SUNTRUST BANKS INC
Form 10-K
February 23, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

2009 FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-08918

SUNTRUST BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia	**58-1575035**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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	Name of exchange on which registered

Common Stock	New York Stock Exchange
Depository Shares, Each Representing 1/4000th Interest in a Share of Perpetual Preferred Stock, Series A	New York Stock Exchange
7.875% Trust Preferred Securities of SunTrust Capital IX	New York Stock Exchange
6.100% Trust Preferred Securities of SunTrust Capital VIII	New York Stock Exchange
5.853% Fixed-to Floating Rate Normal Preferred Purchase Securities of SunTrust Preferred Capital I	New York Stock Exchange
Guarantee of 7.70% Trust Preferred Securities of National Commerce Capital Trust II	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x 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 x

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

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). x 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 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 x 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 x

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2009 was approximately $6.5 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 8, 2010, 499,350,064 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 2010 Annual Shareholder s Meeting, which it will file with the SEC no later than April 30, 2010 (the Proxy Statement), is incorporated by reference into Items 10-14 of this Report.

Table of Contents

TABLE OF CONTENTS

GLOSSARY OF DEFINED TERMS

ABCP Asset-backed commercial paper.

ABS Asset-backed securities.

ALCO Asset/Liability Management Committee.

ALLL Allowance for loan and lease losses.

ANPR Advance Notice of Proposed Rulemaking.

AOCI Accumulated other comprehensive income.

ARMs Adjustable rate mortgages.

ARRA The American Reinvestment and Recovery Act of 2009.

ARS Auction rate securities.

ASR Accelerated share repurchase.

ASC FASB Accounting Standard Codification.

ASU Accounting standards update.

ATE Additional termination event.

Bank SunTrust Bank.

Board The Company s Board of Directors.

CDO Collateralized debt obligation.

CD Certificate of deposit.

CDS Credit default swaps.

CIB Corporate and Investment Banking.

Class B shares Visa Inc. Class B common stock.

CLO Collateralized loan obligation.

Coke The Coca-Cola Company.

Company SunTrust Banks, Inc.

CP Commercial paper.

CPP Capital Purchase Program.

CRA Community Reinvestment Act of 1977.

CRC Corporate Risk Committee.

CRO Chief Risk Officer.

CSA Credit support annex.

DDA Demand deposit account.

DGP Debt Guarantee Program.

DIF Deposit Insurance Fund.

EESA The Emergency Economic Stabilization Act of 2008.

EPS Earnings per share.

Table of Contents

Exchange Act Securities Exchange Act of 1934.

FASB Financial Accounting Standards Board.

FDA 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.

FFIEC The 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.

FTE Fully taxable-equivalent.

First Mercantile First Mercantile Trust Company.

FNMA Federal National Mortgage Association.

FVO Fair Value Option.

GB&T GB&T Bancshares, Inc.

GenSpring GenSpring Family Offices LLC.

GLB Act Gramm-Leach-Bliley Act.

GNMA Government National Mortgage Association.

IIS Institutional Investment Solutions.

IPO Initial public offering.

IRLCs Interest rate lock commitments.

IRS Internal Revenue Service.

ISDA International Swaps and Derivatives Associations Master Agreement.

Lehman Brothers Lehman Brothers Holdings, Inc.

LHFS Loans held for sale.

LHFI-FV Loans held for investment carried at fair value.

LIBOR London InterBank Offered Rate.

Lighthouse Investment Partners Lighthouse Investment Partners, LLC.

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 funds.

Moody s Moody s Investors Service.

MSRs Mortgage servicing rights.

MVE Market value of equity.

NAICS North American Industry Classification System.

NCF National Commerce Financial Corporation.

NOL Net operating loss.

NSF Non-sufficient funds.

NYSE New York Stock Exchange.

OCI Other comprehensive income.

OREO Other real estate owned.

OTTI Other-than-temporary impairment.

Parent Company Parent Company of SunTrust Banks, Inc.

Patriot Act The USA Patriot Act of 2001.

PRAC Corporate Product Risk Assessment Committee.

Prime Performance Prime Performance, Inc.

PUP Performance Unit Plan.

PWM Private Wealth Management.

QSPE Qualifying special-purpose entity.

RCCs Replacement Capital Covenants.

REITS Real Estate Investment Trusts.

RidgeWorth RidgeWorth Capital Management, Inc.

ROA Return on average total assets.

ROE Return on average common shareholders equity.

S&P Standard and Poor s.

SCAP Supervisory Capital Assessment Program.

SEC U.S. Securities and Exchange Commission.

Seix Seix Investment Advisors, Inc.

SERP Supplemental Executive Retirement Plan.

SIVs Structured investment vehicles.

SPE Special Purpose Entity.

STIAA SunTrust Institutional Asset Advisors LLC.

STIS SunTrust Investment Services, Inc.

STM SunTrust Mortgage, Inc.

Stock Plan SunTrust Banks, Inc. 2004 Stock Plan.

Table of Contents

STRH SunTrust Robinson Humphrey, Inc.

SunAmerica SunAmerica Mortgage.

SunTrust SunTrust Banks, Inc.

SunTrust Community Capital SunTrust Community Capital, LLC.

TAF Term Auction Facility.

TAGP Transaction Account Guarantee Program.

TARP Troubled Asset Relief Program.

TDR Troubled debt restructuring.

The Agreements Equity forward agreements.

The Program ABCP MMMF Liquidity Facility Program.

Three Pillars Three Pillars Funding, LLC.

TLGP Temporary Liquidity Guarantee Program.

TRS Total return swaps.

Twin Rivers Twin Rivers Insurance Company.

U.S. GAAP Generally Accepted Accounting Principles in the United States.

U.S. Treasury The United States Department of the Treasury.

UTBs Unrecognized tax benefits.

VA Veteran s 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.

VRDO Variable rate demand obligation.

ZCI Zevenbergen Capital Investments, LLC.

Table of Contents

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 22, Business Segment Reporting, to the Consolidated Financial Statements in Item 8 of this report.

Primary Market Areas

Through its principal subsidiary, SunTrust Bank, the Company provides 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 operated under four business segments during 2009. These business segments were: Retail and Commercial, Corporate and Investment Banking, Household Lending, and Wealth and Investment Management. In addition, SunTrust provides clients with a selection of technology-based banking channels, including the internet, automated teller machines, and twenty-four hour telebanking. SunTrust s client base encompasses a broad range of individuals and families, businesses, institutions, and governmental agencies.

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. In addition, the Company regularly analyzes the values of, and may submit bids for, the acquisition of 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 2009, the Company s Wealth and Investment Management business completed three acquisitions of family office enterprises: Epic Advisors, Inc; a division of CSI Capital Management; and Martin Kelly Capital Management LLC. We completed the sale of our minority interest in Lighthouse Investment Partners, LLC on January 2, 2008, and effective May 1, 2008, we acquired GB&T. On May 30, 2008, we sold our interests in First Mercantile, a retirement plan services subsidiary. Moreover, on September 2, 2008, we sold our fuel card business, TransPlatinum, to Fleet One Holdings LLC. 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 and, in limited circumstances described herein, the U.S. Treasury. 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 it 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 the 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.

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, subject to certain 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. 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 United States. In addition, certain states may have limitations on the amount of deposits any bank may hold within that state.

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. 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. In addition, 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 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.

The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, these regulatory agencies may from time to time 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, minority interests and qualifying preferred stock, less goodwill (net of any qualifying deferred tax liability) and other adjustments. 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. In addition, 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.

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. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. 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 five percent 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. In addition, 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 six percent, a total risk-based capital ratio of at least ten percent and a leverage ratio of at least five percent and not be subject to a capital directive order.

Regulators also must take into consideration: (a) concentrations of credit risk; (b) 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 (c) 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. This evaluation will be made as a part of the institution s regular safety and soundness examination. In addition, regulators may choose to examine other factors in order to evaluate the safety and soundness of financial institutions. For instance, in connection with the Supervisory Capital Assessment Program, our regulators began focusing on Tier 1 common equity, which is the proportion of Tier 1 capital that is common equity. The Tier 1 common equity ratio continues to be a factor which regulators examine in evaluating the safety and soundness of financial institutions.

Table of Contents

In December 2009, the Basel Committee issued two consultative documents proposing reforms to bank capital and liquidity regulation. The Basel Committee s capital proposals would significantly revise the definitions of Tier 1 capital and Tier 2 capital. Among other things, they would: reemphasize that common equity is the predominant component of Tier 1 capital by adding a minimum common equity to risk-weighted assets ratio, with the ratio itself to be determined based on the outcome of an impact study that the Basel Committee is conducting, and requiring that goodwill, general intangibles and certain other items that currently must be deducted from Tier 1 capital instead be deducted from common equity as a component of Tier 1 capital; disallow full value of MSRs from common equity; disqualify innovative capital instruments including U.S.-style trust preferred securities and other instruments that effectively pay cumulative dividends from Tier 1 capital status; strengthen the risk coverage of the capital framework, particularly with respect to counterparty credit risk exposures arising from derivatives, repurchase agreements and securities financing activities; introduce a leverage ratio requirement as an international standard, including all commitments (including liquidity facilities), unconditionally cancellable commitments, direct credit substitutes, and other items fully funded; and implement measures to promote the build-up of capital buffers in good times that can be drawn upon during periods of stress, introducing a countercyclical component designed to address the concern that existing capital requirements are procyclical that is, they encourage reducing capital buffers in good times, when capital could more easily be raised, and increasing capital buffers in times of distress, when access to capital markets may be limited or they may effectively be closed. The capital proposals do not specify a percentage for the new ratio of common equity to risk-weighted assets or changes in the current minimum Tier 1 (4%) and total (8%) risk-based capital requirements. Instead, they state that the minimum percentage requirements for the new ratio of common equity to risk-weighted assets and the other capital ratios including Tier 1 capital to risk-weighted assets, total capital to risk-weighted assets and the new leverage ratio will be included in a fully calibrated, comprehensive set of capital and liquidity proposals to be released by December 31, 2010. Independently in September 2009, the U.S. Treasury issued a policy statement titled Principles for Reforming the U.S. and International Regulatory Capital Framework for Banking Firms setting forth core principles intended to address many of the same substantive items as the Basel Committee capital proposals.

The Basel Committee s liquidity proposals, although similar in many respects to tests historically applied by banking organizations and regulators for management and supervisory purposes, if implemented would for the first time be formulaic and required by regulation. They would impose two measures of liquidity risk exposure, one based on a 30-day time horizon and the other addressing longer term structural liquidity mismatches over a one-year time period. The 30-day time horizon measure would not include certain assets (specifically, Fannie Mae and Freddie Mac securities) that play a major role in current liquidity management, which could have substantial impact.

The Basel Committee indicated that it expects final provisions responsive to the proposals to be implemented by December 31, 2012. Ultimate implementation in individual countries, including the United States, is subject to the discretion of the bank regulators in those countries. The Basel Committee s final proposals may differ from the proposals released in December 2010, and the regulations and guidelines adopted by regulatory authorities having jurisdiction over the Company may differ from the final accord of the Basel Committee. Moreover, although some aspects of the Basel Committee proposals were quite specific (for example, the definition of the components of capital), others were merely conceptual (for example, the description of the leverage test) and others not specifically addressed (for example, the minimum percentages for required capital ratios). We are not able to predict at this time the content of guidelines or regulations that will ultimately be adopted by regulatory agencies having authority over the Company or the impact of changes in capital and liquidity regulation upon us. However, a requirement that the Company and its bank subsidiaries maintain more capital, with common equity as a more predominant component, or manage the configuration of their assets and liabilities in order to comply with formulaic liquidity requirements, could significantly impact our financial condition, operations, capital position and ability to pursue business opportunities.

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. The FDA provides that, in the event of the liquidation or other resolution of an insured depository institution, 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 maintains the DIF by assessing depository institutions an insurance premium. The amount each institution is assessed is based upon statutory factors that include the balance of insured deposits as well as the degree of risk the institution poses to the insurance fund. The FDIC recently increased the amount of deposits it insures from $100,000 to $250,000. This increase is temporary and will continue through December 31, 2013. The Company s banking subsidiary pays an insurance premium into the DIF based on the quarterly average daily deposit liabilities net of certain exclusions held at the Company s banking subsidiary. The FDIC uses a risk-based premium system that assesses higher rates on those institutions

that pose greater risks to the DIF. The FDIC places each institution in one of four risk categories using a two-step process based first on capital ratios (the capital group assignment) and then on other relevant information (the supervisory group assignment). Subsequently, the rate for each institution within a risk category may be adjusted depending upon different factors that either enhance or reduce the risk the institution poses to the DIF, including the unsecured debt, secured liabilities and brokered deposits related to each institution. Finally, certain risk multipliers may be applied to the adjusted assessment. In 2009, the FDIC increased the amount assessed from financial institutions by increasing its risk-based deposit insurance assessment scale uniformly by a total of seven basis points. The assessment scale for 2009 ranged from twelve basis points of assessable deposits for the strongest institutions to fifty basis points for the weakest. In 2009, the FDIC also adopted a uniform three basis points increase across all risk categories to be effective starting January 1, 2011.

On November 12, 2009, the FDIC voted to approve a rule to require 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 risk-based deposit insurance assessments 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 $924.8 million.

In November 2008, the FDIC created the TLGP to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts, and certain holding companies via its DGP, and by providing full coverage of noninterest bearing deposit transaction accounts and capped NOW accounts, regardless of dollar amount via its TAGP. As of October 31, 2009, banks are no longer eligible to issue additional debt under the TLGP and the Company has opted not to participate in the TAGP beyond December 31, 2009.

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.

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, and 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. 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 merchant banking activities.

The Patriot Act substantially broadens existing anti-money laundering legislation and the extraterritorial jurisdiction of the United States; imposes new compliance and due diligence obligations; creates new crimes and penalties; compels the production of documents located both inside and outside the United States, including those of non-U.S. institutions that have a correspondent relationship in the United States; 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-United States 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 the Company continues to enhance its anti-money laundering compliance programs.

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.

In 2009, the Federal Reserve adopted amendments to its Regulation E that will restrict our ability to charge our clients overdraft fees beginning in July of 2010. Pursuant to the adopted regulation, clients must opt-in to an overdraft service in

Table of Contents

order for the banking subsidiary to collect overdraft fees. Overdraft fees have in the past represented a significant amount of noninterest fees collected by the Company s banking subsidiary. In addition, additional legislation is currently being debated in Congress that would further restrict the Company s banking subsidiary from collecting overdraft fees or limit the amount of overdraft fees that that may be collected by the Company s banking subsidiary.

The Company is subject to the rules and regulations promulgated under the EESA by virtue of the Company s sale of preferred stock to the U.S. Treasury under the U.S. Treasury s CPP. Additional information relating to the restrictions on dividends and redemptions is included in the information set forth in Item 7 of this report under the caption, Liquidity Risk. Furthermore, under rules and regulations of EESA to which the Company is subject, no dividends may be declared or paid on the Company s common stock and the Company may not repurchase or redeem any common stock unless dividends due with respect to Senior Preferred Shares have been paid in full. Moreover, the consent of the U.S. Treasury will be required for any increase in the per share dividends on the Company s common stock, beyond the per share dividend declared prior to October 14, 2008 ($0.77 per share per quarter) until the third anniversary of the date of U.S. Treasury s investment; unless prior to the third anniversary, the Senior Preferred Shares are redeemed in whole or the U.S. Treasury has transferred all of its shares to third parties. Under this provision, the Company could reduce its dividend and subsequently restore it to no more than $0.77 per share per quarter at any time. Additionally, if the Company pays a dividend in excess of $0.54 per share per quarter before the tenth anniversary then the anti-dilution provisions of the U.S. Treasury s warrants will reduce its exercise price and increase the number of shares issuable upon exercise of the warrant.

Because of the Company s participation in the CPP, the U.S. Treasury is permitted to determine whether the public disclosure required for the Company with respect to the Company s off-balance sheet transactions, derivative instruments, contingent liabilities and similar sources of exposure are adequate to provide the public sufficient information as to the true financial position of the Company. If the U.S. Treasury were to determine that such disclosure is not adequate for such purpose, the U.S. Treasury will make additional recommendations for additional disclosure requirements to the Federal Reserve, the Company s primary federal regulator.

Because of the Company s participation in the CPP, the Company is subject to certain restrictions on its executive compensation practices, which are discussed in Item 11 of this report.

On October 22, 2009, the Federal Reserve published guidance for structuring incentive compensation arrangements at financial organizations. All financial institutions, not just companies that participated in the CPP, and even financial institutions which have repaid their CPP investments, would be subject to this guidance. The guidance does not set forth any formulas or pay caps, but contains certain principles which companies would be required to follow with respect to, employees and groups of employees that may expose the organization 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 is conducting a special review of incentive compensation practices at large, complex banking organizations and is working with such organizations to review, analyze and provide input into their incentive compensation arrangements.

On January 14, 2010, the Obama administration announced a proposal to impose a Financial Crisis Responsibility Fee on those financial institutions that benefited extraordinarily from recent actions taken by the U.S. government to stabilize the financial system. If implemented, the Financial Crisis Responsibility Fee will only be applied to firms with over $50 billion in consolidated assets, and, therefore, by its terms would apply to the Company. Such Financial Crisis Responsibility Fee would be collected by the Internal Revenue Service and would be approximately fifteen basis points, or 0.15%, of an amount calculated by subtracting a covered institution s Tier 1 capital and FDIC-assessed deposits (and/or an adjustment for insurance liabilities covered by state guarantee funds) from such institution s total assets.

The Financial Crisis Responsibility Fee, if implemented as proposed by the Obama administration, would go into effect on June 30, 2010 and remain in place for at least ten years. The U.S. Treasury would be asked to report after five years on the effectiveness of the Financial Crisis Responsibility Fee as well as its progress in repaying projected losses to the U.S. government as a result of TARP. If losses to the U.S. government as a result of TARP have not been recouped after ten years, the Financial Crisis Responsibility Fee would remain in place until such losses have been recovered.

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.

In addition, there have been a number of legislative and regulatory proposals that would have an impact on the operation of bank/financial holding companies and their bank and non-bank subsidiaries. It is impossible to predict whether or in what form these proposals may be adopted in the future and, if adopted, what their effect will be on us.

5

Table of Contents

The House of Representatives has recently passed the Wall Street Reform and Consumer Protection Act (H.R. 4173). This legislation, if it becomes effective, would, among other things (i) create the Consumer Financial Protection Agency to regulate consumer financial products and services, (ii) create a Financial Stability Council that would identify and impose additional regulatory oversight on large financial firms, (iii) create a new process for the bankruptcy and liquidation of large financial institutions and finance such dissolutions with a Systemic Dissolution Fund that would be funded with assessments on large institutions, (iv) require a shareholder say on pay vote on executive compensation and require financial firms to disclose certain information regarding incentive-based compensation for employees, (v) strengthen the SEC s powers to regulate securities markets, (vi) regulate the over-the-counter derivatives marketplace, and (vii) adopt certain mortgage reforms and anti-predatory lending restrictions. The Senate is currently considering a similar bill, the Homeowner Protection and Wall Street Accountability Act (S-3). If such legislation would be signed into law, the Company may be subject to some or all of the new restrictions and requirements. This new law may also require the Company to change or adapt some of its current policies and procedures.

Competition

SunTrust operates in a highly competitive industry that could become even more competitive as a result of legislative, regulatory, economic, and technological changes, as well as continued consolidation. The Company also faces 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 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 government programs, those non-banking financial institutions may elect 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 may significantly change 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, either of which would adversely affect the Company s profitability.

In the past two years, as a result of recent economic events, there has been an increase in the number of failures and acquisitions of commercial and investment banks, including large commercial and investment banks. This has allowed certain larger financial institutions to acquire a presence in our footprint. Additionally, certain large financial institutions that were formerly engaged primarily in investment banking activities have amended their charters to become regulated commercial banks, thereby increasing the direct competitors to the Company. Consequently, merger activity has increased within the banking industry.

The Company s ability to expand into additional states remains subject to various federal and state laws. See Government Supervision and Regulation for a more detailed discussion of interstate banking and branching legislation and certain state legislation.

Employees

As of December 31, 2009, there were 28,001 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 22 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 , Provision 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 Other Short-Term Borrowings and Long-Term Debt in the MD&A and Other Short-Term Borrowings and Contractual Commitments 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 20, 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); and Operational Risk Management (under the caption Operational Risk Management in the MD&A).

6

Table of Contents

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 website 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 website 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, and also intends to disclose any amendments to its Code of Ethics, or waivers of the Code of Ethics on behalf of its Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, on its website. These corporate governance materials are also available free of charge in print to shareholders who request them in writing to: SunTrust Banks, Inc., Attention: Investor Relations, P.O. Box 4418, Mail Code GA-ATL-634, Atlanta, Georgia 30302-4418.

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

Possible Additional Risks

The risks listed here 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.

Recent Market, Legislative, and Regulatory Events

Difficult market conditions have adversely affected our industry.

Dramatic declines in the housing market over the past three years, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of real estate related loans and resulted in significant write-downs of asset values by financial institutions. These write-downs, initially of ABS but spreading to other securities and loans, have caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition and results of operations. Market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provision for credit losses. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry.

Recent levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than two years. Volatility and disruption have reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

Recently enacted legislation, legislation enacted in the future, or any proposed federal programs subject us to increased regulation and may adversely affect us.

On October 14, 2008, the U.S. Treasury announced a program under the EESA pursuant to which it would make senior preferred stock investments in participating financial institutions (the CPP). On October 14, 2008, the FDIC announced the TLGP under the systemic risk exception to the FDA pursuant to which the FDIC would offer a guarantee of certain financial institution indebtedness in exchange for an insurance premium to be paid to the FDIC by issuing financial institutions.

We have participated in the CPP and issued debt under the TLGP. Because we participate in the CPP, we are subject to increased regulation, and we face additional regulations or changes to regulations to which we are subject as a result of our participation. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities. For example, participation in the CPP limits (without the consent of the U.S. Treasury) our ability to increase our dividend or to repurchase our common stock for so long as any securities issued under such program remain outstanding. In addition, the EESA, contains, among other things, significant restrictions on the payment of executive compensation, which may have an adverse effect on the retention or recruitment of key members of senior management. Also, the cumulative dividend payable under the preferred stock that we issued to the U.S. Treasury pursuant to the CPP increases from 5% to 9% after 5 years. Additionally, we may not deduct interest paid on our preferred stock for income tax purposes.

Similarly, any program established by the FDIC under the systemic risk exception of the FDA may adversely affect us whether we participate or not. Our participation in the TLGP requires we pay additional insurance premiums to the FDIC. Additionally, the FDIC has increased premiums on insured accounts because market developments, including the increase of failures in the banking industry, have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits.

Recently, the Federal Reserve adopted amendments to its Regulation E. These amendments will first apply to us on July 1, 2010. The changes will affect the circumstances when we will be able to charge our clients overdraft fees.

On December 11, 2009, the U.S. House of Representatives passed a bill entitled the Wall Street Reform and Consumer Protection Act (H.R. 4173). The Senate is considering a similar bill entitled the Homeowner Protection and Wall Street Accountability Act (S-3). The legislation contained several changes to the regulatory system could adversely affect our business and the economies of the markets in which we operate. For example, the bill sets forth the establishment of a consumer protection agency which would exercise authority under existing consumer laws, have broad rule writing powers to administer and carry out its purpose and objectives, have the power to exempt certain persons or consumer financial products from its purview, have the power to examine or require reports from certain persons to ensure compliance with such agency s mandates and have primary enforcement action over its mandates. The application of the powers of any consumer protection agency is unclear; however, it has been advocated by its proponents that such an agency would standardize consumer financial products and permit un-standardized products to be offered under very limited circumstances, among other things. Such a limitation on the financial products we may offer may impact our ability to meet all of our clients needs and lead to clients seeking financial solutions and products through nonbanking channels outside the scope of this agency. Additionally, the bill strengthens mortgage regulations, seeks to regulate derivatives markets and give regulators greater power over how bank executives are compensated. Consequently, the increased expense of complying with an additional regulatory agency and regulations may adversely affect profits.

We are not able to predict when or whether regulatory or legislative reforms will be enacted or what its contents will be. Accordingly, we cannot predict the impact of any legislation on our businesses or operations.

We are subject to capital adequacy 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, our company and our subsidiary banks and broker-dealers 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. If we failed to meet these minimum capital guidelines and other regulatory requirements, our financial condition would be materially and adversely affected. In light of proposed changes in the regulatory accords on international banking institutions formulated by the Basel Committee on Banking Supervision and implemented by the Federal Reserve Board, we may be required to satisfy additional, more stringent, capital adequacy standards. We cannot fully predict the final form of, or the effects of, these regulations.

We have not yet received permission to repay TARP funds.

In order to repay the TARP funds we received, we must first receive approval from our primary federal regulator who will then forward our application to the U.S. Treasury. Although we believe we have sufficient liquidity to repay our TARP funds, to date, we have not obtained the necessary governmental approval to repay such funds. Until we repay our TARP funds, we will continue to be subject to the constraints imposed on us by the federal government in connection with such funds.

Emergency measures designed to stabilize the U.S. banking system are beginning to wind down.

Since the middle of 2008, a number of legislation and regulatory actions have been implemented in response to the recent financial crisis. Some of these programs have begun to expire and the impact of the wind down of these programs on the financial sector and on the economic recovery is unknown. A stall in the economic recovery or a continuation or worsening of current financial market conditions could materially and adversely affect our business and results of operations.

8

Table of Contents

Business Risks

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, or 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 account 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 identify.

Weakness in the economy and in the real estate market, including specific weakness within our geographic footprint, has adversely affected us and may continue to adversely affect us.

If the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations do not improve, or continue to decline, this could result in, among other things, a deterioration of credit quality or a reduced demand for credit, including a resultant effect on our loan portfolio and ALLL. A significant portion of our residential mortgages and commercial real estate loan portfolios are composed of borrowers in the Southeastern and Mid-Atlantic regions of the United States, in which certain markets have been particularly adversely affected by declines in real estate value, declines in home sale volumes, and declines in new home building. These factors could result in higher delinquencies and greater charge-offs in future periods, which would materially adversely affect our financial condition and results of operations.

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

Significant ongoing disruptions in the secondary market for residential mortgage loans have 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, mortgage loan originations and profits on sales of mortgage loans. Declining real estate prices have caused cyclically higher delinquencies and losses on certain mortgage loans, particularly Alt-A mortgages and home equity lines of credit and mortgage loans sourced from brokers that are outside our branch bank 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, home sales volumes, financial stress on borrowers as a result of job losses, 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 adversely affect our financial condition or results of operations. Additionally, counterparties to insurance arrangements used to mitigate risk associated with increased foreclosures in the real estate market are stressed by weaknesses in the real estate market and a commensurate increase in the number of claims. Additionally, 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 upon foreclosing a loan and our ability to realize value on such assets.

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 and/or reduced earnings 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. 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 or liquidity.

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 would decline; or
- 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.

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

The Board of Governors of the Federal Reserve System regulates the supply of money and credit in the United States. 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. Its policies can also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in Federal Reserve Board 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.

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 borrower defaults, which could harm our liquidity, results of operations, and financial condition.

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 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. The remedies available to us against the originating broker or correspondent 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 perform remedies that otherwise 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 an increased number of repurchase and indemnity demands from purchasers as a result of borrower fraud. This increase in repurchase demands, combined with an increase in expected loss severity on repurchased loans due to deteriorated real estate values and liquidity for impaired loans, has resulted in an increase in the amount of accrued losses for repurchases as of December 31, 2009. While we have taken steps to enhance our underwriting policies and procedures, there can be no assurance that these steps will be effective or reduce risk associated with loans sold in the past. If repurchase and indemnity demands increase, our liquidity, results of operations and financial condition will be adversely affected.

We may continue to suffer increased losses in our loan portfolio despite enhancement of our underwriting policies.

We seek to mitigate risks inherent in our loan portfolio by adhering to specific underwriting practices. These practices often include the 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. Although we have taken steps to enhance our underwriting policies and procedures, we have still incurred high levels of losses on loans that have met these criteria, and may continue to experience higher than expected losses depending on economic factors and borrower behavior.

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 estimated fair values of the individual reporting units are assessed for reasonableness several ways, including by aggregating the individual reporting unit s fair value and analyzing the combined fair value in relation to the total estimated fair value of SunTrust. We analyze the combined fair value of SunTrust 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 natural disasters may adversely affect loan portfolios and operations and increase the cost of doing business.

Large scale natural 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 natural disasters cannot be predicted and may be exacerbated by global climate change. The ultimate impact of a natural 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 natural 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. Negative public opinion 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.

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, 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 rely on our systems, employees, and certain counterparties, and certain failures could materially adversely affect our operations.

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical and record-keeping errors, and computer/telecommunications systems malfunctions. Our businesses are dependent on our ability to process a large number of increasingly complex transactions. If any of our financial, accounting, or other data processing systems fail or have other significant shortcomings, we could be materially adversely affected. We are similarly dependent on our employees. We could be materially adversely affected if one of our employees causes a significant operational break-down or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. Third parties with which we do business could also be sources of operational risk to us, including relating to break-downs or failures of such parties own systems or employees. Any of these occurrences could result in a diminished ability of us to operate one or more of our businesses, financial loss, potential liability to clients, inability to secure insurance, reputational damage and regulatory intervention, which could materially adversely affect us.

We may also be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses or electrical or telecommunications outages or natural disasters, or events arising from local or regional politics, including terrorist acts. Such disruptions may give rise to losses in service to clients and loss or liability to us. In addition, there is the risk that our controls and procedures as well as business continuity and data security systems prove to be inadequate. The computer systems and network systems we and others use could be vulnerable to unforeseen problems. These problems may arise in both our internally developed systems and the systems of third-party service providers. In addition, our computer systems and network infrastructure present security risks, and could be susceptible to hacking or identity theft. Any such failure could affect our operations and could materially adversely affect our results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to litigation or losses not covered by insurance.

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.

We are subject to certain litigation, and our expenses related to this litigation may adversely affect our results.

We are subject to certain litigation in the ordinary course of our business. 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. 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.

Industry Risks

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. 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 reducing margins.

We operate in a highly competitive industry that could become even more competitive as a result of 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, including those competitors that have been able to repay TARP funds. 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.

Future legislation could harm our competitive position.

Federal, state, and local legislatures increasingly have been considering proposals to substantially change the financial institution regulatory system and to expand or contract the powers of banking institutions, bank holding companies and bank regulatory agencies. Various legislative bodies have also recently been considering altering the existing framework governing creditors rights, including legislation that would result in or allow loan modifications of various sorts. Such legislation may change banking statutes and the operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any regulations, would have on our activities, financial condition, or results of operations.

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

Our success depends, in part, on the 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 development 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.

We may not pay dividends on your common stock.

Holders of our common stock are only entitled to receive such dividends as our Board of Directors 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 and may reduce or eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock. Also, our ability to increase our dividend or to make other distributions is restricted due to our participation in the CPP, which limits (without the consent of the U.S. Treasury) our ability to increase our dividend or to repurchase our common stock for so long as any securities issued under such program remain outstanding.

Our ability to receive dividends from our subsidiaries accounts for most of our revenue and could affect our liquidity and ability to pay dividends.

We are a separate and distinct legal entity from our subsidiaries, including SunTrust 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.

Significant legal actions could subject us to substantial uninsured liabilities.

We are from time to time subject to claims related to our operations. These claims and legal actions, including supervisory actions by our regulators, could involve large monetary claims and significant defense costs. 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.

Company Risks

Recently declining values of real estate, increases in unemployment, and the related effects on local economies may increase our credit losses, which would negatively affect our financial results.

We offer a variety of secured loans, including commercial lines of credit, commercial term loans, real estate, construction, home equity, consumer and other loans. Many of our loans are secured by real estate (both residential and commercial) in our market area. A major change in the real estate market, such as deterioration in the value of this collateral, or in the local or national economy, could adversely affect our customer s ability to pay these loans, which in turn could adversely impact us. Additionally, increases in unemployment have and may continue to adversely affect the ability of certain clients to pay loans and the financial results of commercial clients in localities with higher unemployment, which may result in loan defaults and foreclosures and which may impair the value of our collateral. Risk of loan defaults and foreclosures are unavoidable in the banking industry, and we try to limit our exposure to this risk by monitoring our extensions of credit carefully. We cannot fully eliminate credit risk, and as a result credit losses may increase in the future.

Deteriorating credit quality, particularly in real estate loans, has adversely impacted us and may continue to adversely impact us.

We have experienced a downturn in credit performance, which became significant starting in the third and fourth quarters of 2007 and continued through 2009. This deterioration has resulted in an increase in our allowance for loan losses starting in 2008 and continuing throughout 2009, which increases were driven primarily by residential and commercial real estate and home equity portfolios. Additional increases in the allowance for loan losses may be necessary in the future. Deterioration in the quality of our credit portfolio can have a material adverse effect on our capital, financial condition, and results of operations.

Our allowance for loan losses may not be adequate to cover our eventual losses.

Like other financial institutions, we maintain an allowance for loan losses to provide for loan defaults and nonperformance. Our allowance for loan losses is based on our historical loss experience, as well as an evaluation of the risks associated with

Table of Contents

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 United States 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 allowance for loan losses 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.

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 holding and ultimately dispensing of the assets. Deteriorating market conditions could result in a realization of future losses if the proceeds we receive upon dispositions of nonperforming assets are less than the carrying value of such assets.

Disruptions in our ability to access global capital markets may negatively 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 funding available to us, and upon which we rely as regular components of our liquidity risk management strategy, include inter-bank borrowings, repurchase agreements, 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 purchasers, 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.

In 2009 and 2010, credit rating agencies downgraded the credit ratings of SunTrust Bank and SunTrust Banks, Inc. These downgrades and any subsequent downgrades could adversely impact the price and liquidity of our securities and could have an impact on our businesses and results of operations.

Our credit ratings are an important factor in determining both the available volume and the cost of our wholesale funding. On March 5, 2009, Fitch lowered the credit ratings for SunTrust Banks, Inc. and SunTrust Bank from A+/F-1 to A-/F-1. On April 23, 2009, Moody s downgraded the senior credit ratings for SunTrust Banks, Inc. and SunTrust Bank from A1/P-1 and Aa3/P-1, respectively, to Baa1/P-2 and A2/P-1, respectively. On April 28, 2009, S&P downgraded the credit ratings for SunTrust Banks, Inc. and SunTrust Bank from A/A-1 and A+/A-1, respectively to BBB+/A-2 and A-/A-2, respectively. On February 1, 2010, S&P downgraded SunTrust Banks, Inc s. credit ratings to BBB/A-2 and SunTrust Bank s credit ratings to BBB+/A-2. Our credit ratings remain on Negative outlook with Moody s and Fitch, while S&P maintains a Stable outlook on our ratings. Additional downgrades are possible. Where our bank subsidiaries are providing forms of credit support such as letters of credit, standby lending arrangements or other forms of credit support, a decline in short-term credit ratings may prompt customers of our bank subsidiaries to seek replacement credit support from a higher rated institution. In April 2009, we experienced a downgrade which affected a part of our business which we discuss in the Management s Discussion and Analysis Liquidity Risk section below. We cannot predict whether existing customer relationships or opportunities for future relationships could be further affected by customers who choose to do business with a higher rated institution.

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 intend to 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 the 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 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, James M. Wells III, and other key personnel who have extensive experience in the industry. We 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 strategy.

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. Pursuant to recently enacted legislation, the U.S. Treasury has instituted certain restrictions on the compensation of certain senior management positions. It is possible that the U.S. Treasury may, as it is permitted to do, impose further requirements on us that may inhibit our ability to hire and retain the most qualified senior personnel. In addition, if we are unable to repay our TARP funds, we will continue to be subject to significant restrictions on the payment of executive compensation and may be at a disadvantage to our competitors who have repaid TARP funds in our ability to recruit and retain the most qualified senior personnel. 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, the Federal Reserve on October 27, 2009 published proposed guidance on sound incentive compensation policies. Through this guidance, the Federal Reserve will regulate incentive compensation at financial institutions through its power to regulate the safety and soundness of the banking system. Such regulation will apply to us even after we repay TARP. Additionally, on January 12, 2010, the Board of Directors of the FDIC published an ANPR on Employee Compensation. The ANPR seeks comment on how, and whether, the FDIC s risk-based deposit insurance assessment system applicable to all insured banks should be amended to account for risks imposed by employee compensation programs. Citing a broad consensus that some compensation structures misalign incentives and induce imprudent risk taking within financial organizations , the FDIC is considering establishing criteria to determine whether a financial institution s employee compensation programs provide incentives for employees to take excessive risks. The FDIC is concerned that such risk-taking increases the institution s risk of failure and thereby could lead to increased losses to the DIF. The ANPR proposal could apply not only to compensation at the insured depository, but also at its parent and nonbank affiliates. Under the approach outlined in the ANPR, whether a financial institution s compensation program either meets or does not meet the criteria would be used to adjust the institution s risk-based assessment rate, thereby acting as an incentive for institutions that meet the criteria and a disincentive for those that do not. According to the ANPR, the criteria that the FDIC is considering are not aimed at limiting the amount that insured depository institutions can pay their employees, but rather are intended to compensate the DIF for risks associated with certain compensation programs.

At this time, we cannot predict the impact of the Federal Reserve s proposed guidance or the FDIC s ANPR.

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. Management must exercise judgment in selecting and applying many of these accounting policies and processes so they comply with U.S. GAAP.

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 the Critical Accounting Policies in the MD&A and Note 1, Significant Accounting Policies, to the Consolidated Financial Statements.

15

Table of Contents

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. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. 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 operating 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 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 an available for sale securities portfolio and trading assets which include various types of instruments and maturities. In addition, we elected to record selected fixed-rate debt, mortgage loans, securitization warehouses and other trading assets at fair value. The changes in fair value of the financial instruments elected to be 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 asset/liability management 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.

Table of Contents

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, 2009, SunTrust Bank owned 598 of its 1,683 full-service banking offices and leased the remaining banking offices. (See Note 8, Premises and Equipment, to the Consolidated Financial Statements 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 or financial position.

Also refer to Note 21, Contingencies , to the Consolidated Financial Statements.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of shareholders during the quarter ended December 31, 2009.

Table of Contents

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 18 in the MD&A for information on the high and the low sales prices of the SunTrust Banks, Inc. common stock on the NYSE, which is incorporated herein by reference. During the twelve months ended December 31, 2009 we paid a quarterly dividend on common stock of $0.10 per common share for the first two quarters and $0.01 per common share for the third and fourth quarter compared to a quarterly dividend on common stock of $0.77 per common share for the first three quarters and $0.54 per common share in the fourth quarter of 2008. Our common stock is held of record by approximately 37,016 holders as of December 31, 2009. See Table 23 in the MD&A for information on the monthly share repurchases activity, including total common shares repurchased and announced programs, weighted average per share price, 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 Operation 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, 2004 and ending December 31, 2009. 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					
	2004	**2005**	**2006**	**2007**	**2008**	**2009**
SunTrust Banks, Inc.	**100.00**	**101.46**	**120.59**	**94.82**	**54.07**	**41.85**
S&P 500	**100.00**	**104.83**	**120.91**	**127.33**	**83.05**	**102.37**
S&P Commercial Bank Index	**100.00**	**98.47**	**113.55**	**82.54**	**49.10**	**46.52**

18

Table of Contents

Item 6. SELECTED FINANCIAL DATA

(Dollars in millions, except per share and other data)	Year Ended December 31 2009	2008	2007	2006	2005
Summary of Operations					
Interest income	**$6,709.7**	$8,327.4	$10,035.9	$9,792.0	$7,731.3
Interest expense	**2,244.1**	3,707.7	5,316.4	5,131.6	3,152.3
Net interest income	**4,465.6**	4,619.7	4,719.5	4,660.4	4,579.0
Provision for credit losses [3]	**4,063.9**	2,474.2	664.9	262.5	176.9
Net interest income after provision for credit losses	**401.7**	2,145.5	4,054.6	4,397.9	4,402.1
Noninterest income	**3,710.3**	4,473.5	3,428.7	3,468.4	3,155.0
Noninterest expense	**6,562.4**	5,879.0	5,221.1	4,866.5	4,676.2
Income/(loss) before provision/(benefit) for income taxes	**(2,450.4)**	740.0	2,262.2	2,999.8	2,880.9
Net income attributable to noncontrolling interest	**12.1**	11.5	12.7	13.4	14.5
Provision/(benefit) for income taxes	**(898.8)**	(67.3)	615.5	869.0	879.2
Net income/(loss)	**($1,563.7)**	$795.8	$1,634.0	$2,117.4	$1,987.2
Net income/(loss) available to common shareholders	**($1,733.4)**	$741.0	$1,593.0	$2,097.5	$1,975.5
Net interest income-FTE [1]	**$4,589.0**	$4,737.2	$4,822.2	$4,748.4	$4,654.5
Total revenue-FTE [1]	**8,299.3**	9,210.6	8,250.9	8,216.8	7,809.5
Total revenue-FTE excluding net securities gains/(losses), net[1]	**8,201.2**	8,137.3	8,007.8	8,267.3	7,816.7
Net income/(loss) per average common share [2]					
Diluted	**($3.98)**	$2.12	$4.52	$5.78	$5.44
Diluted excluding goodwill/intangible impairment charges, other than MSRs[1]	**(2.34)**	2.19	4.39	5.77	6.72
Basic	**(3.98)**	2.12	4.56	5.84	5.50
Dividends paid per average common share	**0.22**	2.85	2.92	2.44	2.20
Book value per common share	**35.29**	48.74	50.72	49.12	47.33
Tangible book value per common share[1]	**22.59**	28.69	30.11	28.66	27.16
Market capitalization	**$10,128**	$10,472	$21,772	$29,972	$26,338
Market price:					
High	**30.18**	70.00	94.18	85.64	75.77
Low	**6.00**	19.75	60.02	69.68	65.32
Close	**20.29**	29.54	62.49	84.45	72.76
Selected Average Balances					
Total assets	**$175,442.4**	$175,848.3	$177,795.5	$180,315.1	$168,088.8
Earning assets	**150,908.4**	152,748.6	155,204.4	158,428.7	146,639.8
Loans	**121,040.6**	125,432.7	120,080.6	119,645.2	108,742.0
Consumer and commercial deposits	**113,164.0**	101,332.8	98,020.2	97,175.3	93,355.0
Brokered and foreign deposits	**6,082.2**	14,743.5	21,856.4	26,490.2	17,051.5
Total shareholders equity	**22,286.1**	18,596.3	17,928.4	17,697.7	16,732.9
Average common shares - diluted (thousands)	**435,328**	350,183	352,688	362,802	363,454
Average common shares - basic (thousands)	**435,328**	348,919	349,346	359,413	359,066
As of December 31					
Total assets	**$174,164.7**	$189,138.0	$179,573.9	$182,161.6	$179,712.8
Earning assets	**147,896.2**	156,016.5	154,397.2	159,063.8	156,640.9
Loans	**113,674.8**	126,998.4	122,319.0	121,454.3	114,554.9
Allowance for loan and lease losses	**3,120.0**	2,351.0	1,282.5	1,044.5	1,028.1
Consumer and commercial deposits	**116,303.5**	105,275.7	101,870.0	99,775.9	97,572.4
Brokered and foreign deposits	**5,560.1**	8,052.7	15,972.6	24,245.7	24,480.8
Long-term debt	**17,489.5**	26,812.4	22,956.5	18,992.9	20,779.2
Total shareholders equity	**22,530.9**	22,500.8	18,169.9	17,932.2	17,133.6
Financial Ratios and Other Data					
Return on average total assets	**(0.89)** %	0.45 %	0.92 %	1.17 %	1.18 %
Return on average assets less net unrealized securities gains/(losses) [1]	**(0.96)**	0.05	0.81	1.17	1.17

Return on average common shareholders equity	**(10.07)**	4.20	9.14	11.95	11.81
Return on average realized common shareholders equity[1]	**(11.12)**	0.16	8.52	12.53	12.45
Net interest margin - FTE	**3.04**	3.10	3.11	3.00	3.17
Efficiency ratio - FTE	**79.07**	63.83	63.28	59.23	59.88
Tangible efficiency ratio [1]	**69.35**	62.51	62.11	57.97	58.36
Total average shareholders equity to average assets	**12.70**	10.58	10.08	9.81	9.95
Tangible equity to tangible assets [1]	**9.66**	8.46	6.38	6.10	5.70
Effective tax rate (benefit)	**(36.50)**	(9.23)	27.21	28.97	30.52
Allowance to year-end total loans	**2.76**	1.86	1.05	0.86	0.90
Nonperforming assets to total loans plus OREO and other repossessed assets	**5.33**	3.49	1.35	0.49	0.29
Common dividend payout ratio [4]	**N/A**	135.6	64.5	41.9	40.2
Capital Adequacy					
Tier 1 common equity	**7.67 %**	5.83 %	5.27 %	5.66 %	5.52 %
Tier 1 capital	**12.96**	10.87	6.93	7.72	7.01
Total capital	**16.43**	14.04	10.30	11.11	10.57
Tier 1 leverage	**10.90**	10.45	6.90	7.23	6.65

[1]See Non-GAAP reconcilements in Tables 21 and 22 of the Management s Discussion and Analysis of Financial Condition and Results of Operations.

[2]Prior period amounts have been recalculated in accordance with updated accounting guidance related to earnings per share, that was effective January 1, 2009 and required retrospective application.

[3]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). The provision for unfunded commitments for the fourth quarter of 2009 was $57.2 million. 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).

[4]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 (a) future levels of required mortgage repurchase reserves, revenue, net interest margin, charge-offs, provision expense, credit quality, FDIC and other regulatory expense, loans, LHFS, the investment portfolio, income, job losses, loan loss severities, loan loss frequency, and residential builder nonperforming loans, (b) the expected impact of the amendments to ASC 810-10 related to the consolidation of various VIEs; (c) expected changes in the rate or level of deposit growth, loan growth, charge-offs, loan loss frequencies, and nonperforming loans; and (d) expected future asset quality and the performance of the commercial and industrial and commercial real estate portfolios, are forward-looking statements. Also, statements that do not describe historical or current facts, including statements about future levels of revenues, net interest margin, FDIC and other regulatory expense, and credit quality are forward-looking statements. These statements often include the words believes, expects, anticipates, estimates, intends, plans, target initiatives, potentially, probably, projects, outlook or similar expressions or future conditional verbs such as may, will, should, wo 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: difficult market conditions have adversely affected our industry; recent levels of market volatility are unprecedented; the soundness of other financial institutions could adversely affect us; recently enacted legislation or legislation enacted in the future, or any proposed federal programs subject us to increased regulation and may adversely affect us; we have not yet received permission to repay TARP funds; emergency measures designed to stabilize the U.S. banking system are beginning to wind down; we are subject to credit risk; weakness in the economy and in the real estate market, including specific weakness within our geographic footprint, has adversely affected us and may continue to 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; 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 or liquidity; the fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings; 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 borrower defaults, which could harm our liquidity, results of operations, and financial condition; we may continue to suffer increased losses in our loan portfolio despite enhancement of our underwriting policies; 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 natural 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; we rely on other companies to provide key components of our business infrastructure; we rely on our systems, employees, and certain counterparties, and certain failures could materially adversely affect our operations; 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 reducing margins; future legislation could harm our competitive position; maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services; we may not pay dividends on your common stock; our ability to receive dividends from our subsidiaries accounts for most of our revenue and could affect our liquidity and ability to pay dividends; significant legal actions could subject us to substantial uninsured liabilities; recently declining values of real estate, increases in unemployment, and the related effects on local economies may increase our credit losses, which would negatively affect our financial results; deteriorating credit quality, particularly in real estate loans, has adversely impacted us and may continue to adversely impact us; our allowance for loan losses may not be adequate to cover our eventual losses; we will realize future losses if the proceeds we receive upon liquidation of nonperforming assets are less than the carrying value of such assets; disruptions in our ability to access global capital markets may negatively affect our capital resources and liquidity; credit rating agencies downgraded the credit ratings of SunTrust Bank and SunTrust Banks, Inc., and these downgrades and any subsequent downgrades could adversely impact the price and liquidity of our securities and could have an impact on our businesses and results of operations; 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 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 strategy; our accounting policies and processes are critical to how we report our financial condition and results of operations, and require management to make estimates about matters that are uncertain; changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition; our stock price can be volatile; our disclosure controls and procedures may not prevent or detect all errors or acts of fraud; our financial instruments carried at fair value expose us to certain market risks; our revenues derived from our investment securities may be volatile and subject to a variety of risks; and we may enter into transactions with off-balance sheet affiliates or our subsidiaries.

This narrative will 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. When we refer to SunTrust, the Company, we, our and us in this narrative, we mean SunTrust Banks, Inc. and Subsidiaries (consolidated). Effective May 1, 2008, we acquired GB&T and the results of operations for GB&T were included with our results beginning on that date. Periods prior to the acquisition date do not reflect the impact of the merger.

In the MD&A, net interest income, net interest margin, and the efficiency ratio are presented on an FTE basis and the quarterly ratios are presented on an annualized basis. The FTE basis adjusts for the tax-favored status of income from certain loans and investments. We believe this measure to be the preferred industry measurement of net interest income and it enhances comparability of net interest income arising from taxable and tax-exempt sources. We also present diluted earnings per common share excluding goodwill and intangible impairment charges. We believe the exclusion of the impairment charges is more reflective of normalized operations and allows better comparability with peers throughout the industry. Additionally, we present a return on average realized common shareholders equity, as well as an ROE. We also present a ROA less net realized and unrealized securities gains/losses and an ROA. The return on average realized common shareholders equity and ROA less net realized and unrealized securities gains/losses exclude realized securities gains and losses and the Coke dividend, from the numerator, and net unrealized securities gains from the denominator. We present a tangible efficiency ratio and a tangible equity to tangible assets ratio, which excludes the effect of intangible assets costs. We believe these measures are useful to investors because, by removing the effect of intangible asset costs (the level of which may vary from company to company), it allows investors to more easily compare our efficiency and capital adequacy to other companies in the industry. We also present a tangible book value per common share ratio which excludes the after-tax impact of purchase accounting intangible assets. These measures are utilized by management to assess our financial performance and capital adequacy. We provide reconcilements in Tables 21 and 22 in the MD&A for all non-U.S. GAAP measures. Certain reclassifications may be made to prior period financial statements and related information to conform them to the 2009 presentation.

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 four business segments: Retail and Commercial, Corporate and Investment Banking, Household Lending, and Wealth and Investment Management, with the remainder in Corporate Other and Treasury. In addition to traditional deposit, credit, and trust and investment services offered by SunTrust Bank, our other subsidiaries provide mortgage banking, credit-related insurance, asset management, securities brokerage, and capital market services.

EXECUTIVE OVERVIEW

While many economists have declared the recession to be over or at least abating by the end of 2009, the economic environment during 2009 adversely impacted our financial performance and will likely continue to impact our performance into 2010, particularly related to credit which tends to lag economic cycles. We recognize that the beginning of a recovery is just that, a beginning, and history tells us that, looking over the long-term, it will take time before economic stabilization meaningfully translates into bottom line results for traditional banks. Asset quality, revenues and ultimately earnings improvement will need time to gain traction and the timing will be largely dependent upon the strength and sustainability of the economic recovery, both of which remain uncertain at the end of 2009. Regardless of when economists determine the end of the recession, the economy remains weak, as evidenced by many key economic indicators. Notably, the national unemployment rate rose steadily during the year to finish at 10.0% as of December 31, which is up from a high of 7.4% at the end of 2008. More specifically, the unemployment rate exceeds 10% within many of our markets. Furthermore, it is believed that the national unemployment rate will remain elevated during much of 2010. Additionally, home prices remain depressed and continued to decline throughout the year in some of our more significant markets.

21

Table of Contents

The Federal Reserve, the FDIC, and U.S. government undertook steps during the year to strengthen the capital of financial institutions, stimulate lending, and inject liquidity into the financial markets. Among the steps taken by the government agencies, the TLGP was extended into late 2009, billions of MBS were purchased in the open market, trillions of debt obligations were issued, and benchmark interest rates were kept at record low levels throughout the year. As 2009 came to a close, the U.S. government and bank regulators were discussing how to reduce their involvement as a financial intermediary in the markets due to the markets having exhibited some signs of stability. Most notably, the government is assessing when to discontinue some of its support programs including its ongoing purchases of mortgage-backed assets. This reduction in support could cause mortgage interest rates to rise which would result in a potential reduction in mortgage originations, decrease in value of mortgage loans and securities, and an overall slowing of the housing market. Concurrently, the financial services industry is entering a new phase in its relationship with regulatory authorities as the regulators debate new regulations and requirements that would affect our business, some in a negative way. See additional discussion of risks associated with potential new regulations in Item 1, Business, under the heading Government Supervision and Regulation and Item 1A., Risk Factors in this 10-K.

During 2009, the federal bank regulatory agencies completed a review, called the SCAP, commonly referred to as the stress test, of the capital needs through the end of 2010 of the nineteen largest U.S. bank holding companies. The Federal Reserve announced the results of the SCAP on May 7, 2009. The Federal Reserve advised us that, based on the SCAP review, we presently have and are projected to continue to have Tier 1 capital well in excess of the amount required to be well capitalized through the forecast period under both the baseline scenario and the more adverse-than-expected scenario (more adverse) as estimated by the U.S. Treasury. The SCAP s more adverse scenario represents a hypothetical scenario that involves a recession that is longer and more severe than consensus expectations and results in higher than expected credit losses, but is not a forecast of expected losses or revenues. The Federal Reserve advised us that based on the more adverse scenario that it required us to adjust the composition of our Tier 1 capital by increasing the Tier 1 common equity portion by $2.2 billion. The common equity increase prescribed by the Federal Reserve is necessary to maintain Tier 1 common equity at 4% of risk weighted assets under the more adverse scenario, as specified by a new regulatory standard that was introduced as part of the stress test. This increase satisfied the regulatory request that we have an increased mix of common equity as a percentage of Tier 1 capital, to serve as a buffer against higher losses than generally expected, and allow us to remain well capitalized and able to lend to creditworthy borrowers should such losses materialize. Our 2009 actual credit losses were significantly less than the projections utilized in the SCAP process.

During the second quarter, in response to the SCAP, we successfully completed our capital plan and initiatives, generating $2.3 billion of capital and exceeding the target of $2.2 billion established by the Federal Reserve. The transactions utilized to raise the capital included the issuance of common stock, the repurchase of certain preferred stock and hybrid debt securities, and the sale of Visa Class B shares. These capital raising transactions increased Tier 1 common equity by $2.1 billion and were the driving factor in the increase in our Tier 1 common equity ratio to 7.67% at December 31, 2009 compared to 5.83% at December 31, 2008. During the second quarter, we completed all required capital initiatives and believe that relative to the more adverse scenario, additional capital will be achieved through lower credit losses than projected by SCAP. As a result of the successful capital plan and initiatives, we have the ability and desire to repay the U.S. government for funds borrowed in the form of preferred stock issued by us under the CPP. However, our repayment of TARP funds is predicated on approval by our primary regulator, the Federal Reserve. See additional discussion of SCAP and the capital plan and initiatives in the Capital Resources section of this MD&A.

Despite the challenging economic environment, we continue to operate from a position of strength and are focused on growing revenue, improving expense efficiency, increasing the profitability of the balance sheet, investing for the future, and prudently managing credit. To this end, we remain acutely focused on clients, improving service quality and front-line execution, controlling expenses, and managing risk. During the year, revenue was soft, loan demand was down, credit costs were higher, and asset quality was weak. We are seeing sustained economic weakness that has reduced demand for loans as clients have focused on capital preservation and debt reduction, while accessing the debt markets in lieu of bank loans. However, we have also experienced positive operating trends in many of our businesses that included strong deposit growth, improved funding mix, significant expansion of net interest margin, positive fee income growth in certain areas, continued strong expense management, and credit trends that improved during the last half of 2009. Specifically, in the last quarter of 2009, we experienced declining net charge-offs and early stage delinquencies, stabilizing nonperforming loans, and a lesser increase in the ALLL. We believe our strong foundation coupled with our client-focused execution, risk mitigation capabilities, and the long-term economic prospects of our markets position us to deliver improving financial performance as the operating environment improves.

The difficult economic environment during 2009 negatively impacted our financial performance as we realized a net loss available to common shareholders of $1.7 billion, or $3.98 per common share. The net loss during the year was primarily a result of goodwill impairment taken during the first quarter and increased provisioning for credit losses during the year. The first quarter non-cash goodwill impairment charge attributable to common shareholders was $714.8 million, after-tax, or $1.64 per common share, while the provision for credit losses increased by $993.6 million, after-tax, or $2.28 per common share.

While 2009 was a year of poor credit performance as most notably evidenced by our higher allowance for loan losses, provision for credit losses, net charge-offs, and nonperforming assets, asset quality trends improved in the final quarter of 2009 when compared to the previous quarter as evidenced by the decline in credit losses and early stage delinquencies and stabilization of nonperforming loans. In addition, our reserve build decreased during each consecutive quarter during the year with the fourth quarter allowance for loan losses having increased by only 3.2% from the prior quarter. However, absolute asset quality issues remain centered in the residential real estate-related portfolios, including residential mortgages, home equity products, and residential construction. In addition, we experienced some weakness in our commercial client base, particularly those in more cyclically sensitive industries, and in our small business portfolio, and we expect that we will continue to see stress in asset quality in the commercial portfolio. The $1.7 billion increase in net charge-offs during the year was primarily related to residential mortgages, large corporate borrowers in economically cyclical industries, and the resolution of loan workouts related to the home builder portfolio. Our nonperforming loans grew by $1.5 billion during 2009, which is a result of the economic environment causing increased client defaults on their loans and extended disposition times on our consumer loans secured by residential real estate. Given the extended timelines to foreclose, especially in Florida, we expect that our nonperforming loan levels will remain elevated throughout 2010. However, during the second half of 2009, the level of increases in nonperforming loans moderated as compared to the increases seen during the first six months of the year. This moderation in nonperforming loans, the first since the credit crisis began in 2007, was mainly due to a reduction in nonaccrual commercial loans as the result of charge-offs recognized during the second half of the year and the transfer of certain commercial loans out of nonaccrual due to improved performance. We have implemented numerous loss mitigation efforts and are working to effectively manage elevated levels of nonperforming loans. While not a primary driver of the improvement, our proactive mortgage loan modification programs have had a positive influence on these delinquency and nonperforming loan trends. We have seen a $1.2 billion increase in accruing restructured loans during 2009, which is due to us taking proactive steps to responsibly modify loans in order to mitigate loss exposure related to borrowers experiencing financial difficulty. We are aggressively pursuing modifications when there is a reasonable chance that the modification will allow the client to continue to remain in their home. Although, when there has been a loss of income such that the client cannot reasonably support even a modified loan, we are strongly encouraging short sales and deed-in-lieu arrangements and relocation to more affordable housing. See additional discussion of credit and asset quality in the Loans , Allowance for Credit Losses , Provision for Credit Losses , and Nonperforming Assets sections of this MD&A.

Despite the net losses in 2009, our capital and liquidity positions are stronger at the end of 2009 compared to prior year as evidenced by the growth during the year in our capital and liquidity ratios and growth in deposits. Our Tier 1 common equity ratio improved to 7.67% from 5.83% at December 31, 2008. In addition, our Tier 1 capital ratio increased to 12.96% which is a 209 basis point increase from 10.87% at December 31, 2008. These improvements were the result of the capital raising transactions during the second quarter of 2009, as well as lower risk weighted assets from a reduction in loans and unfunded commitments. We also have substantial available liquidity as the inflows of high quality deposits have largely been retained in cash and invested in high quality government-backed securities. See additional discussion of our capital and liquidity position in the Capital Resources and Liquidity Risk sections of this MD&A.

During the year, we experienced a significant increase in consumer and commercial deposits as evidenced by an 11.7% increase in average deposits compared to the prior year. Growth has occurred in all deposit products with money market and DDAs comprising the majority of the increase. This record level of deposits was driven by the industry-wide trend of clients seeking the security of bank deposits; however, we believe our improved products and pricing, enhanced client service, and the Live Solid. Bank Solid. brand advertising specifically assisted us in attracting new clients and expanding existing relationships. Further, through an intense focus on improved execution, we have been successful in improving client satisfaction, acquisition, and retention. Additionally, as a result of the increase in these core deposits, we have been able to reduce our exposure to foreign deposits and higher-cost brokered deposits by $2.5 billion, or 31.0%, since December 31, 2008 as well as higher-cost long-term debt by $9.3 billion, or 34.8%, over this same period. While we witnessed solid growth in core deposits during 2009, it has moderated during the latter part of the year, causing us to believe that it may further moderate going forward as the economy improves. Despite the moderation in total deposit growth, the mix of deposits continues to shift towards lower cost transaction accounts.

During the year, average loans declined $4.4 billion, or 3.5%, and total loans at December 31, 2009 were down 10.5% from prior year. Our aggressive effort to reduce exposure to construction lending, as evidenced by the 44.7% decline in average balances versus the previous year, was a primary driver of the decline in average loans during the year. In addition, we reduced our exposure to residential real estate loans as evidenced by the $3.0 billion, or 9.4%, decrease in average residential real estate loans in 2009. The decline in the remaining loan categories is primarily due to weak loan demand as a result of the economic environment, which has caused clients to be focused on capital preservation and an allocation of excess funds for debt reduction. The trend of declining line of credit utilization among our mid-size and larger corporate clients continued due to improved access to capital markets and lower working capital needs. We remain focused on extending credit to qualified borrowers as businesses and consumers work through the current economic downturn. Despite the reduction in our overall loan portfolio, new loan originations, commitments, and renewals of commercial and consumer loans were approximately $90 billion during 2009, with residential mortgage originations leading the way.

We increased our securities available for sale holdings during the year, resulting in a 44.6% increase in the year end balance compared to prior year end. This increase was led by the increase in our holdings of U.S. Treasury and agency securities by over $7 billion in light of the increased liquidity from higher deposits and lower loan balances. In addition, agency MBS increased by over $1 billion. This increase was related to sales during the year where we had the opportunity to manage the portfolio s duration by selling bonds at a gain and repositioning the MBS portfolio into securities that we believe have higher relative value. As a result of the securities sales, we realized $98.0 million in net gains during the year.

FTE net interest income was $4.6 billion for the year ended December 31, 2009, compared to $4.7 billion for the year ended December 31, 2008. FTE total revenue was down 9.9% to $8.3 billion for the year ended December 31, 2009 as a result of soft revenue generation in certain areas and substantially lower securities gains compared to the prior year. Net interest margin in 2009 decreased six basis points when compared to the prior year primarily as a result of decreased loan pricing that outpaced the decreased deposit pricing during the year. Total noninterest expense increased by $683.4 million, or 11.6%, in 2009, primarily driven by the $751.2 million non-cash goodwill impairment charge recognized during the year. Provision for credit losses was $4.1 billion for the year ended 2009, an increase of $1.6 billion from the prior year. The provision for loan losses was $769.0 million higher than net charge-offs of $3.2 billion for the year. The ALLL increased $769.0 million, or 32.7%, from December 31, 2008 and was 2.76% of total loans not carried at fair value compared to 1.86% as of December 31, 2008. Net charge-offs to average loans were 2.67% for the year ended 2009 compared to 1.25% for 2008. Nonperforming assets rose during the year to $6.1 billion at year end compared to $4.5 billion at the end of last year. The average shareholders equity to average total assets ratio and the tangible equity to tangible assets ratio both improved from 10.58% and 8.46% at December 31, 2008 to 12.70% and 9.66%, respectively, at December 31, 2009. We recorded $265.8 million in dividends and accretion during 2009 related to preferred stock issued to the U.S. Treasury under the CPP compared to $26.6 million during 2008. See additional discussion of our financial performance in the Consolidated Financial Results section of this MD&A.

Table of Contents

CONSOLIDATED FINANCIAL RESULTS

Table 1 - Consolidated Daily Average Balances, Income/Expense And Average Yields Earned And Rates Paid

		2009				2008				2007		
(Dollars in millions; yields on taxable-equivalent basis)	Average Balances	Income/ Expense	Yields/ Rates		Average Balances	Income/ Expense	Yields/ Rates		Average Balances	Income/ Expense	Yields/ Rates	
Assets												
Loans:[1]												
Real estate 1-4 family	**$28,770.3**	**$1,722.5**	**5.99**	%	$31,758.9	$2,004.8	6.31	%	$31,951.0	$2,036.5	6.37	%
Real estate construction	**5,991.0**	**198.1**	**3.31**		10,828.5	575.8	5.32		13,519.4	1,011.0	7.48	
Real estate home equity lines	**15,685.1**	**523.3**	**3.34**		15,204.9	796.9	5.24		14,031.0	1,088.2	7.76	
Real estate commercial	**15,573.4**	**639.4**	**4.11**		13,968.9	789.7	5.65		12,803.4	887.5	6.93	
Commercial - FTE[2]	**36,458.0**	**1,819.6**	**4.99**		38,131.9	2,089.6	5.48		34,194.4	2,202.6	6.44	
Credit card	**984.0**	**73.5**	**7.47**		862.6	34.5	4.00		495.9	17.7	3.57	
Consumer - direct	**5,101.0**	**207.1**	**4.06**		4,541.8	254.1	5.60		4,221.0	304.9	7.22	
Consumer - indirect	**6,594.0**	**418.0**	**6.34**		7,262.5	459.8	6.33		8,017.5	495.4	6.18	
Nonaccrual and restructured	**5,883.8**	**36.2**	**0.62**		2,872.7	25.4	0.89		847.0	17.3	2.05	
Total loans	**121,040.6**	**5,637.7**	**4.66**		125,432.7	7,030.6	5.61		120,080.6	8,061.1	6.71	
Securities available for sale:												
Taxable	**18,960.2**	**790.0**	**4.17**		12,219.5	731.0	5.98		10,274.1	639.1	6.22	
Tax-exempt - FTE[2]	**1,002.8**	**54.7**	**5.46**		1,038.4	63.1	6.07		1,043.8	62.2	5.96	
Total securities available for sale - FTE	**19,963.0**	**844.7**	**4.23**		13,257.9	794.1	5.99		11,317.9	701.3	6.20	
Funds sold and securities purchased under agreements to resell	**793.8**	**2.2**	**0.27**		1,317.7	25.1	1.91		995.6	48.8	4.91	
Loans held for sale	**5,228.4**	**232.8**	**4.45**		5,105.6	289.9	5.68		10,786.7	668.9	6.20	
Interest-bearing deposits	**25.3**	**0.2**	**0.91**		25.6	0.8	3.18		24.0	1.3	5.44	
Interest earning trading assets	**3,857.3**	**115.4**	**2.99**		7,609.1	304.4	4.00		11,999.6	657.2	5.48	
Total earning assets	**150,908.4**	**6,833.0**	**4.53**		152,748.6	8,444.9	5.53		155,204.4	10,138.6	6.53	
Allowance for loan and lease losses	**(2,705.5)**				(1,815.0)				(1,065.7)			
Cash and due from banks	**4,843.6**				3,093.2				3,456.6			
Other assets	**17,354.9**				17,270.4				16,700.5			
Noninterest earning trading assets	**3,429.1**				2,641.6				1,198.9			
Unrealized gains on securities available for sale, net	**1,611.9**				1,909.5				2,300.8			
Total assets	**$175,442.4**				$175,848.3				$177,795.5			
Liabilities and Shareholders Equity												
Interest-bearing deposits:												
NOW accounts	**$23,600.6**	**$99.2**	**0.42**	%	$21,080.7	$252.9	1.20	%	$20,042.8	$473.9	2.36	%
Money market accounts	**31,863.5**	**314.8**	**0.99**		26,564.8	520.3	1.96		22,676.7	622.5	2.75	
Savings	**3,664.2**	**10.1**	**0.27**		3,770.9	16.3	0.43		4,608.7	55.5	1.20	
Consumer time	**16,718.1**	**479.0**	**2.87**		16,770.2	639.1	3.81		16,941.3	764.2	4.51	
Other time	**13,068.4**	**382.1**	**2.92**		12,197.2	478.6	3.92		12,073.5	586.3	4.86	
Total interest-bearing consumer and commercial deposits	**88,914.8**	**1,285.2**	**1.45**		80,383.8	1,907.2	2.37		76,343.0	2,502.4	3.28	
Brokered deposits	**5,648.3**	**154.2**	**2.69**		10,493.2	391.5	3.73		16,091.9	861.2	5.35	
Foreign deposits	**433.9**	**0.5**	**0.12**		4,250.3	78.8	1.85		5,764.5	297.2	5.16	

Total interest-bearing deposits	**94,997.0**	**1,439.9**	**1.52**	95,127.3	2,377.5	2.50	98,199.4	3,660.8	3.73
Funds purchased	**1,669.6**	**3.3**	**0.19**	2,622.0	51.5	1.96	3,266.2	166.5	5.10
Securities sold under agreements to repurchase	**2,483.4**	**4.5**	**0.18**	4,961.0	79.1	1.59	6,132.5	273.8	4.46
Interest-bearing trading liabilities	**487.8**	**20.2**	**4.14**	785.7	27.1	3.46	430.2	15.6	3.62
Other short-term borrowings	**2,703.6**	**14.7**	**0.54**	3,057.2	55.1	1.80	2,493.0	121.0	4.85
Long-term debt	**20,118.7**	**761.4**	**3.78**	22,892.9	1,117.4	4.88	20,692.9	1,078.7	5.21
Total interest-bearing liabilities	**122,460.1**	**2,244.0**	**1.83**	129,446.1	3,707.7	2.86	131,214.2	5,316.4	4.05
Noninterest-bearing deposits	**24,249.2**			20,949.0			21,677.2		
Other liabilities	**4,387.2**			5,061.4			5,662.7		
Noninterest-bearing trading liabilities	**2,059.8**			1,795.6			1,313.0		
Shareholders equity	**22,286.1**			18,596.2			17,928.4		
Total liabilities and shareholders equity	**$175,442.4**			$175,848.3			$177,795.5		
Interest Rate Spread			**2.70 %**			2.67 %			2.48 %
Net Interest Income - FTE [3]		**$4,589.0**			$4,737.2			$4,822.2	
Net Interest Margin [4]			**3.04 %**			3.10 %			3.11 %

[1]Interest income includes loan fees of $140.6 million, $134.5 million, and $119.8 million for the three years ended December 31, 2009, 2008, and 2007, respectively. Nonaccrual loans are included in average balances and income on such loans, if recognized, is recorded on a cash basis.

[2]Interest 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 $123.3 million, $117.5 million, and $102.7 million for the three years ended December 31, respectively.

[3] The Company obtained derivative instruments to manage the Company s interest-sensitivity position that increased net interest income $488.2 million and $180.7 million in the periods ended December 31, 2009 and 2008, respectively and decreased net interest income $25.6 million in the period ended December 31, 2007.

[4]The net interest margin is calculated by dividing net interest income FTE by average total earning assets.

Table of Contents

Table 2 - Analysis of Changes in Net Interest Income [1]

(Dollars in millions on a taxable-equivalent basis)	2009 Compared to 2008 Increase (Decrease) Due to Volume	Rate	Net	2008 Compared to 2007 Increase (Decrease) Due to Volume	Rate	Net
Interest Income						
Loans:						
Real estate 1-4 family	**($183.4)**	**($98.8)**	**($282.2)**	($12.3)	($19.3)	($31.6)
Real estate construction	**(204.7)**	**(173.1)**	**(377.8)**	(177.6)	(257.6)	(435.2)
Real estate home equity lines	**24.4**	**(298.0)**	**(273.6)**	85.2	(376.5)	(291.3)
Real estate commercial	**83.0**	**(233.2)**	**(150.2)**	75.9	(173.8)	(97.9)
Commercial - FTE[2]	**(88.9)**	**(181.1)**	**(270.0)**	236.9	(349.9)	(113.0)
Credit card	**5.4**	**33.5**	**38.9**	14.5	2.4	16.9
Consumer - direct	**28.7**	**(75.8)**	**(47.1)**	21.8	(72.5)	(50.7)
Consumer - indirect	**(42.4)**	**0.7**	**(41.7)**	(47.5)	11.8	(35.7)
Nonaccrual and restructured	**20.4**	**(9.6)**	**10.8**	22.4	(14.3)	8.1
Securities available for sale:						
Taxable	**323.7**	**(264.7)**	**59.0**	117.3	(25.4)	91.9
Tax-exempt [2]	**(2.1)**	**(6.2)**	**(8.3)**	(0.3)	1.2	0.9
Funds sold and securities purchased under agreements to resell	**(7.3)**	**(15.6)**	**(22.9)**	12.5	(36.2)	(23.7)
Loans held for sale	**6.8**	**(64.0)**	**(57.2)**	(327.0)	(52.1)	(379.1)
Interest-bearing deposits	**-**	**(0.6)**	**(0.6)**	0.1	(0.6)	(0.5)
Interest earning trading assets	**(125.0)**	**(64.0)**	**(189.0)**	(203.0)	(149.8)	(352.8)
Total interest income	**(161.4)**	**(1,450.5)**	**(1,611.9)**	(181.1)	(1,512.6)	(1,693.7)
Interest Expense						
NOW accounts	**27.2**	**(181.0)**	**(153.8)**	23.3	(244.2)	(220.9)
Money market accounts	**89.0**	**(294.5)**	**(205.5)**	95.7	(197.9)	(102.2)
Savings	**(0.4)**	**(5.7)**	**(6.1)**	(8.7)	(30.6)	(39.3)
Consumer time	**(2.0)**	**(158.1)**	**(160.1)**	(7.6)	(117.5)	(125.1)
Other time	**32.3**	**(128.7)**	**(96.4)**	6.0	(113.7)	(107.7)
Brokered deposits	**(150.1)**	**(87.2)**	**(237.3)**	(251.1)	(218.6)	(469.7)
Foreign deposits	**(38.3)**	**(39.9)**	**(78.2)**	(63.5)	(155.0)	(218.5)
Funds purchased	**(13.9)**	**(34.3)**	**(48.2)**	(27.9)	(87.1)	(115.0)
Securities sold under agreements to repurchase	**(26.9)**	**(47.7)**	**(74.6)**	(44.6)	(150.1)	(194.7)
Interest-bearing trading liabilities	**(11.6)**	**4.5**	**(7.1)**	12.3	(0.7)	11.6
Other short-term borrowings	**(5.7)**	**(34.7)**	**(40.4)**	22.8	(88.7)	(65.9)
Long-term debt	**(124.5)**	**(231.5)**	**(356.0)**	109.8	(71.1)	38.7
Total interest expense	**(224.9)**	**(1,238.8)**	**(1,463.7)**	(133.5)	(1,475.2)	(1,608.7)
Net change in net interest income	**$63.5**	**($211.7)**	**($148.2)**	($47.6)	($37.4)	($85.0)

[1]Changes 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.

[2]Interest income includes the effects of taxable-equivalent adjustments (reduced by the nondeductible portion of interest expense) 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.

Net Interest Income/Margin

FTE net interest income was $4,589.0 million during 2009, a decrease of $148.2 million, or 3.1%, from 2008. Net interest margin decreased six basis points from 3.10% in 2008 to 3.04% in 2009, while average earning assets decreased $1.8 billion, or 1.2%. Earning asset yields declined 100 basis points from 5.53% to 4.53%, and the rates paid on interest-bearing liabilities over the same period decreased 103 basis points.

Throughout 2009, we experienced an upward net interest margin trend, from 2.87% in the first quarter to 3.27% in the fourth quarter. The combination of liabilities re-pricing at lower rates and an increase in client deposits, as well as improved deposit mix, enabled a reduction in higher-cost sources of funding while loans and earning assets declined more rapidly, offsetting some of the benefit. Loan and deposit pricing are the primary opportunities to generate additional margin expansion in 2010, while the primary risks relate to the possibility that nonperforming assets will rise and loan demand will remain sluggish. Our current expectation for net interest margin in the near-term is for some compression. A full quarter s impact of holding $5 billion in U.S. Treasury securities and the first quarter consolidation of selected off-balance sheet entities, are expected to have a small negative impact on margin which may be partially offset by improvements in deposit pricing. Additionally, we expect to experience a seasonal decline in deposits.

Average earning assets decreased $1.8 billion, or 1.2%, from 2008. Average loans decreased $4.4 billion, or 3.5%. The decline is attributable to a $4.8 billion, or 44.7%, reduction in real estate construction loans, a $3.0 billion, or 9.4%, reduction in real estate 1-4 family residential loans, and a $1.7 billion, or 4.4%, reduction in commercial loans. The decreases in real estate construction, 1-4 family residential loans and commercial loans were partially offset by increases in the commercial real estate loan portfolio of $1.6 billion, or 11.5%, as well as a $3.0 billion, or 104.8%, increase in nonperforming and restructured loans. To offset the decline in loans, average securities available for sale increased $6.7 billion, or 50.6%, from 2008 due to a $4.6 billion increase in MBS and a $2.1 billion increase in U.S. Treasury and agency securities.

Yields on average earning assets declined 100 basis points from 2008 to 2009 driven by declines in market interest rates. Our loan portfolio yielded 4.66% for the year 2009, down 95 basis points from 2008. A large percentage of our commercial loans are variable rate indexed to one month LIBOR. In order to manage interest rate risk, we utilized receive fixed/pay floating interest rate swaps to hedge interest income in a declining rate environment. That interest rate risk management strategy along with increased swap-related notional balances ($8.6 billion of additional floating rate commercial loans were swapped to fixed rate) and lower rates in 2009 resulted in swap income increasing from $229.0 million in 2008 to $539.5 million in 2009. While the underlying loans swapped to fixed are classified as both commercial real estate and commercial, all of the swap income is recorded as interest on commercial loans. The classification of all swap income in the commercial loan category, combined with the increased notional value of received fixed swaps and the declining balance of commercial loans, produced a significantly smaller decline in reported commercial loan yields as compared to underlying rate indices. In addition, loan-related interest income was augmented in 2009 by our loan pricing initiatives.

Average interest earning trading assets declined by $3.8 billion, or 49.3%. Despite the decline in trading assets, we continue to use this portfolio as part of our overall asset/liability management; however, the size and nature of trading assets will fluctuate over various economic cycles. Average LHFS were $5.2 billion during 2009, an increase of 2.4% from the prior year. The increase in LHFS occurred as a result of increased mortgage loan production.

Average consumer and commercial deposits increased $11.8 billion, or 11.7%, in 2009 compared to 2008. This growth consisted of increases of $5.3 billion, or 20.0%, in money market accounts, $3.3 billion, or 15.8%, in demand deposits, $2.5 billion, or 12.0%, in NOW accounts, and $819.1 million, or 2.8%, in time deposits. Deposit growth was the result of marketing campaigns, competitive pricing, and clients increased preference for the security of insured deposit products. However, a portion of the deposit growth is related to the industry-wide flight to the safety of insured deposits and reduced client demand for sweep accounts due to the low interest rate environment. The overall growth in consumer and commercial deposits allowed for a reduction in other funding sources, including $4.8 billion of brokered deposits, $3.8 billion of foreign deposits, and $2.8 billion of long-term debt. Overall, average interest-bearing liabilities declined $7.0 billion, or 5.4%. We continue to pursue deposit growth initiatives to increase our presence in specific markets within our footprint. Competition for deposits remains strong, and as a result, deposit pricing pressure remains across our footprint. Despite these challenging market conditions, we have used a combination of regional and product-specific pricing initiatives to balance margin and volume, while still growing our average deposit balances. We continue to believe that we are also benefiting from a number of actions taken to improve marketplace awareness and client service. The Live Solid. Bank Solid. branding campaign continues to be very well received and we believe it is helping drive client acquisition. We also continue to refine pricing tactics to be competitive while maintaining deposit rates that are attractive to our clients. Notwithstanding these deposit generation successes, some of the deposit growth is due to seasonality and the economic environment. Deposit balances are expected to decline modestly in the first quarter related to seasonality, and further over time as the economy improves.

During 2009, the interest rate environment was characterized by lower rates, yet a steeper yield curve versus 2008. More specifically, the Fed funds target rate averaged 0.25%, a decrease of 183 basis points, the Prime rate averaged 3.25%, a decrease of 183 basis points, one-month LIBOR averaged 0.33%, a decrease of 235 basis points, five-year swaps averaged 2.65%, a decrease of 104 basis points, and ten-year swaps averaged 3.44%, a decrease of 80 basis points. Rates paid on deposits, our most significant funding source, tend to track movements in one-month LIBOR, while our fixed rate loan yields tend to track movements in the five-year swap rate. However, due to the competition and customer demands surrounding deposits, deposit pricing has reached an effective floor in some products, as evidenced by the 92 basis point decline in the average rate paid on interest-bearing consumer and commercial deposits versus the 235 basis point decline noted in one-month LIBOR.

Foregone interest income from nonperforming loans reduced net interest margin by 21 basis points for 2009 as average nonaccrual loans increased $2.3 billion, or 82.7% from 2008. See additional discussion of our expectations for future levels of credit quality in the Allowance for Credit Losses , Provision 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.

Table of Contents

Table 3 - Noninterest Income

	Year Ended December 31		
(Dollars in millions)	**2009**	2008	2007
Service charges on deposit accounts	**$848.4**	$904.1	$822.0
Other charges and fees	**522.7**	510.8	479.1
Trust and investment management income	**486.5**	592.3	685.0
Mortgage production related income	**376.1**	171.4	91.0
Mortgage servicing related income	**329.9**	(211.8)	195.4
Card fees	**323.8**	308.4	280.7
Investment banking income	**272.0**	236.5	214.9
Retail investment services	**217.8**	289.1	278.0
Trading account profits/(losses) and commissions	**(40.7)**	38.2	(361.7)
Gain from ownership in Visa	**112.1**	86.3	-
Gain on sale of businesses	**-**	198.1	32.3
Net gain on sale/leaseback of premises	**-**	37.0	118.8
Other income	**163.6**	239.8	350.1
Net securities gains	**98.0**	1,073.3	243.1
Total noninterest income	**$3,710.2**	$4,473.5	$3,428.7

Noninterest Income

Noninterest income decreased by $763.3 million, or 17.1%, in 2009, compared to 2008, driven largely by transactional items in 2008 that did not recur in 2009 such as gains from the sale and contribution of Coke stock, gains from the sale of certain businesses, and gains from the sale/leaseback of certain corporate real estate properties. In addition, mark to market valuation losses on our public debt and related hedges carried at fair value were recognized in 2009 while mark to market valuation gains were recognized in 2008. The decrease in noninterest income was partially offset by higher mortgage-related income as a result of increased mortgage production in 2009 and an impairment charge recorded on our MSRs carried at LOCOM during 2008 which was partially recovered in 2009. Additionally, in 2008, we recorded valuation losses related to our expected purchase of ARS and mark to market write-downs related to illiquid securities and warehouse loans carried at market that partially offset the overall decline in noninterest income.

Combined mortgage-related income increased $746.4 million compared to 2008. Mortgage servicing related income increased $541.7 million compared to 2008, primarily due to a $199.2 million recovery of impairment on the MSRs carried at LOCOM in 2009 compared to $370.0 million in impairment charges recorded during 2008 on our MSRs portfolio. This increase was partially offset by higher amortization of MSRs due to an increase in prepayments, as well as a decline in the fair value of MSRs.

Mortgage production related income increased $204.7 million, or 119.4%, compared to 2008, primarily due to a $13.7 billion, or 37.6%, increase in production volume that was partially offset by a $346.1 million increase in mortgage repurchase related losses compared to 2008. The increase in production volume during 2009 was due in large part to increased refinancing activity, which we do not expect to remain at this level in the near term. Mortgage repurchase related losses increased from $98.2 million in 2008 to $444.3 million in 2009 as a result of increased repurchase requests from government-sponsored agencies. As discussed in more detail in Note 18, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements, we provide standard representations and warranties when loans are sold to third party investors. If it is later determined that such representations have been breached, the investor will request that we either purchase the nonperforming loan or reimburse the investor for the loss incurred. Although mortgage repurchase reserves are established at the time of sale, actual credit losses have exceeded the original estimates and we are recognizing higher losses. We update our loss estimate by analyzing the population of loans sold by vintage and product in relation to our recent experience and expected repurchase levels and as a result, the reserve for the repurchase of mortgage loans has increased. A shift in the volume of repurchase requests occurred during the course of 2009 from loans originated and sold prior to 2007. During the latter half of 2009, the majority of our repurchase requests pertained to loans originated and sold in 2007. We believe ultimate losses on newer vintages, specifically 2008 and later, may be lower than older vintages. The elimination of Alt-A loan products, tighter credit and underwriting guidelines, and enhanced processes have reduced the risk profile and, therefore, the repurchase risk exposure of loans originated and sold since 2008. In addition, loans sold in recent years have lower original loan-to-values and are subject to less home price depreciation which should reduce loss severities. While mortgage repurchase related losses are expected to remain elevated during 2010, the shift towards loans originated and sold

28

Table of Contents

in more recent years gives us reason to believe that successful repurchase requests by investors and loss severities will decline. The level of losses and reserves during 2010 are dependent primarily upon the continued shift in request volume to newer vintages and no significant deterioration in the overall asset quality of the previously sold loans as indicated by borrower payment performance.

Net securities gains of $1.1 billion for 2008 included a $732.2 million gain on the sale and contribution of a portion of our investment in Coke common stock in addition to a $413.1 million gain on the sale of MBS held in conjunction with our risk management strategies associated with economically hedging the value of MSRs. These gains were partially offset by the recognition through earnings of $83.8 million in charges related to certain ABS that were determined in 2008 to be other-than-temporarily impaired. For additional information on transactions related to our holdings in Coke common stock, refer to Investment in Common Shares of The Coca-Cola Company within this MD&A. During 2009, we recorded net securities gains of $98.0 million which included a $90.2 million gain on the sale of approximately $9.2 billion of agency MBS. These sales were associated with repositioning the MBS portfolio into securities we believe have higher relative value. Net securities gains also included $20.0 million of credit-related OTTI losses on securities with a fair value of approximately $310.6 million, consisting primarily of purchased and retained private residential MBS.

In May 2009, we sold 3.2 million of our Visa Class B shares and entered into a derivative related to such shares. We recognized a gain of $112.1 million in connection with these transactions. During the first quarter of 2008, Visa completed its IPO, and upon the closing, approximately 2 million of our Class B shares were mandatorily redeemed for $86.3 million, which was recorded as a gain in noninterest income. See Note 18, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements for further discussion of the Visa transaction. Gain on sale of businesses consists of an $89.4 million gain on the sale of our remaining interest in Lighthouse Investment Partners during the first quarter of 2008, an $81.8 million gain on the sale of TransPlatinum, our fuel card and fleet management subsidiary, in the third quarter of 2008, a $29.6 million gain on the sale of First Mercantile, a retirement plan services subsidiary, during the second quarter of 2008, and a $2.7 million loss on the sale of a majority interest in ZCI during the fourth quarter of 2008.

Trust and investment management income decreased $105.8 million, or 17.9%, compared to 2008, primarily due to lower fee income attributable to the decline in the equity markets, lower interest rates, and a decline in income associated with the sale of First Mercantile on May 30, 2008. Retail investment services income decreased $71.3 million, or 24.7%, compared to 2008, due to lower annuity sales and reduced brokerage activity and client asset balances. Service charges on deposit accounts decreased $55.7 million, or 6.2%, compared to 2008, as a result of a reduction in consumer spending and lower non-sufficient fund fees. We expect to comply with regulatory changes made by the Federal Reserve and are monitoring potential legislative proposals which, should they become effective, have the potential to affect our ability to generate certain types of fee income in future periods.

Trading account profits/(losses) and commissions decreased $78.9 million compared to 2008, primarily due to $153.0 million in mark to market losses on our public debt and related hedges carried at fair value during 2009 compared with gains of $431.7 million in 2008. The losses during 2009 were caused by an improvement in our credit spreads. These losses were partially offset by $255.9 million in market valuation losses recorded during 2008 on our investments in certain illiquid ABS compared to small gains in 2009 as our exposure to these investments has been substantially reduced through sales, maturities, and write-downs. Additionally, during 2008, we recorded a $177.7 million loss related to our expected repurchase of certain ARS. Capital markets related trading income increased during 2009, compared to the same periods in 2008, due to improved equity derivatives and bond trading offset by decreased fixed income derivative performance. Investment banking income increased $35.5 million, or 15.0%, compared to 2008, due to improved bond origination fees, loan syndication fees, equity underwriting, and direct financing revenues.

Other income decreased $76.2 million, or 31.8%, compared to 2008. The decline was primarily due to losses recognized on certain private equity investments and leases in 2009 compared to gains in 2008 and a recovery from the resolution of a litigation matter recognized in 2008.

During 2008, we completed sale/leaseback transactions, consisting of 152 branch properties and various individual office buildings. In total, we sold and concurrently leased back $201.9 million in land and buildings with associated accumulated depreciation of $110.3 million. For the year ended December 31, 2008, we recognized $37.0 million of the gain immediately while the remaining $160.3 million in gains were deferred and will be recognized ratably over the expected term of the respective leases, predominantly as an offset to net occupancy expense.

Table of Contents

Table 4 - Noninterest Expense

	Year Ended December 31		
(Dollars in millions)	**2009**	2008	2007
Employee compensation	**$2,257.5**	$2,327.2	$2,329.0
Employee benefits	**542.4**	434.0	441.2
Total personnel expense	**2,799.9**	2,761.2	2,770.2
Amortization/impairment of goodwill/intangible assets	**806.8**	121.3	96.7
Outside processing and software	**579.3**	492.6	410.9
Net occupancy expense	**356.8**	347.3	351.2
Regulatory assessments	**302.2**	54.9	22.4
Credit and collection services	**259.4**	156.4	112.5
Other real estate expense	**243.7**	104.7	15.8
Equipment expense	**171.9**	203.2	206.5
Marketing and customer development	**151.5**	372.2	195.0
Mortgage reinsurance	**114.9**	179.9	0.2
Operating losses	**99.5**	446.2	134.0
Postage and delivery	**83.9**	90.1	93.2
Communications	**67.4**	69.4	79.0
Consulting and legal	**57.5**	58.6	101.2
Other staff expense	**50.8**	70.3	132.5
Operating supplies	**41.0**	44.3	48.7
Net loss on debt extinguishment	**39.4**	11.7	9.8
Visa litigation	**7.0**	(33.5)	76.9
Merger expense	**-**	13.4	-
Other expense	**329.5**	314.8	364.4
Total noninterest expense	**$6,562.4**	$5,879.0	$5,221.1

Noninterest Expense

Noninterest expense increased by $683.4 million, or 11.6%, in 2009 compared to 2008. The increase was primarily due to the $751.2 million non-cash goodwill impairment charge recorded in the first quarter of 2009 compared to a $45.0 million impairment charge related to a specific customer intangible asset recognized in the second quarter of 2008. Excluding the impact of the goodwill and customer intangible impairment charges, noninterest expense decreased by $22.8 million, or 0.4%, in 2009 compared to 2008. This slight decrease in noninterest expense (excluding impairment charges) resulted from a decline in credit-related expenses and marketing and customer development. Offsetting these decreases in 2009 were increases in personnel expense, outside processing and software, regulatory assessments, Visa litigation expense, debt extinguishment costs, and other economically cyclical expenses.

Amortization/impairment of intangible assets increased $685.5 million in 2009. The primary driver of the increase was a non-cash goodwill impairment charge of $751.2 million recorded in the first quarter of 2009 related to the Household Lending, Commercial Real Estate, and Affordable Housing businesses. The impairment resulted from continued deterioration in real estate markets and the macro economy, which placed downward pressure on the fair value of our mortgage and commercial real estate-related businesses, and caused the significant decline in our market capitalization during the first quarter. The impairment charge had no impact on our regulatory capital and tangible equity ratios. In the second quarter of 2008, we recorded an impairment charge of $45.0 million related to a specific customer intangible asset.

Credit-related costs include operating losses, credit and collection services, other real estate expense and mortgage reinsurance expense. These expenses decreased $169.7 million, or 19.1%, from 2008. Operating losses decreased $346.7 million, or 77.7%, compared to 2008 primarily due to a change in classification related to borrower misrepresentation and claim denials. Prior to the first quarter of 2009, borrower misrepresentation and mortgage insurance claim denials were charged to operating losses. Beginning in 2009, we began recording these losses as charge-offs first against the previously established reserves for fraud losses and then against the ALLL, where the estimated reserves related to these loans are now included. See additional discussion related to these losses in the Allowance for Credit Losses section of this MD&A. Included in 2008 was a $206.9 million reserve recorded for borrower misrepresentations and insurance claim denials. Other real estate expense increased $139.0 million, or 132.8%, in 2009 compared to 2008. This increase was due to a $129.1

million increase in valuation related losses on OREO properties and a $40.4 million increase in property expenses, partially offset by net gains of $30.4 million on the sale of properties. Mortgage reinsurance reserve expense, which pertains to our mortgage reinsurance subsidiary, Twin Rivers, decreased from $179.9 million in 2008 to $114.9 million in 2009 as a result of losses reaching or approaching our loss limits within the insurance contracts in 2009. Twin Rivers loss exposure arises from third party mortgage insurers transferring a portion of their first loss exposure when losses by mortgage origination year exceed certain thresholds. Credit and collection services expense increased $103.0 million, or 65.9%, in 2009 compared to 2008 due to increased collection and loss mitigation activity.

Marketing and customer development expense decreased $220.7 million, or 59.3%, in 2009, compared to the same period in 2008. The decrease was due to a reduction in corporate advertising and donations expense as a result of the $183.4 million contribution of Coke stock to the SunTrust Foundation made in the third quarter of 2008 and the related impact of reducing our ongoing contributions. Most of the remaining decrease related to a decline in customer development and promotion expenses.

Personnel expenses in 2009 increased by $38.7 million, or 1.4%, from the same period in 2008. The slight increase in personnel expense is attributable to pension costs increasing from $23.9 million in 2008 to $140.9 million in 2009 resulting from an increase in the pension obligation due to 2009 market valuation assumptions. The increase in pension costs were offset by a decline in salaries expense of $69.7 million from 2008 to 2009 reflecting a reduction of approximately 1,332 full time equivalent employees since December 31, 2008 to 28,001 as of December 31, 2009. Personnel expense was also impacted by an increase in incentive compensation primarily related to improved performance in certain businesses.

Outside processing and software increased $86.7 million, or 17.6%, compared to 2008 primarily due to our contracting with a third party in the third quarter of 2008 to provide certain check and related processing operations.

Regulatory assessments expense grew from $54.9 million in 2008 to $302.2 million in 2009 as a result of higher FDIC insurance premium rates and increased deposit balances, as the FDIC sought to replenish the insurance fund. Also contributing to the increase in 2009 was the FDIC special assessment recorded in the second quarter of 2009. The special assessment was a charge that the FDIC levied on all banks to assist in replenishing their reserves. Our portion of that assessment was $78.2 million. In the fourth quarter of 2009, we prepaid three years of expected FDIC premiums in accordance with a newly-enacted regulatory requirement. The total premium of $925 million will be amortized into expense over the next three years. The assessment will also increase in 2011 as a result of a three basis point increase which is effective January 1, 2011. Other future assessments or taxes may occur on financial institutions as a result of legislative developments and the support of the current administration.

Visa litigation expense increased by $40.5 million in 2009 compared to the same period in 2008. This increase is related to a $53.5 million reversal, during 2008, of a portion of the accrued liability associated with the Visa litigation as a result of the funding by Visa of the litigation escrow account, partly offset by accruals based on the resolution of certain Visa related matters.

Net loss on debt extinguishment increased from $11.7 million in 2008 to $39.4 million in 2009. The increase resulted primarily from early termination fees for FHLB advances repaid during the fourth quarter of 2009 resulting in a $23.5 million loss, net of gains on the early extinguishment of other long-term debt. These advance terminations were part of the initiative we took to take advantage of the strong liquidity position we currently benefit from to repay wholesale funding and improve margin.

Other noninterest expense increased $14.7 million, or 4.7%, in 2009 compared to 2008. The increase was due primarily to write-downs of $46.8 million related to affordable housing properties in 2009 as compared to $19.9 million of related charges in 2008. Also contributing to the increase was a $10.7 million increase in unfunded commitment expenses compared to 2008, primarily related to increased loss exposure to unfunded commitments extended to a few large corporate clients and some migration in risk ratings. Beginning in the fourth quarter of 2009, we began recording expense related to unfunded commitment reserves in the provision for credit losses instead of noninterest expense. The expense which was included in the provision for credit losses during the fourth quarter of 2009 amounted to $57.2 million. Partially offsetting the increase were gains from the current year sale of corporate assets and the successful resolution of specific contingent items in 2009.

Other operating expenses remain well controlled as a result of our ongoing commitment to improving efficiency.

Provision for Income Taxes

The provision for income taxes includes both federal and state income taxes. In 2009, the provision for income taxes was a benefit of $898.8 million, compared to a tax benefit of $67.3 million in 2008. The provision represents a negative 36.5% effective tax rate for 2009 compared to a negative 9.2% effective tax rate for 2008. The 2009 effective tax rate was primarily attributable to the pre-tax loss and further increased by net favorable permanent tax items such as tax-exempt interest income, federal tax credits and the release of unrecognized tax benefits related to the completion of audit examinations by

Table of Contents

several taxing authorities during 2009. The tax benefit was reduced by a goodwill impairment, a significant portion of which was non-tax deductible. The 2008 effective tax rate included a discrete tax benefit related to the release of the deferred tax liability of approximately $65.8 million (net of valuation allowance) in connection with the contribution of 3.6 million shares of Coke common stock to the SunTrust Foundation.

Table 5 - Loan Portfolio by Types of Loans

	As of December 31				
(Dollars in millions)	**2009**	2008	2007	2006	2005
Commercial	**$32,494.1**	$41,039.9	$35,929.4	$34,613.9	$33,764.2
Real estate:					
Residential mortgages	**30,789.8**	32,065.8	32,779.7	33,830.1	29,877.3
Home equity lines	**15,952.5**	16,454.4	14,911.6	14,102.7	13,635.7
Construction	**6,646.8**	9,864.0	13,776.7	13,893.0	11,046.9
Commercial real estate:					
Owner occupied	**8,915.4**	8,758.1	7,948.5	7,709.0	7,398.6
Investor owned	**6,159.0**	6,199.0	4,661.0	4,858.8	5,117.4
Consumer:					
Direct	**5,117.8**	5,139.3	3,963.9	4,160.1	5,060.8
Indirect	**6,531.1**	6,507.6	7,494.1	7,936.0	8,389.5
Credit card	**1,068.3**	970.3	854.1	350.7	264.5
Total loans	**$113,674.8**	$126,998.4	$122,319.0	$121,454.3	$114,554.9
Loans held for sale	**$4,669.8**	$4,032.1	$8,851.7	$11,790.1	$13,695.6

Table 6 - Selected Residential Real Estate Loan Quality Information

(Dollars in millions)	December 31, 2009	30 - 89 Days Delinquent	Nonperforming Loans	Nonaccruing TDRs[1]	Accruing TDRs	Portion of Portfolio in Florida
Residential construction	$3,822.9	1.55 %	34.8 %	0.2 %	0.0 %	27.0 %
Residential mortgages:						
Core	23,913.5	1.98	8.5	2.6	4.5	30.3
Prime second lien	2,904.1	2.46	3.1	1.2	3.3	11.9
Lot	1,086.9	3.00	25.0	3.7	11.7	53.1
Alt-A	897.1	5.22	30.2	14.2	15.0	19.0
Home equity loans	1,988.2	2.47	2.8	0.6	1.7	31.1
Total residential mortgages	30,789.8	2.18	8.8	2.7	4.8	29.1
Home equity lines	15,952.5	1.36	1.8	0.2	0.9	37.5

[1]Nonaccruing TDRs are included in Nonperforming Loans

Table 7 - Funded Exposures by Selected Industries[1]

	As of December 31, 2009		As of December 31, 2008	
(Dollars in millions)	**Loans**	**% of Total Loans**	Loans	% of Total Loans
Real Estate	**$12,756.0**	**11.2 %**	$16,853.5	13.3 %
Retailing	**6,060.8**	**5.3**	7,207.8	5.7
Consumer Products & Services	**5,933.7**	**5.2**	6,187.5	4.9
Health Care & Pharmaceuticals	**3,922.9**	**3.5**	4,098.3	3.2
Diversified Financials & Insurance	**3,477.7**	**3.1**	4,033.5	3.2
Diversified Commercial Services & Supplies	**2,867.9**	**2.5**	3,313.2	2.6

Capital Goods	**2,463.8**	**2.2**	3,264.2	2.6
Energy & Utilities	**2,195.1**	**1.9**	3,414.7	2.7
Religious Organizations/Non-Profits	**1,964.3**	**1.7**	2,067.7	1.6
Government	**1,954.9**	**1.7**	2,015.4	1.6
Individuals, Inv. & Trusts	**1,664.8**	**1.5**	1,086.2	0.9
Media & Telecommunication Services	**1,537.4**	**1.4**	2,121.1	1.7
Materials	**1,285.5**	**1.1**	1,722.6	1.4

[1]Industry groupings have been modified from the prior year presentation that was based on the NAICS. The new presentation presents exposure to industries as a result of repayment risk of the loan and allows for better comparability with industry peers who use a similar presentation. As a result of the new presentation, December 31, 2008 balances have been modified from the prior year presentation to reflect industry repayment risk. Groupings are loans in aggregate greater than $1 billion as of December 31.

Loans

Total loans as of December 31, 2009 were $113.7 billion, a decrease of $13.3 billion, or 10.5%, from December 31, 2008. The quarterly decline in total loans was $3.1 billion (December 31, 2008 to March 31, 2009); $1.1 billion (March 31, 2009 to June 30, 2009); $6.3 billion (June 30, 2009 to September 30, 2009); and $2.8 billion (September 30, 2009 to December 31, 2009). The decrease was primarily driven by reduced loan demand in the commercial portfolio, as well as a reduction in our exposure to residential real estate, especially construction related. The portfolio is diversified by product, client, and geography throughout our footprint, and has relatively low exposure to unsecured consumer loan products.

Residential mortgages were $30.8 billion, or 27.1% of the total loan portfolio, as of December 31, 2009, down $1.3 billion, or 4.0%, from December 31, 2008. The residential mortgage portfolio is comprised of core mortgages (prime first liens), prime second lien mortgages, home equity loans, lot loans, and Alt-A first and second mortgages. There are virtually no option (negative amortizing) ARMs or subprime loans in the core portfolio.

The core mortgage portfolio was $23.9 billion, or 21.0% of total loans, as of December 31, 2009, and includes $16.6 billion in jumbo mortgages, of which $13.9 billion are ARMs. The remaining $7.3 billion of non jumbo loans includes $3.5 billion in ARMs and $0.9 billion in agency-eligible fixed rate loans. The agency-eligible fixed rate loans are effectively guaranteed by FNMA through a long-term standby commitment in which FNMA has committed to purchase at par those loans that become delinquent. The core first mortgage portfolio included $12.1 billion in interest-only ARMs; however, the interest-only period is typically ten years, unlike many interest-only products in the market which have short interest-only periods with early reset dates. The weighted average LTV at origination of the core mortgage portfolio was approximately 75%. The core mortgage portfolio includes approximately $1.0 billion of commercial purpose loans secured by residential real estate.

Prime second lien mortgages were $2.9 billion, or 2.6% of total loans, as of December 31, 2009 with $2.7 billion insured through third party pool-level insurance. We consider the insurance to be integral to the loan and include probable insurance proceeds in our analysis of the collectability of the loans. Total claims paid during 2009 and 2008 under the mortgage insurance arrangements were $111.7 million and $43.8 million, respectively. Under the insurance arrangement, we are exposed to cumulative losses by vintage pool from 5% to 8%, as well as cumulative losses exceeding 10%. Due to deterioration in delinquency rates, most of the pools have reached the first tier insurance stop loss limit. As of December 31, 2009, we had fully reserved for our exposure in the 5% to 8% loss layer, and we have also reserved for estimated losses above the 10% stop loss. In addition, we continue to experience claim denials on certain loans due to borrower misrepresentation and loan documentation issues, which may impact the recognition of uninsured losses. See Allowance for Credit Losses section of this MD&A for a discussion of losses related to borrower misrepresentation and denied claims.

Home equity loans comprise $2.0 billion, or 1.7% of total loans, as of December 31, 2009 and have a 76% weighted average combined LTV at origination. Approximately 67% of the home equity loans are in a second lien position. Lot loans were $1.1 billion, or approximately 1.0% of total loans, as of December 31, 2009. Alt-A first lien loans were $0.7 billion, or approximately 0.6% of total loans, as of December 31, 2009. Alt-A second lien loans totaled $0.2 billion. Alt-A firsts and seconds and lot loans have declined to less than 2% of the total loan portfolio.

The home equity line portfolio was $16.0 billion, or 14.0% of total loans, as of December 31, 2009, which is down $501.9 million, or 3.1%, from December 31, 2008. The portfolio has a weighted average combined LTV at origination of approximately 73%. Third party originated home equity lines continued to perform poorly, however, only 10% of home equity line balances were originated through that channel. We have eliminated origination of home equity products through third party channels, eliminated greater than 85% of LTV originations, implemented market specific LTV guidelines in certain declining markets, and have been reducing line commitments in higher risk situations. We continue to enhance our collections and default management processes. From a risk management perspective, there is virtually no line availability remaining in higher risk segments (i.e., lines originated by third parties and lines in Florida exceeding 80% current LTV). Overall, this portfolio displayed stable asset quality metrics; however, the portfolio continues to under perform.

The commercial loan portfolio decreased $8.5 billion, or 20.8%, from December 31, 2008 and comprises 28.6% of total loans at December 31, 2009. The reduction in the commercial portfolio resulted primarily from a continued trend of declining line of credit utilization among our mid-size and larger corporate clients due to lower working capital needs and enhanced access to the capital markets. The pace of decline did slow during the fourth quarter. The portfolio is diversified by industry, geography, client segment, and collateral; and continues to perform reasonably well overall.

The commercial real estate portfolio was $15.1 billion, or 13.3% of total loans, an increase of $117.3 million, or 0.8%, from December 31, 2008. The increase was attributable to the natural migration of loans maturing from the construction real estate loan portfolio into mini-perm financing. This portfolio includes both owner-occupied and income producing collateral, with almost 60% being owner occupied properties. The commercial real estate portfolio, including both owner occupied and investor owned, is performing satisfactorily overall. Of the total commercial real estate portfolio, approximately 81% are income properties such as office buildings, warehouses and retail buildings. Given conditions in the commercial real estate market, we anticipate continued stress and credit losses in this portfolio; however, we expect it to perform relatively well given its composition and underwriting.

The construction portfolio was $6.6 billion, or 5.8% of total loans, at December 31, 2009, a decrease of $3.2 billion, or 32.6%, from December 31, 2008. The construction portfolio consists of $0.8 billion of residential construction to perm loans, $1.2 billion of residential construction loans, $1.9 billion of commercial construction loans, $1.8 billion of acquisition and development loans, and $0.9 billion of undeveloped land loans. We have reduced the level of risk in the construction portfolio by aggressively managing our construction exposure. This reduction is evident from the $7.1 billion, or 51.8%, decline in outstanding balances since December 2007. Commercial related construction loans represent 28.5% of the total construction portfolio and credit performance remains acceptable overall. Performance of residential construction related loans remained weak; however, during the fourth quarter 30 days + delinquencies declined. We continue to be proactive in our credit monitoring and management processes to provide early warning for problem loans in the portfolio. For example, we use an expanded liquidity and contingency analysis to provide a thorough view of borrower capacity and their ability to service obligations in a steep market decline. 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 is down from prior periods.

The indirect consumer portfolio was $6.5 billion, or 5.7% of total loans, at December 31, 2009, up $23.5 million, or 0.4%, from December 31, 2008. The increase is partially attributable to new vehicle sales triggered by the federal government Cash for Clunkers incentive program. This portfolio is experiencing a reduced level of charge-offs compared to 2008 and is benefiting from lower fuel prices, stabilized used car values, and natural turnover into newly underwritten vintages.

The direct consumer portfolio was $5.1 billion, or 4.5% of total loans, at December 31, 2009, down $21.5 million, or 0.4%, from December 31, 2008. Student loans, which are mostly government supported, made up $3.1 billion, or approximately 61% of the direct consumer portfolio. This portfolio also includes loans and lines to individuals for personal or family uses.

The increase in LHFS of $637.7 million, or 15.8%, is due primarily to higher levels of mortgage loan originations.

Table 8 - Allowance for Loan and Lease Losses

(Dollars in millions)	As of December 31				
Allocation by Loan Type	**2009**	2008	2007	2006	2005
Commercial	**$650.0**	$631.2	$422.6	$415.9	$439.6
Real estate	**2,268.0**	1,523.2	664.6	443.1	394.1
Consumer loans	**202.0**	196.6	110.3	95.5	109.4
Unallocated [1]	**-**	-	85.0	90.0	85.0
Total	**$3,120.0**	$2,351.0	$1,282.5	$1,044.5	$1,028.1

	As of December 31									
Year-end Loan Types as a Percent of Total Loans	**2009**		2008		2007		2006		2005	
Commercial	**28.6**	**%**	32.3	%	29.4	%	28.8	%	29.2	%
Real estate	**60.2**		57.8		60.6		61.2		58.7	
Consumer loans	**11.2**		9.9		10.0		10.0		12.1	
Total	**100.00**	**%**	100.00	%	100.00	%	100.00	%	100.00	%

[1] Beginning in 2008, the unallocated reserve is reflected in our homogeneous pool estimates.

Table of Contents

Table 9 - Summary of Credit Losses Experience

	Year Ended December 31									
(Dollars in millions)	**2009**		2008		2007		2006		2005	
Allowance for Credit Losses										
Balance - beginning of period	**$2,378.5**		$1,290.2		$1,047.0		$1,031.7		$1,050.0	
Allowance associated with loans at fair value [1]	**-**		-		(4.1)		-		-	
Allowance from acquisitions and other activity - net	**-**		158.7		-		-		-	
Provision for loan losses	**4,006.7**		2,474.2		664.9		262.5		176.9	
Provision for unfunded commitments [4]	**87.4**		19.8		5.2		(1.1)		3.6	
Charge-offs:										
Commercial	**(612.8)**		(218.7)		(133.6)		(178.9)		(107.3)	
Real estate:										
Home equity lines	**(714.9)**		(449.6)		(116.2)		(28.8)		(24.5)	
Construction	**(507.0)**		(194.5)		(12.2)		(2.3)		(6.0)	
Residential mortgages [3]	**(1,235.7)**		(525.1)		(113.1)		(29.6)		(22.8)	
Commercial real estate	**(31.6)**		(24.7)		(2.1)		(8.1)		(3.1)	
Consumer loans:										
Direct	**(56.9)**		(41.9)		(23.4)		(22.0)		(37.2)	
Indirect	**(152.4)**		(192.9)		(106.4)		(82.3)		(109.6)	
Credit cards	**(86.0)**		(33.1)		(7.3)		(4.6)		(4.7)	
Total charge-offs	**(3,397.3)**		(1,680.5)		(514.3)		(356.6)		(315.2)	
Recoveries:										
Commercial	**40.4**		24.1		23.3		28.6		35.1	
Real estate:										
Home equity lines	**30.2**		16.4		7.8		6.9		6.2	
Construction	**7.6**		2.8		1.2		2.0		0.8	
Residential mortgages	**17.8**		7.8		5.5		7.9		8.1	
Commercial real estate	**3.8**		1.1		1.9		6.2		2.6	
Consumer loans:										
Direct	**8.2**		8.2		9.6		12.1		13.5	
Indirect	**49.0**		54.2		41.3		45.4		48.9	
Credit cards	**2.6**		1.5		0.9		1.4		1.2	
Total recoveries	**159.6**		116.1		91.5		110.5		116.4	
Net charge-offs	**(3,237.7)**		(1,564.4)		(422.8)		(246.1)		(198.8)	
Balance - end of period	**$3,234.9**		$2,378.5		$1,290.2		$1,047.0		$1,031.7	
Components:										
Allowance for loan and lease losses	**$3,120.0**		$2,351.0		$1,282.5		$1,044.5		$1,028.1	
Unfunded commitments reserve	**114.9**		27.5		7.7		2.5		3.6	
Allowance for credit losses	**$3,234.9**		$2,378.5		$1,290.2		$1,047.0		$1,031.7	
Average loans	**$121,040.6**		$125,432.7		$120,080.6		$119,645.2		$108,742.0	
Year-end loans outstanding	**113,674.8**		126,998.4		122,319.0		121,454.3		114,554.9	
Ratios:										
Allowance to year-end loans[5]	**2.76**	**%**	1.86	%	1.05	%	0.86	%	0.90	%
Allowance to nonperforming loans[2,5]	**58.9**		61.7		101.9		216.9		378.0	
Allowance to net charge-offs[5]	**0.96**	**x**	1.50	x	3.03	x	4.24	x	5.17	x
Net charge-offs to average loans	**2.67**	**%**	1.25	%	0.35	%	0.21	%	0.18	%
Provision for loan losses to average loans	**3.31**		1.97		0.55		0.22		0.16	
Recoveries to total gross charge-offs	**4.7**		6.9		17.8		31.0		36.9	

[1] Amount removed from the ALLL related to our election to record $4.1 billion of residential mortgages at fair value.

[2] During the second quarter of 2008, the Company revised its method of calculating this ratio to include, within the nonperforming loan amount, only loans measured at amortized cost. Previously, this calculation included nonperforming loans measured at fair value or the lower of cost or market. The Company believes this is an improved method of calculation due to the fact that the allowance for loan losses relates solely to the loans measured at amortized cost. Nonperforming loans measured at fair value or the lower of cost or market that have been excluded from the 2007 calculation were $171.5 million, which increased the calculation approximately 12 basis points as of December 31, 2007. Amounts excluded in years prior to 2007 were immaterial and resulted in no basis point change in the respective calculation.

[3] Prior to 2009, borrower misrepresentation fraud and denied insurance claim losses were recorded as operating losses in the Consolidated Statements of Income/(Loss). These credit-related operating losses totaled $160.3 million and $78.4 million during the year ended December 31, 2008 and 2007, respectively. Prior to 2007, credit-related operating losses were immaterial. During 2009, credit-related operating losses charged-off against previously established reserves within other liabilities totaled $194.9 million.

[4] Beginning in the fourth quarter of 2009, SunTrust recorded the provision for unfunded commitments of $57.2 million within the provision for credit losses in the Consolidated Statements of Income/(Loss). Including the provision for unfunded commitments for the fourth quarter of 2009, the provision for credit losses was $4.1 billion for the twelve months ended December 31, 2009. 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).

[5] This ratio is calculated using the allowance for loan and lease losses.

Allowance for Credit Losses

The allowance for credit losses consists of the ALLL as well as the reserve for unfunded commitments.

We continuously monitor the credit quality of our loan portfolio and maintain an ALLL sufficient to absorb current probable and estimable losses inherent in our loan portfolio. We are committed to the timely recognition of problem loans and maintaining an appropriate and adequate ALLL. In addition to the review of credit quality through ongoing credit review processes, we employ a variety of modeling and estimation techniques to measure credit risk and construct an appropriate ALLL. Numerous asset quality measures, both quantitative and qualitative, are considered in estimating the ALLL. Our ALLL Committee has the responsibility of affirming the allowance methodology and assessing significant risk elements in order to determine the appropriate level of allowance for the inherent losses in the loan portfolio at the point in time being reviewed. The multiple factors evaluated include internal risk ratings, net charge-off trends, collateral values and geographic location, borrower FICO scores, delinquency rates, nonperforming and restructured loans, origination channel, product mix, underwriting practices, and economic trends. These credit quality factors are incorporated into various loss estimation models and analytical tools utilized in our ALLL process and/or are qualitatively considered in evaluating the overall reasonableness of the ALLL. The factors that have the greatest quantitative impact on the estimated ALLL tend to be internal risk rating trends, recent net charge-off trends, delinquency rates, and loss severity levels (i.e., collateral values). Other factors such as nonperforming or restructured loans tend to have a more isolated impact on subsets of loans in the loan pools. Also impacting the ALLL is the estimated incurred loss period, which tends to be approximately one year for consumer-related loans and between one and one-quarter to three years for wholesale-related loans. During periods of economic stress, the incurred loss period tends to contract. The ALLL process excludes loans measured at fair value as subsequent mark to market adjustments related to loans measured at fair value include a credit risk component. Starting in third quarter 2009, the ALLL includes results from a recently enhanced residential mortgage loss forecast model. The model utilizes more granular loan specific information, as well as home price index changes at the Metropolitan Statistical Area level to estimate incurred losses and loss severities. The enhanced modeling capabilities, as well as declines in the home price index, resulted in increases to average loss severity estimates related to residential mortgage loans, which partially contributed to the increase in the ALLL.

At December 31, 2009, the ALLL was $3,120.0 million, which represented 2.76% of period-end loans not carried at fair value. This compares with an ALLL of $2,351.0 million, or 1.86% of period-end loans not carried at fair value, as of December 31, 2008. The year-over-year increase of $769.0 million in the ALLL is comprised of quarterly increases of $384.0 million (December 31, 2008 to March 31, 2009); $161.0 million (March 31, 2009 to June 30, 2009); $128.0 million (June 30, 2009 to September 30, 2009); and $96.0 million (September 30, 2009 to December 31, 2009) which reflects a declining trend in ALLL increases as a result of stabilizing leading asset quality indicators. The year-over-year increase in ALLL reflects, among other items, the current economic downturn, decreasing home prices, and higher losses in the residential and commercial real estate-related portions of the loan portfolio. Future changes in the ALLL will depend significantly on credit quality indicators, which are highly influenced by the broader economy. The majority of the increase in the allowance for loan losses pertained to the residential real estate-related portion of the loan portfolio and specific reserves for residential developers. In the first quarter of 2009, we began classifying losses associated with borrower misrepresentation and insurance claim denials in the ALLL. Previously, these fraud-related losses were recorded in operating losses within noninterest expense. These losses are now being recorded in the ALLL since we believe that borrower credit-related issues due to the deteriorating economic environment have become the predominant contributor to the losses. Realized losses on these loans are reflected as charge-offs.

Our ALLL framework has two basic elements: specific allowances for loans individually evaluated for impairment and a component for pools of homogeneous loans not individually evaluated. The first element of the ALLL analysis involves the estimation of allowance specific to individually evaluated impaired loans including accruing and nonaccruing restructured commercial and consumer loans. In this process, specific allowance is established for larger commercial impaired loans based on an analysis of the most probable sources of repayment, including discounted cash flows, liquidation of collateral, or the market value of the loan itself. Restructured consumer loans are also evaluated in this element of the estimate. As of December 31, 2009, the specific allowance related to commercial impaired loans individually evaluated and restructured consumer loans totaled $538.0 million, compared to $201.8 million as of December 31, 2008; $292.2 million of this increase is driven by the loan modification efforts on consumer and residential loans. Specific reserves associated with larger commercial loans individually evaluated increased $44.0 million to $193.0 million at December 31, 2009. This increase is primarily driven by deterioration in loans to residential builders.

The second element of the ALLL, the general allowance for homogeneous loan pools not individually evaluated, is determined by applying allowance factors to pools of loans within the portfolio that have similar risk characteristics. The general allowance factors are determined using a baseline factor that is developed from an analysis of historical net charge-off experience and expected losses. Expected losses are based on estimated probabilities of default and loss given default derived from our internal risk rating process. These baseline factors are developed and applied to the various loan pools. Adjustments may be made to baseline reserves for some of the loan pools based on an assessment of internal and external influences on credit quality not fully reflected in the historical loss or risk-rating data. These influences may include elements such as changes in credit underwriting, concentration risk, macroeconomic conditions, and/or recent observable asset quality trends.

We continually evaluate our ALLL methodology seeking to refine and enhance this process as appropriate, and it is likely that the methodology will continue to evolve over time. As of December 31, 2009, the general allowance totaled $2,582.0 million. This compares to a general allowance totaling $2,149.2 million as of December 31, 2008. The increase was primarily driven by declining home prices and the associated deterioration in credit quality of the residential mortgage and home equity lines of credit portfolios. Increases to the commercial related reserves were driven by higher expected loss factors.

Our charge-off policy meets or exceeds regulatory minimums. Losses on unsecured consumer loans are recognized at 90 days past due compared to the regulatory loss criteria of 120 days. Secured consumer loans, including residential real estate, are typically charged down to net realizable value at 120 and 180 days delinquent, depending on the collateral type, in compliance with FFIEC guidelines. Commercial loans and real estate loans are typically placed on nonaccrual status when principal or interest is past due for 90 days or more unless the loan is both secured by collateral having value sufficient to discharge the debt in full and the loan is in the legal process of collection. Accordingly, secured loans may be charged down or reserves established to the estimated value of the collateral with previously accrued unpaid interest reversed. Subsequent reserves and/or charge-offs may be required as a result of changes in the market value of collateral or other repayment prospects. Initial reserves and/or charge-off amounts are based on valuation estimates derived from either appraisals, broker price opinions, or other market information. Generally, updated appraisals are received within 90 days of the foreclosure process. However, collateral values are updated and reviewed periodically based on market information from multiple sources.

Net charge-offs during 2009 were $3.2 billion, an increase of $1.7 billion from 2008. Net charge-offs to average loans ratio was 2.67% and 1.25% as of December 31, 2009 and 2008, respectively. The increase in net charge-offs reflects the effects of the housing crisis and related economic downturn. The largest increases were seen in residential mortgage ($700.6 million), commercial ($377.8 million), real estate construction ($307.7 million) and home equity lines ($251.5 million). We do not originate subprime consumer real estate loans; however lower residential real estate values and recessionary economic conditions have affected borrowers of higher credit quality. Construction net charge-offs increased due to the resolution of loan workouts in the residential builder construction portfolio. The increase in commercial net charge-offs was driven by relatively fewer, but larger credits in unrelated, economically cyclical industries as well as small businesses. During the fourth quarter of 2009, net charge-offs declined across most loan categories, except residential construction, which increased as a result of continued workout activities. Overall, our outlook is for elevated net charge-offs in the near term, particularly related to residential mortgages associated with loans migrating to foreclosure, with the possibility that improvement could begin in the second half of 2010 depending on the strength and pace of economic recovery.

The ratio of the ALLL to total nonperforming loans decreased to 58.9% as of December 31, 2009 from 61.7% as of December 31, 2008. The decline in this ratio was due to a $1.5 billion increase in nonperforming loans compared to 2008, driven primarily by increases in residential mortgage and real estate construction nonperforming loans, partially offset by the $769.0 million increase in the ALLL. The increase in nonperforming loans was driven primarily by deteriorating economic conditions and declining home values in most markets that we serve as well as home builders and commercial loans in economically sensitive businesses. We write down residential nonperforming loans to the expected value of the underlying collateral, less estimated selling costs as measured at the time the loan is 180 days past due. Declines, if any, in the collateral value of the nonperforming loans subsequent to the initial charge-off are captured in the ALLL and then recognized as additional charge-offs upon foreclosure. The charge-off is applied against the ALLL; therefore, the relationship between ALLL and nonperforming loans becomes less correlated since the carrying value of such charged-off nonperforming loans has already recognized losses that are estimated to be realized at that point in time. Another factor that impacts the ALLL to nonperforming loans ratio is that most of the nonperforming loans have some amount of net residual value; therefore, while the entire loan is classified as nonperforming, only the amount of estimated losses that has not already been charged-off would be captured in the ALLL. Product mix of nonperforming loans and the related charge-off practices are relevant considerations in the evaluation of ALLL coverage of nonperforming loans.

The reserve for unfunded commitments was $114.9 million and $27.5 million as of December 31, 2009 and December 31, 2008, respectively. Lending commitments such as letters of credit and binding unfunded loan commitments are assessed similarly to funded wholesale loans except utilization assumptions are considered. Larger nonperforming unfunded commitments and letters of credit are individually evaluated for loss content. The $87.4 million increase in the reserve for unfunded commitments reflects the deterioration in the overall economy and credit conditions during the year. We do not anticipate this level of growth to continue during 2010 unless the economic environment deteriorates significantly.

Provision for Credit Losses

The provision for credit losses includes both the provision for loan losses, relating to funded loans, as well as the provision for unfunded commitments. The provision for loan losses is the result of a detailed analysis estimating an appropriate and adequate ALLL. The provision for loan losses during 2009 totaled $4.0 billion, an increase of $1.5 billion, or 61.9%, from 2008. The increase in the provision for loan losses is primarily driven by elevated losses and increases in ALLL due to

Table of Contents

deteriorating asset quality conditions in the residential related and wholesale portfolios. We expect net charge-offs and the provision for loan losses to remain at elevated levels until we experience a sustained improvement in the credit quality of the loan portfolio. The amount of future growth in the ALLL is highly correlated to unemployment levels, changes in home prices within our markets, especially Florida, as well as sustained improvement in our portfolio-specific credit quality indicators. 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.

Table 10 - Nonperforming Assets

	As of December 31				
(Dollars in millions)	**2009**	2008	2007	2006	2005
Nonperforming Assets					
Nonaccrual/nonperforming loans:					
Commercial	**$484.0**	$322.0	$74.5	$106.8	$70.9
Real estate:					
Construction	**1,484.6**	1,276.8	295.3	38.6	24.4
Residential mortgages	**2,715.9**	1,847.0	841.4	266.0	95.7
Home equity lines	**289.0**	272.6	135.7	13.5	7.6
Commercial real estate	**391.8**	176.6	44.5	55.4	44.6
Consumer loans	**37.3**	45.0	39.0	23.5	28.7
Total nonaccrual/nonperforming loans	**5,402.6**	3,940.0	1,430.4	503.8	271.9
Other real estate owned [1]	**619.6**	500.5	183.7	55.4	30.7
Other repossessed assets	**79.1**	15.9	11.5	6.6	7.2
Total nonperforming assets	**$6,101.3**	$4,456.4	$1,625.6	$565.8	$309.8
Ratios:					
Nonperforming loans to total loans	**4.75** %	3.10 %	1.17 %	0.41 %	0.24 %
Nonperforming assets to total loans plus OREO and other repossessed assets	**5.33**	3.49	1.33	0.47	0.27
Restructured loans (accruing)	**$1,640.9**	$462.6	$29.9	$28.0	$24.4
Accruing loans past due 90 days or more	**1,499.9**	1,032.3	611.0	351.5	371.5

[1] Does not include foreclosed real estate related to loans previously serviced for GNMA reported in other assets and insured by FHA and VA as to principal and interest.

Nonperforming Assets

Nonperforming assets totaled $6.1 billion as of December 31, 2009, an increase of $1.6 billion, or 36.9%, from December 31, 2008. Nonperforming loans as of December 31, 2009 were $5.4 billion, an increase of $1.5 billion, or 37.1%, from December 31, 2008. Of this total increase, nonperforming residential mortgage loans represented $868.9 million, commercial real estate loans represented $215.2 million, real estate construction loans represented $207.8 million, commercial loans represented $162.0 million, and home equity lines represented $16.4 million. We experienced slight declines in total nonperforming assets and total nonperforming loans over the last six months of 2009 as well as a decline in early stage delinquencies. The slight decline in total nonperforming loans was primarily related to commercial and construction loans, partially offset by increases in residential mortgages and commercial real estate loans.

Of the $5.4 billion in nonaccruing loans, approximately 80% is related to residential real estate. Residential mortgages and home equity lines represent 55.6% of total nonaccruals. The increase in nonperforming assets is largely related to the housing correction and related decline in the values of residential real estate. The nonperforming assets are also affected by the time it takes to complete the foreclosure process, especially in judicial jurisdictions. The asset quality of the residential mortgage portfolio showed signs of stabilization and moderating growth in nonperforming loans during the fourth quarter, although on an absolute basis, this portfolio continues to perform poorly. We have noted an increase in the amount of time it takes us to foreclose upon residential real estate collateral in certain states, primarily Florida, which we believe is primarily due to delays in the judicial foreclosure process. We apply rigorous loss mitigation processes to these nonperforming loans to ensure that the asset value is preserved to the greatest extent possible; despite these efforts, it is likely we will realize additional losses on these nonperforming assets in the future.

Nonperforming residential mortgages are primarily collateralized by one-to-four family residential properties. Approximately 84% of the nonperforming loans relate to properties in our footprint; approximately 52% of such nonperforming loans are in Florida. Approximately 75% of the nonperforming residential mortgages have been on nonaccrual status for at least six months. We have reached a point where growth in residential mortgage nonperforming loans has slowed as we are approaching the equilibrium point where the nonperforming loan outflow from foreclosures is offsetting the inflow from new nonperforming loans. Approximately 52% of the nonperforming home equity lines were from lines originated by third parties, lines in Florida with combined LTVs greater than 80%, or lines in other states with combined LTVs greater than 90%. Beginning in 2006, we tightened the underwriting standards applicable to many of the residential loan products offered.

Nonaccrual construction loans were $1.5 billion, an increase of $207.8 million, or 16.3%, from December 31, 2008. Approximately 90% of the nonperforming construction loans are secured by residential real estate; specifically, $261 million construction to perm, $429 million residential construction, and $641 million in residential land, acquisition, and development properties. Beginning in September 2007, underwriting standards were tightened for new loan originations in the construction to perm portfolio. At this point, we believe that the residential construction nonperforming loans are at or near their peak. The vast majority of the problem loans in the portfolio have been identified and are in the workout process. As a result, charge-offs will remain elevated, but declining, over the next two to three quarters as we continue workout activities.

Nonaccrual commercial loans were $484.0 million, up $162.0 million, or 50.3%, from December 31, 2008. The increase was driven primarily by loans to a few larger commercial borrowers in economically cyclical industries together with loans to mid-size borrowers. Commercial loan charge-offs, early stage delinquency and nonperforming loans declined in the fourth quarter. We continue to see some stress in more cyclically sensitive industries and in our small business portfolio.

Nonaccrual commercial real estate loans increased by $215.2 million, or 121.9%, to $391.8 million compared to December 31, 2008. The increase occurred in a variety of property types, including office and hotel. The composition of commercial real estate nonaccruals is split almost equally between owner occupied and investor owned loans.

Early stage delinquencies (30-89 days past due) were stable to declining in almost all of our non-residential secured consumer portfolios. The exception was in the consumer direct portfolio, which is largely comprised of federally guaranteed or privately insured student loans, and which drove the increase. Excluding student loans, the early stage delinquency ratio for the consumer direct portfolio was 1.07%. Total early stage delinquencies declined to 1.37% as of December 31, 2009 from 1.52% as of September 30, 2009 and 1.81% as of December 31, 2008.

In order to maximize the collection of loan balances, we evaluate accounts that experience financial difficulties on a case-by-case basis to determine if their terms should be modified. We are aggressively pursuing modifications when there is a reasonable chance that the modification will allow the client to continue servicing the debt. For residential real estate secured loans, if the client demonstrates a loss of income such that the client cannot reasonably support even a modified loan, we strongly encourage short sales and deed-in-lieu arrangements. Accruing loans with modifications that are deemed to be economic concessions resulting from borrower difficulties are reported as TDRs. Nonaccruing loans that are modified and demonstrate a history of repayment performance in accordance with their modified terms are reclassified to accruing restructured typically after six months of repayment performance. Nonaccruing restructured loans were $912.5 million and $268.1 million as of December 31, 2009 and December 31, 2008, respectively.

Accruing restructured loans were $1.6 billion at December 31, 2009, an increase of $1.2 billion, or 254.7%, from December 31, 2008. Of these TDRs, 97% are first and second lien residential mortgages and home equity lines of credit, and not commercial or commercial real estate loans. At December 31, 2009, specific reserves included in the ALLL for all consumer real estate TDRs (accruing and nonaccruing) were $345.0 million. In addition, we have already recorded approximately $140 million in charge-offs on the nonaccruing TDRs and also have $86.0 million in mark to market adjustments on TDRs carried at fair value. These loans are primarily residential related and are being restructured in a variety of ways to help our clients remain in their homes and mitigate potential additional loss to us. The primary restructuring methods offered to our clients are reductions in interest rates and extensions in terms. The increase in loan modifications also impacted the moderation in nonperforming loan growth and early stage delinquencies. Within the accruing TDR portfolio, 85% of loans are current on principal and interest and 70% of the total TDR portfolio is current. Not all restructurings will ultimately result in the complete collection of principal and interest, as modified. We anticipate that some of the restructured loans will default, which could result in incremental losses to us, which has been factored into our overall ALLL estimate. The level of re-defaults will be affected by future economic conditions. Generally, once a consumer loan becomes a TDR, it is probable that the loan will likely continue to be reported as TDR until it ultimately pays off in most circumstances.

Interest income on nonaccrual loans, if recognized, is recorded using the cash basis method of accounting. During 2009 and 2008, this amounted to $36.2 million and $25.4 million, respectively. For 2009 and 2008, estimated interest income of $354.1 million and $233.3 million, respectively, would have been recorded if all such loans had been accruing interest according to their original contractual terms. Interest income on restructured loans that have met their performance criteria and have been returned to accruing status is recognized according to the terms of the restructuring. During 2009, this amounted to $52.2 million. For 2009, estimated interest income of $75.2 million would have been recorded if all loans returned to accruing status had been accruing interest according to their original contractual terms. During 2008, the difference between income under original contractual terms and the modified terms for restructured loans was insignificant.

As of December 31, 2009, accruing loans past due ninety days or more increased by $467.6 million, or 45.3%, from December 31, 2008 to $1.5 billion. Included in this accruing loan population are $978.9 million and $493.7 million of loans at December 31, 2009 and December 31, 2008, respectively, that have been sold to GNMA and are fully insured by the FHA and the VA. When loans are sold to GNMA, we retain an option to repurchase the loans when they become delinquent. As such, we are required to record these loans on our balance sheet when our option becomes exercisable. Also included in the accruing loans past due ninety days or more as of December 31, 2009 and December 31, 2008 were $366.7 million and $367.6 million, respectively, of student loans which were federally guaranteed at various levels between 97% and 100%.

Table of Contents

OREO as of December 31, 2009 was $619.6 million, an increase of $119.1 million, or 23.8%, from December 31, 2008. The growth consists of a $225.7 million increase in construction-related properties primarily driven by residential construction of $147.5 million and commercial properties of $78.2 million, acquired through foreclosure offset by a net decrease of $106.6 million in residential homes. The amount of inflows and outflows has increased over the past several quarters as nonperforming loans migrate through the resolution process. Most of our OREO properties are located in Georgia, Florida, and North Carolina. Residential properties and land comprise 50% and 36%, respectively, of OREO; the remainder relates to residential construction and other properties. Upon foreclosure, these properties were re-evaluated and if necessary, written down to their then current estimated net realizable value (estimated sales price less selling costs); further declines in home prices could result in additional losses on these properties. We are actively managing these foreclosed assets to minimize future losses. See additional discussion of OREO-related costs in the Noninterest Expense section of this MD&A.

SELECTED FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

Certain financial instruments such as trading securities, derivatives, and securities available for sale are required to be carried at fair value. Companies are also permitted to elect to carry specific financial instruments at fair value to avoid some of the complexities of hedge accounting and more closely align the economics of their business with their results of operations without having to explain a mixed attribute accounting model. Based on our balance sheet management strategies and objectives, we have elected to carry certain other financial assets and liabilities at fair value. These instruments include all, or a portion, of the following: debt, residential mortgage loans, brokered deposits, and trading loans.

We record changes in these instruments fair values through earnings and economically hedge and/or trade these assets or liabilities in order to manage the instrument s fair value volatility and economic value. Following is a discussion of all financial assets and financial liabilities that are currently carried at fair value on the Consolidated Balance Sheets at December 31, 2009 and 2008.

Table 11 - Trading Assets and Liabilities

	As of December 31		
(Dollars in millions)	**2009**	2008	2007
Trading Assets			
Debt securities:			
U.S. Treasury and federal agencies	**$1,150.3**	$3,127.6	$4,194.4
U.S. states and political subdivisions	**58.5**	159.1	171.2
Corporate debt securities	**464.7**	585.8	607.0
Commercial paper	**0.6**	399.6	2.4
Residential mortgage-backed securities - agency	**94.2**	58.6	127.5
Residential mortgage-backed securities - private	**13.9**	38.0	600.4
Collateralized debt obligations	**174.9**	261.5	2,245.1
Other debt securities	**25.9**	813.2	149.8
Total debt securities	**1,983.0**	5,443.4	8,097.8
Equity securities	**163.0**	116.8	242.7
Derivative contracts	**2,610.3**	4,701.8	1,977.4
Other	**223.6**	134.3	200.5
Total trading assets	**$4,979.9**	$10,396.3	$10,518.4
Trading Liabilities			
Debt securities:			
U.S. Treasury and federal agencies	**$192.9**	$440.4	$332.7
Corporate and other debt securities	**144.1**	146.8	188.1
Total debt securities	**337.0**	587.2	520.8
Equity securities	**7.8**	13.3	71.9
Derivative contracts	**1,844.1**	2,640.3	1,567.7

Total trading liabilities	**$2,188.9**	$3,240.8	$2,160.4

40

Trading Assets and Liabilities

Trading assets decreased $5.4 billion, or 52.1%, since December 31, 2008. The majority of the decrease consisted of a $3.5 billion reduction in trading debt securities, which was primarily driven by the sale in the first quarter of 2009 of approximately $2.0 billion of our agency trading portfolio that consisted of FHLB floating rate notes. The sale of these securities was completed primarily to reduce low yielding securities and improve margin.

CP decreased $399.0 million from $399.6 million at December 31, 2008 to $0.6 million at December 31, 2009. The decrease is primarily due to the discontinuation of the Federal Reserve Bank of Boston s ABCP MMMF Liquidity Facility program that was implemented in 2008 which allowed eligible depository institutions, bank holding companies, and affiliated broker/dealers to purchase certain ABCP from certain MMMF.

Other debt securities decreased $787.3 million during the year ended December 31, 2009. Of this decrease, $603.4 million was the result of the temporary suspension and wind-down of the TRS business. See Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities , to the Consolidated Financial Statements for additional information regarding our TRS business.

Derivative assets and liabilities also decreased in 2009 by $2.1 billion and $0.8 billion, respectively, of which $1.5 billion and $655.1 million, respectively, was driven by the movements in fair values of interest rate based derivatives including $184.1 million in terminated interest rate swaps on FHLB advances that were repaid in the first quarter of 2009. In addition, $249.5 million of the decrease in derivative assets was due to the decline in fair value of our cash flow hedges related to the probable forecasted sale of Coke common shares, which change in fair value also increased the derivative liabilities by $45.9 million. The termination of TRS transactions resulted in the decrease of derivative assets and liabilities during 2009 of $171.0 million and $166.6 million, respectively. The remaining decrease in derivative assets and liabilities was primarily due to the partial termination of cross currency swaps hedging foreign denominated debt and the changes in fair value of those hedge positions still outstanding.

Certain ABS were purchased during the fourth quarter of 2007 from affiliates and certain ARS were purchased primarily in the fourth quarter of 2008 and first quarter of 2009. The securities acquired during the fourth quarter of 2007 included SIVs (that are collateralized by various domestic and foreign assets), residential MBS (including Alt-A and subprime collateral), CDO, and commercial loans, as well as super-senior interests retained from Company-sponsored securitizations. During the year ended December 31, 2009, we recognized approximately $24.2 million in net market valuation gains related to these ABS. Through sales, maturities and write downs, we reduced our exposure to these distressed assets by approximately $3.3 billion since the acquisition in the fourth quarter of 2007, reducing the exposure at December 31, 2009 to approximately $159.3 million. During 2009, we received approximately $6.5 million in sales proceeds and $108.5 million in payments related to securities acquired during the fourth quarter of 2007.

We continue to actively evaluate our holdings of these securities with the objective of opportunistically lowering our exposure to them. In addition, we expect paydowns to continue on many of the residential MBS. All but a small amount of the remaining acquired asset portfolio consists of SIVs undergoing enforcement proceedings and, therefore, any significant reduction in the portfolio will largely depend on the status of those proceedings. During the second quarter of 2009, one of our three remaining SIVs liquidated as a result of the completion of enforcement proceedings; this liquidation resulted in proceeds of $18.6 million and a realized gain of $1.8 million, due to the liquidation value being slightly above our recorded fair value, that was recorded in trading account profits/(losses) and commissions in the Consolidated Statements of Income/(Loss) for the year ended December 31, 2009. During 2009, we received approximately $65.0 million in partial payments on the remaining SIVs undergoing enforcement. While further losses are possible, our experience during 2008 and 2009 reinforces our belief that we have appropriately written these assets down to fair value as of December 31, 2009. The estimated market value of these securities is based on market information, where available, along with significant, unobservable third party data. As a result of the high degree of judgment and estimates used to value these illiquid securities, the market values could vary significantly in future periods. See Difficult to Value Financial Assets and Liabilities included in this MD&A for more information.

The amount of ARS recorded in trading assets at fair value totaled $176.4 million at December 31, 2009 and $133.1 million at December 31, 2008. The majority of these ARS are preferred equity securities, and the remaining securities consist of ABS backed by trust preferred bank debt or student loans.

In September 2008, we purchased, at amortized cost plus accrued interest, a Lehman Brothers security from the RidgeWorth Prime Quality Money Market Fund (the Fund). The Fund received a cash payment for the accrued interest along with a $70 million note that we issued. RidgeWorth, one of our wholly-owned subsidiaries, is the investment adviser to the Fund. The Lehman Brothers security went into default when Lehman Brothers filed for bankruptcy in September 2008. We took this

41

Table of Contents

action in response to the unprecedented market events during the third quarter and to protect investors in the Fund from losses associated with this specific security. When purchased by the Fund, the Lehman Brothers security was rated A-1/P-1 and was a Tier 1 eligible security. During 2008, we recorded a pre-tax market valuation loss of $63.8 million as a result of the purchase. During 2009, we sold this security, recognizing a gain for the year of $2.8 million. We evaluated this transaction under the applicable accounting guidance and concluded that we were not the primary beneficiary and therefore consolidation of the Fund was not appropriate.

Table 12 Securities Available for Sale

	As of December 31			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies				
2009	**$7,939.9**	**$13.4**	**$39.2**	**$7,914.1**
2008	464.6	21.9	0.3	486.2
2007	383.2	7.2	-	390.4
U. S. states and political subdivisions				
2009	**$927.9**	**$27.8**	**$10.6**	**$945.1**
2008	1,018.9	24.6	6.1	1,037.4
2007	1,052.6	16.2	1.5	1,067.3
Residential mortgage-backed securities - agency				
2009	**$15,704.6**	**$273.2**	**$61.7**	**$15,916.1**
2008	14,424.5	135.8	10.2	14,550.1
2007	9,326.9	71.4	12.1	9,386.2
Residential mortgage-backed securities - private				
2009	**$500.7**	**$6.0**	**$99.4**	**$407.3**
2008	629.2	8.3	115.3	522.2
2007	994.4	0.3	35.6	959.1
Other debt securities				
2009	**$785.7**	**$16.2**	**$4.6**	**$797.3**
2008	302.8	4.5	13.1	294.2
2007	243.2	0.7	1.6	242.3
Common stock of The Coca-Cola Company				
2009	**$0.1**	**$1,709.9**	**$-**	**$1,710.0**
2008	0.1	1,358.0	-	1,358.1
2007	0.1	2,674.3	-	2,674.4
Other equity securities[1]				
2009	**$786.2**	**$0.9**	**$-**	**$787.1**
2008	1,443.1	5.2	-	1,448.3
2007	1,539.2	5.2	-	1,544.4
Total securities available for sale				
2009	**$26,645.1**	**$2,047.4**	**$215.5**	**$28,477.0**
2008	18,283.2	1,558.3	145.0	19,696.5
2007	13,539.6	2,775.3	50.8	16,264.1

[1]Includes $343.3 million and $493.2 million of FHLB of Cincinnati and FHLB of Atlanta stock stated at par value, $360.4 million and $360.9 million of Federal Reserve Bank stock stated at par value and $82.2 million and $588.5 million of mutual fund investments stated at fair value as of December 31, 2009 and December 31, 2008, respectively.

Securities Available for Sale

The securities available for sale portfolio is managed as part of the overall asset and liability management process to optimize income and market performance over an entire interest rate cycle while mitigating risk. The size of the securities portfolio, at fair value, was $28.5 billion as of December 31, 2009, an increase of $8.8 billion, or 44.7%, from December 31, 2008. The carrying value of securities available for sale reflected $1.8 billion in net unrealized gains as of December 31, 2009, comprised of a $1.7 billion unrealized gain from our remaining 30.0 million shares of Coke common stock and $0.1 billion in net unrealized gains on the remainder of the portfolio.

The average yield on securities available for sale on a FTE basis for 2009 declined to 4.23% compared to 5.99% in 2008 primarily as a result of the net purchase of lower-yielding MBS issued by federal agencies in late December of 2008 as well as the net purchase of lower-yielding U.S. Treasury and federal agency debentures throughout 2009, improving the portfolio s quality and liquidity in anticipation of the repayment of TARP upon regulatory approval.

In 2009, we sold approximately $9.2 billion of agency MBS recognizing a $90.2 million gain on those sales. These sales were associated with repositioning the MBS portfolio into securities we believe have higher relative value.

42

Table of Contents

The portfolio s effective duration increased to 3.0% as of December 31, 2009 from 2.8% as of December 31, 2008. Effective duration is a measure of price sensitivity of a bond portfolio to an immediate change in market interest rates, taking into consideration embedded options. An effective duration of 3.0% suggests an expected price change of 3.0% for a one percent instantaneous change in market interest rates. The credit quality of the securities portfolio remained strong with approximately 95% of the total securities available for sale portfolio rated AAA, the highest possible rating by nationally recognized rating agencies.

During 2009, we recognized $20.0 million of credit-related OTTI within net securities gains in the Consolidated Statements of Income/(Loss) and $92.8 million of non-credit related OTTI within OCI. This total OTTI loss of $112.8 million relates to securities with a fair value of approximately $310.6 million as of December 31, 2009, consisting primarily of purchased and retained private residential MBS. These impaired securities were valued using third party pricing data, including broker indicative bids, or expected cash flow models. See Note 5, Securities Available for Sale, to the Consolidated Financial Statements for further discussion.

The amount of ARS recorded in the available for sale securities portfolio totaled $156.4 million as of December 31, 2009 and $48.2 million as of December 31, 2008. Included in ARS are tax-exempt municipal securities in addition to student loan ABS.

Difficult to Value Financial Assets and Liabilities

The broad credit crisis that was triggered by the 2007 subprime loan melt-down intensified throughout 2008 and, as the broader economy continued to worsen, the credit and liquidity markets became dysfunctional. The second half of 2008 was marked by turmoil in the financial sector, with the failure or government induced acquisitions of several large banks and investment banks, increased unemployment, and further declines in real estate values. Additional liquidity adjustments were made on many securities, and wider spreads caused valuing our level 3 financial instruments to become even more difficult. Initially in 2009, we saw continued volatility with the credit crisis further eroding liquidity and investor confidence; however, we began to experience the return of some stability in certain financial markets throughout the majority of 2009. In spite of some improvement in the market, record high mortgage delinquencies and foreclosures led to further downward pressure on certain private residential mortgage backed products. As a result, loss projections used by investors to estimate cash flows of these products more than doubled during the year, particularly for 2007 vintage private MBS.

Fair value is the estimated price using market-based inputs or assumptions that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Current market conditions have led to diminished, and in some cases, non-existent trading in certain of the financial asset classes that we own. We are required to consider observable inputs, to the extent available, in the fair value estimation process, unless that data results from forced liquidations or distressed sales. When available, we will obtain third party broker quotes or use observable market assumptions, as these levels of evidence are the strongest support for fair value, absent current market activity in that specific security or a similar security. Despite our best efforts to maximize the use of relevant observable inputs, the current market environment has generally diminished the observability of trades and assumptions that have historically been available. As such, the degree to which significant unobservable inputs have been utilized in our valuation procedures has increased over the past two years, largely with respect to certain types of loans and securities. This decrease in observability of market data began in the third quarter of 2007 and continued to persist in certain markets in 2009. However, we have begun to observe increased trading activity in certain markets, such as corporate debt markets (both primary and secondary) and the market for Small Business Administration instruments, which has provided corroborating evidence for our estimates of fair value.

The lack of liquidity, as evidenced by significant decreases in the volume and level of activity in certain markets, creates additional challenges when estimating the fair value of certain financial instruments. Generally, the assets and liabilities most affected by the lack of liquidity are those classified as level 3 in the fair value hierarchy. This lack of liquidity has caused us to evaluate the performance of the underlying collateral and use a discount rate commensurate with the rate a market participant would use to value the instrument in an orderly transaction, but that also acknowledges illiquidity premiums and required investor rates of return that would be demanded under current market conditions. The discount rate considered the capital structure of the instrument, market indices, and the relative yields of instruments for which third party pricing information and/or market activity was available. In certain instances, the interest rate and credit risk components of the valuation indicated a full return of expected principal and interest; however, the lack of liquidity resulted in wide ranges of discounts in valuing level 3 securities. The current illiquid markets are requiring discounts of this degree to drive a market competitive yield, as well as account for the anticipated extended tenor. The discount rates selected derived reasonable prices when compared to (i) observable transactions, when available, (ii) other securities on a relative basis, (iii) the bid/ask spread of non-binding broker indicative bids and/or (iv) our professional judgment. For certain securities, particularly non-investment grade MBS, a reasonable market discount rate could not be determined using those methodologies and, therefore, dollar prices were established based on market intelligence.

Pricing services and broker quotes were obtained when available to assist in estimating the fair value of level 3 instruments. The number of quotes we obtained varied based on the number of brokers following a particular security, but we generally

attempt to obtain two to four quotes to determine reasonableness and comparability on a relative basis; however, the ability to obtain reasonable and reliable broker quotes or price indications continues to be challenging. We gained an understanding of the information used by third party pricing sources to develop their estimated values. The information obtained from third party pricing sources was evaluated and relied upon based on the degree of market transactions supporting the price indications and the firmness of the broker quotes. In most cases, the current market conditions caused the broker quotes to be indicative and the price indications and broker quotes to be supported by very limited to no recent market activity. In those instances, we weighted the third party information according to our judgment of it being a reasonable indication of the instrument s fair value.

Generally, pricing services values and broker quotes obtained on level 3 instruments were indications of value based on price indications, market intelligence, and proprietary cash flow modeling techniques, but could not otherwise be supported by recent trades due to the illiquidity in the markets. These values were evaluated in relation to other securities, and other broker indications, as well as our independent knowledge of the security s collateral. We believe that we evaluated all available information to estimate the value of level 3 instruments. The continued decline in the amount of third party information available necessitates the further use of internal models when valuing level 3 instruments. All of the techniques used and information obtained in the valuation process provides a range of estimated values, which were evaluated and compared in order to establish an estimated value that, based on management s judgment, represented a reasonable estimate of the instrument s fair value. It was not uncommon for the range of value of these instruments to vary widely; in such cases, we selected an estimated value that we believed was the best indication of value based on the yield a market participant in this current environment would expect.

Beginning in the first quarter of 2008, management established a level 3 valuation working group to evaluate the available information pertaining to certain securities and ultimately develop a consensus estimate of the instrument s fair value. The process involves the gathering of multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other similar securities, market indices, and internal cash flow and pricing matrix estimates. Participation in this working group includes the business or functional area that manages the instrument, market risk, and finance, including the independent price verification function. Pricing estimates are derived on most illiquid instruments weekly and at a minimum monthly, and the working group formally reviews the pricing information at least quarterly. These reviews may include assessing an instrument s classification in the fair value hierarchy based on the significance of the unobservable assumptions used to estimate the fair value.

We used significant unobservable inputs to fair value, on a recurring basis, certain trading assets, securities available for sale, portfolio loans accounted for at fair value, IRLCs, LHFS, MSRs and certain derivatives. The following table discloses assets and liabilities that have been impacted by level 3 fair value determinations.

Table 13

	As of	
(Dollars in millions)	**December 31, 2009**	December 31, 2008
Trading assets	**$390.1**	$1,391.4
Securities available for sale	**1,322.1**	1,489.6
Loans held for sale	**151.5**	487.4
Loans	**448.7**	270.3
Other intangible assets [1]	**935.6**	-
Other assets [2]	**13.5**	73.6
Total level 3 assets	**$3,261.5**	$3,712.3
Total assets	**$174,164.7**	$189,138.0
Total assets measured at fair value	**$37,914.9**	$32,897.2
Level 3 assets as a percent of total assets	**1.9** %	2.0 %
Level 3 assets as a percent of total assets measured at fair value	**8.6**	11.3
Long-term debt	**$-**	$3,496.3
Trading liabilities	**45.9**	-
Other liabilities [2, 3]	**48.1**	1.2
Total level 3 liabilities	**$94.0**	$3,497.5

Total liabilities	**$151,633.9**		$166,637.2	
Total liabilities measured at fair value	**$7,160.6**		$11,456.5	
Level 3 liabilities as a percent of total liabilities	**0.1**	**%**	2.1	%
Level 3 liabilities as a percent of total liabilities measured at fair value	**1.3**		30.5	

[1] Includes MSRs carried at fair value.

[2] Includes IRLCs.

[3] Includes derivative related to sale of Visa shares during the second quarter of 2009.

44

Table of Contents

Securities Available for Sale and Trading Assets

Our level 3 securities available for sale totals approximately $1.3 billion at December 31, 2009, including FHLB and Federal Reserve Bank stock, as well as certain municipal bond securities, some of which are only redeemable with the issuer at par and cannot be traded in the market; as such, no significant observable market data for these instruments is available. These nonmarketable securities total approximately $836.9 million at December 31, 2009. Level 3 trading assets total approximately $390.1 million at December 31, 2009. The remaining level 3 securities, both trading assets and available for sale securities, are predominantly private MBS and collateral debt obligations, including interests retained from Company-sponsored securitizations or purchased from third-party securitizations and investments in SIVs. We have also increased our exposure to bank trust preferred ABS, student loan ABS, and municipal securities due to our purchase of certain ARS as a result of failed auctions. For all of the Level 3 securities, little or no market activity exists for either the security or the underlying collateral and therefore the significant assumptions used to value the securities are not market observable. Approximately half of the collateral in the remaining level 3 securities includes direct or repackaged exposure to residential mortgages which is predominantly secured by 2007 vintage prime first lien mortgage loans, however, there is also exposure to prime first and second lien mortgages, as well as subprime first and second lien mortgages that were originated from 2003 through 2007. Level 3 trading liabilities consists of the Coke derivative valued at approximately $45.9 million at December 31, 2009.

ARS purchased since the auction rate market began failing in February 2008 have been considered level 3 securities due to the significant decrease in the volume and level of activity in these markets which has necessitated the use of significant unobservable inputs into our valuations. We classify ARS as securities available for sale or trading securities. As of December 31, 2009, the fair value of ARS purchased is approximately $176.4 million in trading assets and $156.4 million in available for sale securities. ARS include municipal bonds, nonmarketable preferred equity securities, and ABS collateralized by student loans or trust preferred bank obligations. Under a functioning market, ARS could be remarketed with tight interest rate caps to investors targeting short-term investment securities that repriced generally every 7 to 28 days. Unlike other short-term instruments, these ARS do not benefit from backup liquidity lines or letters of credit and, therefore, as auctions began to fail, investors were left with securities that were more akin to longer-term, 20-30 year, illiquid bonds, with the anticipation that auctions will continue to fail in the foreseeable future. The combination of materially increased tenors, capped interest rates and general market illiquidity has had a significant impact on the risk profiles of these securities and has resulted in the use of valuation techniques and models that rely on significant inputs that are largely unobservable.

We saw a reduction in our level 3 portfolios during 2009 due to sales, paydowns, transfers of assets from level 3 to level 2, and/or continued deterioration in values of certain securities, in particular, private MBS. At December 31, 2009, we hold assets in two SIVs that are in receivership and are carried at a fair value of approximately $126.1 million. Our holdings of SIV assets decreased by $61.9 million during 2009, due to settlements or partial paydown of approximately $83.6 million, offset by gains of approximately $21.7 million. The gain resulted primarily from the improvement in the cash positions of the SIVs as well as modest improvements in the value of the underlying assets. Our level 3 portfolio has experienced a significant number and amount of downgrades during this time of economic turmoil. While our level 3 municipal securities and equity securities are of high credit quality, certain vintages of private MBS have suffered from deterioration in credit quality leading to downgrades. At December 31, 2009, our private MBS contained approximately $314 million of 2007 vintage securities available for sale and trading securities and approximately $19 million of 1999-2006 vintage securities available for sale and trading securities that had been downgraded to non-investment grade levels by at least one nationally recognized rating agency. The vast majority of these securities had high investment grade ratings at the time of origination or purchase. All of these securities that are classified as available for sale are also included as part of our quarterly OTTI evaluation process. See Note 5, Securities Available for Sale, to the Consolidated Financial Statements for details regarding impairment recognized through earnings on private MBS during the year ended December 31, 2009.

Residual and other retained interests classified as securities available for sale or trading securities are valued based on internal models that incorporate assumptions, such as prepayment speeds, estimated credit losses, and discount rates which are generally not observable in the current markets. Generally, we attempt to obtain pricing for our securities from a third party pricing provider or third party brokers who have experience in valuing certain investments. This pricing may be used as either direct support for our valuations or used to validate outputs from our own proprietary models. We evaluate third party pricing to determine the reasonableness of the information relative to changes in market data such as any recent trades we executed, market information received from outside market participants and analysts, and/or changes in the underlying collateral performance. When actual trades are not available to corroborate pricing information received, we will use industry standard or proprietary models to estimate fair value, and will consider assumptions such as relevant market indices that correlate to the underlying collateral, prepayment speeds, default rates, loss severity rates, and discount rates.

Due to the continued illiquidity and credit risk of level 3 securities, these market values are highly sensitive to assumption changes and market volatility. In many instances, pricing assumptions for level 3 securities may fall within

45

an acceptable range of values. In those cases, we attempt to consider all information to determine the most appropriate price within that range. Improvements may be made to our pricing methodologies on an ongoing basis as observable and relevant information becomes available to us. Sales, trading and settlement activity were scarce in 2009 for many of our level 3 securities; however, we maintained consistency in our pricing methodology and processes, and incorporated any relevant changes to the valuation assumptions needed to ensure a supportable fair value for these illiquid securities, based on market conditions at December 31, 2009.

During the year ended December 31, 2009, we recognized through earnings $21.6 million in net losses related to trading assets and securities available for sale classified as level 3. While we believe we have utilized all pertinent market data in establishing an appropriate fair value for our securities, current market conditions result in wide price ranges used to evaluate market value. While it is difficult to accurately predict the ultimate cash value of these securities, we believe the amount that would be ultimately realized if the securities were held to settlement or maturity will generally be greater than the current fair value of the securities classified as level 3. This assessment is based on the current performance of the underlying collateral, which is experiencing elevated losses but generally not to the degree that correlates to current market values, which is pressured downward in this market due to liquidity issues and other broad macroeconomic conditions. It is reasonably likely that this market volatility will continue as a result of a variety of external factors, including but not limited to economic conditions, the sale of assets under government-sponsored programs, the restructuring of SIVs, and third party sales of