of stock. In 2010, the FRB issued guidelines for evaluating proposals by large bank holding companies, including us. Pursuant to those FRB guidelines and the Dodd-Frank Act requirements, we annually submit a capital plan to the FRB. Consistent with these guidelines and the FRB's existing supervisory guidance regarding internal capital assessment, planning and adequacy, the FRB recently proposed rules that would require large bank holding companies such as us to submit annual capital plans to the FRB and to provide prior notice to the FRB before making a capital distribution under certain circumstances, including if the FRB objected to a capital plan or if certain minimum capital requirements were not maintained. There can be no assurance that the FRB would respond favorably to our pending and future capital plan reviews. Further, in December, 2011, the FRB proposed rules under the Dodd-Frank Act that will impose enhanced prudential standards on large bank holding companies such as us, including enhanced capital and liquidity requirements, which may be similar to or more restrictive than those proposed by the BCBS.

The Basel standards and FRB regulatory capital and liquidity requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases, and may require us to increase our capital and/or liquidity. Any requirement that we increase our regulatory capital, replace certain capital instruments which presently qualify as Tier 1 capital, increase regulatory capital ratios or liquidity could require us to liquidate assets or otherwise change our business and/or investment plans, which may adversely affect our financial results. Although not currently anticipated, the proposed Basel capital rules and/or our regulators may require us to raise additional capital in the future. Issuing additional common stock would dilute the ownership of existing stockholders. The need to maintain more capital and greater liquidity than historically has been required could limit our business activities, including lending, and our ability to expand, either organically or through acquisitions. It could also result in us taking steps to increase our capital that may be dilutive to shareholders or being limited in our ability to pay dividends or otherwise return capital to shareholders. In addition, the new liquidity standards could require us to increase our holdings of highly liquid short-term investments, thereby reducing our ability to invest in longer-term assets even if more desirable from a balance sheet management perspective. Moreover, although these new requirements are being phased in over time, U.S. federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases and acquisitions.

Loss of customer deposits and market illiquidity could increase our funding costs.

We rely heavily on bank deposits to be a low cost and stable source of funding for the loans we make. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income.

We rely on the mortgage secondary market and GSEs for some of our liquidity.

We sell most of the mortgage loans we originate in order to reduce our credit risk and provide funding for additional loans. We rely on GSEs to purchase loans that meet their conforming loan requirements and on other capital markets investors to purchase loans that do not meet those requirements - referred to as "nonconforming" loans. Since 2007, investor demand for nonconforming loans has fallen sharply, increasing credit spreads and reducing the liquidity for those loans. In response to the reduced liquidity in the capital markets, we may retain more nonconforming loans negatively impacting reserves, or we may produce less negatively impacting revenue. When we retain a loan not only do we keep the credit risk of the loan but we also do not receive any sale proceeds that could be used to generate new loans. Continued lack of liquidity could limit our ability to fund - and thus originate - new mortgage loans, reducing the fees we earn from originating and servicing loans. In addition, we cannot provide assurance that GSEs will not

materially limit their purchases of conforming loans due to capital constraints or change their criteria for conforming loans (e.g., maximum loan amount or borrower eligibility). As previously noted, proposals have been presented to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The extent and timing of any such regulatory reform regarding the housing finance market and the GSEs, as well as any effect on our business and financial results, are uncertain.

We are subject to credit risk.

When we loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, which is the risk of losses if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their contracts. A number of our products expose us to credit risk, including loans, leases and lending commitments, derivatives, trading assets, insurance arrangements with respect to such products, and assets held for sale. As one of the nation's largest lenders, the credit quality of our portfolio can have a significant impact on our earnings. We estimate and establish reserves for credit risks and credit losses inherent in our credit exposure (including unfunded credit commitments). This process, which is

critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we do identify.

We might underestimate the credit losses inherent in our loan portfolio and have credit losses in excess of the amount reserved. We might increase the allowance because of changing economic conditions, including falling home prices and higher unemployment, or other factors such as changes in borrower behavior. As an example, borrowers may discontinue making payments on their real estate-secured loans if the value of the real estate is less than what they owe, even if they are still financially able to make the payments.

While we believe that our allowance for credit losses was adequate at December 31, 2011, there is no assurance that it will be sufficient to cover future credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions, we may be required to build reserves in future periods, which would reduce our earnings. For additional information, see the "Risk Management - Credit Risk Management" and "Critical Accounting Policies - Allowance for Credit Losses" sections in the MD&A in this Form 10-K.

Our ALLL may not be adequate to cover our eventual losses.

Like other financial institutions, we maintain an ALLL to provide for loan defaults and nonperformance. Our ALLL is based on our historical loss experience, as well as an evaluation of the risks associated with our loan portfolio, including the size and composition of the loan portfolio, current economic conditions and geographic concentrations within the portfolio. The current stress on the U.S. economy and the local economies in which we do business may be greater or last longer than expected, resulting in, among other things, greater than expected deterioration in credit quality of our loan portfolio, or in the value of collateral securing these loans. Our ALLL may not be adequate to cover eventual loan losses, and future provisions for loan losses could materially and adversely affect our financial condition and results of operations. Additionally, in order to maximize the collection of loan balances, we sometimes modify loan terms when there is a reasonable chance that an appropriate modification would allow our client to continue servicing the debt. If such modifications ultimately are less effective at mitigating loan losses than we expect, we may incur losses in excess of the specific amount of ALLL associated with a modified loan, and this would result in additional provision for loan loss expense.

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

Our credit risk and credit losses can increase if our loans are concentrated in borrowers engaged in the same or similar activities or in borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. We experienced the effect of concentration risk in 2009 and 2010 when we incurred greater than expected losses in our residential real estate loan portfolio due to a housing slowdown and greater than expected deterioration in residential real estate values in many markets, particularly several Florida MSAs. As Florida is our largest banking state in terms of loans and deposits, continued deterioration in real estate values and underlying economic conditions in those markets or elsewhere could result in materially higher credit losses. Florida and other states in our footprint have suffered significant declines in home values and significant declines in economic activity. A further deterioration in economic conditions, housing conditions, or real estate values in these states could result in materially higher credit losses, including for our Home Equity portfolio. For additional information, see the "Loans", "Allowance for Credit Losses", "Risk Management - Credit Risk Management" and "Critical Accounting Policies - Allowance for Credit Losses" sections in the MD&A and Notes 6 and 7, "Loans" and "Allowance for Credit Losses", to the Consolidated Financial Statements in this Form 10-K.

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

Nonperforming assets are recorded on our financial statements at the estimated net realizable value that we expect to receive from ultimately disposing of the assets. We could realize losses in the future as a result of deteriorating market conditions if the proceeds we receive upon dispositions 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.

On August 5, 2011, S&P cut the U.S. government's sovereign credit rating of long-term U.S. federal debt to AA+ from AAA while keeping its outlook negative. Further, Moody's lowered its outlook to "Negative" on June 2, 2011 and Fitch lowered its outlook to "Negative" on November 28, 2011, where they both remain. As a result, there continues to be the perceived risk of a sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly

linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are key assets on the balance sheets of financial institutions, including us, and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market.

A downgrade of the sovereign credit ratings of the U.S. government and perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact on us. In addition, we presently deliver a material portion of the residential mortgage loans we originate into government-sponsored institutions, agencies or instrumentalities (or instruments insured or guaranteed thereby). We cannot predict if, when or how any changes to the credit ratings of these organizations will affect their ability to finance residential mortgage loans. Such ratings actions, if any, could result in a significant change to our mortgage business. A downgrade of the sovereign credit ratings of the U.S. government or the credit ratings of related institutions, agencies or instrumentalities would significantly exacerbate the other risks to which we are subject and any related adverse effects on our business, financial condition and results of operations.

The failure of the European Union to stabilize the fiscal condition and creditworthiness of its weaker member economies, such as Greece, Portugal, Spain, Hungary, Ireland, and Italy, could have international implications potentially impacting global financial institutions, the financial markets, and the economic recovery underway in the U.S.

Certain European Union member countries have fiscal obligations greater than their fiscal revenue, which has caused investor concern over such countries ability to continue to service their debt and foster economic growth. Currently, the European debt crisis has caused credit spreads to widen in the fixed income debt markets, and liquidity to be less abundant. A weaker European economy may transcend Europe, cause investors to lose confidence in the safety and soundness of European financial institutions and the stability of European member economies, and likewise affect U.S.-based financial institutions, the stability of the global financial markets and the economic recovery underway in the U.S.

Should the U.S. economic recovery be adversely impacted by these factors, loan and asset growth at U.S. financial institutions, like us, could be affected. We have taken steps since the 2008-2009 financial crisis to strengthen our liquidity position. Nevertheless, a return of the volatile economic conditions experienced in the U.S. during 2008-2009, including the adverse conditions in the fixed income debt markets, for an extended period of time, particularly if left unmitigated by policy measures, may materially and adversely affect us.

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

Weakness in the non-agency secondary market for residential mortgage loans has limited the market for and liquidity of many mortgage loans. The effects of ongoing mortgage market challenges, combined with the ongoing correction in residential real estate market prices and reduced levels of home sales, could result in further price reductions in single family home values, adversely affecting the value of collateral securing mortgage loans that we hold, and mortgage loan originations and profits on sales of mortgage loans. Declining real estate prices have caused cyclically higher delinquencies and losses on mortgage loans, particularly Alt-A mortgages, home equity lines of credit, and mortgage loans sourced from brokers that are outside our branch banking network. These conditions have resulted in losses, write downs and impairment charges in our mortgage and other lines of business. Continued declines in real estate values, low home sales volumes, financial stress on borrowers as a result of unemployment, interest rate resets on ARMs or other factors could have further adverse effects on borrowers that could result in higher delinquencies and greater charge-offs in future periods, which would adversely affect our financial condition or results of operations. Additionally, counterparties to insurance arrangements used to mitigate risk associated with increased defaults in the

real estate market are stressed by weaknesses in the real estate market and a commensurate increase in the number of claims. Further, decreases in real estate values might adversely affect the creditworthiness of state and local governments, and this might result in decreased profitability or credit losses from loans made to such governments. A decline in home values or overall economic weakness could also have an adverse impact upon the value of real estate or other assets which we own as a result of foreclosing a loan and our ability to realize value on such assets.

We are subject to certain risks related to originating and selling mortgages. We 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.

We originate and often sell mortgage loans. When we sell mortgage loans, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. Our whole loan sale agreements require us to repurchase or substitute mortgage loans in the event that we breach any of these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result

of borrower fraud or in the event of early payment default of the borrower on a mortgage loan. Likewise, we are required to repurchase or substitute mortgage loans if we breach a representation or warranty in connection with our securitizations, whether or not we were the originator of the loan. While in many cases we may have a remedy available against the originating broker or correspondent, often these may not be as broad as the remedies available to a purchaser of mortgage loans against us, and we face the further risk that the originating broker or correspondent may not have the financial capacity to satisfy remedies that may be available to us. Therefore, if a purchaser enforces its remedies against us, we may not be able to recover our losses from the originating broker or correspondent. We have received a number of repurchase and indemnity demands from purchasers. These have resulted in an increase in the amount of losses for repurchases. While we have taken steps to enhance our underwriting policies and procedures, these steps will not reduce risk associated with loans sold in the past. If repurchase and indemnity demands increase materially, our results of operations may be adversely affected.

During the third and fourth quarters of 2011, repurchase requests increased substantially. However, repurchase requests historically have been highly volatile, and it is too early to tell if this is the beginning of a trend. In the fourth quarter of 2011, we increased this reserve and, if repurchase requests increase, we may need to increase it further and this would adversely affect net income available to common shareholders. During the years ended December 31, 2011, 2010, and 2009 we received \$1.7 billion, \$1.1 billion, and \$1.1 billion of repurchase requests, respectively. Further, during the years ended December 31, 2011 and 2010, we repurchased or otherwise settled mortgages with unpaid principal balances of \$789 million and \$677 million, respectively, related to investor demands, which included an insignificant amount of indemnifications in both years. For additional information, see Note 18, "Reinsurance Arrangements and Guarantees," to the Consolidated Financial Statements in this Form 10-K, and the following sections of MD&A in this Form 10-K - "Noninterest Income", "Other Nonperforming Assets", and "Critical Accounting Policies". In addition, investors have begun to demonstrate reduced flexibility and reduced willingness to resolve pending repurchase requests and, if this continues, our repurchase rates may increase and this would cause us to increase our repurchase reserve.

Finally, we have received indemnification requests related to our servicing of loans owned or insured by other parties, primarily GSEs. Typically, such a claim seeks to impose a compensatory fee on us for departures from GSE service levels. In most cases, this is related to delays in the foreclosure process. Additionally, we have received indemnification requests where an investor or insurer has suffered a loss due to a breach of the servicing agreement. While the number of such claims has been small, these could increase in the future. See additional discussion in Note 18, "Reinsurance Arrangements and Guarantees," to the Consolidated Financial Statements in this Form 10-K. Financial difficulties or credit downgrades of mortgage and bond insurers may adversely affect our servicing and investment portfolios.

Our servicing portfolio includes certain mortgage loans that carry some level of insurance from one or more mortgage insurance companies. To the extent that any of these companies experience financial difficulties or credit downgrades, we may be required, as servicer of the insured loan on behalf of the investor, to obtain replacement coverage with another provider, possibly at a higher cost than the coverage we would replace. We may be responsible for some or all of the incremental cost of the new coverage for certain loans depending on the terms of our servicing agreement with the investor and other circumstances. Similarly, some of the mortgage loans we hold for investment or for sale carry mortgage insurance. If a mortgage insurer is unable to meet its credit obligations with respect to an insured loan, we might incur higher credit losses if replacement coverage is not obtained. We also have investments in municipal bonds that are guaranteed against loss by bond insurers. The value of these bonds and the payment of principal and interest on them may be adversely affected by financial difficulties or credit downgrades experienced by the bond insurers.

We 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 act as servicer and/or master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans we have certain contractual

obligations to the securitization trusts, investors or other third parties, including, in our capacity as a servicer, foreclosing on defaulted mortgage loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales and, in our capacity as a master servicer, overseeing the servicing of mortgage loans by the servicer. If we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing us to lose servicing income. In addition, we may be required to indemnify the securitization trustee against losses from any failure by us, as a servicer or master servicer, to perform our servicing obligations or any act or omission on our part that involves willful misfeasance, bad faith or gross negligence. For certain investors and/or certain transactions, we may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If we have increased repurchase obligations because

of claims that we did not satisfy our obligations as a servicer or master servicer, or increased loss severity on such repurchases, we may have to materially increase our repurchase reserve.

We may incur costs if we are required to, or if we elect to re-execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to the borrower and/or to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. We may incur a liability to securitization investors relating to delays or deficiencies in our processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of our MSR's may be adversely affected to the extent our servicing costs increase because of higher foreclosure costs. We may be subject to fines and other sanctions, including a foreclosure moratorium or suspension or a requirement to forgive or modify the loan obligations of certain of our borrowers, imposed by Federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm our reputation or adversely affect our residential mortgage origination or servicing business. In April of 2011, we entered into a Consent Order with the FRB following a joint interagency horizontal examination of foreclosure processing at large mortgage servicers, including us. The order incorporates remedial requirements for identified deficiencies and require us, among other things, to take certain actions with respect to our mortgage servicing and foreclosure operations, including submitting various action plans to ensure that our mortgage servicing and foreclosure operations comply with legal requirements, regulatory guidance and the Consent Order. As noted above, any increase in our servicing costs from changes in our foreclosure and other servicing practices, including resulting from the Consent Order, adversely affects the fair value of our MSR's. The Consent Order did not provide for a civil money penalty but the FRB reserved the ability to seek such penalty. Other government agencies, including state attorneys general and the U.S. Department of Justice, continue to investigate various mortgage related practices of ours, and these investigations could result in material fines, penalties, equitable remedies (including requiring default servicing or other process changes), or other enforcement actions and result in significant legal costs in responding to governmental investigations and additional litigation.

We are subject to risks related to delays in the foreclosure process.

When we originate a mortgage loan, we do so with the expectation that if the borrower defaults then our ultimate loss is mitigated by the value of the collateral which secures the mortgage loan. Our ability to mitigate our losses on such defaulted loans depends upon our ability to promptly foreclose upon such collateral after an appropriate cure period. In some states, the large number of foreclosures which have occurred has resulted in delays in foreclosing. In some instances, our practices or failures to adhere to our policies has contributed to these delays (see "Management's Discussion and Analysis-Nonperforming Assets" in this Form 10-K). Any delay in the foreclosure process will adversely affect us by increasing our expenses related to carrying such assets, such as taxes, insurance, and other carrying costs, and exposes us to losses as a result of potential additional declines in the value of such collateral. We may continue to suffer increased losses in our loan portfolio despite enhancement of our underwriting policies and practices.

We seek to mitigate risks inherent in our loan portfolio by adhering to specific underwriting policies and practices, which often include analysis of a borrower's credit history, financial statements, tax returns and cash flow projections; valuation of collateral based on reports of independent appraisers; and verification of liquid assets. Our underwriting policies, practices and standards are periodically reviewed and, if appropriate, enhanced in response to changing market conditions and/or corporate strategies. Examples include: client eligibility requirements, documentation requirements, loan types, collateral types, LTV ratios, and minimum credit scores. Prior reviews have resulted in more stringent documentation standards, lower maximum LTV ratios, and channel and client type restrictions. These

actions have contributed to a reduction in exposure since the fourth quarter of 2008 in certain higher risk portfolio segments, such as higher risk mortgage, home equity, and commercial construction. These actions have also contributed to declines in early stage delinquencies and non-performing loans. While these changes have resulted in improving asset quality metrics, elevated losses may continue to occur due to economic factors, changes in borrower behavior, or other factors.

Our mortgage production and servicing revenue can be volatile.

We earn revenue from fees we receive for originating mortgage loans and for servicing mortgage loans. When rates rise, the demand for mortgage loans usually tends to fall, reducing the revenue we receive from loan originations.

Under the same conditions, revenue from our MSR's can increase through increases in fair value, although we may not realize some or all of this benefit due to derivative hedges on our MSR's. When rates fall, mortgage originations usually tend to increase and the value of our MSR's usually tends to decline, also with some offsetting revenue effect.

Even though they can act as a "natural hedge," the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential

MSRs is generally immediate, but any offsetting revenue benefit from more originations and the MSRs relating to the new loans would generally be recognized over time. It is also possible that, because of economic conditions and/or a deteriorating housing market similar to current market conditions, even if interest rates were to fall, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates.

We typically use derivatives and other instruments to hedge our mortgage banking interest rate risk. We generally do not hedge all of our risk, and we may not be successful in hedging any of the risk. Hedging is a complex process, requiring sophisticated models and constant monitoring. We may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. We could incur significant losses from our hedging activities. There may be periods where we elect not to use derivatives and other instruments to hedge mortgage banking interest rate risk. For additional information, see the “Noninterest Income” section in the MD&A in this Form 10-K.

As a financial services company, adverse changes in general business or economic conditions could have a material adverse effect on our financial condition and results of operations.

The continuing weakness or further weakening in business and economic conditions generally or specifically in the principal markets in which we do business could have one or more of the following adverse impacts on our business:

- A decrease in the demand for loans and other products and services offered by us;

- A decrease in the value of our LHFS or other assets;

- A loss of clients, reduced earnings, and/or a suppressed stock price could trigger an impairment of certain intangible assets, such as goodwill;

- An increase in the number of clients and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us; or

- An increase in the number of delinquencies, bankruptcies or defaults could result in a higher level of nonperforming assets, net charge-offs, provision for credit losses, and valuation adjustments on LHFS.

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.

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices, and other relevant market rates or prices. Interest rate risk, defined as the exposure of net interest income and MVE to adverse movements in interest rates, is our primary market risk, and mainly arises from the structure of the balance sheet, which includes all loans. Variable rate loans, prior to any hedging related actions, are approximately 55% of total loans and approximately 43% of total loans after giving consideration to hedging related actions. We are also exposed to market risk in our trading instruments, investment portfolio, Coke common stock, MSRs, loan warehouse and pipeline, and debt and brokered deposits carried at fair value. ALCO meets regularly and is responsible for reviewing our open positions and establishing policies to monitor and limit exposure to market risk. The policies established by ALCO are reviewed and approved by our Board.

Given our business mix, and the fact that most of the assets and liabilities are financial in nature, we tend to be sensitive to market interest rate movements and the performance of the financial markets. In addition to the impact of the general economy, changes in interest rates or in valuations in the debt or equity markets could directly impact us in one or more of the following ways:

- The yield on earning assets and rates paid on interest-bearing liabilities may change in disproportionate ways;

- The value of certain balance sheet and off-balance sheet financial instruments or the value of equity investments that we hold could decline;

- The value of assets for which we provide processing services could decline;

- The value of our pension plan assets could decline, thereby potentially requiring us to further fund the plan; or

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To the extent we access capital markets to raise funds to support our business, such changes could affect the cost of such funds or the ability to raise such funds. Our net interest income is the interest we earn on loans, debt securities and other assets we hold less the interest we pay on our deposits, long-term and short-term debt, and other liabilities. Net interest income is a function of both our net interest margin - the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding - and the amount of earning assets we hold. Changes in either our net interest margin or the amount of earning assets we hold could affect our net interest income and our earnings. Changes in interest rates can affect our net interest margin. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. When interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the asset yield catches up.

The amount and type of earning assets we hold can affect our yield and net interest margin. We hold earning assets in the form of loans and investment securities, among other assets. As noted above, if current economic conditions persist, we may continue to see lower demand for loans by creditworthy customers, reducing our yield. In addition, we may invest in lower yielding investment securities for a variety of reasons.

Changes in the slope of the “yield curve” - or the spread between short-term and long-term interest rates - could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens or even inverts, our net interest margin could decrease as our cost of funds increases relative to the yield we can earn on our assets.

The interest we earn on our assets may be tied to U.S.-denominated interest rates such as the Fed funds rate, while the interest we pay on our liabilities may be based on international rates such as LIBOR. If the Fed funds rate were to fall without a corresponding decrease in LIBOR, we might earn less on our assets without any offsetting decrease in our funding costs. This could lower our net interest margin and our net interest income.

We assess our interest rate risk by estimating the effect on our earnings under various scenarios that differ based on assumptions about the direction, magnitude and speed of interest rate changes and the slope of the yield curve. We hedge some of that interest rate risk with interest rate derivatives. We also rely on the “natural hedge” from our mortgage loan originations.

We may not hedge all of our interest rate risk. There is always the risk that changes in interest rates could reduce our net interest income and our earnings in material amounts, especially if actual conditions turn out to be materially different than what we assumed. For example, if interest rates rise or fall faster than we assumed or the slope of the yield curve changes, we may incur significant losses on debt securities we hold as investments. To reduce our interest rate risk, we may rebalance our investment and loan portfolios, refinance our debt and take other strategic actions. We may incur losses when we take such actions. For additional information, see the “Enterprise Risk Management” section in the MD&A in this Form 10-K.

Changes in interest rates could also reduce the value of our MSRMs and mortgages held for sale, reducing our earnings. We have a sizable portfolio of MSRMs. An MSR is the right to service a mortgage loan - collect principal, interest and escrow amounts - for a fee. We acquire MSRMs when we keep the servicing rights after we sell or securitize the loans we have originated or when we purchase the servicing rights to mortgage loans originated by other lenders. We initially measure all and carry substantially all our residential MSRMs using the fair value measurement method. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers.

Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our MSRMs can decrease. Each quarter we evaluate the fair value of our MSRMs and any related hedges, and any decrease in fair value reduces earnings in the period in which the decrease occurs.

We measure at fair value prime mortgages held for sale for which an active secondary market and readily available market prices exist. We also measure at fair value certain other interests we hold related to residential loan sales and securitizations. Similar to other interest-bearing securities, the value of these mortgages held for sale and other interests may be adversely affected by changes in interest rates. For example, if market interest rates increase relative to the yield on these mortgages held for sale and other interests, their fair value may fall. We may not hedge this risk, and even if we do hedge the risk with derivatives and other instruments we may still incur significant losses from

changes in the value of these mortgages held for sale and other interests or from changes in the value of the hedging instruments.

For additional information, see “Enterprise Risk Management - Other Market Risk” and “Critical Accounting Policies” in the MD&A, and Note 9, "Goodwill and Other Intangible Assets," to the Consolidated Financial Statements in this Form 10-K.

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

The Federal Reserve regulates the supply of money and credit in the U.S. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the net interest margin. They can also materially decrease the value of financial assets we hold, such as debt securities and MSRs. In particular, programs to facilitate loan refinancing, such as the recently expanded HARP, may cause us to reevaluate repayment assumptions related to the prepayment speed assumptions related to loans that we service, and this may adversely affect the fair value of our MSR asset. Federal Reserve policies can also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in

Federal Reserve policies are beyond our control and difficult to predict; consequently, the impact of these changes on our activities and results of operations is difficult to predict.

Depressed market values for our stock may require us to write down goodwill.

Numerous facts and circumstances are considered when evaluating the carrying value of our goodwill. One of those considerations is the estimated fair value of each reporting unit. The fair value of a reporting unit is impacted by the reporting unit's expected financial performance and susceptibility to adverse economic, regulatory, and legislative changes. The estimated fair values of the individual reporting units are assessed for reasonableness by reviewing a variety of indicators, including our market capitalization evaluated over a reasonable period of time. While this comparison provides some relative market information regarding the estimated fair value of the reporting units, it is not determinative and needs to be evaluated in the context of the current economic and political environment.

However, significant and/or sustained declines in our market capitalization, especially in relation to our book value, could be an indication of potential impairment of goodwill.

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

Checking and savings account balances and other forms of client deposits could decrease if clients perceive alternative investments, such as the stock market, as providing superior expected returns. When clients move money out of bank deposits in favor of alternative investments, we can lose a relatively inexpensive source of funds, increasing our funding costs.

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

Technology and other changes now allow parties to complete financial transactions without banks. For example, consumers can pay bills and transfer funds directly without banks. This process could result in the loss of fee income, as well as the loss of client deposits and the income generated from those deposits.

We have businesses other than banking which subject us to a variety of risks.

We are a diversified financial services company. This diversity subjects earnings to a broader variety of risks and uncertainties.

Hurricanes and other disasters may adversely affect loan portfolios and operations and increase the cost of doing business.

Large scale natural or man-made disasters may significantly affect loan portfolios by damaging properties pledged as collateral and by impairing the ability of certain borrowers to repay their loans. The nature and level of disasters cannot be predicted and may be exacerbated by global climate change. The ultimate impact of a disaster on future financial results is difficult to predict and will be affected by a number of factors, including the extent of damage to the collateral, the extent to which damaged collateral is not covered by insurance, the extent to which unemployment and other economic conditions caused by the disaster adversely affect the ability of borrowers to repay their loans, and the cost of collection and foreclosure moratoriums, loan forbearances and other accommodations granted to borrowers and other clients.

Negative public opinion could damage our reputation and adversely impact business and revenues.

As a financial institution, our earnings and capital are subject to risks associated with negative public opinion. The reputation of the financial services industry in general has been damaged as a result of the financial crisis and other matters affecting the financial services industry, including mortgage foreclosure issues. Negative public opinion regarding us could result from our actual or alleged conduct in any number of activities, including lending practices, the failure of any product or service sold by us to meet our clients' expectations or applicable regulatory requirements, corporate governance and acquisitions, or from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to keep and attract and/or retain clients and personnel and can expose us to litigation and regulatory action. Actual or alleged conduct by one of our businesses can result in negative public opinion about our other businesses. Negative public opinion could also affect our credit ratings, which are important to accessing unsecured wholesale borrowings. Significant changes in these ratings could change the cost and availability of these sources of funding.

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.

We depend upon our ability to process, record, and monitor a large number of client transactions on a continuous basis. As client, public, and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns. Our business, financial, accounting, data processing systems, or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there could be sudden increases in client transaction volume; electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and clients.

Information security risks for large financial institutions such as ours have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. As noted above, our operations rely on the secure processing, transmission, and storage of confidential information in our computer systems and networks. Our banking, brokerage, investment advisory, and capital markets businesses rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In addition, to access our products and services, our clients may use personal smartphones, tablet PC's, personal computers, and other mobile devices that are beyond our control systems. Although we have information security procedures and controls in place, our technologies, systems, networks, and our clients' devices may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our clients' confidential, proprietary and other information, or otherwise disrupt our or our clients' or other third parties' business operations.

Third parties with whom we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries, or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the prominent size and scale of SunTrust and our role in the financial services industry, our plans to continue to implement our internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our clients when and how they want to be served, our expanded geographic footprint and international presence, the outsourcing of some of our business operations, and the continued uncertain global economic environment. As a result, cybersecurity and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a focus for us. As threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our businesses and clients, or cyber attacks or security breaches of the networks, systems or devices that our clients use to access our products and services could result in client attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

We rely on other companies to provide key components of our business infrastructure.

Third parties provide key components of our business infrastructure such as banking services, processing, and internet connections and network access. Any disruption in such services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect our ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect our business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. We may not be insured against all types of losses as a result of third party failures and our insurance coverage may be inadequate to cover all losses resulting from system failures or other disruptions. Failures in our business infrastructure could interrupt the operations or increase the costs of doing business. The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, in the past have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

We depend on the accuracy and completeness of information about clients and counterparties.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors.

Regulation by federal and state agencies could adversely affect the business, revenue, and profit margins.

We are heavily regulated by federal and state agencies. This regulation is to protect depositors, the federal DIF and the banking system as a whole. The U.S. Congress and state legislatures and federal and state regulatory agencies continually review banking laws, regulations, and policies for possible changes. Changes to statutes, regulations, or regulatory policies, including interpretation or implementation of statutes, regulations, or policies, could affect us adversely, including limiting the types of financial services and products we may offer and/or increasing the ability of nonbanks to offer competing financial services and products. Also, if we do not comply with laws, regulations, or policies, we could receive regulatory sanctions and damage to our reputation.

Competition in the financial services industry is intense and could result in losing business or margin declines.

We operate in a highly competitive industry that could become even more competitive as a result of reform of the financial services industry resulting from the Dodd-Frank Act and other legislative, regulatory and technological changes, and continued consolidation. We face aggressive competition from other domestic and foreign lending institutions and from numerous other providers of financial services. The ability of non-banking financial institutions to provide services previously limited to commercial banks has intensified competition. Because non-banking financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Securities firms and insurance companies that elect to become financial holding companies, can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking, and may acquire banks and other financial institutions. This may significantly change the competitive environment in which we conduct business. Some of our competitors have greater financial resources and/or face fewer regulatory constraints. As a result of these various sources of competition, we could lose business to competitors or be forced to price products and services on less advantageous terms to retain or attract clients, either of which would adversely affect our profitability.

Maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services.

Our success depends, in part, on our ability to adapt products and services to evolving industry standards. There is increasing pressure to provide products and services at lower prices. This can reduce net interest income and noninterest income from fee-based products and services. In addition, the widespread adoption of new technologies could require us to make substantial capital expenditures to modify or adapt existing products and services or develop new products and services. We may not be successful in introducing new products and services in response to industry trends or developments in technology, or those new products may not achieve market acceptance. As a result, we could lose business, be forced to price products and services on less advantageous terms to retain or attract clients, or be subject to cost increases, any of which would adversely affect our profitability.

We might not pay dividends on your common stock.

Holders of our common stock are only entitled to receive such dividends as our Board may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so.

Further, in February 2009, the Federal Reserve required bank holding companies to substantially reduce or eliminate dividends. Since that time, the Federal Reserve has indicated that increased capital distributions would generally not be considered prudent in the absence of a well-developed capital plan and a capital position that would remain strong even under adverse conditions. As a result, we expect that any substantial increase in our dividend will require the approval of the Federal Reserve.

Additionally, our obligations under the warrant agreements (that we entered into with the U.S. Treasury as part of the CPP) will increase to the extent that we pay dividends prior to December 31, 2018 exceeding \$0.54 per share per quarter, which was the amount of dividends we paid when we first participated in the CPP. Specifically, the exercise price and the number of shares to be issued upon exercise of the warrants will be adjusted proportionately (that is, adversely to us) as specified in a formula contained in the warrant agreements.

Our ability to receive dividends from our subsidiaries could affect our liquidity and ability to pay dividends. We are a separate and distinct legal entity from our subsidiaries, including the Bank. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our common stock and interest and principal on our debt. Various federal and/or state laws and regulations limit the amount of dividends that our Bank and certain of our nonbank subsidiaries may pay us. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. Limitations on our ability to receive dividends

from our subsidiaries could have a material adverse effect on our liquidity and on our ability to pay dividends on common stock. Additionally, if our subsidiaries' earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, we may not be able to make dividend payments to our common stockholders.

Disruptions in our ability to access global capital markets may adversely affect our capital resources and liquidity. In managing our consolidated balance sheet, we depend on access to global capital markets to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our clients. Other sources of contingent funding available to us includes inter-bank borrowings, repurchase agreements, FHLB capacity, and borrowings from the Federal Reserve discount window. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt investors, our depositors or counterparties participating in the capital markets, or a downgrade of our debt rating, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity.

Any reduction in our credit rating could increase the cost of our funding from the capital markets.

Our issuer ratings are rated investment grade by the major rating agencies. While those ratings were downgraded during 2009 and 2010, there were no changes to our primary credit ratings during 2011. On March 3, 2011, Fitch affirmed our senior long- and short-term credit ratings at BBB+ and F2, respectively, and upgraded its outlook on our ratings from "Stable" to "Positive". On December 6, 2011, S&P affirmed our credit ratings and maintained its outlook on those ratings at "Stable". Our credit ratings also remain on "Stable" outlook with Moody's and DBRS. Additional downgrades are possible although not anticipated given the "Stable" or "Positive" outlook from all four major rating agencies.

The rating agencies regularly evaluate us and their ratings are based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the housing and financial markets, there can be no assurance that we will maintain our current ratings. Our failure to maintain those ratings could adversely affect the cost and other terms upon which we are able to obtain funding and increase our cost of capital. Credit ratings are one of numerous factors that influence our funding costs. Among our various retail and wholesale funding sources, credit ratings have a more direct impact only on the cost of wholesale funding as our primary source of retail funding is bank deposits, most of which are insured by the FDIC. During the most recent financial market crisis and economic recession, our senior debt credit spread to the matched maturity 5-year swap rate widened before we received any credit ratings downgrades in 2009 and began to tighten before we received our most recent credit rating downgrade in November 2010. After the loss of our A-1 short-term credit rating in April 2009 and capital raise in May and June 2009, more recent credit rating downgrades had little or no detrimental impact to our debt credit spreads. We expect that a one notch downgrade would have a relatively small impact on our debt credit spreads.

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 have historically pursued an acquisition strategy, and may continue to seek additional acquisition opportunities. We may not be able to successfully identify suitable candidates, negotiate appropriate acquisition terms, complete proposed acquisitions, successfully integrate acquired businesses into the existing operations, or expand into new markets. Once integrated, acquired operations may not achieve levels of revenues, profitability, or productivity comparable with those achieved by our existing operations, or otherwise perform as expected.

Acquisitions involve numerous risks, including difficulties in the integration of the operations, technologies, services and products of the acquired companies, and the diversion of management's attention from other business concerns. We may not properly ascertain all such risks prior to an acquisition or prior to such a risk impacting us while integrating an acquired company. As a result, difficulties encountered with acquisitions could have a material adverse effect on our business, financial condition, and results of operations.

Furthermore, we must generally receive federal regulatory approval before we can acquire a bank or bank holding company. In determining whether to approve a proposed bank acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition, financial condition, future prospects, including current and projected capital levels, the competence, experience, and integrity of management, compliance with laws and regulations, the convenience and needs of the communities to be served, including the acquiring institution's record of compliance under the CRA, and the effectiveness of the acquiring institution in combating money laundering activities. In addition, we cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. Consequently, we might be required to sell portions of the acquired institution as a condition to receiving regulatory approval or we may not obtain regulatory approval for a proposed acquisition on acceptable terms or at all, in which case we would not be able to complete the acquisition despite the time and expenses invested in pursuing it.

We are subject to certain litigation, and our expenses related to this litigation may adversely affect our results. We are from time to time subject to certain litigation in the ordinary course of our business. These claims and legal actions, including supervisory actions by our regulators, could involve large monetary claims and significant defense costs. The outcome of these cases is uncertain. However, during the current credit crisis, we have seen both the number of cases and our expenses related to those cases increase.

We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

While we do not believe that any single case will have a material adverse effect on us, the cumulative burden of these cases may adversely affect our results. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. We may be exposed to substantial uninsured liabilities, which could adversely affect our results of operations and financial condition. For additional information, see Note 20, "Contingencies," to the Consolidated Financial Statements in this Form 10-K.

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

We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations. However, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. For example, we are subject to regulations issued by the OFAC that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage our reputation.

We depend on the expertise of key personnel. If these individuals leave or change their roles without effective replacements, operations may suffer.

The success of our business has been, and the continuing success will be, dependent to a large degree on the continued services of executive officers, especially our Chairman and Chief Executive Officer, William H. Rogers, Jr., and other key personnel who have extensive experience in the industry. We generally do not carry key person life insurance on any of the executive officers or other key personnel. If we lose the services of any of these integral personnel and fail to manage a smooth transition to new personnel, the business could be impacted.

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 success depends upon the ability to attract and retain highly motivated, well-qualified personnel. We face significant competition in the recruitment of qualified employees. Our ability to execute the business strategy and provide high quality service may suffer if we are unable to recruit or retain a sufficient number of qualified employees or if the costs of employee compensation or benefits increase substantially. Further, in June, 2010, the Federal Reserve, the OCC, the Office of Thrift Supervision, and the FDIC jointly issued comprehensive final guidance designed to ensure that incentive compensation policies do not undermine the safety and soundness of banking

organizations by encouraging employees to take imprudent risks. This regulation significantly restricts the amount, form, and context in which we pay incentive compensation.

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

Accounting policies and processes are fundamental to how we record and report the financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Several of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions.

Pursuant to U.S. GAAP, we are required to make certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves related to litigation and the fair value of certain assets and liabilities, among other items. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, securities AFS, certain loans, MSRs, private equity investments, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings.

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments, and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or recognizing or reducing a liability. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding our judgments and the estimates pertaining to these matters, we cannot guarantee that we will not be required to adjust accounting policies or restate prior period financial statements. See "Critical Accounting Policies" in the MD&A and Note 1, "Significant Accounting Policies," to the Consolidated Financial Statements.

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

From time to time, the FASB and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be hard to predict and could materially affect how we report our financial results and condition. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements.

Our stock price can be volatile.

Our stock price can fluctuate widely in response to a variety of factors including:

- variations in our quarterly results;
- changes in market valuations of companies in the financial services industry;
- governmental and regulatory legislation or actions;
- issuances of shares of common stock or other securities in the future;
- changes in dividends;
- the addition or departure of key personnel;
- cyclical fluctuations;
- changes in financial estimates or recommendations by securities analysts regarding us or shares of our common stock;
- announcements by us or our competitors of new services or technology, acquisitions, or joint ventures; and
- activity by short sellers and changing government restrictions on such activity.

General market fluctuations, industry factors, and general economic and political conditions and events, such as terrorist attacks, economic slowdowns or recessions, interest rate changes, credit loss trends, or currency fluctuations, also could cause our stock price to decrease regardless of operating results.

Our framework for managing risks may not be effective in mitigating risk and loss to us.

Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. For example, the recent financial and credit crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks. If our risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accurately accumulated and communicated to management, and recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. We believe that any disclosure controls

and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision making can be faulty, that alternative reasoned judgments can be drawn, or that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

Our financial instruments carried at fair value expose us to certain market risks.

We maintain at fair value a securities AFS portfolio and trading assets and liabilities which include various types of instruments and maturities. In addition, we elected to record selected fixed-rate debt, mortgage loans, securitization warehouses, MSRs and other financial instruments at fair value. The changes in fair value of the financial instruments carried at fair value are recognized in earnings. The financial instruments carried at fair value are exposed to market risks related to changes in interest rates, market liquidity, and our market-based credit spreads, as well as to the risk of default by specific borrowers. We manage the market risks associated with these instruments through active hedging arrangements or broader ALM strategies. Changes in the market values of these financial instruments could have a material adverse impact on our financial condition or results of operations. We may classify additional financial assets or financial liabilities at fair value in the future.

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

We generally maintain investment securities and trading positions in the fixed income, currency, commodity, and equity markets. Unrealized gains and losses associated with our investment portfolio and mark to market gains and losses associated with our trading portfolio are affected by many factors, including interest rate volatility, volatility in capital markets, and other economic factors. Our return on such investments and trading have in the past experienced, and will likely in the future experience, volatility and such volatility may materially adversely affect our financial condition and results of operations. Additionally, accounting regulations may require us to record a charge prior to the actual realization of a loss when market valuations of such securities are impaired and such impairment is considered to be other than temporary.

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

We engage in a variety of transactions with off-balance sheet entities with which we are affiliated. While we have no obligation, contractual or otherwise, to do so, under certain limited circumstances, these transactions may involve providing some form of financial support to these entities. Any such actions may cause us to recognize current or future gains or losses. Depending on the nature and magnitude of any transaction we enter into with off-balance sheet entities, accounting rules may require us to consolidate the financial results of these entities with our financial results.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The Company's headquarters is located in Atlanta, Georgia. As of December 31, 2011, the Bank owned 615 of its 1,659 full-service banking offices and leased the remaining banking offices. (See Note 8, "Premises and Equipment," to the Consolidated Financial Statements in this Form 10-K for further discussion of its properties.)

Item 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to numerous claims and lawsuits arising in the normal course of its business activities, some of which involve claims for substantial amounts. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management that none of these matters, when resolved, will have a material effect on the Company's consolidated results of operations, cash flows, or financial condition. For

additional information, see Note 20, "Contingencies," to the Consolidated Financial Statements in this Form 10-K, which is incorporated into this Item 3 by reference.

Item 4. MINE SAFETY DISCLOSURES

None.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market in which the common stock of the Company is traded is the NYSE. See Item 6 and Table 38 in the MD&A for information on the high and the low sales prices of SunTrust common stock on the NYSE, which is incorporated herein by reference. During the year ended December 31, 2011, we paid a quarterly dividend on common stock of \$0.01 per common share for the first two quarters and \$0.05 per common share for the third and fourth quarters, compared to a quarterly dividend on common stock of \$0.01 per common share during the year ended December 31, 2010. Our common stock is held of record by approximately 33,821 holders as of December 31, 2011. See "Unregistered Sales of Equity Securities and Use of Proceeds" below for information on share repurchase activity, announced programs, and the remaining buy-back authority under the announced programs, which is incorporated herein by reference.

Please also refer to Item 1, "Business—Government Supervision and Regulation," for a discussion of legal restrictions which affect our ability to pay dividends; Item 1A, "Risk Factors," for a discussion of some risks related to our dividend, and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources," for a discussion of the dividends paid during the year and factors that may affect the future level of dividends.

The information under the caption "Equity Compensation Plans" in our definitive proxy statement to be filed with the SEC is incorporated by reference into this Item 5.

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our common stock against the cumulative total return of the S&P Composite-500 Stock Index and the S&P Commercial Bank Industry Index for the five years commencing December 31, 2006 and ending December 31, 2011. The foregoing analysis assumes an initial \$100 investment in our stock and each index and the reinvestment of all dividends during the periods presented.

Cumulative Total Return for the Year Ended December 31

	2006	2007	2008	2009	2010	2011
SunTrust Banks, Inc.	100.00	77.45	41.81	31.12	42.08	28.24
S&P 500	100.00	105.48	67.64	84.16	95.81	97.67
S&P Commercial Bank Index	100.00	71.00	39.72	37.31	43.39	39.52

Unregistered Sales Of Equity Securities And Use Of Proceeds

SunTrust did not repurchase any shares of its common stock, Series A Preferred Stock Depository Shares, Series B Preferred Stock Depository Shares, or warrants to purchase common stock during the quarter ended December 31, 2011.

On September 12, 2006, SunTrust issued and registered under Section 12(b) of the Exchange Act 20 million Depository Shares, each representing a 1/4,000th interest in a share of Perpetual Preferred Stock, Series A. As of December 31, 2011, there was no unused Board authority to repurchase any shares of Series A Preferred stock.

On August 14, 2007, the Board authorized the Company to repurchase up to 30 million shares of common stock and specified that such authorization replaced (terminated) existing unused authorizations. This authorization was terminated in January 2011. The Company is also authorized to repurchase up to \$250 million face amount of various tranches of its hybrid capital securities, including its Series A Preferred Stock. This authority was also terminated in January 2011.

On March 30, 2011, the Company repurchased \$3.5 billion of Fixed Rate Cumulative Preferred Stock, Series C, and \$1.4 billion of Fixed Rate Cumulative Preferred Stock, Series D, that was issued to the U.S. Treasury under the CPP. Warrants to purchase common stock issued to the U.S. Treasury in connection with the issuance of Series C and D preferred stock remained outstanding. The Board authorized the Company to repurchase all of the remaining outstanding warrants to purchase our common stock that were issued to the U.S. Treasury in connection with its investment in SunTrust Banks, Inc. under the CPP. On September 28, 2011, the Company purchased and retired 4 million warrants to purchase SunTrust common stock in connection with the U.S. Treasury's resale, via a public secondary offering, of the warrants that the Treasury held. At December 31, 2011, 13.9 million warrants remained outstanding.

On December 15, 2011, SunTrust issued depository shares representing ownership interests in 1,025 shares of Perpetual Preferred Stock, Series B, no par value and \$100,000 liquidation preference per share (the "Series B Preferred Stock") to SunTrust Preferred Capital I. The Series B Preferred Stock by its terms is redeemable by the Company at \$100,000 per share plus any declared and unpaid dividends.

Item 6. SELECTED FINANCIAL DATA

(Dollars in millions, except per share and other data)	Year Ended December 31				
	2011	2010	2009	2008	2007
Summary of Operations					
Interest income	\$6,181	\$6,343	\$6,710	\$8,328	\$10,036
Interest expense	1,116	1,489	2,244	3,708	5,316
Net interest income	5,065	4,854	4,466	4,620	4,720
Provision for credit losses ¹	1,513	2,651	4,064	2,474	665
Net interest income after provision for credit losses	3,552	2,203	402	2,146	4,055
Noninterest income	3,421	3,729	3,710	4,473	3,429
Noninterest expense	6,234	5,911	6,562	5,879	5,221
Income/(loss) before provision/(benefit) for income taxes	739	21	(2,450)	740	2,263
Provision/(benefit) for income taxes	79	(185)	(898)	(67)	616
Net income attributable to noncontrolling interest	13	17	12	11	13
Net income/(loss)	\$647	\$189	(\$1,564)	\$796	\$1,634
Net income/(loss) available to common shareholders	\$495	(\$87)	(\$1,733)	\$741	\$1,593
Net interest income-FTE ²	\$5,179	\$4,970	\$4,589	\$4,737	\$4,822
Total revenue-FTE ²	8,600	8,699	8,299	9,210	8,251
Total revenue-FTE excluding net securities (gains)/losses, net ²	8,483	8,508	8,201	8,137	8,008
Net income/(loss) per average common share ³					
Diluted ⁴	\$0.94	(\$0.18)	(\$3.98)	\$2.12	\$4.52
Diluted excluding goodwill/intangible impairment charges, other than MSRs ^{2,4}	0.94	(0.18)	(2.34)	2.19	4.39
Diluted excluding effect of accelerated accretion associated with the repurchase of preferred stock issued to the U.S. Treasury ^{2,4}	1.08	(0.18)	(3.98)	2.12	4.52
Basic	0.94	(0.18)	(3.98)	2.12	4.56
Dividends paid per average common share	\$0.12	\$0.04	\$0.22	\$2.85	\$2.92
Book value per common share	36.86	36.34	35.29	48.74	50.72
Tangible book value per common share ²	25.18	23.76	22.59	28.69	30.11
Market capitalization	9,504	14,768	10,128	10,472	21,772
Market price:					
High	33.14	31.92	30.18	70.00	94.18
Low	15.79	20.16	6.00	19.75	60.02
Close	17.70	29.51	20.29	29.54	62.49
Selected Average Balances					
Total assets	\$172,440	\$172,375	\$175,442	\$175,848	\$177,796
Earning assets	147,802	147,187	150,908	152,749	155,204
Loans	116,308	113,925	121,041	125,433	120,081
Consumer and commercial deposits	122,672	117,129	113,164	101,333	98,020
Brokered time and foreign deposits	2,386	2,916	6,082	14,743	21,856
Total shareholders' equity	20,696	22,834	22,286	18,596	17,928

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Average common shares - diluted (thousands)	527,618	498,744	437,486	350,183	352,688	
Average common shares - basic (thousands)	523,995	495,361	435,328	348,919	349,346	
As of December 31						
Total assets	\$176,859	\$172,874	\$174,165	\$189,138	\$179,574	
Earning assets	154,696	148,473	147,896	156,017	154,397	
Loans	122,495	115,975	113,675	126,998	122,319	
ALLL	2,457	2,974	3,120	2,351	1,283	
Consumer and commercial deposits	125,611	120,025	116,303	105,276	101,870	
Brokered time and foreign deposits	2,311	3,019	5,560	8,053	15,973	
Long-term debt	10,908	13,648	17,490	26,812	22,957	
Total shareholders' equity	20,066	23,130	22,531	22,501	18,170	
Financial Ratios and Other Data						
ROA	0.38	% 0.11	% (0.89)% 0.45	% 0.92	%
ROE	2.56	(0.49) (10.07) 4.20	9.14	
Net interest margin - FTE	3.50	3.38	3.04	3.10	3.11	
Efficiency ratio - FTE	72.49	67.94	79.07	63.83	63.28	

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Tangible efficiency ratio ²	71.99	67.36	69.35	62.51	62.11	
Total average shareholders' equity to total average assets	12.00	13.25	12.70	10.58	10.08	
Tangible equity to tangible assets ²	8.10	10.12	9.66	8.46	6.38	
Effective tax rate (benefit) ⁵	10.84	NM	(36.50)	(9.23)	27.21	
Allowance to year-end total loans	2.01	2.58	2.76	1.86	1.05	
Total nonperforming assets to total loans plus OREO, other repossessed assets, and nonperforming LHFS	2.76	4.08	5.33	3.49	1.35	
Common dividend payout ratio ⁶	12.9	N/A	N/A	135.6	64.5	
Capital Adequacy						
Tier 1 common equity	9.22	% 8.08	% 7.67	% 5.83	% 5.27	%
Tier 1 capital	10.90	13.67	12.96	10.87	6.93	
Total capital	13.67	16.54	16.43	14.04	10.30	
Tier 1 leverage	8.75	10.94	10.90	10.45	6.90	

¹ Beginning in the fourth quarter of 2009, SunTrust began recording the provision for unfunded commitments within the provision for credit losses in the Consolidated Statements of Income/(Loss). Considering the immateriality of this provision, prior to the fourth quarter of 2009, the provision for unfunded commitments remains classified within other noninterest expense in the Consolidated Statements of Income/(Loss).

² See Non-GAAP reconcilements in Table 41 of the MD&A.

³ Prior period amounts have been recalculated in accordance with updated accounting guidance related to EPS, that was effective January 1, 2009, and required retrospective application.

⁴ For EPS calculation purposes, the impact of dilutive securities are excluded from the diluted share count during periods in which we recognize a net loss available to common shareholders because the impact would be antidilutive.

⁵ The effective tax rate was not meaningful for the year ended December 31, 2010.

⁶ The common dividend payout ratio is not applicable in a period of net loss.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Important Cautionary Statement About Forward-Looking Statements

This report may contain forward-looking statements. Statements regarding the impact of (i) actions taken to mitigate the effects of the Durbin Amendment and Regulation E, the Volcker Rule, lower provision expense on net income available to common shareholders as credit quality improves, and the impact of U.S. government programs on our student loan portfolio; (ii) future levels of credit-related expenses, mortgage repurchase provision, net charge-offs, NPLs, net interest margin, repurchase demands, other real estate expenses, compensatory fees related to foreclosure delays, and the size of our securities portfolio; and (iii) expected changes in the size of or growth of our government guaranteed portfolios, NPLs, the ALLL, changes in commercial real estate NPLs, and future income streams from new products and services, are forward-looking statements. Also, any statement that does not describe historical or current facts is a forward-looking statement. These statements often include the words "believes," "expects," "anticipates," "estimates," "intends," "plans," "targets," "initiatives," "potentially," "probably," "projects," "outlook" or similar expressions or conditional verbs such as "may," "will," "should," "would," and "could." Such statements are based upon the current beliefs and expectations of management and on information currently available to management. Such statements speak as of the date hereof, and we do not assume any obligation to update the statements made 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 in Item 1A of Part I of this report and include risks discussed in this MD&A and in other periodic reports that we file with the SEC. Those factors include: as one of the largest lenders in the Southeast and Mid-Atlantic U.S. and a provider of financial products and services to consumers and businesses across the U.S., our financial results have been, and may continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the U.S., 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 GSEs for some of our liquidity; we are subject to credit risk; our ALLL may not be adequate to cover our eventual losses; we may have more credit risk and higher credit losses to the extent our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral; 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; the failure of the European Union to stabilize the fiscal condition and creditworthiness of its weaker member economies, such as Greece, Portugal, Spain, Hungary, Ireland, and Italy, could have international implications potentially impacting global financial institutions, the financial markets, and the economic recovery underway in the U.S.; 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 as a result of 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 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 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; as a financial services company, adverse changes in general business or economic conditions could have a material adverse effect on our financial condition and results of operations; 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 MSR 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; depressed market values for our stock may require us to write down goodwill; 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; 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; we rely on other companies to provide key components of our business infrastructure; the soundness of other financial institutions could adversely affect us; we depend on the accuracy and completeness of information about clients and counterparties; regulation by federal and state agencies could adversely affect the business, revenue, and profit margins; 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; we might not pay dividends on your common stock; 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 they require management to make estimates about matters that are uncertain; 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 framework for managing risks may not be effective in mitigating risk and loss to us; 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.

INTRODUCTION

We are one of the nation's largest commercial banking organizations and our headquarters are located in Atlanta, Georgia. Our principal banking subsidiary, SunTrust Bank, offers a full line of financial services for consumers and businesses through its branches located primarily in Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. Within our geographic footprint, we operate under six business segments: Retail Banking, Diversified Commercial Banking, CRE, CIB, Mortgage, and W&IM, with the remainder in Corporate Other and Treasury. In addition to deposit, credit, and trust and investment services offered by the Bank, our other subsidiaries provide mortgage banking, credit-related insurance, asset management, securities brokerage, capital market services, and credit-related insurance.

This MD&A is intended to assist readers in their analysis of the accompanying consolidated financial statements and supplemental financial information. It should be read in conjunction with the Consolidated Financial Statements and Notes in Item 8 of this Form 10-K. When we refer to "SunTrust," "the Company," "we," "our" and "us" in this narrative, we mean SunTrust Banks, Inc. and subsidiaries (consolidated). In the MD&A, net interest income and the net interest margin and efficiency ratios are presented on an FTE and annualized basis. The FTE basis adjusts for the tax-favored status of net interest 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. Additionally, we present certain non-U.S. GAAP metrics to assist investors in understanding management's view of particular financial measures, as well as, to align presentation of these financial measures with peers in the industry who may also provide a similar presentation. Reconcilements for all non-U.S. GAAP measures are provided below in Tables 41 and 42.

EXECUTIVE OVERVIEW

Economic and regulatory

The economic recovery remained slow and uneven during 2011, with many economic indicators having only improved modestly or remaining unchanged to levels seen at the end of 2010. Unemployment remained high, the U.S. housing market continued to show signs of weakness, and consumer confidence remained low. Unemployment remained above 9% for a majority of the year, but improved to slightly below 9% during the fourth quarter. The U.S. housing market continued to be weak as evidenced by the large inventory of foreclosed or distressed properties, home prices remaining under pressure, construction on new single-family homes remaining at historically low levels, and uncertainty about future home prices causing sales of existing homes to remain weak. Consumer confidence was stagnant throughout the year and ended 2011 at a level comparable to the end of 2010, as consumer spending increased at only a moderate pace due in part to inflationary pressures during the year that included elevated commodity prices. Additionally, the financial markets witnessed high levels

of volatility during 2011 due to the economic uncertainty, the long-term U.S. debt downgrade by S&P, and the European sovereign debt crisis. As of December 31, 2011, we had no outstanding exposure to sovereign debt of European countries experiencing significant economic, fiscal, and/or political strains. See additional discussion of European debt exposure in "Other Market Risk" in this MD&A.

Amidst these challenging economic conditions, domestic and abroad, the Federal Reserve indicated in January 2012 that it expects to maintain key interest rates at exceptionally low levels, at least through late 2014. Additionally, the Federal Reserve continues to conduct accommodative monetary policy through the maintenance of large portfolios of U.S. Treasury notes and bonds and agency MBS. As of the end of 2011, the Federal Reserve held approximately \$2.6 trillion of such securities. The Federal Reserve is pursuing these policies to stimulate the economy in light of its January 2012 outlook for moderate real GDP growth, a high unemployment rate, and modest consumer price inflation in 2012.

Regulatory and financial reform continued in 2011, as regulatory agencies proposed and finalized numerous rules during the year, some of which became effective in 2011 and others that will begin to impact us in 2012 and beyond. In 2011, the FDIC finalized its rules related to the calculation of banks' deposit insurance assessment that were effective beginning in the second quarter of 2011. The rules required banks to base the deposit insurance calculation on our total average assets less average tangible equity, rather than based only on domestic deposits. In addition, the FDIC revised the overall pricing structure for large banks, which resulted in assessment rates being affected by specific risk characteristics, such as asset concentrations, liquidity, and asset quality. The impact of these rules has caused our regulatory expenses to increase during the year by 13%. During the year, we expanded our deposit product offerings, in response to revisions to Regulation Q, that became effective in the third quarter, to include payment of interest on business DDAs. As expected, the interest paid on these products was nominal, and we expect that to continue while the low rate environment exists. Conversely, during the fourth quarter of 2011, the Federal Reserve's final rules related to debit card interchange fees became effective. The debit card interchange rules limit the amount of interchange fee income that can be received for electronic debit transactions. When comparing the fourth quarter interchange revenue to the third quarter, we experienced a decrease of \$44 million, and as such, continue to believe going forward, the estimated impact of this rule may decrease our interchange revenue by about 50%, or approximately \$50 million per quarter. We continue to expect to mitigate about 50% of the approximately \$300 million combined annual revenue reductions from Regulation E (implemented in 2010) and rules related to debit card interchange fees. These mitigating actions are expected to begin impacting revenue over the course of 2012 and into 2013, and inherent in this expectation is our ability to charge certain deposit-related fees for value-added services we provide. See additional discussion in the "Noninterest Income" section of this MD&A. During the fourth quarter, a joint agency proposal was presented for implementation of the Volcker Rule of the Dodd-Frank Act related to increased regulation of derivatives and proprietary trading. While the rule remains in the formulative stage, based on the current proposal, we do not expect a material impact to our operations when it becomes effective in the third quarter of 2012.

In 2011, the Federal Reserve conducted a horizontal review of the nation's largest mortgage loan servicers, including us. Following this review, we and other servicers entered into a Consent Order with the Federal Reserve. We describe the Consent Order in Note 20, "Contingencies," to the Consolidated Financial Statements in this Form 10-K. See also, Part I, Item 1A, "Risk Factors," in this Form 10-K and "Nonperforming Assets" in this MD&A. The Consent Order requires us to improve certain mortgage servicing and foreclosure processes and to retain an independent consultant to conduct a review of residential foreclosure actions pending during 2009 and 2010 to identify any errors, misrepresentations or deficiencies, determine whether any instances so identified resulted in financial injury, and then make any appropriate remediation, reimbursement, or adjustment. Our work required to comply with the Federal Reserve's Consent Order is continuing. We currently anticipate modest increases in certain expenses, namely personnel and consulting, as we implement and comply with the provisions of the Consent Order.

We are actively evaluating other proposed rules and regulations, and as they emerge from the various stages of implementation and promulgation, we expect to be in a position to comply with new requirements and take appropriate actions as warranted.

Capital

During 2011, the Federal Reserve completed its CCAR for the nineteen largest U.S. bank holding companies. Upon completion of their review, the Federal Reserve did not object to the capital plan that we submitted. As a result, we initiated and completed certain elements of our capital plan, including issuing \$1.0 billion of common stock and \$1.0 billion of senior debt. In addition, we used the proceeds from those offerings, as well as other available funds, to repurchase \$3.5 billion of Fixed Rate Cumulative Preferred Stock, Series C and \$1.4 billion of Fixed Rate Cumulative Preferred Stock, Series D that was issued to the U.S. Treasury under the CPP in November and December, 2008. The repurchase of the preferred stock eliminated approximately \$265 million in annual preferred dividend payments and discount accretion that has been negatively affecting our earnings the past two years. Additionally, by keeping our shareholders' best interest in mind and demonstrating a patient and deliberate approach to the repayment of the U.S. government's TARP investment, we believe that we successfully lessened the impact to our shareholders by issuing less common stock than what would have been required had we chosen to repay earlier. The

Federal Reserve now requires annual CCAR submissions and is currently reviewing our recent submission made on January 9, 2012.

Our capital remained strong at December 31, 2011, and the level of common equity was significantly bolstered as a result of the successful common equity raise in the first quarter of 2011, as well as retained earnings growth. Our Tier 1 common equity ratio increased to 9.22% compared to 8.08% at December 31, 2010. Meanwhile, as a result of the change in our equity mix due to the repurchase of the preferred stock issued to the U.S. Treasury and repurchase of approximately \$400 million of trust preferred securities during the year, as well as the impact of loan growth on RWA, our Tier 1 capital ratio declined to 10.90%, compared to 13.67% at December 31, 2010. At December 31, 2010, our Tier 1 capital ratio, excluding preferred stock issued to the U.S. Treasury, was 10.08%. Our total capital ratio at December 31, 2011 was 13.67% compared to 16.54% at December 31, 2010. Overall, our capital remains strong and well above the requirements to be considered “well capitalized” according to current and proposed regulatory standards.

Consistent with our desire to take actions that will positively benefit our shareholders, we made decisions during the year that increased the return of capital to our shareholders. First, our Board approved an increase in the quarterly common stock dividend to \$0.05 per share for the third and fourth quarters. Second, when the U.S. Treasury auctioned our common stock warrants in October, we repurchased and retired approximately 4 million of the 17.9 million common stock warrants auctioned. Looking ahead, upon completion of the Federal Reserve's CCAR process in early 2012, we will evaluate additional actions to further increase the return of capital to shareholders in 2012. See additional discussion of our liquidity and capital position in the “Liquidity Risk” and “Capital Resources” sections of this MD&A.

Financial performance

While 2011 presented a challenging operating environment, we ended the year with significantly better momentum than when it started and achieved several milestones in our transformation to operate more efficiently and effectively in the new environment. During 2011, EPS increased meaningfully, we paid back the U.S. government's TARP investment, low-cost deposits were at record highs, we continued to change the risk composition of our loan portfolio in favor of lower risk loans while growing total loans, credit quality steadily improved during the year, capital ratios remained strong, and we launched an all-encompassing review of our operating expenses with a goal of eliminating \$300 million in annual expenses by the end of 2013. These efforts, coupled with our continued focus on serving our clients and managing our core business to drive improved bottom line results, as well as improved credit quality, resulted in significant improvement of earnings during 2011.

Net income available to common shareholders during the year of \$495 million, or \$0.94 per average common diluted share, compares favorably to a net loss available to common shareholders of \$87 million, or (\$0.18) per average common diluted share during 2010 and a net loss available to common shareholders of \$1.7 billion, or (\$3.98) per average common diluted share during 2009. Results in 2011 were driven by lower provision for credit losses, higher net interest income, and the reduction of preferred dividends paid to the U.S. Treasury after repayment of the U.S. government's TARP investment in March. Results during 2010 and 2009 were driven by higher provision for credit losses, higher interest expense, and the payment of preferred dividends to the U.S. Treasury. During the years ended December 31, 2011 and 2010, improved credit quality resulted in the decrease of 43% and 35% in our provision for credit losses compared to the years ended December 31, 2010 and 2009, respectively, which was a significant driver of the increase in our net income/(loss) available to common shareholders. As credit quality continues to improve, the impact to net income available to common shareholders due to lower provisions for credit losses is expected to be less substantial in future periods.

Our results have improved and progress is being made for further improvement, but our performance is not where we would like for it to be, and therefore we announced specific initiatives during 2011 that are aimed at improving our performance in the future. Our PPG is the collection of initiatives across the organization that we believe will improve efficiency and, over time will be a key component in our plan to reduce our efficiency ratio to targeted levels below 60%, as will the expected normalization in credit-related expense and mortgage repurchase provision as the economic environment improves. The three main components of the PPG expense program are focused in the areas of strategic supply management, consumer bank efficiencies, and operations staff and support. We have made significant progress

in our planning for PPG, and implementation is underway on many of its initiatives that should result in \$300 million in annual expense savings, with the majority of the actions to be accomplished during 2012 and the remainder in 2013. At the end of 2011, \$75 million in annualized savings had been realized with a majority coming from the strategic supply management area as a result of actions taken related to vendor costs, demand management, and discretionary spending. Initiatives in the consumer bank area and operations support and staff also contributed to the savings realized in 2011, primarily due to refining the branch network and staffing models and through consolidations and shared services related to certain operational staff and support teams. By the end of 2012, we anticipate realization of at least \$240 million in annualized savings through our PPG expense program, with the remainder realized by December 2013.

Our asset quality metrics improved again this year, with improvements in the provision for credit losses, net charge-offs, NPLs, nonperforming assets, and early stage delinquencies. At December 31, 2011, the ALLL ratio remains elevated by

historical standards at 2.01% of total loans and declined 57 basis points and 75 basis points compared to December 31, 2010 and 2009, respectively, in part due to decreases in the ALLL during 2011 and 2010, coupled with an increase in loans. The improvement in credit quality drove a 44% and 62% decrease in the provision for loan losses compared to 2010 and 2009, respectively. Additionally, net charge-offs declined 29% and 37% compared to 2010 and 2009, respectively. We currently expect net charge-offs to be stable to modestly down during the first quarter of 2012. Total NPLs continued the downward trend that began in 2010, with a decline of 29% from December 31, 2010 as a result of reduced inflows into nonaccrual combined with our problem loan resolution efforts. NPLs are also down 46% compared to December 31, 2009. We expect a continuation of the 2011 trend in NPLs with additional declines in the first quarter of 2012. OREO declined 20% during the year and 23% compared to December 31, 2009. The declines since year end 2010 and 2009 were the result of disposition of properties once we had clear title, coupled with a slow down of inflows. Our restructured loan portfolio is relatively unchanged in total compared to December 31, 2010, with a decrease in the nonaccruing loans offset by an increase in the accruing loan population. However, the restructured loan population has grown by 42% since December 31, 2009 as a result of our efforts for clients who were experiencing financial difficulty to restructure their loan to avoid foreclosure. As a result, our accruing restructured loan portfolio, which is primarily mortgage and consumer loans, increased by 8% and 72% compared to December 31, 2010 and 2009, respectively. However, the portfolio continued to exhibit strong payment performance with 88% current on principal and interest payments at December 31, 2011. Early stage delinquencies, a leading indicator of asset quality, particularly for consumer loans, remained stable this year, however, when excluding government-guaranteed loan delinquencies, early stage delinquencies declined 22 basis points from December 31, 2010. This decline was a result of our efforts to reduce risk in the portfolio during the year as evidenced by a decline in higher-risk loans coupled with the growth of government-guaranteed loans. See additional discussion of credit and asset quality in the “Loans,” “Allowance for Credit Losses,” “Nonperforming Assets,” and “Restructured Loans,” sections of this MD&A.

Average loans increased by \$2.4 billion, or 2%, during the year, with increases in commercial & industrial and consumer loans being partially offset by decreases in residential and commercial real estate loans. The total average loan balances have only increased modestly from 2010, but our risk profile has improved noticeably as we made progress on diversifying the portfolio and reducing risk. Our efforts in 2011 resulted in a decline in certain higher-risk loan portfolios, which have been offset by targeted growth in certain lower-risk portfolios, such as government-guaranteed loans. As a result, our guaranteed loans represent 11% of the portfolio as of December 31, 2011 compared to 8% at December 31, 2010. A major driver of the increase in government guaranteed loans has been the purchase of guaranteed loan portfolios. While our decision to purchase government guaranteed loans has benefited us in the current economic cycle, as the economy grows and organic loan growth increases, we expect slower growth of our government guaranteed portfolios in the future. Additionally, despite continued soft overall loan demand, we remain committed to providing home financing in the communities we serve and are focused on extending credit to qualified borrowers during this uncertain economic landscape. To that end, during the year ended December 31, 2011, we extended approximately \$84 billion in new loan originations, commitments, and renewals of commercial, residential, and consumer loans to our clients.

Client deposit growth continued its positive trajectory, reaching record highs during 2011, and the positive shift in deposit mix continued with lower-cost deposit increases more than offsetting the decline in higher-cost deposits. Average consumer and commercial deposits increased 5% during 2011, led by average balance increases of 19% in lower cost noninterest-bearing DDAs, predominantly offset by declines in higher cost CDs of 17%. Due to the growth seen in core deposits, our liquidity has been enhanced, enabling us to reduce our higher-cost funding sources, helping to drive significant reductions in our funding costs. While we continue to believe that a portion of the low-cost deposit growth is attributable to clients’ desires for having increased liquidity, we believe that we have also proactively generated this growth in both our Consumer and Wholesale business, as we have expanded the number of primary client relationships and improved our client loyalty.

Our client-focused revenue generation strategies, lower cost funding mix, and improved asset quality contributed to improved operating trends as seen in higher net interest income and lower provision for credit losses, partially offset by higher noninterest expenses compared to a year ago. Total revenue, on an FTE basis, declined 1% compared to 2010, but increased 4% from 2009. The change compared to 2010 was primarily due to an increase in net interest

income offset by a decline in noninterest income as a result of lower mortgage-related income, lower service charge income, and lower securities gains. The increase compared to 2009 was due primarily to an increase in net interest income, partially offset by a decline in noninterest income as a result of less service charges and mortgage-related income. Net interest income, on an FTE basis, increased 4% during 2011 and 13% compared to 2009. The increase in net interest income was due to lower funding costs and an improved funding mix. As a result, our net interest margin increased to 3.50% for the year ended December 31, 2011 from 3.38% during the same period in 2010, and 3.04% during 2009. Noninterest income declined 8% compared to 2010, most notably due to decreases in mortgage-related income, service charge income, and lower securities gains, partially offset by higher trading income driven by higher valuation gains on our fair value debt and index-linked CDs. Compared to 2009, noninterest income declined 8%, with increases in trading income, card fees, investment banking income, and trust income, offset by declines in mortgage-related income, service charge income, and the 2009 gain on sale of Visa share ownership. The driver for the decline in mortgage-related income compared to both earlier years was primarily due to less favorable net hedge performance and lower loan production volume that resulted in lower gain on sale and fee income. Service charge income declined compared

to both earlier years as a result of Regulation E changes in 2010. Noninterest expense increased 5% during 2011, driven primarily by higher personnel costs, operating losses, regulatory costs, and potential mortgage servicing settlement and claims expense, partially offset by lower gains on debt extinguishment. Compared to 2009, noninterest expense decreased by 5% primarily due to the recognition of goodwill impairment in 2009, partially offset by higher personnel costs, operating losses, and the potential mortgage servicing settlement and claims expense in 2011. The higher personnel costs are due to the hiring of additional teammates, primarily in loss mitigation and in client service and support roles, and an increase in compensation as a result of improved revenue generation in certain businesses. The increase in the operating losses was due to increases in legal and mortgage servicing-related expenses, while the regulatory cost increases were due to the change in the FDIC assessment calculation. The mortgage servicing settlement and claims expense includes an accrual of our estimated costs to address certain mortgage servicing claims. See additional discussion of our financial performance in the "Consolidated Financial Results" section of this MD&A, and Note 20, "Contingencies" and Note 25, "Subsequent Event," to the Consolidated Financial Statements in this Form 10-K related to the potential mortgage servicing settlement and claims expense.

Line of Business Highlights

Many of our core businesses demonstrated positive trends during 2011, helping to offset some of the regulatory and environmental challenges we encountered. Our strategic priorities to drive higher profitability from a more diverse platform encompass growing consumer market and wallet share, diversifying the loan portfolio, optimizing our business mix, and improving expense efficiency. The key to accomplishing these priorities is driven by our core performance within each line of business.

Despite the challenging regulatory environment, our Retail line of business accomplished growth in consumer market and wallet share in 2011. While navigating numerous product changes, we were able to expand our primary relationships and also expanded our product penetration per relationship. We grew our deposit market share in eight of our ten largest markets, we grew average loan balances by 6%, and increased net income during 2011.

Net income in our W&IM line of business increased 16% during 2011. The net income improvement was driven by growth in revenue, led by retail investment income growth of 12%, while maintaining stable expenses. Improving markets in 2012 could augment growth for this line of business.

Growing the CIB and Diversified Commercial Banking lines of business are key elements to our strategy of optimizing our business mix. In 2011, the CIB line of business experienced 26% average loan growth and record revenue and net income, increasing by 8% and 11%, respectively. Our success in CIB is a result of growing revenue, expanding relationships, and investing in talent. Solid growth in net interest income and fee income resulted in total revenue-FTE and net income increasing 9% and 33%, respectively, in the Diversified Commercial Banking line of business during 2011. Diversified Commercial Banking had a solid efficiency ratio, steady loan growth in the second half of 2011, and strong growth in core deposits and primary relationships driving the line of business' success in 2011. Both of these businesses had attractive efficiency ratios and experienced low loss rates during 2011, and we will look to build upon the positive expense efficiency and credit quality attributes in 2012.

While we are experiencing solid core business momentum in Retail, W&IM, CIB, and Diversified Commercial Banking, legacy mortgage and CRE issues are weighing on our overall financial performance.

The Mortgage line of business lost \$693 million in 2011, largely due to issues related to loans originated in 2008 and prior. While we work through these legacy loan issues, during 2011 we experienced healthy mortgage origination volumes, attractive margins, and significantly improved risk management.

Our CRE line of business lost \$310 million during 2011 as it had housing-related exposure as well, causing high levels of loss recognition during the year. CRE is our smallest line of business, but one with a potential for earning asset growth. In fact, we are transitioning the business back into production as we are beginning to see opportunities in certain markets and asset classes.

Our Corporate Treasury and Other line of business encompasses all remaining areas of the Company and is key to our asset and liability performance. This line of business has maintained an intense focus on balance sheet management and positioned us for prolonged low interest rates due to a high level of discipline around our asset and liability pricing. This discipline has benefited our margin in 2011, which helped drive the \$447 million in net income in this line of business.

CONSOLIDATED FINANCIAL RESULTS

Consolidated Daily Average Balances, Income/Expense And Average Yields Earned And Rates Paid

Table 1

(Dollars in millions; yields on taxable-equivalent basis)	2011			2010			2009		
	Average Balances	Income/Expense	Yields/Rates	Average Balances	Income/Expense	Yields/Rates	Average Balances	Income/Expense	Yields/Rates
Assets									
Loans: ^{1,6}									
Real estate 1-4 family	\$29,227	\$1,419	4.85 %	\$29,058	\$1,553	5.35 %	\$29,588	\$1,723	5.82 %
Real estate construction	2,119	83	3.94	3,402	126	3.69	5,991	198	3.31
Real estate home equity lines	14,299	482	3.37	14,912	503	3.37	15,685	523	3.34
Real estate commercial	12,871	520	4.04	14,578	593	4.07	15,573	639	4.11
Commercial - FTE ²	36,248	1,945	5.37	32,788	1,828	5.57	36,458	1,820	4.99
Credit card	1,012	82	8.13	1,058	89	8.39	984	74	7.47
Consumer - direct	7,261	321	4.42	5,812	251	4.32	5,101	207	4.06
Consumer - indirect	9,690	439	4.53	7,530	423	5.62	6,594	418	6.34
Nonaccrual ³	3,581	34	0.95	4,787	39	0.81	5,067	36	0.72
Total loans	116,308	5,325	4.58	113,925	5,405	4.74	121,041	5,638	4.66
Securities available for sale:									
Taxable	23,973	770	3.21	24,994	785	3.14	18,960	790	4.17
Tax-exempt - FTE ²	502	28	5.48	783	42	5.34	1,003	55	5.46
Total securities available for sale - FTE	24,475	798	3.26	25,777	827	3.21	19,963	845	4.23
Funds sold and securities purchased under agreements to resell									
LHFS	2,255	93	4.13	3,295	136	4.14	5,228	233	4.45
Interest-bearing deposits	22	—	0.15	26	—	0.17	25	—	0.91
Interest earning trading assets	3,750	79	2.10	3,195	90	2.79	3,857	115	2.99
Total earning assets	147,802	6,295	4.26	147,187	6,459	4.39	150,908	6,833	4.53
ALLL	(2,702)			(3,045)			(2,706)		
Cash and due from banks	5,203			4,821			4,844		
Other assets	16,831			18,268			17,355		
Noninterest earning trading assets	2,708			2,913			3,429		
Unrealized gains on securities available for sale	2,598			2,231			1,612		
Total assets	\$172,440			\$172,375			\$175,442		
Liabilities and Shareholders' Equity									
Interest-bearing deposits:									
NOW accounts	\$24,751	\$35	0.14 %	\$24,668	\$58	0.24 %	\$23,601	\$99	0.42 %
Money market accounts	42,854	161	0.38	38,893	227	0.58	31,864	315	0.99
Savings	4,535	7	0.15	4,028	9	0.22	3,664	10	0.27

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Consumer time	12,451	198	1.59	14,232	267	1.87	16,718	479	2.87
Other time	7,036	122	1.73	9,205	189	2.05	13,068	382	2.92
Total interest-bearing consumer and commercial deposits	91,627	523	0.57	91,026	750	0.82	88,915	1,285	1.45
Brokered deposits	2,306	101	4.38	2,561	110	4.29	5,648	154	2.69
Foreign deposits	80	—	0.57	355	—	0.13	434	1	0.12
Total interest-bearing deposits	94,013	624	0.66	93,942	860	0.92	94,997	1,440	1.52
Funds purchased	1,038	2	0.13	1,226	2	0.19	1,670	3	0.19
Securities sold under agreements to repurchase	2,157	3	0.15	2,416	4	0.15	2,483	5	0.18
Interest-bearing trading liabilities	851	26	3.04	833	30	3.58	487	20	4.14
Other short-term borrowings	3,465	12	0.36	3,014	13	0.43	2,704	15	0.54
Long-term debt	13,496	449	3.33	16,096	580	3.60	20,119	761	3.78
Total interest-bearing liabilities	115,020	1,116	0.97	117,527	1,489	1.27	122,460	2,244	1.83
Noninterest-bearing deposits	31,045			26,103			24,249		
Other liabilities	3,972			4,097			4,387		
Noninterest-bearing trading liabilities	1,707			1,814			2,060		
Shareholders' equity	20,696			22,834			22,286		
Total liabilities and shareholders' equity	\$ 172,440			\$ 172,375			\$ 175,442		
Interest Rate Spread			3.29 %			3.12 %			2.70 %
Net Interest Income - FTE ⁴		\$5,179			\$4,970			\$4,589	
Net Interest Margin ⁵			3.50 %			3.38 %			3.04 %

¹Interest income includes loan fees of \$138 million, \$146 million, and \$148 million for the three years ended December 31, 2011, 2010 and 2009, respectively.

²Interest income includes the effects of taxable-equivalent adjustments using a federal income tax rate of 35% and, where applicable, state income taxes to increase tax-exempt interest income to a taxable-equivalent basis. The net taxable-equivalent adjustment amounts included in the above table aggregated \$114 million, \$116 million, and \$123 million for the three years ended December 31, 2011, 2010 and 2009, respectively.

³Income on consumer and residential nonaccrual loans, if recognized, is recognized on a cash basis.

⁴Derivative instruments that manage our interest-sensitivity position increased net interest income \$639 million, \$617 million, and \$488 million for the three years ended December 31, 2011, 2010 and 2009, respectively.

⁵The net interest margin is calculated by dividing net interest income – FTE by average total earning assets.

⁶Loan categories in this table are presented using pre-adoption classifications due to an inability to produce prior years average balances using post-adoption classifications.

Analysis of Changes in Net Interest Income ¹

Table 2

(Dollars in millions on a taxable-equivalent basis)	2011 Compared to 2010 Increase (Decrease) Due to			2010 Compared to 2009 Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
Interest Income						
Loans:						
Real estate 1-4 family	\$9	(\$143	) (\$134	) (\$31	) (\$138	) (\$169
Real estate construction	(50	) 8	(42	) (93	) 21	(72
Real estate home equity lines	(21	) —	(21	) (25	) 4	(21
Real estate commercial	(69	) (4	) (73	) (40	) (6	) (46
Commercial - FTE ²	185	(68	) 117	(193	) 201	8
Credit card	(4	) (3	) (7	) 6	9	15
Consumer - direct	64	6	70	30	14	44
Consumer - indirect	107	(92	) 15	56	(51	) 5
Nonaccrual	(11	) 6	(5	) (2	) 5	3
Securities available for sale:						
Taxable	(32	) 17	(15	) 217	(222	) (5
Tax-exempt ²	(15	) 1	(14	) (12	) (1	) (13
Funds sold and securities purchased under agreements to resell						
LHFS	(43	) (1	) (44	) (81	) (15	) (96
Interest-bearing deposits	—	—	—	—	—	—
Interest earning trading assets	14	(24	) (10	) (19	) (7	) (26
Total interest income	134	(298	) (164	) (186	) (188	) (374
Interest Expense						
NOW accounts	—	(23	) (23	) 4	(45	) (41
Money market accounts	20	(87	) (67	) 61	(148	) (87
Savings	1	(3	) (2	) 1	(2	) (1
Consumer time	(31	) (37	) (68	) (63	) (149	) (212
Other time	(40	) (27	) (67	) (97	) (97	) (194
Brokered time deposits	(11	) 2	(9	) (108	) 64	(44
Foreign deposits	(1	) 1	—	—	—	—
Funds purchased	(1	) —	(1	) (1	) —	(1
Securities sold under agreements to repurchase	(1	) —	(1	) —	(1	) (1
Interest-bearing trading liabilities	—	(5	) (5	) 13	(3	) 10
Other short-term borrowings	2	(2	) —	1	(3	) (2
Long-term debt	(89	) (41	) (130	) (147	) (35	) (182
Total interest expense	(151	) (222	) (373	) (336	) (419	) (755
Net change in net interest income	\$285	(\$76	) \$209	\$150	\$231	\$381

¹Changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for earning assets and sources of funds on which interest is received or paid. Volume change is calculated as change in volume times the previous rate, while rate change is change in rate times the

previous volume. The rate/volume change, change in rate times change in volume, is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total.

²Interest income includes the effects of the taxable-equivalent adjustments to increase tax-exempt interest income to a taxable-equivalent basis.

Net Interest Income/Margin

Net interest income, on an FTE basis, was \$5.2 billion during 2011, an increase of \$209 million, up 4%, from 2010. This increase was predominantly driven by a continued positive trend in net interest margin, which increased by 12 basis points to 3.50% in 2011 from 3.38% in 2010. Earning asset yields declined by 13 basis points to 4.26%, compared with 4.39% during 2010, while the cost of interest-bearing liabilities decreased by 30 basis points over the same period. Net interest margin increased, predominantly due to the growth in lower-cost deposits, specifically DDA and money market accounts, along with a decrease in higher-cost time deposits and long-term debt. We expect the net interest margin to decline modestly in the first quarter of 2012, as earning asset yield compression is expected as a result of the continued low rate environment.

Average earning assets increased by \$0.6 billion, or less than 1%, compared with 2010. The increase was predominantly due to an increase in average loans, which was up by \$2.4 billion, or 2%. The increase in loans was primarily attributable to increases of \$3.5 billion, or 11%, in commercial loans, primarily driven by our large corporate borrowers, \$2.2 billion, or 29%, in consumer-indirect loans, driven by purchases of high quality auto loan portfolios, and \$1.4 billion, or 25%, of consumer-direct loans related to an increase in government-guaranteed student loans. These increases were partially offset

by declines of \$1.7 billion, or 12%, in commercial real estate and by \$1.3 billion, or 38%, in real estate construction, both predominantly as a result of our targeted efforts to reduce exposure to these higher-risk loans, and by a \$1.2 billion, or 25%, decline in nonaccrual loans, primarily commercial nonaccrual loans, and a \$0.6 billion, or 4%, decrease in real estate home equity lines. Securities AFS also decreased by \$1.3 billion, down 5%, predominantly due to the sale of lower yielding U.S. Treasury securities of \$4.4 billion, partially offset by purchases of agency MBS and federal agency securities. See additional discussion in the “Securities Available for Sale” section in this MD&A for more information on the repositioning of our securities AFS portfolio. LHFS declined by \$1.0 billion, or 32%, as a result of a reduction in closed mortgage loan volume.

Our loan portfolio yielded 4.58% for the year, down 16 basis points from 2010. The yield decline was predominantly related to higher balances in the consumer-indirect loan portfolio that included high-quality loans acquired at lower rates and the real estate 1-4 family loan portfolio, which was driven by run-off of higher rate loans that we replaced with lower rate government guaranteed loans. We utilize interest rate swaps to manage interest rate risk. The largest notional position of these swaps are receive fixed/pay floating interest rate swaps that convert a portion of our commercial loan portfolio from floating rates, based on LIBOR, to fixed rates. As of December 31, 2011, the outstanding notional balance of swaps was \$14.9 billion, which qualified as cash flow hedges on variable rate commercial loans, compared with \$15.9 billion as of December 31, 2010. Swap income remained relatively stable at \$626 million during 2011 compared with \$617 million during 2010. Reflected in our swap income during 2011, was approximately \$202 million of income related to terminated swaps. Beginning in the second quarter of 2012, the income from certain swaps that were previously terminated will decline by approximately \$35 million per quarter. In the absence of additions or terminations, our notional balance of swaps will begin to mature in the second quarter of 2013 with remaining maturities through early 2017. The average maturity of our swap notional balances at December 31, 2011 was 3.4 years. The U.S. government recently announced a plan that could potentially impact prepayments and borrower payment caps related to a portion of our student loan portfolio. Some of our portfolio was acquired at a discount and prepayments may result in additional net interest income; however, the impact of the plan is not expected to have a material effect on our net interest income.

Average interest-bearing liabilities declined by \$2.5 billion, or 2%, from 2010, predominantly as a result of a \$4.0 billion, or 17%, decline in higher-cost time deposits and a \$2.6 billion, or 16%, decline in long-term debt. The declines in time deposits and long-term debt were partially offset by an increase in lower-cost client deposits, as compared to the same period during 2010. Total average consumer and commercial deposits increased by \$5.5 billion, or 5%, compared with the same period during 2010. This increase was predominantly driven by a \$4.9 billion, or 19%, increase in demand deposits. The growth in lower-cost deposits and the decline in time deposits and wholesale funding resulted in a 30 basis point decline in rates paid on interest-bearing liabilities compared with the same period during 2010. The growth in lower-cost deposits was the result of marketing campaigns, competitive pricing and clients’ increased preference for more liquid products.

During 2011, the interest rate environment was characterized by a flattening of the yield curve versus 2010, as rates at the long end of the curve declined. More specifically, the Fed funds target rate averaged 0.25%, unchanged from last year. The Prime rate averaged 3.25%, unchanged from 2010. During 2011, benchmark rates were as follows compared with 2010; one-month LIBOR averaged 0.23%, a decrease of 4 basis points, three-month LIBOR averaged 0.34%, unchanged from 2010, five-year swaps averaged 1.79%, a decrease of 37 basis points, and ten-year swaps averaged 2.90%, a decrease of 35 basis points.

Foregone Interest

Foregone interest income from NPLs reduced net interest margin by 15 basis points during 2011, compared with 20 basis points during 2010, as average nonaccrual loans decreased by \$1.2 billion during the period ended December 31, 2011. See additional discussion of our expectations for future levels of credit quality in the “Allowance for Credit Losses” and “Nonperforming Assets” sections of this MD&A. Tables 1 and 2 contain more detailed information concerning average balances, yields earned, and rates paid.

NONINTEREST INCOME

(Dollars in millions)	Table 3		
	Year Ended December 31		
	2011	2010	2009
Service charges on deposit accounts	\$685	\$760	\$848
Trust and investment management income	531	503	486
Other charges and fees	507	534	523
Card fees	371	376	324
Investment banking income	317	313	272
Trading income/(loss)	248	173	(41)
Retail investment services	230	205	218
Mortgage production related (loss)/income	(5)	127	376
Mortgage servicing related income	224	358	330
Net securities gains	117	191	98
Gain from ownership in Visa	—	—	112
Other noninterest income	196	189	164
Total noninterest income	\$3,421	\$3,729	\$3,710

Noninterest income decreased by \$308 million, or 8%, compared with the year ended December 31, 2010, due to lower mortgage-related income, lower deposit service charges due primarily to Regulation E, and lower net gains on the sale of investment securities, partially offset by higher trading income/(loss), trust and investment management income, and retail investment services income.

Mortgage servicing related income decreased by \$134 million, or 37%, compared with the year ended December 31, 2010. The decline was due to less favorable net hedge performance and lower MSR valuations resulting from an increase in prepayment assumptions attributable to increased refinancing activity. Furthermore, during the fourth quarter of 2011, mortgage servicing related income was impacted by a decline in fair value of MSRs of \$38 million due to the HARP 2.0 program, which is anticipated to result in higher refinance activity. See the "Other Market Risk" section of this MD&A for further information regarding the risks pertaining to the valuation of our MSRs. The remaining decrease is due to a decline in service fees attributable to a decrease in the servicing portfolio. As of December 31, 2011, the balance of mortgages serviced was \$157.8 billion compared with \$167.2 billion as of December 31, 2010.

Mortgage production related (loss)/income was a loss of \$5 million for the year ended December 31, 2011 compared with income of \$127 million for the year ended December 31, 2010. The decline was predominantly due to declines in loan production volume. Loan production volume of \$23.1 billion in 2011 was down \$6.2 billion, or 21%, from the prior year, coupled with lower margins, which resulted in lower gain on sale and fee income. Additionally, the mortgage repurchase provision for the year ended December 31, 2011 was \$502 million compared with \$456 million for the year ended December 31, 2010, an increase of \$46 million due to the increase in agency-related repurchase requests (see below for additional discussion). The reserves for mortgage repurchases was \$320 million as of December 31, 2011, an increase of \$55 million from prior year.

Repurchase requests can vary significantly from period to period based on the timing of requests from the GSEs. Mortgage repurchase demands were elevated during 2011 compared to 2010. The majority of our demands are from loans in the 2006-2008 vintages that have been 120 days past due at some point in their life cycle. In addition, the majority of the demands that we have received have been from loans that were delinquent within the first 36 months after origination. If this pattern continues and investor selection criteria does not change, it suggests that the pool of delinquent loans from which we will receive demands could be stabilizing, given that any performing loans from the 2006-2008 vintages have now been outstanding beyond 36 months. This pattern is expected to result in a decline in the mortgage repurchase provision in the second half of 2012.

However, we believe that demands will continue to be volatile and may remain elevated in 2012. A continued sluggish economy and any further declines in housing values could impact the future amount of demands. If demands do not decline from levels seen in the latter half of 2011, we may see an increase in the repurchase provision in 2012, which would result in lower mortgage production income. As a result of the continued uncertainty and our expectation

of elevated demands in the near term, our mortgage repurchase reserve remains at historically high levels. For additional information on the mortgage repurchase reserve, see Note 18, "Reinsurance Arrangements and Guarantees," to the Consolidated Financial Statements in this Form 10-K, the "Critical Accounting Policies" section of this MD&A, and "Part I, Item 1A, Risk Factors" in this Form 10-K.

Service charges on deposit accounts decreased by \$75 million, or 10%, compared with the year ended December 31, 2010. The decrease was attributable to Regulation E changes and a voluntary decision to eliminate fees on transactions where the overdrafted amount is small, as well as reducing the maximum number of daily overdraft fees charged to our clients. The voluntary changes and the Regulation E impact began during the third quarter of 2010. Net securities gains decreased by \$74 million, or 39%, compared with the year ended December 31, 2010. During 2011 and 2010, we repositioned the securities AFS portfolio in response to market conditions, which caused sales and the resulting gains. See "Securities Available for Sale" in this MD&A for further discussion regarding our repositioning activity.

Trading income/(loss) increased by \$75 million, or 43%, compared with the year ended December 31, 2010. The increase was primarily attributable to valuation gains on our fair value debt, net of hedges, and index-linked CDs of \$89 million for the year ended December 31, 2011 compared with valuation losses of \$25 million for the year December 31, 2010 driven by the widening of financial institutions' credit spreads amidst market volatility during the year. Additionally, we experienced lower valuation losses associated with the deterioration of collateral on previously securitized loans. These were partially offset by lower valuation gains on illiquid securities and a decline in core trading revenue due to market volatility during the second half of the year caused by the U.S. debt downgrade by S&P and the low interest rate environment.

Trust and investment management income increased by \$28 million, or 6%, compared with the year ended December 31, 2010. The increase was primarily due to higher revenue from our RidgeWorth mutual fund complex and higher market valuations on managed equity assets.

Retail investment services income increased by \$25 million, or 12%, compared with the year ended December 31, 2010. The increases were driven by higher recurring brokerage revenue and annuity income.

Other charges and fees decreased by \$27 million, or 5%, compared with the year ended December 31, 2010. Premium income related to reinsurance services declined due to paydowns in underlying loans' principal balances and the termination of contracts during the year. Fee income was also impacted by a decline in letter of credit fees due to a reduction of \$1.2 billion in outstanding letters of credit.

Card fees decreased by \$5 million, or 1%, compared with the year ended December 31, 2010. The decline was a result of regulations on debit card interchange fee income that became effective at the beginning of fourth quarter 2011. On June 29, 2011, the Federal Reserve issued a final rule establishing revised standards that significantly lowered the rates that can be charged on debit card transactions and prohibited network exclusivity arrangements and routing restrictions. We estimated that this rule, effective at the beginning of the fourth quarter 2011, would reduce our debit interchange income by about 50%, or approximately \$50 million per quarter prior to any mitigating actions. As a means to mitigate some of this lost revenue, we have introduced new checking account products which are aligned with clients' needs and which we expect will provide additional streams of fee income. Additionally, we also expect to benefit from the discontinuation of our debit card rewards programs, actions taken to reduce the costs related to our debit card program, and the introduction of other value-added deposit product features over the next two years, which we expect will produce additional deposit fee income. Collectively, and over time, we currently estimate that the benefits from all of these changes will enable us to recapture 50% of the approximate \$300 million of combined annual revenue loss attributable to both the newly-issued interchange fee rules and Regulation E. Inherent in this expectation is our ability to charge certain deposit-related fees for value-added services we provide.

Investment banking income increased by \$4 million, or 1%, compared with the year ended December 31, 2010. The increase over 2010 was primarily attributable to strong syndicated finance fees, which resulted from continued market penetration. We note that investment banking income has and will continue to experience volatility due to market factors and client behavior patterns.

Other noninterest income increased by \$7 million, or 4%, compared with the year ended December 31, 2010. The increase was primarily attributable to current year gains on private equity investments and client leasing transactions.

NONINTEREST EXPENSE

(Dollars in millions)	Year Ended December 31		
	2011	2010	2009
Employee compensation	\$2,494	\$2,364	\$2,258
Employee benefits	382	457	542
Personnel expenses	2,876	2,821	2,800
Outside processing and software	653	638	579
Net occupancy expense	356	361	357
Regulatory assessments	300	265	302
Credit and collection services	275	279	259
Other real estate expense	264	300	244
Operating losses	257	83	99
Marketing and customer development	184	177	152
Equipment expense	178	174	172
Consulting and legal	120	84	57
Potential mortgage servicing settlement and claims expense	120	—	—
Other staff expense	95	55	51
Postage and delivery	81	83	84
Communications	63	64	67
Operating supplies	45	47	41
Amortization of intangible assets	43	51	56
Impairment of goodwill	—	—	751
Net (gain)/loss on debt extinguishment	(3	) 70	39
Other expense	327	359	452
Total noninterest expense	\$6,234	\$5,911	\$6,562

Table 4

Noninterest expense increased by \$323 million, or 5%, compared with the year ended December 31, 2010. The increase in expense was driven predominantly by higher operating losses, potential mortgage servicing settlement and claims expense, personnel and other staff, consulting and legal, and regulatory assessments. These higher costs were partially offset by a net gain on the extinguishment of debt compared to a net loss on extinguishment in 2010, as well as a decline in other real estate expense.

Operating losses increased by \$174 million, compared with the year ended December 31, 2010. The increase was due to compliance-related costs largely attributable to mortgage servicing and litigation expenses tied to specific claims. The potential mortgage servicing settlement and claims expense was due to the accrual of our estimated costs to address certain mortgage servicing claims. See additional discussion in Note 20, "Contingencies" and Note 25, "Subsequent Event," to the Consolidated Financial Statements in this Form 10-K.

Personnel expenses increased by \$55 million, or 2%, compared with the year ended December 31, 2010. The \$130 million, or 5%, increase in employee compensation expense related to higher compensation from improved business performance and increases in client-facing full-time equivalent employees. The increase was largely offset by a \$75 million, or 16% decrease in employee benefits, predominantly due to a \$60 million gain related to curtailment of our pension plan net of a discretionary 401(k) contribution. During the year we made the decision to curtail the pension plan and concurrent with the curtailment, we made a contribution to our longer-tenured teammates' 401(k) accounts. Other staff expense increased by \$40 million, or 73%, compared with the year ended December 31, 2010, predominantly due to an increase in severance-related expenses. The severance-related expenses were associated with our PPG Expense Program. The severance-related expenses reflect the progress that we made during the year on the design and implementation of the PPG Expense Program, and we believe the expenses recorded in 2011 to be a majority of the severance expense that will be incurred over the life of the Program.

Consulting and legal expenses increased by \$36 million, or 43%, compared with the year ended December 31, 2010. The increase was attributable to consulting costs associated with specific business initiatives, as well as costs to address the Consent Order with the Federal Reserve. For additional information regarding the Consent Order, see

Note 20, "Contingencies," to the Consolidated Financial Statements in this Form 10-K and the "Nonperforming Assets" section of this MD&A.

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Regulatory assessments expense increased by \$35 million, or 13%, compared with the year ended December 31, 2010. The increase was the result of the change in the assessment base for FDIC insurance premiums that took effect at the beginning of the second quarter of 2011.

Net losses on debt extinguishment decreased by \$73 million, compared with the year ended December 31, 2010. Net losses on debt extinguishment in the prior year were primarily due to early termination fees on the extinguishment of \$1.7 billion in FHLB borrowings, as well as the fees paid to repurchase \$750 million of our debt in a tender offer. Other real estate expense decreased by \$36 million, or 12%, compared with the year ended December 31, 2010. The decrease was predominantly due to less loss provisioning as sales of owned properties increased while inflows of new properties decreased. Over time, as the economic environment improves, we expect that other real estate expense will continue to improve, but will likely remain elevated compared with the levels realized prior to the economic recession.

PROVISION FOR INCOME TAXES

The provision for income taxes includes both federal and state income taxes. For the year ended December 31, 2011, the provision for income taxes was \$79 million, resulting in an effective tax rate of 10.9%. The effective tax rate was primarily a result of positive pre-tax earnings adjusted for net favorable permanent tax items, such as interest income from lending to tax-exempt entities and federal tax credits from community reinvestment activities. For the year ended December 31, 2010, we had an income tax benefit of \$185 million which was primarily driven by the net favorable permanent tax items significantly exceeding positive pre-tax earnings. See additional discussion related to the provision for income taxes in Note 15, "Income Taxes," to the Consolidated Financial Statements in this Form 10-K.

LOANS

In 2010, we adopted accounting guidance that requires additional disclosures about the credit quality of our loan portfolios and the credit reserves held against them. These disclosures are intended to 1) describe the nature of credit risk inherent in our loan portfolio, 2) provide information on how we analyze and assess that risk in arriving at an adequate and appropriate ALLL, and 3) explain the changes in the ALLL and reasons for those changes. Additionally, the disclosures are required to be made on a disaggregated basis by loan portfolio segment and/or by type of loan. A portfolio segment is defined as the level at which we develop and document our method for determining our ALLL. Loan types are further categorizations of our portfolio segments. In conjunction with adopting the accounting guidance, we adjusted 2009 loan classifications to align with post-adoption loan classifications. While the reclassification had no effect on the carrying value of our LHFI or LHFS, SEC regulations require us, in some instances, to present five years of comparable data where trend information may be deemed relevant, in which case we have provided the pre-adoption loan classifications due to the inability to restate all prior periods under the post-adoption loan classifications.

Under the post-adoption classification, we report our loan portfolio in three segments: commercial, residential, and consumer. Loans are assigned to these segments based upon the type of borrower, collateral, and/or our underlying credit management processes. Additionally, within each segment, we have identified loan types, or classes, which further identify loans based upon common risk characteristics.

The commercial and industrial loan type includes loans secured by owner-occupied properties, corporate credit cards and other wholesale lending activities. Commercial real estate and commercial construction loan types are based on investor exposures where repayment is largely dependent upon the operation, refinance, or sale of the underlying real estate. Commercial and construction loans secured by owner-occupied properties are classified as commercial and industrial loans, as the primary source of loan repayment for owner-occupied properties is business income and not real estate operations.

Residential mortgages consist of loans secured by 1-4 family homes, mostly prime first-lien loans, both guaranteed and nonguaranteed. Residential construction loans include residential lot loans and construction-to-perm loans. Home equity products consist of equity lines of credit and closed-end equity loans that may be in either a first lien or junior lien position. At December 31, 2011, 30% of our home equity products were in a first lien position and 70% were in a junior lien position. For home equity products in a junior lien position, we service 32% of the loans that are senior to the home equity product.

Only a small percentage of home equity lines are scheduled to convert to amortizing in 2012 and 2013, with 90% of home equity line balances scheduled to convert to amortization in 2014 or later. It should be noted that a majority of accounts do not convert to amortizing. Based on historical trends, within 12 months of the end of their draw period, more than 75% of accounts, and approximately 65% of accounts with a balance, closed or refinanced before, or soon after converting. We perform credit management activities on home equity accounts to limit our loss exposure. These activities result in the suspension of available credit of most home equity junior lien accounts when the first lien position is delinquent, including when the junior lien is still current. We do not actively monitor the first lien delinquency status on an on-going basis when we do not own or service the first lien position beyond the initial notification of the first lien becoming delinquent. However, we actively monitor

refreshed credit bureau scores, which are highly sensitive to first lien mortgage delinquency, of borrowers with junior liens. At December 31, 2011, our home equity junior lien loss severity was approximately 90%.

The loan types comprising our consumer loan segment include guaranteed student loans, other direct, consisting primarily of private student loans, indirect, consisting of loans secured by automobiles or recreational vehicles, and credit cards.

The composition of the Company's loan portfolio at December 31 is shown in the following tables:

Loan Portfolio by Types of Loans (Post-Adoption)

Table 5

(Dollars in millions)	2011	2010	2009
Commercial loans:			
Commercial & industrial	\$49,538	\$44,753	\$44,008
Commercial real estate	5,094	6,167	6,694
Commercial construction	1,240	2,568	4,984
Total commercial loans	55,872	53,488	55,686
Residential loans:			
Residential mortgages - guaranteed	6,672	4,520	949
Residential mortgages - nonguaranteed ¹	23,243	23,959	25,847
Home equity products	15,765	16,751	17,783
Residential construction	980	1,291	1,909
Total residential loans	46,660	46,521	46,488
Consumer loans:			
Guaranteed student loans	7,199	4,260	2,786
Other direct	2,059	1,722	1,484
Indirect	10,165	9,499	6,665
Credit cards	540	485	566
Total consumer loans	19,963	15,966	11,501
LHFI	\$122,495	\$115,975	\$113,675
LHFS	\$2,353	\$3,501	\$4,670

¹Includes \$431 million, \$488 million, and \$437 million of loans carried at fair value at December 31, 2011, 2010, and 2009, respectively.

Loans Held for Investment

Our loan growth performance was strong, with LHFI increasing \$6.5 billion, up 6% during the year ended December 31, 2011. Growth was driven by increases in the commercial and industrial and government-guaranteed student and guaranteed residential mortgage loans. We continued to make progress in our loan portfolio diversification strategy, as we have been successful both in growing targeted commercial and consumer areas, and in reducing our exposure to certain residential and construction areas that we consider to be higher risk. Continuing to manage down our commercial and residential construction portfolios has resulted in a combined \$1.6 billion decline in these portfolios during the year ended December 31, 2011, and a \$7.8 billion decrease since the end of 2008. At the same time that we have been managing these and other higher risk balances down, we have also been reducing our risk by increasing our government-guaranteed loans. These efforts have driven a meaningful improvement in our risk profile. Our strategy to purchase government-guaranteed loans has performed well as a bridge during a time of low economic growth and, if organic loan growth continues in the coming quarters, we expect slower growth in this category.

Government-guaranteed loans increased this year by about \$5.1 billion, and they now total \$13.9 billion, or 11% of our loan portfolio.

Commercial loans increased \$2.4 billion, up 4% during the year ended December 31, 2011. Growth was driven by a \$4.8 billion increase in commercial and industrial loans, largely offset by decreases in commercial construction loans

and commercial real estate loans. Our larger corporate borrowers drove much of the 11% increase in commercial and industrial loans. Growth came across most industry verticals, with healthcare and energy contributing the most. Meanwhile, commercial construction loans decreased by \$1.3 billion, down 52%, primarily as a result of our efforts to reduce risk levels by aggressively managing existing construction exposure.

Residential loans remained relatively flat during the year ended December 31, 2011. Government-guaranteed mortgages grew \$2.2 billion, up 48%, as we added to this portfolio during the fourth quarter of 2011, and thereby continued to make progress on diversifying and de-risking the overall balance sheet. We experienced declines across all other residential loan classes,

especially home equity and residential construction. The overall decline was predominantly driven by payoffs, with current year net charge-offs and transfers to OREO also contributing to the decline.

Consumer loans increased \$4.0 billion, up 25% during the year ended December 31, 2011. Growth occurred across all consumer loan classes, with government-guaranteed student loans being the largest driver, increasing by \$2.9 billion, up 69%, due to portfolio acquisitions.

Loans Held for Sale

LHFS decreased \$1.1 billion, down 33% during the year ended December 31, 2011. The decline was attributable to a reduction in closed mortgage loan volume, coupled with increased delivery volume to our LHFI portfolio.

Loan Portfolio by Types of Loans (Pre-Adoption)

Table 6

(Dollars in millions)	2011	2010	2009	2008	2007
Commercial	\$40,104	\$34,064	\$32,494	\$41,040	\$35,929
Real estate:					
Home equity lines	14,287	15,040	15,953	16,454	14,912
Construction	2,143	3,848	6,647	9,864	13,777
Residential mortgages ¹	32,608	31,572	30,790	32,066	32,780
Commercial real estate:					
Owner occupied	7,753	8,674	8,915	8,758	7,948
Investor owned	4,758	5,868	6,159	6,199	4,661
Consumer:					
Direct	9,655	6,638	5,118	5,139	3,964
Indirect	10,164	9,291	6,531	6,508	7,494
Credit card	1,023	980	1,068	970	854
LHFI	\$122,495	\$115,975	\$113,675	\$126,998	\$122,319
LHFS	\$2,353	\$3,501	\$4,670	\$4,032	\$8,852

¹For the years ended December 31, 2011, 2010, 2009, 2008, and 2007, includes \$431 million, \$488 million, \$437 million, \$239 million, and \$221 million, respectively, of loans carried at fair value.

Selected Loan Maturity Data

Table 7

(Dollars in millions)	As of December 31, 2011			
	Total	1 year or less	1-5 years	After 5 years
Loan Maturity				
Commercial and commercial real estate ¹	\$49,233	\$24,522	\$22,082	\$2,629
Real estate - construction	1,240	650	522	68
Total	\$50,473	\$25,172	\$22,604	\$2,697
Interest Rate Sensitivity				
Selected loans with:				
Predetermined interest rates			\$5,081	\$1,677
Floating or adjustable interest rates			17,523	1,020
Total			\$22,604	\$2,697

¹Excludes \$4.5 billion in lease financing and \$936 million in installment loans.

Asset Quality

Our overall asset quality improved steadily throughout 2011, with net charge-offs, NPLs, and nonperforming assets all declining, as compared with the prior year. The total delinquency ratio remained flat during 2011 compared with December 31, 2010, but increased 13 basis points during the fourth quarter of 2011. The increase was due to the purchase of government-guaranteed student loan portfolios, which have higher delinquency rates, although the true loss exposure is very low due to the government guarantee. Early stage delinquencies excluding government-guaranteed loans continued to trend lower, down 22 basis points during the year, driven by improvements in nonguaranteed mortgages and home equity loans. Commercial and consumer early stage delinquencies reached relatively low levels of 0.17% and 0.68% of total loans at December 31, 2011, respectively, while residential early stage delinquencies declined to 1.38%. Any further improvement in overall delinquencies will be influenced by the overall economy, particularly by changes in unemployment and to a lesser extent, home values.

NPLs totaled \$2.9 billion as of December 31, 2011, and compared to December 31, 2010, NPLs decreased \$1.2 billion, down 29%. Approximately \$1.0 billion of the overall decline came from commercial construction NPLs as a result of continuing risk mitigation activities. We continue to be proactive in our credit monitoring and management processes to provide early warning of problem loans. For example, we use an expanded liquidity and contingency analysis to provide a thorough view of borrowers' capacity and their ability to service their debt obligations. We also have strict limits and exposure caps on specific projects and borrowers for risk diversification. Due to the lack of new construction projects and the completion of many that were previously started, the aggregate amount of interest reserves that we are obligated to fund has declined from prior periods and are not considered significant relative to total loans outstanding.

Overall asset quality trends for residential loans showed improvement throughout 2011. For the year, net charge-offs decreased by over \$800 million, or about 30%, with residential loans being the largest driver, contributing \$459 million towards the decline. Residential NPLs also declined modestly, down 11%, driven by improvements in residential construction and nonguaranteed mortgages. As we look to the first quarter of 2012, we expect to see a further decline in NPLs, with net charge-offs relatively stable to modestly down.

Net charge-offs and early stage delinquencies for the home equity portfolio declined, while NPLs remained relatively stable, showing slight decreases during the year. Runoff in this portfolio has been concentrated in the higher LTV loans, where a very limited amount of production has occurred during 2011. While these higher LTV loans have additional availability on their home equity lines at December 31, 2011, 99% of already outstanding borrowings on the lines are accruing and current on interest and principal.

Commercial net charge-offs declined \$325 million during 2011, down 33% compared to the prior year, led by decreases in our commercial construction and commercial and industrial portfolios. Given the stresses in the commercial real estate market, we have performed a thorough analysis of our commercial real estate portfolio to identify loans with an increased risk of default. We believe that our investor-owned portfolio is appropriately diversified by borrower, geography, and property type. We typically underwrite commercial projects to credit standards that are more stringent than historical commercial MBS guidelines. Where appropriate, we have taken prudent actions with our client to strengthen our credit position. These actions reflect market terms and structures and are intended to improve the client's financial ability to perform. Impaired loans are assessed relative to the client's and guarantor's, if any, ability to service the debt, the loan terms, and the value of the property. These factors are taken into consideration when formulating our ALLL through our credit risk rating and/or specific reserving processes. For the consumer portfolios, asset quality modestly improved, including early stage delinquencies, excluding guaranteed student loans, that declined during the year. Additionally, the level of nonperforming consumer loans and net charge-offs declined compared to the year ended December 31, 2010.

We believe that our loan portfolio is well diversified by product, client, and geography throughout our footprint. However, our loan portfolio may be exposed to certain concentrations of credit risk which exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, certain loan products, or certain regions of the country. See Note 6, "Loans," to the Consolidated Financial Statements in this Form 10-K for more information.

The following table shows our wholesale lending exposure at December 31 to selected industries:

Funded Exposures by Selected Industries				Table 8		
(Dollars in millions)	2011			2010		
	Loans	% of Total		Loans	% of Total	
Real Estate	\$7,331	13	%	\$9,828	18	%
Consumer Products and Services	7,105	13		6,924	13	
Health Care and Pharmaceuticals	5,662	10		4,576	9	
Diversified Financials and Insurance	5,591	10		4,960	9	
Government	3,671	7		3,227	6	
Retailing	3,593	6		3,576	7	
Automotive	3,320	6		3,296	6	
Diversified Commercial Services and Supplies	3,195	6		2,917	5	
Capital Goods	2,974	5		2,700	5	
Energy and Utilities	2,760	5		1,746	3	
Media and Telecommunication Services	2,052	4		1,519	3	
Religious Organizations/Non-Profits	1,933	3		1,961	4	
Materials	1,823	3		1,447	3	
Transportation	1,231	2		1,155	2	
Individuals, Investments, and Trusts	986	2		1,399	3	
Technology (Hardware and Software)	942	2		659	1	
Other Industries	1,703	3		1,598	3	
Total	\$55,872	100	%	\$53,488	100	%

The following table shows the percentage breakdown of our total LHF portfolio at December 31 by geographic region.

Loan Types by Geography	Commercial		Residential		Consumer		Table 9	
	2011	2010	2011	2010	2011	2010	2011	2010
Geography:								
Central ¹	28	% 29	% 21	% 20	% 14	% 14	% 14	%
Florida ²	20	21	27	29	18	21		
MidAtlantic ³	26	28	36	35	25	27		
Other	26	22	16	16	43	38		
Total	100	% 100	% 100	% 100	% 100	% 100	% 100	%

¹ The Central region includes Alabama, Arkansas, Georgia, Mississippi, and Tennessee.

² The Florida region includes Florida only.

³ The MidAtlantic region includes the District of Columbia, Maryland, North Carolina, South Carolina, and Virginia.

ALLOWANCE FOR CREDIT LOSSES

At December 31, 2011, the allowance for credit losses was \$2.5 billion, which consists of both the ALLL and the reserve for unfunded commitments. See Note 1, "Significant Accounting Policies," and Note 7, "Allowance for Credit Losses," to the Consolidated Financial Statements in this Form 10-K, as well as the "Allowance for Credit Losses" section within Critical Accounting Policies in this MD&A for further information regarding our ALLL accounting policy, determination, and allocation. As previously noted, while the reclassification of our loan types in 2010 had no effect on total loan charge-offs and loan recoveries, SEC regulations require us, in some instances, to present five years of comparable data where trend information may be deemed relevant, in which case we have provided the pre-adoption charge-off and recovery classifications due to the inability to restate prior periods under the post-adoption classifications.

A rollforward of our allowance for credit losses, along with our summarized credit loss experience for the years ended December 31, is shown in the tables below:

Summary of Credit Losses Experience (Post-Adoption) (Dollars in millions)	2011		2010		Table 10 2009	
Allowance for Credit Losses						
Balance - beginning of period	\$3,032		\$3,235		\$2,379	
Allowance recorded upon VIE consolidation	—		1		—	
Provision for loan losses	1,523		2,708		4,007	
(Benefit)/provision for unfunded commitments ¹	(10	)	(57	)	87	
Charge-offs:						
Commercial loans	(803	)	(1,087	)	(1,432)
Residential loans	(1,275	)	(1,736	)	(1,707)
Consumer loans	(163	)	(195	)	(259)
Total charge-offs	(2,241	)	(3,018	)	(3,398)
Recoveries:						
Commercial loans	140		99		84	
Residential loans	18		20		17	
Consumer loans	43		44		59	
Total recoveries	201		163		160	
Net charge-offs	(2,040	)	(2,855	)	(3,238)
Balance - end of period	\$2,505		\$3,032		\$3,235	
Components:						
ALLL	\$2,457		\$2,974		\$3,120	
Unfunded commitments reserve ²	48		58		115	
Allowance for credit losses	\$2,505		\$3,032		\$3,235	
Average loans	\$116,308		\$113,925		\$121,041	
Period-end loans outstanding	122,495		115,975		113,675	
Ratios:						
ALLL to period-end loans ^{3,4}	2.01	%	2.58	%	2.76	%
ALLL to NPLs ⁵	85	%	73	%	59	%
ALLL to net charge-offs	1.20x		1.04x		0.96x	
Net charge-offs to average loans	1.75	%	2.51	%	2.67	%

¹ Beginning in the fourth quarter of 2009, SunTrust began recording the provision for unfunded commitments within the provision for credit losses in the Consolidated Statements of Income/(Loss). Given the immateriality of this provision, prior to the fourth quarter of 2009, the provision for unfunded commitments remains classified within other noninterest expense in the Consolidated Statements of Income/(Loss).

² The unfunded commitments reserve is separately recorded in other liabilities in the Consolidated Balance Sheets.

³ \$433 million, \$492 million, and \$449 million, respectively, of LHFI carried at fair value were excluded from period-end loans in the calculation.

⁴ Excluding government-guaranteed loans of \$13.9 billion, \$8.8 billion, and \$3.7 billion, respectively, from period-end loans in the calculation results in ratios of 2.27%, 2.79%, and 2.84%, respectively.

⁵ \$25 million, \$28 million, and \$46 million, respectively, of NPLs carried at fair value were excluded from NPLs in the calculation.

Charge-offs

Net charge-offs declined \$815 million during the year ended December 31, 2011, down 29% compared with the year ended December 31, 2010. The decline in net charge-offs occurred across each segment of our loan portfolio and was particularly notable for residential loans. As a percentage of average loans, net charge-offs were 1.75% and 2.51% during the years ended December 31, 2011 and 2010, respectively. The improvements in net charge-offs were the result of improved asset quality. As we look to the first quarter of 2012, we expect to see a stable to modest decline in net charge-offs from fourth quarter levels.

Provision for Credit Losses

The total provision for credit losses includes the provision for loan losses as well as the provision for unfunded commitments. The provision for loan losses is the result of a detailed analysis performed to estimate an appropriate and adequate ALLL. For the year ended December 31, 2011, the provision for loan losses declined \$1.2 billion, down 44% compared with the year ended December 31, 2010. The decline in the provision for loan losses was attributable to significantly lower net charge-offs and the decline in the ALLL resulting from improved credit quality.

For the year ended December 31, 2011, the benefit for unfunded commitments was \$10 million, compared with \$57 million for the year ended December 31, 2010. The benefit for the year was attributed to improved credit quality related to certain commercial and large corporate borrowers.

Summary of Credit Losses Experience (Pre-Adoption)

(Dollars in millions)	2011	2010	2009	2008	Table 11 2007
Allowance for Credit Losses					
Balance - beginning of period	\$3,032	\$3,235			