SUNTRUST BANKS INC
Form 10-Q
May 08, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 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 pricipal executive offices) (Zip Code)

(404) 588-7711

(Registrant s telephone number, including area code)

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

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

¨ Yes ¨ No

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

At April 30, 2009, 356,804,038 shares of the Registrant s Common Stock, $1.00 par value, were outstanding.

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PART I FINANCIAL INFORMATION

The following unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and accordingly do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary to comply with Regulation S-X have been included. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the full year of 2009.

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Item 1. FINANCIAL STATEMENTS (UNAUDITED)

SunTrust Banks, Inc.

Consolidated Statements of Income

(Dollars in thousands, except per share data) (Unaudited)	For the Three Months Ended March 31 2009	2008
Interest Income		
Interest and fees on loans	**$1,412,885**	$1,854,646
Interest and fees on loans held for sale	**61,832**	99,009
Interest and dividends on securities available for sale		
Taxable interest	**181,202**	152,903
Tax-exempt interest	**10,699**	11,303
Dividends[1]	**18,162**	33,925
Interest on funds sold and securities purchased under agreements to resell	**937**	8,947
Interest on deposits in other banks	**113**	247
Trading account interest	**43,505**	97,352
Total interest income	**1,729,335**	2,258,332
Interest Expense		
Interest on deposits	**423,873**	747,820
Interest on funds purchased and securities sold under agreements to repurchase	**2,733**	56,949
Interest on trading liabilities	**6,160**	6,050
Interest on other short-term borrowings	**5,155**	22,776
Interest on long-term debt	**229,316**	284,870
Total interest expense	**667,237**	1,118,465
Net interest income	**1,062,098**	1,139,867
Provision for loan losses	**994,098**	560,022
Net interest income after provision for loan losses	**68,000**	579,845
Noninterest Income		
Service charges on deposit accounts	**206,394**	211,839
Trust and investment management income	**116,010**	161,102
Other charges and fees	**124,321**	127,231
Card fees	**75,660**	73,761
Retail investment services	**56,713**	72,300
Investment banking income	**59,534**	55,420
Mortgage production related income	**250,470**	85,549
Mortgage servicing related income	**83,352**	29,098
Trading account profits and commissions	**107,293**	28,218
Net gain on extinguishment of debt	**25,304**	-
Net gain on sale of business	**-**	89,390
Gain on Visa IPO	**-**	86,305
Net gain on sale/leaseback of premises	**-**	37,039
Other noninterest income	**38,114**	60,836
Net securities gains/(losses)	**3,377**	(60,586)
Total noninterest income	**1,146,542**	1,057,502
Noninterest Expense		
Employee compensation	**573,022**	584,790
Employee benefits	**163,030**	130,293

Outside processing and software	**138,361**	109,165
Operating losses	**22,621**	30,263
Marketing and customer development	**34,725**	55,703
Net occupancy expense	**87,417**	86,441
Equipment expense	**43,540**	52,395
Mortgage reinsurance	**70,039**	7,011
Amortization/impairment of goodwill/intangible assets	**767,016**	20,715
Net loss on extinguishment of debt	**-**	11,723
Visa litigation	**-**	(39,124)
Other noninterest expense	**277,556**	202,858
Total noninterest expense	**2,177,327**	1,252,233
Income/(loss) before provision/(benefit) for income taxes	**(962,785)**	385,114
Provision/(benefit) for income taxes	**(150,777)**	91,648
Net income/(loss) including income attributable to noncontrolling interest	**(812,008)**	293,466
Net income attributable to noncontrolling interest	**3,159**	2,911
Net income/(loss)	**(815,167)**	290,555
Series A preferred dividends	**5,000**	6,977
U.S. Treasury preferred dividends	**66,279**	-
Dividends and undistributed earnings allocated to unvested shares	**(11,065)**	2,023
Net Income/(Loss) Available to Common Shareholders	**($875,381)**	$281,555
Net income per average common share		
Diluted	**($2.49)**	$0.81
Basic	**(2.49)**	0.81
Dividends declared per common share	**0.10**	0.77
Average common shares - diluted	**351,352**	348,072
Average common shares - basic	**351,352**	346,581
[1] Includes dividends on common stock of The Coca-Cola Company	**$12,300**	$16,560

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Balance Sheets

(Dollars in thousands) (Unaudited)	As of March 31 2009	December 31 2008
Assets		
Cash and due from banks	**$5,825,730**	$5,622,789
Interest-bearing deposits in other banks	**25,282**	23,999
Funds sold and securities purchased under agreements to resell	**1,209,987**	990,614
Cash and cash equivalents	**7,060,999**	6,637,402
Trading assets	**7,397,338**	10,396,269
Securities available for sale[1]	**19,485,406**	19,696,537
Loans held for sale (loans at fair value: $5,224,353 as of March 31, 2009; $2,424,432 as of December 31, 2008)	**6,954,038**	4,032,128
Loans (loans at fair value: $242,193 as of March 31, 2009; $270,342 as of December 31, 2008)	**123,892,966**	126,998,443
Allowance for loan and lease losses	**(2,735,000)**	(2,350,996)
Net loans	**121,157,966**	124,647,447
Premises and equipment	**1,546,600**	1,547,892
Goodwill	**6,309,431**	7,043,503
Other intangible assets (mortgage servicing rights at fair value: $308,296 as of March 31, 2009; $0 as of December 31, 2008)	**1,103,333**	1,035,427
Customers acceptance liability	**6,290**	5,294
Other real estate owned	**593,579**	500,481
Unsettled sales of securities available for sale	**2,998**	6,386,795
Other assets	**7,498,424**	7,208,786
Total assets	**$179,116,402**	$189,137,961
Liabilities and Shareholders Equity		
Noninterest-bearing consumer and commercial deposits	**$24,371,518**	$21,522,021
Interest-bearing consumer and commercial deposits	**88,077,195**	83,753,686
Total consumer and commercial deposits	**112,448,713**	105,275,707
Brokered deposits (CDs at fair value: $583,976 as of March 31, 2009; $587,486 as of December 31, 2008)	**6,373,500**	7,667,167
Foreign deposits	**149,962**	385,510
Total deposits	**118,972,175**	113,328,384
Funds purchased	**1,567,406**	1,120,079
Securities sold under agreements to repurchase	**3,165,644**	3,193,311
Other short-term borrowings (debt at fair value: $0 as of March 31, 2009; $399,611 as of December 31, 2008)	**2,883,384**	5,166,360
Long-term debt (debt at fair value: $3,352,400 as of March 31, 2009; $7,155,684 as of December 31, 2008)	**23,029,842**	26,812,381
Acceptances outstanding	**6,290**	5,294
Trading liabilities	**3,050,628**	3,240,784
Unsettled purchases of securities available for sale	**-**	8,898,279
Other liabilities	**4,795,407**	4,872,284
Total liabilities	**157,470,776**	166,637,156
Preferred stock	**5,227,357**	5,221,703
Common stock, $1.00 par value	**372,799**	372,799
Additional paid in capital	**6,713,536**	6,904,644
Retained earnings	**9,466,914**	10,388,984
Treasury stock, at cost, and other	**(1,168,995)**	(1,368,450)

Accumulated other comprehensive income, net of tax	**1,034,015**	981,125
Total shareholders equity	**21,645,626**	22,500,805
Total liabilities and shareholders equity	**$179,116,402**	$189,137,961
Common shares outstanding	**356,693,099**	354,515,013
Common shares authorized	**750,000,000**	750,000,000
Preferred shares outstanding	**53,500**	53,500
Preferred shares authorized	**50,000,000**	50,000,000
Treasury shares of common stock	**16,106,270**	18,284,356
[1] Includes net unrealized gains on securities available for sale	**$1,492,517**	$1,413,330

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Statements of Shareholders Equity

(Dollars and shares in thousands, except per share data) (Unaudited)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock and Other[1]	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2008	$500,000	348,411	$370,578	$6,707,293	$10,646,640	($1,661,719)	$1,607,149	$18,169,941
Net income	-	-	-	-	290,555	-	-	290,555
Other comprehensive income:								
Change in unrealized gains (losses) on securities, net of taxes	-	-	-	-	-	-	101,795	101,795
Change in unrealized gains (losses) on derivatives, net of taxes	-	-	-	-	-	-	195,653	195,653
Change related to employee benefit plans	-	-	-	-	-	-	4,312	4,312
Total comprehensive income								592,315
Change in noncontrolling interest	-	-	-	-	-	(268)	-	(268)
Common stock dividends, $0.77 per share	-	-	-	-	(268,964)	-	-	(268,964)
Preferred stock dividends, $1,395.50 per share	-	-	-	-	(6,977)	-	-	(6,977)
Exercise of stock options and stock compensation expense	-	309	-	(2,715)	-	24,933	-	22,218
Performance and restricted stock activity	-	590	-	(10,527)	-	10,118	-	(409)
Amortization of performance and restricted stock compensation	-	-	-	-	-	10,148	-	10,148
Issuance of stock for employee benefit plans	-	522	-	(10,794)	-	41,787	-	30,993
Other activity	-	-	-	(429)	(4)	39	-	(394)
Balance, March 31, 2008	$500,000	349,832	$370,578	$6,682,828	$10,661,250	($1,574,962)	$1,908,909	$18,548,603
Balance, January 1, 2009	**$5,221,703**	**354,515**	**$372,799**	**$6,904,644**	**$10,388,984**	**($1,368,450)**	**$981,125**	**$22,500,805**
Net loss	**-**	**-**	**-**	**-**	**(815,167)**	**-**	**-**	**(815,167)**
Other comprehensive income:								
Change in unrealized gains (losses) on securities, net of taxes	**-**	**-**	**-**	**-**	**-**	**-**	**48,968**	**48,968**

Change in unrealized gains (losses) on derivatives, net of taxes	**-**	**-**	**-**	**-**	**-**	**-**	**(18,993)**	**(18,993)**
Change related to employee benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**22,915**	**22,915**
Total comprehensive loss								**(762,277)**
Change in noncontrolling interest	**-**	**-**	**-**	**-**	**-**	**(679)**	**-**	**(679)**
Common stock dividends, $0.10 per share	**-**	**-**	**-**	**-**	**(35,621)**	**-**	**-**	**(35,621)**
Series A preferred stock dividends, $1,000.00 per share	**-**	**-**	**-**	**-**	**(5,000)**	**-**	**-**	**(5,000)**
U.S. Treasury preferred stock dividends, $1,250.00 per share	**-**	**-**	**-**	**-**	**(60,625)**	**-**	**-**	**(60,625)**
Accretion of discount associated with U.S. Treasury preferred stock	**5,654**	**-**	**-**	**-**	**(5,654)**	**-**	**-**	**-**
Exercise of stock options and stock compensation expense	**-**	**-**	**-**	**3,285**	**-**	**-**	**-**	**3,285**
Performance and restricted stock activity	**-**	**1,658**	**-**	**(163,136)**	**-**	**138,995**	**-**	**(24,141)**
Amortization of performance and restricted stock compensation	**-**	**-**	**-**	**-**	**-**	**20,283**	**-**	**20,283**
Issuance of stock for employee benefit plans	**-**	**520**	**-**	**(31,257)**	**(3)**	**40,856**	**-**	**9,596**
Balance, March 31, 2009	**$5,227,357**	**356,693**	**$372,799**	**$6,713,536**	**$9,466,914**	**($1,168,995)**	**$1,034,015**	**$21,645,626**

1 Balance at March 31, 2009 includes ($1,173,026) for treasury stock, ($107,985) for compensation element of restricted stock, and $112,016 for noncontrolling interest.

Balance at March 31, 2008 includes ($1,571,438) for treasury stock, ($120,679) for compensation element of restricted stock, and $117,155 for noncontrolling interest.

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Statements of Cash Flows

(Dollars in thousands) (Unaudited)	Three Months Ended March 31 2009	2008
Cash Flows from Operating Activities:		
Net income/(loss) including income attributable to noncontrolling interest	**($812,008)**	$293,466
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain on sale of business	**-**	(89,390)
Visa litigation expense reversal	**-**	(39,124)
Depreciation, amortization and accretion	**234,985**	219,653
Impairment of goodwill	**751,156**	-
Recovery of mortgage servicing rights impairment	**(31,298)**	-
Origination of mortgage servicing rights	**(146,290)**	(152,303)
Provisions for loan losses and foreclosed property	**1,026,917**	569,513
Amortization of performance and restricted stock compensation	**20,283**	10,148
Stock option compensation	**3,285**	6,167
Excess tax benefits from stock-based compensation	**(181)**	(1,409)
Net (gain)/loss on extinguishment of debt	**(25,304)**	11,723
Net securities (gains)/losses	**(3,377)**	60,586
Net gain on sale/leaseback of premises	**-**	(37,039)
Net gain on sale of assets	**(6,913)**	(19,995)
Originated and purchased loans held for sale net of principal collected	**(12,825,072)**	(10,261,620)
Sales and securitizations of loans held for sale	**9,887,617**	11,925,207
Contributions to retirement plans	**(1,286)**	(1,588)
Net decrease (increase) in other assets	**736,652**	(1,933,721)
Net decrease in other liabilities	**(547,123)**	(106,106)
Net cash (used in) provided by operating activities	**(1,737,957)**	454,168
Cash Flows from Investing Activities:		
Proceeds from maturities, calls and paydowns of securities available for sale	**780,575**	314,054
Proceeds from sales of securities available for sale	**6,488,762**	742,398
Purchases of securities available for sale	**(9,500,312)**	(615,082)
Proceeds from maturities, calls and paydowns of trading securities	**23,577**	518,936
Proceeds from sales of trading securities	**2,009,051**	881,265
Purchases of trading securities	**(85,965)**	(118,082)
Loan repayments/(originations), net	**2,072,094**	(1,712,390)
Proceeds from sales of loans held for investment	**181,379**	99,294
Capital expenditures	**(47,126)**	(34,187)
Net cash and cash equivalents received for sale of business	**-**	155,000
Net cash and cash equivalents paid for acquisitions	**-**	(1,540)
Seix contingent consideration payout	**(12,722)**	-
Proceeds from the sale/leaseback of premises	**-**	227,269
Proceeds from the sale of other assets	**86,023**	47,685
Net cash provided by investing activities	**1,995,336**	504,620
Cash Flows from Financing Activities:		
Net increase in consumer and commercial deposits	**6,727,361**	1,563,079
Net decrease in foreign and brokered deposits	**(1,528,931)**	(3,225,219)
Assumption of Omni National Bank deposits, net	**445,482**	-

Net (decrease) increase in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	**(1,863,316)**	102,028
Proceeds from the issuance of long-term debt	**574,560**	1,159,038
Repayment of long-term debt	**(4,090,686)**	(679,552)
Proceeds from the exercise of stock options	**-**	16,814
Excess tax benefits from stock-based compensation	**181**	1,409
Common and preferred dividends paid	**(98,433)**	(275,941)
Net cash (used in) provided by financing activities	**166,218**	(1,338,344)
Net increase (decrease) in cash and cash equivalents	**423,597**	(379,556)
Cash and cash equivalents at beginning of period	**6,637,402**	5,642,601
Cash and cash equivalents at end of period	**$7,060,999**	$5,263,045
Supplemental Disclosures:		
Loans transferred from loans held for sale to loans	**$8,565**	$227,531
Loans transferred from loans to other real estate owned	**213,287**	116,124
U.S. Treasury preferred dividends accrued but unpaid	**2,813**	-
Accretion on U.S. Treasury preferred stock	**5,654**	-

See Notes to Consolidated Financial Statements (unaudited).

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Notes to Consolidated Financial Statements (Unaudited)

Note 1 Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair statement of the results of operations in these financial statements, have been made. Effective May 1, 2008, SunTrust Banks, Inc. (SunTrust or the Company) acquired GB&T Bancshares, Inc. (GB&T). The acquisition was accounted for under the purchase method of accounting with the results of operations for GB&T included in those of the Company beginning May 1, 2008.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could vary from these estimates. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

These financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2008. Except for accounting policies that have been modified or recently adopted as described below, there have been no significant changes to the Company s Accounting Policies as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2008.

Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 160, Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51. SFAS No. 160 requires that a noncontrolling interest in a subsidiary (i.e. minority interest) be reported in the equity section of the balance sheet instead of being reported as a liability or in the mezzanine section between debt and equity. It also requires that the consolidated income statement include consolidated net income attributable to the Company and the noncontrolling interest of a consolidated subsidiary. A disclosure must be made on the face of the consolidated income statement of the net income attributable to the noncontrolling interest. Also, regardless of whether the parent purchases an additional ownership interest, sells a portion of its ownership interest in a subsidiary or the subsidiary participates in a transaction that changes the parent s ownership interest, as long as the parent retains the controlling interest, the transaction is considered an equity transaction. SFAS No. 160 is effective for annual periods beginning after December 15, 2008. The Company adopted this standard effective January 1, 2009, and in connection therewith, $112.0 million in noncontrolling interest was reclassed from liabilities to equity and $3.2 million was reflected in pre-tax income attributable to noncontrolling interest as of and for the three month period ended March 31, 2009. Reclassifications of $112.7 million were made in the Consolidated Balance Sheet as of December 31, 2008 and $2.9 million in the Consolidated Income Statement for the three month period ended March 31, 2008, to conform to the current period presentation.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, which amends SFAS No. 133 and expands the derivative-related disclosure requirements. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures of the fair values of derivative instruments and their gains and losses, and disclosures about credit-risk related contingent features in derivative agreements. The standard also amended SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to clarify the disclosure requirements with respect to derivative counterparty credit risk. SFAS No. 161 is effective for annual and interim periods beginning after November 15, 2008; therefore, the required disclosures have been included in Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements.

In June 2008, the FASB issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) No. 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. The FSP concludes that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities that should be included in the earnings allocation in computing earnings per share under the two-class method. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior period earnings per share data presented must be adjusted retrospectively. The adoption of this standard, effective January 1, 2009, did not have a material impact on the Company s financial position and results of operations and earnings per share.

Notes to Consolidated Financial Statements (Unaudited)-Continued

In September 2008, the FASB issued two separate but related exposure drafts for proposed amendments to SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, and proposed amendments to FASB Interpretation No. (FIN) 46(R), Consolidation of Variable Interest Entities . The proposed amendments to SFAS No. 140, among other amendments to the sale criteria on SFAS No. 140, eliminate the concept of a qualifying special-purpose entity (QSPE) and would require an existing QSPE to be analyzed for consolidation according to FIN 46(R). In addition, the proposed amendments introduce the concept of a participating interest , which establishes specific conditions for reporting the transfer of a portion of a financial asset as a sale. The proposed amendments to FIN 46(R) are intended to change the consolidation model for determining which enterprise should consolidate a variable interest entity (VIE) from primarily an economic focus to a control and economic focus. Under the proposed amendment, companies must make a qualitative assessment based on control and economic interests to determine the primary beneficiary, if any, of a VIE. The amended statement, if finalized, would be effective for the first interim reporting period of 2010. The Company s variable interests in a commercial paper conduit, various QSPE s, and certain other securitization vehicles are expected to be the primary areas of impact; therefore, the Company is evaluating the impact that these proposed amendments will have on its financial statements. As part of its project to amend SFAS No. 140 and FIN 46(R), the FASB issued FSP FAS No. 140-4 and FIN 46(R) 8 in December 2008, which requires enhanced disclosures regarding the extent of a transferor s continuing involvement with transferred financial assets and the Company s involvement with VIEs. The required disclosures are included in Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights, and Variable Interest Entities to the Consolidated Financial Statements contained within the Company s Annual Report on Form 10-K for the year ended December 31, 2008 and as updated by Note 6, Certain Transfers of Financial Assets, Mortgage Servicing Rights, and Variable Interest Entities, to these Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. The FSP amends the other-than-temporary impairment guidance for debt securities. If the fair value of a debt security is less than its amortized cost basis at the measurement date, the FSP requires the Company to assert whether it has the intent to sell the debt security or whether it is more likely than not it will be required to sell the debt security before its anticipated recovery. If either condition is met, an entity must recognize impairment. The FSP also changes the method of assessing whether the amortized cost basis will be recovered, as the Company is now required to compare the present value of the cash flows expected to be collected to the amortized cost basis of the debt security. Impairment exists if the present value of the cash flows is less than the amortized cost basis. The FSP provides guidance as to measuring the portion of the other-than-temporary impairment that is recognized through earnings or through other comprehensive income. The FSP requires entities to disclose the types of available for sale debt and equity securities held, including information about investments in an unrealized loss position for which an other-than-temporary impairment has or has not been recognized. Entities are also required to disclose the reasons why a portion of an other-than-temporary impairment of a debt security was not recognized in earnings and the methodology and significant inputs used to calculate the portion of the other-than-temporary impairment that was recognized in earnings. The FSP is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company plans to adopt the standard effective June 30, 2009 and is currently assessing the impact that the FSP will have to its financial position and results of operations.

In April 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly , which provides interpretive guidance around the concept of exit price in SFAS No. 157, Fair Value Measurement . Specifically, the FSP provides factors that an entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability when compared with normal market activity for the asset or liability. If an entity concludes that there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of whether transactions have been disorderly is required and significant adjustments to the related prices may be necessary to estimate fair value in accordance with SFAS No. 157. The FSP clarifies that when there has been a significant decline in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those instances, an entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The FSP provides circumstances that may indicate whether or not a transaction is orderly. In evaluating fair value, an entity should place more weight on orderly transactions and less weight on transactions that the entity concludes are not orderly. The FSP requires entities to disclose the inputs and valuation techniques used to measure fair value and to discuss changes in valuation techniques and related inputs, if any, in both interim and annual periods. The FSP is effective for interim and annual periods ending after June 15, 2009 and shall be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009; however, the Company did not elect to early adopt. The Company does not expect the adoption of the standard to have a material impact on its financial position and results of operations.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Statements . This FSP amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments and requires an entity to disclose the fair value of its financial instruments in interim reporting periods as well as in annual financial statements. The methods and significant assumptions used to estimate the fair value of financial instruments and any changes in methods and assumptions used

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during the reporting period shall also be disclosed. The FSP is effective for interim periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009, if an entity also elects to early adopt FSP FAS 157- 4 and FSP 115-2. Because the Company did not early adopt these FSPs, the required disclosures will be included in the interim reporting period ending June 30, 2009.

Note 2 Acquisitions / Dispositions

(in millions)	Date	Cash or other consideration (paid)/ received	Goodwill	Other Intangibles	Gain/ (Loss)	Comments
For the Three Months Ended March 31, 2008						
Sale of 24.9% interest in Lighthouse Investment Partners, LLC (Lighthouse Investment Partners)	1/2/08	155.0	-	(6.0)	89.4	SunTrust will continue to earn a revenue share based upon client referrals to the funds.

No significant acquisitions or dispositions occurred for the three months ended March 31, 2009.

Note 3 Allowance for Loan and Lease Losses

Activity in the allowance for loan and lease losses is summarized in the table below:

	Three Months Ended March 31		
(Dollars in thousands)	**2009**	2008	% Change
Balance at beginning of period	**$ 2,350,996**	$ 1,282,504	83.3 %
Provision for loan losses	**994,098**	560,022	77.5
Loan charge-offs	**(646,916)**	(322,696)	100.5
Loan recoveries	**36,822**	25,510	44.3
Balance at end of period	**$ 2,735,000**	$ 1,545,340	77.0 %

Note 4 Premises and Equipment

During the first quarter of 2008, the Company completed a sale/leaseback transaction, consisting of 143 branch properties and various individual office buildings. In total, the Company sold and concurrently leased back $125.9 million in land and buildings with associated accumulated depreciation of $63.0 million. Net proceeds were $227.3 million, resulting in a gain, net of transaction costs of $164.4 million. The Company recognized $37.0 million of the gain immediately. The remaining $127.4 million in gains were deferred and will be recognized ratably over the expected term of the respective leases, which is 10 years.

Note 5 Goodwill and Other Intangible Assets

In 2008, the Company s reporting units were comprised of Retail, Commercial, Commercial Real Estate, Mortgage, Corporate and Investment Banking, Wealth and Investment Management, and Affordable Housing. As discussed in Note 15, Business Segment Reporting, to the Consolidated Financial Statements, effective January 1, 2009, the Company made certain changes to the segment reporting structure that resulted in new reportable segment classifications, as well as altered the composition of the Retail and Mortgage reporting units. The Mortgage reporting unit was renamed Household Lending due to the inclusion of the Consumer Lending business, which was previously included in the Retail reporting unit. In connection with this reorganization, the relative fair value of the Retail and Consumer Lending reporting units was

estimated and $172.0 million in goodwill related to Consumer Lending was transferred from the Retail reporting unit to the Household Lending reporting unit.

The Company completed its 2008 annual review for goodwill impairment based on information that was as of September 30, 2008. The estimated fair value of each reporting unit as of September 30, 2008 exceeded its respective carrying value; therefore, the Company determined there was no impairment of goodwill as of that date. Under U.S. GAAP, goodwill is required to be tested for impairment on an annual basis or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. As a result of continued deterioration in the economy during the fourth quarter of 2008, the Company determined that it was more likely than not that the fair value of the Mortgage, Commercial Real Estate, and Corporate and Investment Banking reporting units was less than their respective carrying value as of December 31, 2008, due to their exposure to residential real estate and capital markets. As a result, the Company performed the second step of the goodwill impairment evaluation, which involved calculating the implied fair value of the goodwill for those reporting units. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The fair value of the reporting unit s

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assets and liabilities, including previously unrecognized intangible assets, is individually evaluated. The excess of the fair value of the reporting unit over the fair value of the reporting unit s net assets is the implied fair value of goodwill. The Company estimated the fair value of each reporting unit s assets and liabilities, including previously unrecognized intangible assets, through a variety of valuation techniques that incorporated interest rates, credit or nonperformance risk, as well as market risk premiums that are indicative of the current economic environment. The estimated values are based on an exit price and reflect management s expectations regarding how a market participant would value the assets and liabilities. Based on this analysis, the Company determined that the implied fair value of the goodwill for the reporting units evaluated was in excess of the carrying value of the goodwill for those reporting units; therefore, no goodwill impairment was recorded as of December 31, 2008. This evaluation and resulting conclusion was significantly affected by the estimated fair value of the loans pertaining to the reporting units that were evaluated, particularly the market risk premium that is a consequence of the current distressed market conditions.

Due to the continued recessionary environment and sustained deterioration in the economy during the first quarter of 2009, the Company performed a complete goodwill impairment analysis for all of its reporting units. The estimated fair value of the Retail, Commercial, and Wealth and Investment Management reporting units exceeded their respective carrying values as of March 31, 2009; however, the fair value of the Household Lending, Corporate and Investment Banking, Commercial Real Estate (included in Retail and Commercial segment), and Affordable Housing (included in Retail and Commercial segment) reporting units were less than their respective carrying values. The goodwill impairment analysis estimated fair value using discounted cash flow analyses, as well as guideline company and guideline transaction information, where available. The inputs and assumptions specific to each reporting unit that were incorporated in the valuations included projections of future cash flows, discount rates, the fair value of tangible and intangible assets and liabilities, and applicable valuation multiples based on the guideline information. The Company assessed the reasonableness of the estimated fair value of the reporting units by giving consideration to the Company s market capitalization over a reasonable period of time; however, due to the significant and unprecedented volatility in market capitalization of the financial institution s sector, supplemental information was applied based on observable multiples from guideline transactions, adjusting to reflect Company specific factors, as well as current market conditions. In the case of the Commercial Real Estate and Affordable Housing reporting units, fair value was estimated using the cost approach (also known as the asset approach), which was based on the fair value of these reporting unit s assets and liabilities, including previously unrecognized intangible assets. This approach was determined to be most appropriate due to the likelihood that a market participant would assume negligible going concern value on the long-term cash flow projections and terminal value due to the currently distressed nature of these businesses.

For those reporting units where the fair value was less than carrying value, the implied fair value of goodwill was determined in the same manner used as of December 31, 2008 and as described above. The implied fair value of goodwill of the Corporate and Investment Banking reporting unit exceeded the carrying value of the goodwill, thus no goodwill impairment was recorded for this reporting unit as of March 31, 2009. However, the implied fair value of goodwill applicable to the Household Lending, Commercial Real Estate, and Affordable Housing reporting units was less than the carrying value of the goodwill. As of March 31, 2009, an impairment loss of $751.2 million was recorded, which was the entire amount of goodwill carried by each of those reporting units. Based on the tax nature of the acquisitions that initially generated the goodwill, $677.4 million of the goodwill impairment charge was non-deductible for tax purposes. The goodwill impairment charge was a direct result of continued deterioration in the real estate markets and macro economic conditions that put downward pressure on the fair value of these businesses. The primary factors contributing to the impairment recognition was further deterioration in the actual and projected financial performance of these reporting units, as evidenced by the increase in net charge-offs and nonperforming loans. These declines reflect the current downturn, which resulted in depressed earnings in these businesses and the significant decline in the Company s market capitalization during the first quarter.

Changes in the carrying amount of goodwill by reportable segment for the three months ended March 31 are as follows:

(Dollars in thousands)	Retail	Commercial	Retail and Commercial	Wholesale	Corporate and Investment	Household Lending	Mortgage	Wealth and Investment Management	Corporate Other and Treasury	Total
Balance, January 1, 2009	**$-**	**$-**	**$5,911,990**	**$522,548**	**$-**	**$-**	**$278,254**	**$330,711**	**$-**	**$7,043,503**
Intersegment transfers	-	-	125,580	(522,548)	223,307	451,915	($278,254)	-	-	-
Goodwill impairment	-	-	(299,241)	-	-	(451,915)	-	-	-	(751,156)
	-	-	-	-	-	-	-	3,121	-	3,121

Inlign Wealth Management Investments, LLC purchase price adjustments[1]										
TBK Investments, Inc. purchase price adjustments[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**493**	**-**	**493**
GB&T purchase price adjustment	**-**	**-**	**535**	**-**	**-**	**-**	**-**	**-**	**-**	**535**
Seix contingent consideration	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,722**	**-**	**12,722**
Cymric Family Office Services purchase price adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**213**	**-**	**213**
Balance, March 31, 2009	**$-**	**$-**	**$5,738,864**	**$-**	**$223,307**	**$-**	**$-**	**$347,260**	**$-**	**$6,309,431**

[1] SFAS No. 141 requires net assets acquired in a business combination to be recorded at their estimated fair value. Adjustments to the estimated fair value of acquired assets and liabilities generally occur within one year of the acquisition. However, tax related adjustments are permitted to extend beyond one year due to the degree of estimation and complexity. The purchase adjustments in the above table represent adjustments to the estimated fair value of the acquired net assets within the guidelines under U.S. GAAP.

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Changes in the carrying amounts of other intangible assets for the three months March 31 are as follows:

(Dollars in thousands)	Core Deposit Intangibles	Mortgage Servicing Rights- Amortized Cost	Mortgage Servicing Rights- Fair Value	Other	Total
Balance, January 1, 2008	$172,655	$1,049,425	$-	$140,915	$1,362,995
Amortization	(14,952)	(56,442)	-	(5,763)	(77,157)
MSRs originated	-	152,303	-	-	152,303
Sale of interest in Lighthouse Investment Partners	-	-	-	(5,992)	(5,992)
MSRs impairment reserve	-	(1,881)	-	-	(1,881)
Balance, March 31, 2008	$157,703	$1,143,405	$-	$129,160	$1,430,268
Balance, January 1, 2009	**$145,311**	**$810,474**	**$-**	**$79,642**	**$1,035,427**
Designated at fair value (transfers from amortized cost)	**-**	**(187,804)**	**187,804**	**-**	**-**
Amortization	**(11,881)**	**(67,467)**	**-**	**(4,108)**	**(83,456)**
MSRs originated	**-**	**-**	**146,290**	**-**	**146,290**
MSRs impairment recovery	**-**	**31,298**	**-**	**-**	**31,298**
Changes in fair value					
Due to changes in inputs or assumptions [1]	**-**	**-**	**(9,054)**	**-**	**(9,054)**
Other changes in fair value [2]	**-**	**-**	**(16,744)**	**-**	**(16,744)**
Other	**-**	**-**	**-**	**(428)**	**(428)**
Balance, March 31, 2009	**$133,430**	**$586,501**	**308,296**	**$75,106**	**$1,103,333**

[1] Primarily reflects changes in discount rates and prepayment speed assumptions, due to changes in interest rates.
[2] Represents changes due to the collection of expected cash flows, net of accretion due to passage of time.

As reflected in the table above, the Company elected to create a second class of mortgage servicing rights (MSRs) effective January 1, 2009. This new class of MSRs is reported at fair value and is being actively hedged as discussed in Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements. Prior to this election, the Company did not actively hedge MSRs but managed the economic risk through the Company s overall asset/liability management process with consideration to the natural counter-cyclicality of servicing and mortgage originations. The new MSRs class includes MSRs recognized on loans sold after December 31, 2008, as well as MSRs related to loans originated and sold in 2008. The portion of existing MSRs being transferred to the new MSRs class reflects management s desire to actively hedge this portion of the existing MSRs given the higher prepayment risk associated with loans sold in 2008 and subsequent thereto. MSRs associated with loans originated or sold prior to 2008 continue to be accounted for using the amortized cost method and managed through the Company s overall asset/liability management process. The transfer of MSRs from the amortized cost method to fair value did not have a material effect on the Consolidated Financial Statements since the MSRs were effectively reported at fair value as of December 31, 2008 as a result of impairment losses recognized at the end of 2008.

Note 6 Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities

Certain Transfers of Financial Assets

The Company has transferred residential and commercial mortgage loans, student loans, commercial and corporate loans and collateralized debt obligation (CDO) securities in a sale or securitization in which the Company has, or had, continuing involvement. All such transfers have been accounted for as sales by the Company. The Company s continuing involvement in such transfers has been limited to owning certain beneficial interests, such as securitized debt instruments, and certain servicing or collateral manager responsibilities. Except as specifically noted herein,

the Company is not required to provide additional financial support to any of these entities, nor has the Company provided any support it was not obligated to provide. Generally, the Company s forms of continuing involvement under SFAS No. 140 also constituted variable interests (VIs) under FIN 46(R). Interests that continue to be held by the Company in transferred financial assets, excluding servicing and collateral management rights, are generally recorded as securities available for sale or trading assets at their allocated carrying amounts based on their relative fair values at the time of transfer and are subsequently remeasured at fair value. For such interests, when quoted market prices are not available, fair value is generally estimated based on the present value of expected cash flows, calculated using management s best estimates of key assumptions, including credit losses, loan repayment speeds, and discount rates commensurate with the risks involved, based on how management believes market participants would determine such assumptions. See Note 13, Fair Value Election and Measurement, to the Consolidated Financial

Notes to Consolidated Financial Statements (Unaudited)-Continued

Statements for further discussion of the Company s fair value methodologies. Servicing rights may give rise to servicing assets, which are either initially recognized at fair value, subsequently amortized, and tested for impairment or elected to be carried at fair value. Gains or losses upon sale, in addition to servicing fees and collateral management fees, are recorded in noninterest income. Changes in the fair value of interests that continue to be held by the Company that are accounted for as trading assets or securities available for sale are recorded in trading account profits and commissions or as a component of accumulated other comprehensive income (AOCI), respectively. In the event any decreases in the fair value of such interests that are recorded as securities available for sale are deemed to be other-than-temporary, such losses are recorded in securities gains/losses.

Residential Mortgage Loans

SunTrust typically transfers first lien residential mortgage loans in securitization transactions involving QSPEs sponsored by Ginnie Mae, Fannie Mae and Freddie Mac. These loans are exchanged for cash or securities that are readily redeemed for cash proceeds and servicing rights, which generate servicing assets for the Company. The servicing assets are recorded initially at fair value. Beginning January 1, 2009, the Company began to carry certain mortgage servicing rights at fair value along with servicing rights that were originated in 2008 which were transferred to fair value. See Mortgage Servicing Rights herein for further discussion regarding the accounting for servicing rights. In a limited number of securitizations, the Company has transferred loans to QSPEs sponsored by the Company. In these transactions, the Company has received securities representing retained interests in the transferred loans in addition to cash and servicing rights in exchange for the transferred loans. The retained securities are carried at fair value as either trading assets or securities available for sale. The Company has accounted for all transfers of residential mortgage loans to QSPEs as sales and, because the transferees are QSPEs, the Company does not consolidate any of these entities. No events have occurred during the quarter ended March 31, 2009 that changed the status of the QSPEs or the nature of the transactions, which would have called into question either the Company s sale accounting or the QSPE status of the transferees.

As seller, the Company has made certain representations and warranties with respect to the originally transferred loans, which are discussed in Note 11, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements. Repurchases of loans from QSPEs sponsored by the Company totaled approximately $17 million in 2008, including approximately $13 million of second lien loans that were substituted with new loans. No additional repurchases occurred during the three month period ended March 31, 2009.

Commercial Mortgage Loans

Certain transfers of commercial mortgage loans were executed with third party special purpose entities, which the Company deemed to be QSPEs and did not consolidate. During 2008, the Company sold all of the related servicing rights, which were not financial assets subject to SFAS No. 140, in exchange for cash proceeds of approximately $6.6 million. As seller, the Company has made certain representations and warranties with respect to the originally transferred loans, but the Company has not incurred any losses with respect to such representations and warranties.

Commercial and Corporate Loans

In 2007, the Company completed a structured sale of corporate loans to multi-seller commercial paper conduits, which are VIEs administered by unrelated third parties, from which it retained a 3% residual interest in the pool of loans transferred, which does not constitute a variable interest in the third party conduits as it relates to the unparticipated portion of the loans. During the three month period ended March 31, 2009, the Company wrote this residual interest and related accrued interest to zero, resulting in a loss of approximately $16.6 million inclusive of accrued interest. This write off was the result of the deterioration in the performance of the loan pool to such an extent that the Company will no longer receive cash flows on the interest until the senior participation interest has been repaid in full. The fair value of the residual at March 31, 2009 and December 31, 2008 was $0.0 million and $16.2 million, respectively. The Company provides commitments in the form of liquidity facilities to these conduits; the sum of these commitments, which represents the Company s maximum exposure to loss under the facilities, totaled $473.7 million and $500.7 million at March 31, 2009 and December 31, 2008, respectively. No events have occurred during the quarter ended March 31, 2009 that would have called into question either the Company s sale accounting or the Company s conclusions that it is not the primary beneficiary of these VIEs.

The Company has also transferred commercial leveraged loans and bonds to securitization vehicles that are considered VIEs. In addition to retaining certain securities issued by the VIEs, the Company also acts as manager or servicer for these VIEs as well as other VIEs that are funds of commercial leveraged loans and high yield bonds. At March 31, 2009 and December 31, 2008, the Company s direct exposure to loss related

to these VIEs was approximately $11.2 million and $16.7 million, respectively, which represent the Company s interests in preference shares of these entities**.** During the quarter ended March 31, 2009, the

Notes to Consolidated Financial Statements (Unaudited)-Continued

Company recognized losses of approximately $6.8 million related to the write off of the preference shares in all of the commercial loans and bonds securitization vehicles due to deterioration in the performance of the collateral in those vehicles. The Company does not expect to receive cash from its ownership of those preference shares in the foreseeable future. The Company continues to hold an interest in the preference shares of a fund of commercial leveraged loans and bonds, which represents the Company s direct exposure of $11.2 million at March 31, 2009. At March 31, 2009 and December 31, 2008, total assets of these entities not included on the Company s Consolidated Balance Sheets were approximately $2.7 billion. No reconsideration events, as defined in FIN 46(R), occurred during the three month period ended March 31, 2009 that would change the Company s conclusion that it is not the primary beneficiary of these entities.

Student Loans

In 2006, the Company completed one securitization of student loans through a transfer of loans to a QSPE and retained the corresponding residual interest in the QSPE trust. The fair value of the residual interest at March 31, 2009 and December 31, 2008 was $16.4 million and $13.4 million, respectively. No events have occurred during the quarter ended March 31, 2009 that changed the status of the QSPEs or the nature of the transactions, which would have called into question either the Company s sale accounting or the QSPE status of the transferees.

CDO Securities

The Company has historically transferred bank trust preferred and subordinated debt securities in securitization transactions. The majority of these transfers occurred between 2002 and 2005 with one transaction completed in 2007. During 2008, the Company recognized impairment losses, net of distributions received, of $15.9 million related to the ownership of its equity interests in these VIEs and, at December 31, 2008, these equity interests had all been written down to a fair value of zero due to increased losses in the underlying collateral. For the quarter ended March 31, 2009, the Company received $0.4 million in interest payments from these entities from senior interests acquired during 2007 and 2008, in conjunction with its acquisition of assets from Three Pillars Funding, LLC (Three Pillars) and the auction rate securities (ARS) issue discussed in Note 14, Contingencies, to the Consolidated Financial Statements. No events have occurred during the quarter ended March 31, 2009 that would have called into question either the Company s sale accounting or the Company s conclusions that it is not the primary beneficiary of these VIEs. The total assets of the trust preferred CDO entities in which the Company has continuing involvement was $2.0 billion at March 31, 2009 and December 31, 2008. The Company is not obligated to provide any support to these entities and its maximum exposure to loss at March 31, 2009 and December 31, 2008 is limited to (1) the current positions held in trading securities with a fair value of $45.9 million and $45.0 million, respectively, and (2) the remaining securities expected to be purchased in conjunction with the ARS issue, which have a total fair value of $4.3 million and $9.7 million, respectively.

In 2006, the Company received $472.6 million in proceeds from the transfer of debt securities into a securitization of CDO securities of asset-backed securities (ABS) and residential mortgage-backed securities (MBS). The securitization entity was liquidated in 2008.

The following tables present certain information related to the Company s asset transfers in which it has continuing involvement for each of the periods ended March 31, 2009 and March 31, 2008. The Company did not execute any asset transfers in the periods presented.

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	Quarter Ended March 31, 2009					
(Dollars in thousands)	Residential Mortgage Loans	Commercial Mortgage Loans	Commercial and Corporate Loans	Student Loans	CDO Securities	Consolidated
Cash flows on interests held	**$20,181**	**$-**	**$394**	**$338**	**$439**	**$21,352**
Servicing or management fees	**1,336**	**-**	**2,983**	**204**	**-**	**4,523**

	Quarter Ended March 31, 2008					
(Dollars in thousands)	Residential Mortgage Loans	Commercial Mortgage Loans	Commercial and Corporate Loans	Student Loans	CDO Securities	Consolidated
Cash flows on interests held	$21,447	$-	$4,101	$456	$649	$26,653
Servicing or management fees	1,578	66	3,387	214	-	5,245

As transferor, the Company typically provides standard representations and warranties in relation to assets transferred. However, other than the loan substitution discussed previously herein, purchases of assets previously transferred in securitization transactions were insignificant across all categories for all periods presented.

The Company s retained interests include senior and subordinated securities in residential mortgage securitization transactions and subordinated interests in securitizations of commercial and corporate loans, student loans and CDO securities. At March 31, 2009, the total fair value of such interests was approximately $259.4 million, as compared to $292.3 million at December 31, 2008. The weighted average remaining lives of the Company s retained interests ranged from approximately 3 years to 19 years for interests in residential mortgage loans, commercial and corporate loans and student loans as of March 31, 2009 and December 31, 2008, with the weighted average remaining life of interests in CDO securities approximating 25 years. To estimate the fair values of these securities, consideration was given to dealer indications of market value, where applicable, as well as the results of discounted cash flow models using key assumptions and inputs for prepayment rates, credit losses, and discount rates. The Company has considered the impacts on the fair values of two unfavorable variations from the estimated amounts, related to the fair values of the Company s retained and residual interests, excluding MSRs, which are separately addressed herein. Declines in fair values for the total retained interests due to 10% and 20% adverse changes in the key assumptions and inputs totaled approximately $18.3 million and $32.8 million, respectively, as of March 31, 2009, as compared to approximately $20.1 million and $40.0 million, respectively, as of December 31, 2008. For certain subordinated retained interests in residential mortgage securitizations, the Company uses dealer indicated prices, as the Company believes these price indications more accurately reflect the severe disruption in the market for these securities as opposed to modeling efforts the Company could otherwise undertake. As such, the Company has not evaluated any adverse changes in key assumptions of these values. As of March 31, 2009 and December 31, 2008, the fair values of these subordinated interests were $7.3 million and $4.4 million respectively, based on weighted average prices of 20.8% and 12.3% of par, respectively. Expected static pool losses were approximately 1% to 9% for interests related to securitizations of residential mortgage loans as of March 31, 2009 as compared to 5% or less for residential mortgage loans and commercial and corporate loans, as of December 31, 2008, with the reduction due to the write off of the Company s retained interests in securitizations of commercial and corporate loans. For interests related to securitizations of CDO securities, expected static pool losses ranged from approximately 23% to 32% as of March 31, 2009 and December 31, 2008.

Portfolio balances and delinquency balances based on 90 days or more past due (including accruing and nonaccrual loans) as of March 31, 2009 and December 31, 2008, and net charge-offs related to managed portfolio loans (both those that are owned by the Company and those that have been transferred) for the three month periods ended March 31, 2009 and March 31, 2008 are as follows:

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	Principal Balance		Past Due		Net Charge-offs For the Three Months Ended March 31,	
(Dollars in millions)	**March 31, 2009**	December 31, 2008	**March 31, 2009**	December 31, 2008	**2009**	2008
Type of loan:						
Commercial	**$38,616.3**	$41,039.9	**$507.6**	$340.9	**$131.8**	$28.2
Residential mortgage and home equity	**48,635.9**	48,520.2	**3,234.5**	2,727.6	**338.9**	204.2
Commercial real estate and construction	**24,140.6**	24,821.1	**1,766.1**	1,492.6	**83.2**	23.1
Consumer	**11,524.7**	11,646.9	**474.4**	411.1	**39.6**	37.3
Credit card	**975.5**	970.3	**-**	-	**16.6**	4.4
Total loan portfolio	**123,893.0**	126,998.4	**5,982.6**	4,972.2	**610.1**	297.2
Managed securitized loans						
Commercial	**3,682.9**	3,766.8	**25.4**	30.2	**7.0**	-
Residential mortgage	**1,750.7**	1,836.2	**87.3**	132.2	**9.0**	4.2
Other	**539.6**	565.2	**54.5**	61.6	**-**	0.3
Total managed loans	**$129,866.2**	$133,166.6	**$6,149.8**	$5,196.2	**$626.1**	$301.7

Residential mortgage loans securitized through Ginnie Mae, Fannie Mae, and Freddie Mac have been excluded from the tables above since the Company does not retain any beneficial interests or other continuing involvement in the loans other than servicing responsibilities and repurchase contingencies under standard representations and warrantees made with respect to the transferred mortgage loans. The total amount of loans serviced by the Company as a result of such securitization transactions totaled $109.4 billion and $106.6 billion at March 31, 2009 and December 31, 2008, respectively. Related servicing fees received by the Company during the three month periods ended March 31, 2009 and March 31, 2008 were $76.2 million and $70.3 million, respectively.

Mortgage Servicing Rights

In addition to other interests that continue to be held by the Company in the form of securities, the Company also retains MSRs from certain of its sales or securitizations of residential mortgage loans. MSRs on residential mortgage loans are the only servicing assets capitalized by the Company. The Company maintains two classes of MSRs: MSRs related to loans originated and sold after January 1, 2008, which are reported at fair value; and MSRs related to loans sold before January 1, 2008, which are reported at amortized cost, net of any allowance for impairment losses.

Any impacts of this activity are reflected in the Company s Consolidated Statements of Income in mortgage servicing-related income. See Note 5, Goodwill and Other Intangible Assets , to the Consolidated Financial Statements for the rollforward of MSRs.

Income earned by the Company on its MSRs is derived primarily from contractually specified mortgage servicing fees and late fees, net of curtailment costs. Such income earned for the three month periods ended March 31, 2009 and March 31, 2008 was $81.8 million and $85.1 million, respectively. These amounts are reported in mortgage servicing-related income in the Consolidated Statements of Income.

As of March 31, 2009 and December 31, 2008, the total unpaid principal balance of mortgage loans serviced was $166.4 billion and $162.0 billion, respectively. Included in these amounts were $131.9 billion and $130.5 billion as of March 31, 2009 and December 31, 2008, respectively, of loans serviced for third parties. As of March 31, 2009 and December 31, 2008, the Company had established valuation allowances of $174.6 million and $370.0 million, respectively. No permanent impairment losses were written-off against the allowance during the year ended December 31, 2008 or the first quarter of 2009.

Prepayment risk subjects the MSRs carried at the lower of cost or market to impairment risk. Impairment of MSRs is recognized when the fair value is less than the amortized cost basis of the MSRs. For purposes of measuring impairment, MSRs are stratified based on interest rate and type of related loan. When fair value is less than amortized cost for an individual stratum and the impairment is believed to be temporary, the impairment is recorded to a valuation allowance; the impairment is recorded as a write-down of the amortized cost basis of the MSRs when the impairment is deemed other-than-temporary.

A summary of the key characteristics, inputs, and economic assumptions used to estimate the fair value of the Company s MSRs and the sensitivity of the March 31, 2009 and December 31, 2008 fair values to immediate 10% and 20% adverse changes in those assumptions follows.

Notes to Consolidated Financial Statements (Unaudited)-Continued

(Dollars in millions)	2009 Fair Value	2009 Amortized Cost	2008 Amortized Cost
Fair value of retained MSRs	**$308.3**	**$596.6**	$815.6
Prepayment rate assumption (annual)	**27.8%**	**31.8%**	32.8%
Decline in fair value of 10% adverse change	**$21.9**	**$46.3**	$61.2
Decline in fair value of 20% adverse change	**41.0**	**86.4**	113.8
Discount rate (annual)	**9.1%**	**9.8%**	9.3%
Decline in fair value of 10% adverse change	**$8.4**	**$12.4**	$17.9
Decline in fair value of 20% adverse change	**16.3**	**24.3**	35.0
Weighted average life (in years)	**3.60**	**2.61**	2.50
Weighted average coupon	**5.80**	**6.15**	6.15

The above sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Variable Interest Entities (VIEs)

In addition to the Company s involvement with VIEs that has arisen due to certain transfers of financial assets, which is discussed herein under Certain Transfers of Financial Assets , the Company also has involvement with VIEs from other business activities.

Three Pillars Funding, LLC

SunTrust assists in providing liquidity to select corporate clients by directing them to a multi-seller commercial paper conduit, Three Pillars. Three Pillars provides financing for direct purchases of financial assets originated and serviced by SunTrust s corporate clients. Three Pillars finances this activity by issuing A-1/P-1 rated commercial paper (CP); however, subsequent to March 31, 2009, Three Pillars CP was downgraded to A-2/P-1 due to the downgrade to A-/A2 of SunTrust Bank (the Bank) which provides liquidity and credit enhancement to Three Pillars. This downgrade was not a reflection on the asset quality of Three Pillars. Three Pillars had no other form of funding outstanding as of March 31, 2009 or December 31, 2008.

The Company s involvement with Three Pillars includes the following activities: services related to the administration of Three Pillars activities and client referrals to Three Pillars; the issuing of letters of credit, which provide partial credit protection to the commercial paper holders; and providing the majority of the liquidity arrangements that would provide funding to Three Pillars in the event it can no longer issue commercial paper or in certain other circumstances. The Company s activities with Three Pillars generated total fee revenue for the Company, net of direct salary and administrative costs incurred by the Company, of approximately $17.7 million and $6.3 million for the three month periods ended March 31, 2009 and 2008, respectively.

Three Pillars has issued a subordinated note to a third party, which matures in March 2015; however, the note holder may declare the note due and payable upon an event of default, which includes any loss drawn on the note funding account that remains unreimbursed for 90 days. The subordinated note holder absorbs the first dollar of loss in the event of nonpayment of any of Three Pillars assets. Only the remaining balance of the first loss note, after any incurred losses, will be due. If the first loss note holder declared its loss note due under such circumstances and a new first loss note or other first loss protection was not obtained, the Company would likely consolidate Three Pillars on a prospective basis. The outstanding and committed amounts of the subordinated note were $20.0 million at March 31, 2009 and December 31, 2008.

The Company has determined that Three Pillars is a VIE, as Three Pillars has not issued sufficient equity at risk, as defined by FIN 46(R). The Company and the holder of the subordinated note are the two significant VIE holders in Three Pillars. The Company and this note holder are not related parties or de facto agents of one another. As such, the Company has developed a mathematical model that calculates the expected losses and expected residual returns of Three Pillars assets and operations, based on a Monte Carlo simulation, and allocates each to the Company and the

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Notes to Consolidated Financial Statements (Unaudited)-Continued

holder of the subordinated note. The results of this model, which the Company evaluates monthly, have shown that the holder of the subordinated note absorbs the majority of the variability of Three Pillars expected losses. The Company believes the subordinated note is sized in an amount sufficient to absorb the expected loss of Three Pillars based on current commitment levels, as well as on the forecasted growth in Three Pillars assets and, therefore, has concluded it is not Three Pillars primary beneficiary and is not required to consolidate Three Pillars. Should future losses reduce the subordinated note funding account below its required level or if the note is reduced to a size deemed insufficient to support the growth of the assets in Three Pillars, the Company would likely be required to consolidate Three Pillars, if an amendment of the current subordinate note or a new subordinate note could not be obtained. The Company currently believes that any events related to the credit quality of Three Pillars assets that may result in consolidation are unlikely to occur.

As of March 31, 2009 and December 31, 2008, Three Pillars had assets not included on the Company s Consolidated Balance Sheets of approximately $3.3 billion and $3.5 billion, respectively, consisting primarily of secured loans. Funding commitments and outstanding receivables extended by Three Pillars to its customers totaled $5.3 billion and $3.3 billion, respectively, as of March 31, 2009, almost all of which renew annually as compared to $5.9 billion and $3.5 billion, respectively, as of December 31, 2008. The majority of the commitments are backed by trade receivables and commercial loans that have been originated by companies operating across a number of industries which collateralize 47% and 15%, respectively, of the outstanding commitments, as of March 31, 2009, as compared to 47% and 20%, respectively, as of December 31, 2008. Assets supporting those commitments have a weighted average life of 1.48 years and 1.52 years at March 31, 2009 and December 31, 2008, respectively. Each transaction added to Three Pillars is typically structured to a minimum implied A/A2 rating according to established credit and underwriting policies as approved by Credit Risk Management and monitored on a regular basis to ensure compliance with each transaction s terms and conditions. Typically, transactions contain dynamic credit enhancement structures that provide increased credit protection in the event asset performance deteriorates. If asset performance deteriorates beyond predetermined covenant levels, the transaction could become ineligible for continued funding by Three Pillars. This could result in the transaction being amended with the approval of Credit Risk Management, or Three Pillars could terminate the transaction and enforce any rights or remedies available including amortization of the transaction or liquidation of the collateral. In addition, Three Pillars has the option to fund under the liquidity facility provided by the Company in connection with the transaction and may be required to fund under the liquidity facility if the transaction remains in breach. In addition, each commitment renewal requires Credit Risk Management approval. The Company is not aware of unfavorable trends within Three Pillars for which the Company expects to suffer material losses. During the quarters ended March 31, 2009 and 2008, there were no write-downs of Three Pillars assets.

At March 31, 2009, Three Pillars outstanding CP used to fund the above assets totaled $3.3 billion, with remaining weighted average lives of 15.3 days and maturities through June 16, 2009. Three Pillars was generally able to fund itself by issuing CP on behalf of commercial clients, despite the lack of market liquidity. However, during the month of September 2008, the illiquid markets put a significant strain on the CP market and, as a result of this temporary disruption, the Company purchased approximately $275.4 million par amount of Three Pillars overnight CP, none of which was outstanding at December 31, 2008. Separate from the temporary disruption in the CP markets in September, the Company held outstanding Three Pillars CP at December 31, 2008 with a par amount of $400 million, all of which matured on January 9, 2009. The Company did not hold any Three Pillars CP at March 31, 2009. Subsequent to March 31, 2009, the downgrade of the credit rating of Three Pillars by one national rating agency negatively impacted its ability to issue CP. As a result, the Company has purchased certain amounts of overnight CP at estimated market rates, on a discretionary and non-contractual basis, as the Company continues to monitor the impacts of the downgrade of Three Pillars CP. The Company will continue to evaluate its interest in purchasing Three Pillars CP as market events develop. None of the Company s purchases of CP during 2009 and 2008 altered the Company s conclusion that it is not the primary beneficiary of Three Pillars.

The Company has off-balance sheet commitments in the form of liquidity facilities and other credit enhancements that it has provided to Three Pillars. These commitments are accounted for as financial guarantees by the Company in accordance with the provisions of FIN 45. The liquidity commitments are revolving facilities that are sized based on the current commitments provided by Three Pillars to its customers. The liquidity facilities are generally used if new commercial paper cannot be issued by Three Pillars to repay maturing commercial paper. However, the liquidity facilities are available in all circumstances, except certain bankruptcy-related events with respect to Three Pillars. Draws on the facilities are subject to the purchase price (or borrowing base) formula that, in many cases, excludes defaulted assets to the extent that they exceed available over-collateralization in the form of non-defaulted assets, and may also provide the liquidity banks with loss protection equal to a portion of the loss protection provided for in the related securitization agreement. Additionally, there are transaction specific covenants and triggers that are tied either to the performance of the assets of the relevant seller/servicer that may result in a transaction termination event, which, if continuing, would require funding through the related liquidity facility. Finally, in a termination event of Three Pillars, such as if its tangible net worth falls below $5,000 for a period in excess of 15 days, Three Pillars would be unable to issue CP which would likely result in funding through the liquidity facilities.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

Draws under the credit enhancement are also available in all circumstances, but are generally used to the extent required to make payment on any maturing commercial paper if there are insufficient funds from collections of receivables or the use of liquidity facilities. The required amount of credit enhancement at Three Pillars will vary from time to time as new receivable pools are purchased or removed from its asset portfolio, but is generally equal to 10% of the aggregate commitments of Three Pillars.

The Company manages the credit risk associated with these commitments by subjecting them and the underlying collateral assets of Three Pillars to the Company s normal credit approval and monitoring processes. Any losses on the commitments provided to Three Pillars by the Company resulting from a loss due to nonpayment on the underlying assets would be reimbursed to the Company from the subordinated note reserve account, which is the amount outstanding on the subordinated note agreement. The total notional amounts of the liquidity facilities and other credit enhancements represent the Company s maximum exposure to potential loss, which was $5.4 billion and $536.2 million, respectively, as of March 31, 2009, compared to $6.1 billion and $597.5 million, respectively, as of December 31, 2008. The Company did not have any liability recognized on its Consolidated Balance Sheets related to these liquidity facilities and other credit enhancements as of March 31, 2009 or December 31, 2008, as no amounts had been drawn, nor were any draws probable to occur, such that a loss should have been accrued. In addition, no losses were recognized by the Company in connection with these off-balance sheet commitments during the three month periods ended March 31, 2009 or 2008. There are no other contractual arrangements that the Company plans to enter into with Three Pillars to provide it additional support.

Prior to January 1, 2008, the Company had provided a separate liquidity facility to Three Pillars that supported Three Pillars qualified ABS. During the year ended December 31, 2007, Three Pillars decided to exit those types of investments due to continued deterioration in the performance of the underlying collateral and market illiquidity, which resulted in a material decrease in the market value of those securities. In order to exit this business, Three Pillars drew on this separate liquidity facility with the Company, under which the Company purchased the qualified ABS at amortized cost plus the related unpaid CP interest used to fund that investment, which totaled $725.0 million. Subsequent to this funding, Three Pillars and the Company canceled this separate liquidity agreement, as Three Pillars had exited this business. Of the investments included in the purchase, only one security in the amount of $62 million had experienced a decline in credit to such an extent that management believed a future principal loss on the ABS was likely to occur. As a result of the purchase of the qualified ABS, the Company recorded a trading loss of $144.8 million during the fourth quarter of 2007. Since the purchase, the Company has sold all but one of the ABS positions, which has a fair value of $9.2 million at March 31, 2009. For the year ended December 31, 2008, the Company received $406.6 million in proceeds from the sales of these ABS, $14.1 million of paydowns, and recognized $144.8 million in net trading losses; the Company did not receive any such proceeds for the three month period ended March 31, 2009.

Total Return Swaps (TRS)

The Company has had involvement with various VIEs that purchase portfolios of loans at the direction of third parties. These third parties are not related parties to the Company, nor are they and the Company de facto agents of each other. In order for the VIEs to purchase the loans, the Company provides senior financing to these VIEs. At March 31, 2009 and December 31, 2008, the Company had $339.3 million and $603.4 million, respectively, in such financing outstanding, which is classified within trading assets on the Consolidated Balance Sheets. In addition, the Company also enters into TRS transactions with the VIEs that the Company mirrors with a TRS with the third party who controls the loans owned by the VIE. The TRS transactions pass through all interest and other cash flows on the loans to the third party, along with exposing the third parties to any depreciation on the loans and providing them with the rights to all appreciation on the loans. The terms of the TRS transactions require the third parties to post initial margin, in addition to ongoing margin as the fair values of the underlying loans decrease. The Company has concluded that it is not the primary beneficiary of these VIEs. The VIEs are designed for the benefit of the third parties, and the third parties have implicit variable interests in the VIEs via their TRS transactions with the Company, whereby these third parties absorb the majority of the expected losses and are entitled to the majority of the expected residual returns of the VIEs. At March 31, 2009 and December 31, 2008, these VIEs had entered into TRS with the Company that had outstanding notional of $339.3 million and $602.1 million, respectively. The Company has not provided any support that it was not contractually obligated to for the three months ended March 31, 2009 or the year ended December 31, 2008. The Company decided to exit this business in late 2008 and is in the process of terminating the transactions. For additional information on the Company s TRS with these VIEs, see Note 10, Derivative Financial Instruments to the Consolidated Financial Statements.

Notes to Consolidated Financial Statements (Unaudited)-Continued

Community Development Investments

As part of its community reinvestment initiatives, the Company invests almost exclusively throughout its footprint in multi-family affordable housing developments and other community development entities as a limited and/or general partner and/or a debt provider. The Company receives tax credits for its partnership investments. The Company has determined that these partnerships are VIEs when SunTrust does not own 100% of the entity because the holders of the equity investment at risk do not have the direct or indirect ability to make decisions that have a significant impact on the business. Accordingly, the Company s general partner, limited partner and/or debt interests are variable interests that the Company evaluates for purposes of determining whether the Company is the primary beneficiary. During 2009 and 2008, SunTrust did not provide any financial or other support to its consolidated or unconsolidated investments that it was not previously contractually required to provide.

For some partnerships, SunTrust operates strictly as a general partner or the indemnifying party and as such is exposed to a majority of the partnerships expected losses. Accordingly, SunTrust consolidates these partnerships on its Consolidated Balance Sheet. As the general partner or indemnifying party, SunTrust typically guarantees the tax credits due to the limited partner and is responsible for funding construction and operating deficits. As of March 31, 2009 and December 31, 2008, total assets, which consists primarily of fixed assets and cash attributable to the consolidated partnerships, were $19.3 million and $20.5 million, respectively, and total liabilities, excluding intercompany liabilities were $3.2 million and $3.3 million, respectively. Security deposits from the tenants are recorded as liabilities on SunTrust s Consolidated Balance Sheet. The Company maintains separate cash accounts to fund these liabilities and these assets are considered restricted. The tenant liabilities and corresponding restricted cash assets were $0.1 million as of March 31, 2009 and December 31, 2008. While the obligations of the general partner or indemnifying entity are generally non-recourse to SunTrust, the Company, as the general partner or the indemnifying entity, may from time to time step in when needed to fund deficits. During 2009 and 2008, SunTrust did not provide any significant amount of funding as the general partner or the indemnifying entity to fund any deficits they may have had.

For other partnerships, the Company acts only in a limited partnership capacity. The Company has determined that it is not the primary beneficiary of these partnerships because it will not absorb a majority of the expected losses of the partnership. Typically, the general partner or an affiliate of the general partner provide guarantees to the limited partner which protect the Company from losses attributable to operating deficits, construction deficits, and tax credit allocation deficits. The Company accounts for its limited partner interests in accordance with the provisions of EITF No. 94-1, Accounting for Tax Benefits Resulting from Investments in Affordable Housing Projects . Partnership assets of approximately $1.1 billion and $1.0 billion in these partnerships were not included in the Consolidated Balance Sheets at March 31, 2009 and December 31 2008, respectively. These limited partner interests had carrying values of $198.3 million and $188.9 million at March 31, 2009 and December 31, 2008, respectively, and are recorded in other assets on the Company s Consolidated Balance Sheets. The Company s maximum exposure to loss for these limited partner investments totaled $478.9 million and $473.2 million at March 31, 2009 and December 31, 2008, respectively. The Company s maximum exposure to loss would be borne by the loss of the limited partnership equity investments along with $209.7 million and $202.7 million of loans issued by the Company to the limited partnerships at March 31, 2009 and December 31, 2008, respectively. The difference between the maximum exposure to loss and the investment and loan balances is primarily attributable to the unfunded equity commitments. Unfunded equity commitments are amounts that SunTrust has committed to the partnerships upon the partnerships meeting certain conditions. When these conditions are met, the Company will invest these additional amounts in the partnerships.

When SunTrust owns both the limited partner and general partner or indemnifying party, SunTrust consolidates the partnerships and does not consider these partnerships VIEs because as owner of the partnerships the Company has the ability to directly and indirectly make decisions that have a significant impact on the business. As of March 31, 2009 and December 31, 2008, total assets, which consist primarily of fixed assets and cash, attributable to the consolidated, non-VIE partnerships were $485.2 million and $493.5 million, respectively, and total liabilities, excluding intercompany liabilities, primarily representing third-party borrowings, were $330.2 million and $327.6 million, respectively.

RidgeWorth Family of Mutual Funds

RidgeWorth Capital Management, Inc., (RidgeWorth), a registered investment advisor and wholly-owned subsidiary of the Company, serves as the investment advisor for various private placement and publicly registered investment funds (collectively the Funds). The Company evaluates these Funds to determine if the Funds are voting interest entities or VIEs, as well as monitors the nature of its interests in each Fund to determine if the Company is required to consolidate any of the Funds.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

The Company has concluded that some of the Funds are VIEs because the equity investors lack decision making rights. However, the Company has concluded that it is not the primary beneficiary of these funds as the Company does not absorb a majority of the expected losses or expected returns of the funds. As the Company does not invest in these funds, its exposure to loss is limited to the investment advisor and other administrative fees it earns. Payment on these fees is received from the individual investor accounts. The total unconsolidated assets of these funds as of March 31, 2009 and December 31, 2008 were $3.4 billion and $3.6 billion, respectively.

While the Company does not have any contractual obligation to provide monetary support to any of the Funds, the Company did elect to provide support for specific securities on one occasion in 2008 and two occasions in 2007 to three of the funds. In 2008 and 2007, the Company purchased approximately $2.4 billion of securities from these three funds at amortized cost plus accrued interest. The Company took these actions in response to unprecedented market events to protect investors in these funds from possible losses associated with these securities. Two of the funds were previously considered voting interest entities and in connection with these purchases, the Company re-evaluated its involvement with these funds. As a result of the unprecedented circumstances that caused the Company to intervene, the lack of any contractual obligation to provide any current or future support to the funds, and the size of the financial support ultimately provided, the Company concluded that these two funds were still voting interest entities. The Company concluded that the third fund was a VIE and that, as a result of the purchase of securities, it was the primary beneficiary of this fund as it was likely to absorb a majority of the expected losses of the fund. Accordingly, this fund was consolidated in September 2007 and was subsequently closed in November 2007, which resulted in the termination of the VIE. At March 31, 2009 and December 31, 2008, the Company still owned securities purchased from these three funds of $226.9 million and $246.0 million, respectively. Additionally, see the Annual Report on Form 10-K for the year ended December 31, 2008 for more information regarding the actions SunTrust took in 2008 and 2007 relating to these funds.

Note 7 - Earnings Per Share

	Three Months Ended March 31	
(In thousands, except per share data)	**2009**	2008
Net income/(loss)	**($815,167)**	$290,555
Series A preferred dividends	**5,000**	6,977
U.S. Treasury preferred dividends	**66,279**	-
Dividends and undistributed earnings allocated to unvested shares	**(11,065)**	2,023
Net income/(loss) available to common shareholders	**($875,381)**	$281,555
Average basic common shares	**351,352**	346,581
Effect of dilutive securities:		
Stock options	-	557
Performance and restricted stock	-	934
Average diluted common shares	**351,352**	348,072
Earnings/(loss) per average common share - diluted	**($2.49)**	$0.81
Earnings/(loss) per average common share - basic	**($2.49)**	$0.81

Note 8 - Income Taxes

The provision for income taxes was a benefit of $150.8 million and expense of $91.6 million for the three months ended March 31, 2009 and 2008, respectively, representing effective tax rates of (15.6)% and 24.0% during those periods. The Company calculated the benefit for income

taxes for the three months ended March 31, 2009 discretely based on actual year-to-date results. The Company applied an estimated annual effective tax rate to the year-to-date pre-tax earnings to derive the provision for income taxes for the three months ended March 31, 2008.

As of March 31, 2009, the Company s gross cumulative unrecognized tax benefits (UTBs) amounted to $334.5 million, of which $269.5 million (net of federal benefit) would affect the Company s effective tax rate, if recognized. As of December 31, 2008, the Company s gross cumulative unrecognized tax benefits amounted to $330.0 million. Additionally, the Company recognized a gross liability of $75.1 million and $70.9 million for interest related to its unrecognized tax benefits as of March 31, 2009 and December 31, 2008, respectively. Interest expense related to unrecognized tax benefits was $7.6 million for the three month period ended March 31, 2009, compared to $4.3 million for the same period in 2008. The Company continually evaluates the unrecognized tax benefits associated with its uncertain tax positions. It is reasonably possible that the total UTBs could significantly increase or decrease during the next 12 months due to completion of tax authority examinations and the expiration of statutes of limitations. However, an estimate of the range of the change in the total amount of UTBs cannot be made currently.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

The Company s federal returns through 2004 have been examined by the Internal Revenue Service (IRS) and issues for tax years 1997 through 2004 are still in dispute. The Company has paid the amounts assessed by the IRS in full for tax years 1997 and 1998 and has filed refund claims with the IRS related to the disputed issues for those two years. An IRS examination of the Company s 2005 and 2006 Federal income tax returns is currently in progress. Generally, the state jurisdictions in which the Company files income tax returns are subject to examination for a period from three to seven years after returns are filed.

Note 9 - Employee Benefit Plans

Stock Based Compensation

The weighted average fair values of options granted during the first three months of 2009 and 2008 were $4.73 per share and $8.46 per share, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended March 31	
	2009	2008
Expected dividend yield	**4.42** %	4.58 %
Expected stock price volatility	**84.20**	21.73
Risk-free interest rate (weighted average)	**1.99**	2.87
Expected life of options	**6 years**	6 years

The following table presents a summary of stock option and performance and restricted stock activity:

	Stock Options			**Performance and Restricted Stock**		
(Dollars in thousands except per share data)	**Shares**	**Price Range**	**Weighted Average Exercise Price**	**Shares**	**Deferred Compensation**	**Weighted Average Grant Price**
Balance, January 1, 2009	15,641,872	$17.06 - $150.45	$65.29	3,803,412	$113,394	$64.61
Granted	3,115,614	9.06	9.06	2,030,880	18,400	9.06
Exercised/vested	-	-	-	(954,438)	-	63.95
Cancelled/expired/forfeited	(301,475)	35.84 - 149.81	62.48	(60,273)	(3,526)	58.49
Amortization of compensation element of performance and restricted stock	-	-	-	-	(20,283)	-
Balance, March 31, 2009	18,456,011	$9.06 - $150.45	$55.84	4,819,581	$107,985	$41.41
Exercisable, March 31, 2009	13,260,722		$65.30			
Available for additional grant, March 31, 2009 [1]	5,910,504					

[1] Includes 2,130,597 shares available to be issued as restricted stock.

The following table presents information on stock options by ranges of exercise price at March 31, 2009:

(Dollars in thousands except per share data)

	Options Outstanding				Options Exercisable			
Range of Exercise Prices	Number Outstanding at March 31, 2009	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value	Number Exercisable at March 31, 2009	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
$9.06 to $49.46	3,926,980	$15.25	8.98	$8,350	511,366	$44.57	3.07	$-
$49.47 to $64.57	5,253,259	56.49	3.01	-	5,253,259	56.49	3.01	-
$64.58 to $150.45	9,275,772	72.66	5.39	-	7,496,097	72.89	4.64	-
	18,456,011	$55.84	5.48	$8,350	13,260,722	$65.30	3.94	$-

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Notes to Consolidated Financial Statements (Unaudited)-Continued

Stock-based compensation expense recognized in noninterest expense was as follows:

(In thousands)	Three Months Ended March 31 2009	2008
Stock-based compensation expense:		
Stock options	**$2,913**	$3,484
Performance and restricted stock	**20,283**	10,148
Total stock-based compensation expense	**$23,196**	$13,632

The recognized stock-based compensation tax benefit amounted to $8.8 million and $5.2 million for the three months ended March 31, 2009 and 2008, respectively.

Certain employees received long-term deferred cash awards during the first quarter of 2008 and 2009, which were subject to a three year vesting requirement. The accrual related to these deferred cash grants was $13.1 million and $1.4 million as of March 31, 2009 and 2008, respectively.

Retirement Plans

SunTrust did not contribute to either of its noncontributory qualified retirement plans (Retirement Benefits plans) in the first quarter of 2009. The expected long-term rate of return on plan assets for the Retirement Benefit plans is 8.00% for 2009.

Anticipated employer contributions/benefit payments for 2009 are $24.0 million for the Supplemental Retirement Benefit plans. For the first quarter of 2009, the actual contributions/benefit payments totaled $1.2 million.

SunTrust contributed $0.1 million to the Postretirement Welfare Plan in the first quarter of 2009. Additionally, SunTrust expects to receive a Medicare Subsidy reimbursement in the amount of $3.3 million. The expected pre-tax long-term rate of return on plan assets for the Postretirement Welfare plan is 7.25% for 2009.

	Three Months Ended March 31			
	2009		2008	
(Dollars in thousands)	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
Service cost	**$18,856**	**$73**	$19,468	$155
Interest cost	**30,063**	**2,803**	29,273	2,953
Expected return on plan assets	**(37,558)**	**(1,758)**	(46,414)	(2,047)
Amortization of prior service cost	**(2,721)**	**(390)**	(2,792)	(390)
Recognized net actuarial loss	**32,456**	**4,648**	5,556	3,187
Net periodic benefit cost	**$41,096**	**$5,376**	$5,091	$3,858

Note 10 - Derivative Financial Instruments

The Company enters into various derivative financial instruments, as defined by SFAS No. 133, both in a dealer capacity to facilitate client transactions and as an end user as a risk management tool. Where derivatives have been entered into with clients, the Company generally manages the risk associated with these derivatives within the framework of its value-at-risk (VaR) approach that monitors total exposure daily and seeks to manage the exposure on an overall basis. Derivatives are used as a risk management tool to hedge the Company s exposure to changes in interest rates or other identified market risks, either economically or in accordance with the hedge accounting provisions of SFAS No. 133. The Company may also enter into derivatives, on a limited basis, to capitalize on trading opportunities in the market. In addition, as a normal part of its operations, the Company enters into interest rate lock commitments (IRLCs) on mortgage loans that are accounted for as freestanding derivatives under SFAS No. 133 and has certain contracts containing embedded derivatives that are carried, in their entirety, at fair value under SFAS No. 155 or SFAS No. 159. All derivatives are carried at fair value in the Consolidated Balance Sheets in trading assets, other assets, trading liabilities, or other liabilities. The associated gains and losses are either recorded in other comprehensive income, net of tax, or within the Consolidated Statements of Income depending upon the use and designation of the derivatives.

Derivatives offered to clients include interest rate, credit, equity, commodity, and foreign exchange contracts. The Company s risk management derivatives are based on underlying risks primarily related to interest rates, equity valuations, foreign exchange rates,

Notes to Consolidated Financial Statements (Unaudited)-Continued

or credit, and include swaps, options, swaptions, credit default swaps (CDS), currency swaps, and futures and forwards. Swaps are contracts in which a series of net cash flows, based on a specific notional amount that is related to an underlying risk, are exchanged over a prescribed period. Options, generally in the form of caps and floors, are contracts that transfer, modify, or reduce an identified risk in exchange for the payment of a premium when the contract is issued. Swaptions are contracts that provide the option to enter into a specified swap agreement with the issuer on a specified future date. CDS provide credit protection for the buyer of the contract through a guarantee, by the seller of the contract, of the creditworthiness of the underlying fixed income product. Currency swaps involve the exchange of principal and interest in one currency for another. Futures and forwards are contracts for the delayed delivery or net settlement of an underlying, such as a security or interest rate index, in which the seller agrees to deliver on a specified future date, either a specified instrument at a specified price or yield or the net cash equivalent of an underlying.

Credit and Market Risk Associated with Derivatives

Derivatives expose the Company to credit risk. If the counterparty fails to perform, the credit risk at that time would be equal to the net derivative asset position, if any, for that counterparty. The Company minimizes the credit or repayment risk in derivatives by entering into transactions with high credit-quality counterparties that are reviewed periodically by the Company s Credit Risk Management division. The Company s derivatives may also be governed by an International Swaps and Derivatives Associations Master Agreement (ISDA); depending on the nature of the derivative transactions, bilateral collateral agreements may be in place as well. When the Company has more than one outstanding derivative transaction with a single counterparty and there exists a legally enforceable master netting agreement with the counterparty, the Company considers its exposure to the counterparty to be the net market value of all positions with that counterparty if such net value is an asset to the Company and zero if such net value is a liability to the Company. As of March 31, 2009, net derivative asset positions to which the Company was exposed to risk of its counterparties were $3.3 billion, representing the net of $4.1 billion in net derivative gains by counterparty, netted by counterparty where formal netting arrangements exist, adjusted for collateral of $0.8 billion that the Company holds in relation to these gain positions. As of December 31, 2008, net derivative asset positions to which the Company was exposed to risk of its counterparties were $3.5 billion, representing the net of $4.6 billion in derivative gains by counterparty, netted by counterparty where formal netting arrangements exist, adjusted for collateral of $1.1 billion that the Company holds in relation to these gain positions.

Derivative instruments are primarily transacted in the institutional dealer market and priced with observable market assumptions at a mid-market valuation point, with appropriate valuation adjustments for liquidity and credit risk. For purposes of valuation adjustments to its derivative positions under SFAS No. 157, the Company has evaluated liquidity premiums that may be demanded by market participants, as well as the credit risk of its counterparties and its own credit. The Company has considered factors such as the likelihood of default by itself and its counterparties, its net exposures, and remaining maturities in determining the appropriate fair value adjustments to record. Generally, the expected loss of each counterparty is estimated using the Company s proprietary internal risk rating system. The risk rating system utilizes counterparty specific probabilities of default and loss given default estimates to derive the expected loss. For counterparties that are rated by national rating agencies, those ratings are also considered in estimating the credit risk. In addition, counterparty exposure is evaluated by netting positions that are subject to master netting arrangements, as well as considering the amount of marketable collateral securing the position. Specifically approved counterparties and exposure limits are defined. The approved counterparties are regularly reviewed, and appropriate business action is taken to adjust the exposure to certain counterparties, as necessary. This approach used to estimate exposures to counterparties is also used by the Company to estimate its own credit risk on derivative liability positions. To date, no material losses due to a counterparty s inability to pay any net uncollateralized position has been incurred. The Company adjusted the net fair value of its derivative contracts for estimates of net counterparty credit risk by approximately $26.2 million and $23.1 million as of March 31, 2009 and December 31, 2008, respectively.

The majority of the Company s consolidated derivatives contain contingencies that relate to the creditworthiness of the Bank. These are contained in industry standard master trading agreements as events of default. Should the Bank be in default under any of these provisions, the Bank s counterparties would be permitted under such master agreements to close-out net at amounts that would approximate the then-fair values of the derivatives and the netting of the amounts would produce a single sum due by one party to the other. The counterparties would have the right to apply any collateral posted by the Bank against any net amount owed by the Bank. In addition, of the Company s total derivative liability positions, approximately $1.8 billion in fair value contain provisions conditioned on downgrades of the Bank s credit rating. These provisions, if triggered, would either give rise to an additional termination event (ATE) that permits the counterparties to close-out net and apply collateral or, where a Credit Support Annex (CSA) is present, require the Bank to post additional collateral. Collateral posting requirements generally result from differences in the fair value of the net derivative liability compared to specified collateral thresholds at different ratings levels of the Bank, both of which are negotiated provisions within each CSA. At March 31, 2009, the Bank carried long-term senior debt ratings of A+/Aa3 from two of the major ratings agencies, which were lowered to A-/A2 subsequent to March 31, 2009. For illustrative purposes, if the Bank were

downgraded to BBB-/Baa3, ATEs would be triggered in derivative liability contracts that had a fair value of approximately

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$32.7 million at March 31, 2009, against which the Bank had posted collateral of approximately $11.0 million; ATEs do not exist at lower ratings levels. At March 31, 2009, approximately $1.8 billion in fair value of derivative liabilities are subject to CSAs, against which the Bank has posted approximately $1.6 billion in collateral. If requested by the counterparty per the terms of the CSA, the Bank would be required to post estimated additional collateral against these contracts of approximately $131.4 million if the Bank were downgraded to BBB-/Baa3, and any further downgrades to BB+/Ba1 or below would require the posting of an additional $22.2 million. The downgrades subsequent to March 31, 2009 did not have a significant impact on the Company s collateral position or liquidity. Such collateral posting amounts may be more or less than the Bank s estimates based on the specified terms of each CSA as to the timing of a collateral calculation and whether the Bank and its counterparties differ on their estimates of the fair values of the derivatives or collateral.

Derivatives also expose the Company to market risk. Market risk is the adverse effect that a change in interest rates, currency rates, equity prices or implied volatility has on the value of a derivative. The Company manages the market risk associated with its derivatives by establishing and monitoring limits on the types and degree of risk that may be undertaken. The Company continually measures this risk by using a VaR methodology.

The table below reflects the Company s positions in derivatives at March 31, 2009. The notional amounts in the table are presented on a gross basis and have been classified within Asset Derivatives or Liability Derivatives based on the estimated fair value of the individual contract at March 31, 2009. For contracts constituting a combination of options that contain a written component and a purchased component (such as a collar), the notional amount of each component is presented separately, with the purchased component being presented as an Asset Derivative and the written component being presented as a Liability Derivative. The fair value of each combination of options is presented with the purchased component, if the combined fair value of the components is positive, and with the written component if negative. On the Consolidated Balance Sheets, the fair values of derivatives with counterparties with master netting agreements are recorded on a net basis in accordance with the provisions of FIN 39. However, for purposes of the table below, the gross positive and gross negative fair value amounts associated with the respective notional amounts are presented without consideration of any netting agreements, in accordance with the provisions of SFAS No. 161.

	Asset Derivatives			Liability Derivatives		
(Dollars in thousands)	Balance Sheet Classification	Notional Values	Fair Value	Balance Sheet Classification	Notional Values	Fair Value
Derivatives designated in cash flow hedging relationships under SFAS No. 133						
Equity contracts hedging the following:						
Securities available for sale	Trading assets	$1,546,752	$259,529		$1,546,752	$-
Interest rate contracts hedging the following:						
Floating rate loans	Trading assets	10,000,000	1,227,087		-	-
Floating rate certificates of deposits		-	-	Trading liabilities	2,000,000	48,638
Total		$11,546,752	$1,486,616		$3,546,752	$48,638
Derivatives not designated as hedging instruments under SFAS No. 133						
Interest rate contracts hedging the following:						
Fixed rate debt	Trading assets	$3,223,085	$339,292	Trading liabilities	$295,000	$33,154
Corporate bond holdings		-	-	Trading liabilities	110,000	14,526
Loans		-	-	Trading liabilities	7,411	177
MSRs	Other assets	7,010,000	101,425	Other liabilities	2,250,000	5,991
LHFS, IRLCs, LHFI-FV[3]	Other assets	7,781,326 [4]	43,650	Other liabilities	8,835,776 [4]	105,336
N/A-Trading activity	Trading assets	111,152,187 [1]	4,512,624	Trading liabilities	109,633,936	4,287,856

Foreign exchange rate contracts hedging the following:						
Foreign-denominated debt	Trading assets	1,185,729	20,626	Trading liabilities	573,860	210,887
Commercial loans	Trading assets	30,128	341		-	-
N/A-Trading activity	Trading assets	3,740,122	206,784	Trading liabilities	3,569,055	182,194
Credit contracts hedging the following:						
Loans	Trading assets	340,000	12,073	Trading liabilities	38,750	856
N/A-Trading activity	Trading assets	591,617 [2]	106,363	Trading liabilities	548,115 [2]	97,315
Equity contracts - Trading activity	Trading assets	4,003,268 [1]	374,271	Trading liabilities	6,944,217	416,521
Other contracts:						
IRLCs	Other assets	7,929,691	106,699	Other liabilities	88,168	472
Trading activity	Trading assets	7,328	4,182	Trading liabilities	7,176	4,107
Total		$146,994,481	$5,828,330		$132,901,464	$5,359,392
Total derivatives		$158,541,233	$7,314,946		$136,448,216	$5,408,030

[1] Amounts include $23.1 billion and $171.5 million of notional related to interest rate futures and equity futures, respectively. These futures contracts settle in cash daily and therefore no derivative asset or liability is recorded.

[2] Asset and liability amounts include $2.7 million and $13.0 million, respectively, of notional from purchased and written interest rate swap risk participation agreements, respectively, which notional is calculated as the notional of the interest rate swap participated adjusted by the relevant risk weighted assets conversion factor.

[3] Items contained here that are not previously defined include LHFS & LHFI-FV which are loans held for sale and loans held for investment carried at fair value, respectively.

[4] Futures contracts settle in cash daily and therefore, no derivative asset or liability is recorded in this respective line for such contracts.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

The impacts of derivative financial instruments on the Consolidated Income Statement for the three months ended March 31, 2009 is presented below. The impacts are segregated between those derivatives that are designated in hedging relationships under SFAS No. 133 and those that are used for economic hedging or trading purposes, with further identification of the underlying risks in the derivatives and the hedged items, where appropriate. The tables do not disclose the financial impact of the activities that these derivative instruments are intended to hedge, for both economic hedges and those instruments designated in formal SFAS No. 133 relationships.

(Dollars in thousands) **Derivatives in SFAS No. 133 cash flow hedging relationships**	**Amount of pre-tax gain/(loss) Recognized in OCI on Derivative (Effective Portion)**	**Classification of gain/(loss) Reclassified from AOCI into Income (Effective Portion)**	**Amount of pre-tax gain/(loss) Reclassified from AOCI into Income (Effective Portion)[1]**
Equity contracts hedging the following:			
Securities available for sale	$9,982		$-
Interest rate contracts hedging the following:			
Floating rate loans	53,049	Interest and fees on loans	109,031
Floating rate certificates of deposits	(821)	Interest on deposits	(22,988)
Floating rate debt	(15)	Interest on long-term debt	(1,333)
Total	$62,195		$84,710

(Dollars in thousands) **Derivatives not designated as hedging instruments under SFAS No. 133**	**Classification of gain/(loss) Recognized in Income on Derivative**	**Amount of gain/(loss) Recognized in Income on Derivatives**
Interest rate contracts hedging the following:		
Fixed rate public debt	Trading account profits and commissions	($27,944)
Corporate bond holdings	Trading account profits and commissions	2,410
Loans	Trading account profits and commissions	(5)
MSRs	Mortgage servicing income	61,211
LHFS, IRLCs, LHFI-FV	Mortgage production income	(106,631)
N/A-Trading activity	Trading account profits and commissions	11,195
Foreign exchange rate contracts hedging the following:		
Foreign-denominated debt	Trading account profits and commissions	(79,189)
Commercial loans	Trading account profits and commissions	450
N/A-Trading activity	Trading account profits and commissions	35,119
Credit contracts hedging the following:		
Loans	Trading account profits and commissions	(2,761)
Other	Trading account profits and commissions	7,868

Other contracts:		
IRLCs	Mortgage production income	277,622
Other	Trading account profits and commissions	33
Trading activity	Trading account profits and commissions	33,538
Total		$212,916

[1] During the quarter ending March 31, 2009, the Company also reclassified $8.4 million in pre-tax gains from AOCI into net interest income. These gains related to hedging relationships under SFAS No. 133 that have been previously terminated or dedesignated.

Credit Derivatives

As part of its trading businesses, the Company enters into contracts that are, in form or substance, written guarantees: specifically, CDS, swap participations and TRS. The Company accounts for these contracts as derivative instruments in accordance with the provisions of SFAS No. 133 and, accordingly, records these contracts at fair value, with changes in fair value recorded in trading account profits and commissions.

The Company has written CDS, on a limited basis, that are agreements under which the Company receives premium payments from its counterparty for protection against an event of default of a reference asset. In the event of default under the CDS, the Company would either net cash settle or make a cash payment to its counterparty and take delivery of the defaulted reference asset, from which the Company may recover all, a portion or none of the credit loss, depending on the performance of the reference asset. Events of default, as defined in the CDS agreements, are generally triggered upon the failure to pay and similar events related to the issuer(s) of the reference asset. As of March 31, 2009, all written CDS contracts reference single name corporate credits or corporate credit indices. When the Company has written CDS, it has generally entered into offsetting CDS for the underlying reference asset, under which the Company paid a premium to its counterparty for protection against an event of default on the reference asset. The counterparties to these purchased CDS are of high creditworthiness and have ISDA agreements in place that subject the CDS to master netting provisions, thereby mitigating the risk of non-payment to the Company. As such, at March 31, 2009, the Company does not have any significant risk of making a non-recoverable payment on any written CDS. During 2009 and 2008, the only instances of default on written CDS were driven by credit indices with

Notes to Consolidated Financial Statements (Unaudited)-Continued

constituent credit default. In all cases where the Company made resulting cash payments to settle, the Company collected like amounts from the counterparties to the offsetting purchased CDS. At March 31, 2009, the written CDS had remaining terms of approximately three months to six years. The maximum guarantees outstanding at March 31, 2009 and December 31, 2008, as measured by the gross notional amounts of written CDS, were $195.8 million and $190.8 million, respectively. At March 31, 2009 and December 31, 2008, the gross notional amounts of purchased CDS contracts, which represent benefits to, rather than obligations of, the Company, were $249.6 million and $245.2 million, respectively. The fair values of the written CDS were $29.0 million and $34.7 million at March 31, 2009 and December 31, 2008, respectively, and the fair values of the purchased CDS were $36.4 million and $45.8 million at March 31, 2009, and December 31, 2008, respectively.

The Company writes swap participations, which are credit derivatives whereby the Company has guaranteed payment to a dealer counterparty in the event that the counterparty experiences a loss on a derivative instrument, such as an interest rate swap, due to a failure to pay by the counterparty s customer (the obligor) on that derivative instrument. The Company monitors its payment risk on its swap participations by monitoring the creditworthiness of the obligors, which is based on the normal credit review process the Company would have performed had it entered into the derivative instruments directly with the obligors, that are all corporations or partnerships. At March 31, 2009, the remaining terms on these swap participations generally ranged from one to nine years, with a weighted average on the maximum estimated exposure of 3.8 years. The Company s maximum estimated exposure to written swap participations, as measured by projecting a maximum value of the guaranteed derivative instruments based on interest rate curve simulations and assuming 100% default by all obligors on the maximum values, was approximately $128.0 million and $125.7 million at March 31, 2009 and December 31, 2008, respectively. The fair values of the written swap participations were *de minimis* at March 31, 2009 and December 31, 2008. As part of its trading activities, the Company may enter into purchased swap participations, but such activity is not matched, as discussed herein related to CDS or TRS.

The Company has also entered into TRS contracts on loans. In certain of these contracts, the Company would be required to pay the depreciated value, if any, of the underlying reference asset upon termination of the TRS; in this manner, a TRS functions similar to a guarantee. However, the terms of the TRS would also entitle the Company to receive the appreciated value, if any, of the underlying reference asset, which is different from traditional guarantees. The Company s TRS business consists of matched trades, such that when the Company pays depreciation on one TRS, it receives the same depreciation on the matched TRS. As such, the Company does not have any long or short exposure, other than credit risk of its counterparty, which is managed through collateralization. The Company typically receives initial cash collateral from the counterparty upon entering into the TRS and is entitled to additional collateral as the fair value of the underlying reference assets deteriorate. At March 31, 2009 and December 31, 2008, the Company had outstanding $339.3 million and $602.1 million, respectively, of outstanding and offsetting TRS notional balances. The fair values of the TRS derivative liabilities were $68.2 million and $166.6 million at March 31, 2009 and December 31, 2008, respectively. The fair values of the offsetting TRS derivative assets at March 31, 2009 and December 31, 2008 were $69.9 million and $171.0 million, respectively, and related collateral held at March 31, 2009 and December 31, 2008 was $153.1 million and $296.8 million, respectively. As of December 31, 2008, the Company had decided to exit its TRS business, and the Company is in the process of unwinding the positions. The Company has not incurred any losses on these unwinds to date and does not expect to incur any, as the TRS trades have been appropriately collateralized and payables and receivables resulting from depreciation or appreciation of the referenced assets will offset.

Cash Flow Hedges

The Company utilizes a comprehensive risk management strategy to monitor sensitivity of earnings to movements in interest rates. Specific types of funding and principal amounts hedged are determined based on prevailing market conditions and the shape of the yield curve. In conjunction with this strategy, the Company employs various interest rate derivatives as risk management tools to hedge interest rate risk from recognized assets and liabilities or from forecasted transactions. The terms and notional amounts of derivatives are determined based on management s assessment of future interest rates, as well as other factors. The Company establishes parameters for derivative usage, including identification of assets and liabilities to hedge, derivative instruments to be utilized, and notional amounts of hedging relationships. At March 31, 2009, the Company s only outstanding SFAS No. 133 hedging relationships relate to interest rate swaps and equity forwards that have been designated as cash flow hedges of probable forecasted transactions related to recognized assets and liabilities.

Interest rate swaps have been designated as hedging the exposure to the benchmark interest rate risk associated with floating rate loans, certificates of deposit, and debt. The maximum range of hedge maturities for asset hedges is approximately five to seven years, with the weighted average being approximately 4.4 years; such maximum range for liability hedges is less than one year,

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Notes to Consolidated Financial Statements (Unaudited)-Continued

with the weighted average being approximately 0.3 years. Ineffectiveness on these hedges was *de minimis* during the three months ended March 31, 2009. As of March 31, 2009, $251.1 million, net of tax, of the deferred net gains on derivatives that are recorded in accumulated other comprehensive income are expected to be reclassified to net interest income over the next nine months in connection with the recognition of interest income or interest expense on the hedged item.

During the third quarter of 2008, the Company executed equity forward agreements (the Agreements) on 30 million common shares of The Coca Cola Company (Coke). A consolidated subsidiary of SunTrust Banks, Inc. owns approximately 22.9 million Coke common shares and a consolidated subsidiary of SunTrust Bank owns approximately 7.1 million Coke common shares. These two subsidiaries entered into separate Agreements on their respective holdings of Coke common shares with a large, unaffiliated financial institution (the Counterparty). Execution of the Agreements (including the pledges of the Coke common shares pursuant to the terms of the Agreements) did not constitute a sale of the Coke common shares under U.S. GAAP for several reasons, including that ownership of the common shares was not legally transferred to the Counterparty. The Agreements, in their entirety, are derivatives based on the criteria in SFAS No. 133. The Agreements resulted in zero cost equity collars pursuant to the provisions of SFAS No. 133. In accordance with the provisions of SFAS No. 133, the Company has designated the Agreements as cash flow hedges of the Company s probable forecasted sales of its Coke common shares, which are expected to occur in approximately six and a half and seven years from the Agreements effective date, for overall price volatility below the strike prices on the floor (purchased put) and above the strike prices on the ceiling (written call). Although the Company is not required to deliver its Coke common shares under the Agreements, the Company has asserted that it is probable, as defined by SFAS No. 133, that it will sell all of its Coke common shares at or around the settlement date of the Agreements. The Federal Reserve s approval for Tier 1 Capital was significantly based on this expected disposition of the Coke common shares under the Agreements or in another market transaction. Both the sale and the timing of such sale remain probable to occur as designated. At least quarterly, the Company assesses hedge effectiveness and measures hedge ineffectiveness with the effective portion of the changes in fair value of the Agreements generally recorded in accumulated other comprehensive income and any ineffective portions generally recorded in trading gains and losses. None of the components of the Agreements fair values are excluded from the Company s assessments of hedge effectiveness. Potential sources of ineffectiveness include changes in market dividends and certain early termination provisions. The Company did not recognize any ineffectiveness during 2008 and ineffectiveness was *de minimis* during the first three months of 2009. Other than potential measured hedge ineffectiveness, no amounts will be reclassified from accumulated other comprehensive income over the next nine months and any remaining amounts recorded in accumulated other comprehensive income will be reclassified to earnings when the probable forecasted sales of the Coke common shares occur.

Economic Hedging and Trading Activities

In addition to designated SFAS No. 133 hedging relationships, the Company also enters into derivatives as an end user as a risk management tool to economically hedge risks associated with certain non-derivative and derivative instruments, along with entering into derivatives in a trading capacity with its clients.

The primary risks that the Company economically hedges are interest rate risk, foreign exchange risk, and credit risk. The economic hedging activities are accomplished by entering into individual derivatives or by using derivatives on a macro basis, and generally accomplish the Company s goal of mitigating the targeted risk. To the extent that specific derivatives are associated with specific hedged items, the notional amounts, fair values, and gains/(losses) on the derivatives are illustrated in the tables above.

The Company utilizes interest rate derivatives to mitigate exposures from various instruments.

- The Company is subject to interest rate risk on its fixed rate debt. As market interest rates move, a portion of the fair value of the Company s debt is affected. To protect against this risk on certain debt issuances that the Company has elected to carry at fair value, the Company has entered into pay variable-receive fixed interest rate swaps (in addition to entering into certain non-derivative instruments on a macro basis) that decrease in value in a rising rate environment and increase in value in a declining rate environment.

- The Company is exposed to interest rate risk associated with MSRs, which the Company hedges with a combination of derivatives, including MBS forward and option contracts and interest rate swap and swaption contracts.

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- The Company enters into MBS forward and option contracts, interest rate swap and swaption contracts, futures contracts, and eurodollar options to mitigate interest rate risk associated with IRLCs, mortgage loans held for sale and mortgage loans held for investment.

The Company is exposed to foreign exchange rate risk associated with certain senior notes denominated in euros and pound sterling. This risk is economically hedged by entering into cross currency swaps, which swaps receive either euros or pound sterling and pay U.S. dollars. Interest expense on the Consolidated Statements of Income reflects only the contractual interest rate on the debt based on the spot exchange rate, while fair value changes on the derivatives and valuation adjustments under SFAS No. 52 on the debt are both recorded within trading account profits and commissions.

The Company enters into CDS to hedge credit risk associated with certain loans held within its Corporate and Investment Banking and Wealth and Investment Management lines of business.

Trading Activity, in the tables above, primarily include interest rate swaps, equity derivatives, CDS, TRS, futures, options and foreign currency contracts. These derivatives are entered into in a dealer capacity to facilitate client transactions or are utilized as a risk management tool by the Company as an end user in certain macro-hedging strategies. The macro-hedging strategies are focused on managing the Company s overall interest rate risk exposure that is not otherwise hedged by derivatives under SFAS No. 133 or in connection with specific hedges and, therefore, the Company does not specifically associate individual derivatives with specific assets or liabilities.

Note 11 - Reinsurance Arrangements and Guarantees

Reinsurance

The Company provides mortgage reinsurance on certain mortgage loans through contracts with several primary mortgage insurance companies. Under these contracts, the Company provides aggregate excess loss coverage i