

SUNTRUST BANKS INC  
Form 10-K  
March 01, 2007

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**2006 FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

or

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

EXCHANGE ACT OF 1934

Commission File Number 001-08918

**SUNTRUST BANKS, INC.**

(Exact name of registrant as specified in its charter)

**Georgia**  
(State or other jurisdiction  
of incorporation or organization)

**58-1575035**  
(I.R.S. Employer

Identification No.)

**303 Peachtree Street, N.E., Atlanta, Georgia 30308**

(Address of principal executive offices) (Zip Code)

**(404) 588-7711**

(Registrant's telephone number, including area code)

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

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**Title of each class**

**Name of exchange on which provided**

Common Stock  
Depository Shares, each representing 1/4000<sup>th</sup>

New York Stock Exchange  
New York Stock Exchange

interest in a share of Perpetual Preferred Stock,

Series A

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

At January 31, 2007 355,264,749 shares of the Registrant's Common Stock, \$1.00 par value, were outstanding.

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2006 was approximately \$27.0 billion, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Part III information is incorporated herein by reference, pursuant to Instruction G of Form 10-K, to SunTrust's Proxy Statement for its 2007 Annual Shareholder's Meeting, which will be filed with the Commission no later than April 30, 2007 (the Proxy Statement). Certain Part I and Part II information required by Form 10-K is incorporated by reference to the SunTrust Annual Report to Shareholders, but the Annual Report to Shareholders shall not be deemed filed with the Commission.

## PART I

### Item 1. BUSINESS

#### General

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

Additional information relating to our businesses and our subsidiaries is included in the information set forth in pages 17 through 70 of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 22 of the Notes to the Consolidated Financial Statements in Item 8 of this report.

#### Primary Market Areas

Through its flagship subsidiary SunTrust Bank, the Company provides deposit, credit, and trust and investment services. Additional subsidiaries provide mortgage banking, credit-related insurance, asset management, securities brokerage and capital market services. SunTrust enjoys strong market positions in some of the highest-growth markets in the United States and operates primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. Within the geographic footprint, SunTrust strategically operates under five business segments. These business segments are: Retail, Commercial, Corporate and Investment Banking ( CIB ), Mortgage, and Wealth and Investment Management. In addition, SunTrust provides clients with a selection of technology based banking channels, including the Internet, automated teller machines, PC and twenty-four hour telebanking. SunTrust's client base encompasses a broad range of individuals and families, high net-worth clients, businesses, and institutions.

#### Acquisition and Disposition Activity

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

On October 1, 2004, the Company completed its merger with National Commerce Financial Corporation and on March 31, 2005, SunTrust sold the Receivables Capital Management factoring division. On September 29, 2006, SunTrust sold its Bond Trustee business. Additional information on these and other acquisitions and dispositions is included in Note 2 to the Consolidated Financial Statements in Item 8 which are incorporated herein by reference.

#### Government Supervision and Regulation

As a bank holding company and a financial holding company, the Company is subject to the regulation and supervision of the Board of Governors of the Federal Reserve System (the Federal Reserve ). SunTrust Bank is a Georgia state bank which has branches in Georgia, Florida, Tennessee, Alabama,



Virginia, West Virginia, Maryland, North Carolina, South Carolina, the District of Columbia, Mississippi and Arkansas. SunTrust Bank is a member of the Federal Reserve System, and is regulated by the Federal Reserve, the Federal Deposit Insurance Corporation (the FDIC ) and the Georgia Department of Banking and Finance. Until February 2, 2007 SunTrust Bank also operated certain branches under the name El Banco de Nuestra Comunidad, a division of SunTrust Bank in Georgia.

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

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

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance fund in the event the depository institution becomes in danger of default or is in default. For example, under a policy of the Federal Reserve with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and commit resources to support such institutions in circumstances where it might not do so absent such policy. In addition, the cross-guarantee provisions of federal law require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized as such terms are defined under regulations issued by each of the federal banking agencies.

The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve risk-based guidelines define a tier-based capital framework. Tier 1 capital includes common shareholders equity, trust preferred securities, minority interests and qualifying preferred stock, less goodwill and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to a certain amount and a portion of the unrealized gain on equity securities. The sum of Tier 1 and Tier 2 capital less investments in unconsolidated subsidiaries represents the Company's qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by

risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Banking organizations are required to maintain a ratio of at least five percent to be classified as well capitalized.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ( FDICIA ), among other things, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective federal regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. An undercapitalized bank must develop a capital restoration plan and its parent holding company must guarantee that bank's compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank's assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a well capitalized institution must have a Tier 1 risk-based capital ratio of at least six percent, a total risk-based capital ratio of at least ten percent and a leverage ratio of at least five percent and not be subject to a capital directive order.

Regulators also must take into consideration: (a) concentrations of credit risk; (b) interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance-sheet position); and (c) risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. This evaluation will be made as a part of the institution's regular safety and soundness examination. In addition, the Company, and any bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations.

There are various legal and regulatory limits on the extent to which the Company's subsidiary bank may pay dividends or otherwise supply funds to the Company. In addition, federal and state bank regulatory agencies also have the authority to prevent a bank or bank holding company from paying a dividend or engaging in any other activity that, in the opinion of the agency, would constitute an unsafe or unsound practice. The Federal Deposit Insurance Act ( the FDI Act ) provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, nondeposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

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

On November 12, 1999, financial modernization legislation known as the Gramm-Leach-Bliley Act (the GLB Act) was signed into law. Under the GLB Act, a bank holding company which elects to become a financial holding company may engage in expanded securities activities, insurance sales, and underwriting activities, and other financial activities, and may also acquire securities firms and insurance companies, subject in each case to certain conditions. The Company has elected to become a financial holding company under the GLB Act. If any of our banking subsidiaries ceases to be well capitalized or well managed under applicable regulatory standards, the Federal Reserve may, among other things, place limitations on our ability to conduct these broader financial activities or, if the deficiencies persist, require us to divest the banking subsidiary. In order to become and maintain its status as a financial holding company, the Company and all of its affiliated depository institutions must be well-capitalized, well-managed, and have at least a satisfactory Community Reinvestment Act of 1977 (CRA) rating. Furthermore, if the Federal Reserve determines that a financial holding company has not maintained a satisfactory CRA rating, the Company will not be able to commence any new financial activities or acquire a company that engages in such activities, although the Company will still be allowed to engage in activities closely related to banking and make investments in the ordinary course of conducting merchant banking activities.

The USA Patriot Act of 2001 (Patriot Act) substantially broadens existing anti-money laundering legislation and the extraterritorial jurisdiction of the United States; imposes new compliance and due diligence obligations; creates new crimes and penalties; compels the production of documents located both inside and outside the United States, including those of non-U.S. institutions that have a correspondent relationship in the United States; and clarifies the safe harbor from civil liability to customers. The United States Department of the Treasury has issued a number of regulations that further clarify the Patriot Act's requirements or provide more specific guidance on their application. The Patriot Act requires all financial institutions, as defined, to establish certain anti-money laundering compliance and due diligence programs. The Patriot Act requires financial institutions that maintain correspondent accounts for non-U.S. institutions, or persons that are involved in private banking for non-United States persons or their representatives, to establish, appropriate, specific and, where necessary, enhanced due diligence policies, procedures, and controls that are reasonably designed to detect and report instances of money laundering through those accounts. Bank regulators are focusing their examinations on anti-money laundering compliance, and the Company continues to enhance its anti-money laundering compliance programs.

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

The FDIC merged the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to form the Deposit Insurance Fund (DIF) on March 31, 2006 in accordance with the Federal Deposit Insurance Reform Act of 2005. The FDIC maintains the DIF by assessing depository institutions an insurance premium. The amount each institution is assessed is based upon statutory factors that include the balance of insured deposits as well as the degree of risk the institution poses to

the insurance fund. The FDIC uses a risk-based premium system that assesses higher rates on those institutions that pose greater risks to the DIF. Under the rule adopted by the FDIC in November 2006, beginning in 2007, the FDIC will place each institution in one of four risk categories using a two-step process based first on capital ratios (the capital group assignment) and then on other relevant information (the supervisory group assignment). Beginning in 2007, rates will range between 5 and 43 cents per \$100 in assessable deposits.

The Company's non-banking subsidiaries are regulated and supervised by various regulatory bodies. For example, SunTrust Capital Markets, Inc. is a broker-dealer and investment adviser registered with the Securities and Exchange Commission ( SEC ) and a member organization of the New York Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. ( NASD ). SunTrust Investment Services, Inc. is also a broker-dealer and investment adviser registered with the SEC and a member of the NASD. Trusco Capital Management, Inc. is an investment adviser registered with the SEC.

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

### **Competition**

SunTrust operates in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes, and continued consolidation. The Company also faces aggressive competition from other domestic and foreign lending institutions and from numerous other providers of financial services. The ability of nonbanking financial institutions to provide services previously limited to commercial banks has intensified competition. Because nonbanking financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. This may significantly change the competitive environment in which the Company conducts business. Some of the Company's competitors have greater financial resources and/or face fewer regulatory constraints. As a result of these various sources of competition, the Company could lose business to competitors or be forced to price products and services on less advantageous terms to retain or attract clients, either of which would adversely affect the Company's profitability.

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

### **Employees**

As of December 31, 2006, there were 33,599 full-time equivalent employees within SunTrust. None of the domestic employees within the Company is subject to a collective bargaining agreement. Management considers its employee relations to be good.

### **Additional Information**

See also the following additional information which is incorporated herein by reference: Business Segments (under the caption "Business Segments" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations (the MD&A )) and in Note 22 of the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data (the Notes ); Net Interest Income (under the captions "Net Interest Income/Margin and Selected





Financial Data in the MD&A); Securities (under the caption Securities Available for Sale in the MD&A and Note 5 of the Notes); Outstanding Loans and Leases (under the caption Loans in the MD&A, and Note 6 of the Notes); Deposits (under the caption Deposits in the MD&A); Short-Term Borrowings (under the caption Liquidity Risk in the MD&A and Note 10 of the Notes); Trading Account Liabilities (in Note 4 of the Notes); Market Risk Management (under the caption Market Risk Management in the MD&A); Liquidity Risk Management (under the caption Liquidity Risk in the MD&A); Operational Risk Management (under the caption Operational Risk Management in the MD&A).

SunTrust's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available on the Company's website at [www.suntrust.com](http://www.suntrust.com) under the Investor Relations Section as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to the SEC. The public may read and copy any materials the Company files with the SEC at the SEC Public Reference Room at 100 F Street, NE, Washington, DC, 20549. The public also may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's website address is [www.sec.gov](http://www.sec.gov). In addition, SunTrust makes available on its website at [www.suntrust.com](http://www.suntrust.com) under the heading Corporate Governance its: (i) Code of Ethics; (ii) Corporate Governance Guidelines; and (iii) the charters of SunTrust Board committees, and also intends to disclose any amendments to its Code of Ethics, or waivers of the Code of Ethics on behalf of its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, on its website. These corporate governance materials are also available free of charge in print to shareholders who request them in writing to: SunTrust Banks, Inc., Attention: Investor Relations Department, P.O. Box 4418, Center 645, Atlanta, Georgia 30302-4418.

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

## **Item 1A. RISK FACTORS**

### **Cautionary Statement Regarding Forward-Looking Statements**

The information included or incorporated by reference in this Form 10-K may contain forward-looking statements. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words *believes*, *expects*, *anticipates*, *estimates*, *intends*, *plans*, *targets*, *initiatives*, *potentially*, *probably*, *projects*, *outlook* or similar expressions or future verbs such as *may*, *will*, *should*, *would*, and *could*.

Forward looking statements involve significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Such statements are based upon the current beliefs and expectations of the management of SunTrust and on information currently available to management. The forward looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such statements speak as of the date hereof, and SunTrust does not assume any obligation to update the statements included or incorporated by reference or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events.

Factors that might cause our future financial performance to vary from that described in our forward-looking statements include risks discussed in the MD&A and in other periodic reports filed with the SEC. In addition, the following discussion sets forth certain risks and uncertainties that we believe could cause actual future results to differ materially from expected results. However, other factors besides those listed below or discussed in our reports to the SEC also could adversely affect our results, and the reader should not consider this list of factors to be a complete set of all potential risks or uncertainties.

## **Business Risks**

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

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

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

A decrease in the value of our loans held for sale;

An increase or decrease in the usage of unfunded commitments;

An increase in the number of clients and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us. An increase in the number of delinquencies, bankruptcies or defaults could result in a higher level of nonperforming assets, net charge-offs, provision for loan losses, and valuation adjustments on loans held for sale.

### **Changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, costs of capital or liquidity.**

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

The value of certain on-balance sheet and off-balance sheet financial instruments or the value of equity investments that we hold, in particular, holdings in common stock of The Coca-Cola Company, which as of December 31, 2006 were valued at approximately \$2.3 billion;

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

The value of assets for which we provide processing services; or

To the extent we access capital markets to raise funds to support the business, such changes could affect the cost of such funds or the ability to raise such funds.

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

The Board of Governors of the Federal Reserve System regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the net interest margin. They also can materially decrease the value of financial instruments we hold, such as debt securities and Mortgage Servicing Rights ( MSR ). Its policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in Federal Reserve Board policies are beyond our control and difficult to predict; consequently, the impact of these changes on our activities and results of operations is difficult to predict.

**A decline in the market for residential or commercial real estate could harm our revenues and profitability.**

A significant percentage of our assets are secured by residential or commercial real estate mortgages. Our financial results may be adversely affected by changes in real estate values. Decreases in real estate

values could adversely affect the value of property used as collateral for our loans and investments. If poor economic conditions result in decreased demand for real estate loans, our profits may decrease because our alternative investments may earn less income than real estate loans.

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

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

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

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

**We have businesses other than banking which subjects the Company to a variety of risks.**

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

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

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

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

As a financial institution, our earnings and capital are subject to risks associated with negative public opinion. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices, the failure of any product or service sold by us to meet our customers' expectations or applicable regulatory requirements, corporate governance and acquisitions, or from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to keep and attract and/or retain clients and can expose us to litigation and regulatory action. Actual or alleged conduct by one of our businesses can result in negative public opinion about our other businesses. Negative public opinion could also affect the Company's credit ratings, which are important to its access to unsecured wholesale borrowings; significant changes in these ratings could change the cost and availability of these sources of funding.

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

Third parties provide key components of the business infrastructure such as Internet connections and network access. Any disruption in Internet, network access or other voice or data communication services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect the ability

to deliver products and services to clients and

otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect the business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. We may not be insured against all types of losses as a result of third party failures and our insurance coverage may be inadequate to cover all losses resulting from system failures or other disruptions. Failures in the business infrastructure could interrupt the operations or increase the costs of doing business.

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

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

We may also be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses or electrical or telecommunications outages or natural disasters, or events arising from local or regional politics, including terrorist acts. Such disruptions may give rise to losses in service to customers and loss or liability to us. In addition there is the risk that our controls and procedures as well as business continuity and data security systems prove to be inadequate. Any such failure could affect our operations and could materially adversely affect our results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to litigation or losses not covered by insurance.

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

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

**Industry Risks**

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

We are heavily regulated by federal and state agencies. This regulation is to protect depositors, the federal deposit insurance fund and the banking system as a whole. Congress and state legislatures and federal and state regulatory agencies continually review banking laws, regulations, and policies for possible changes. Changes to statutes, regulations, or regulatory policies, including interpretation or implementation of statutes, regulations, or policies, could affect us adversely, including limiting the types of financial services and products we may offer and/or increasing the ability of nonbanks to offer competing financial services and products. Also, if we do not comply with laws, regulations, or policies, we could receive regulatory sanctions and damage to our reputation. For more information, refer to Item 1 - Business beginning on page 1 of this Form 10-K.





**Competition in the financial services industry is intense and could result in losing business or reducing margins.**

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

**Future legislation could harm our competitive position.**

Congress occasionally considers proposals to substantially change the financial institution regulatory system and to expand or contract the powers of banking institutions and bank holding companies. Such legislation may change banking statutes and the operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any regulations, would have on our activities, financial condition, or results of operations.

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

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

**The Parent Company's ability to receive dividends from its subsidiaries accounts for most of its revenue and could affect its liquidity and ability to pay dividends.**

The Parent Company is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the Parent Company's common stock and interest and principal on its debt. Various federal and/or state laws and regulations limit the amount of dividends that our bank and certain of its nonbank subsidiaries may pay to the Parent Company. Also, the Parent Company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. Limitations on the Parent Company's ability to receive dividends from its subsidiaries could have a material adverse effect on the Parent Company's liquidity and ability to pay dividends on common stock. For more information, refer to the Liquidity Risk section beginning on page 41 and Note 14, Capital, to the Consolidated Financial Statements.



**Significant legal actions could subject us to substantial uninsured liabilities.**

We are from time to time subject to claims related to our operations. These claims and legal actions, including supervisory actions by our regulators, could involve large monetary claims and significant defense costs. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. We may be exposed to substantial uninsured liabilities, which could adversely affect our results of operations and financial condition.

**Company Risks**

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

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

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

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

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

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

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

Our success depends upon the ability to attract and retain highly motivated, well-qualified personnel. We face significant competition in the recruitment of qualified employees. Our ability to execute the business strategy and provide high quality service may suffer if we are unable to recruit or retain a sufficient number of qualified employees or if the costs of employee compensation or benefits increase substantially.

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

Accounting policies and methods are fundamental to how we record and report the financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with Generally Accepted Accounting Principles in the United States ( US GAAP ).

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, or reducing a liability. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty of estimates about these matters, we cannot guarantee that we will not be required to adjust accounting policies or restate prior period financial statements. See the Critical Accounting Policies section beginning on page 63 and Note 1, Accounting Policies, to the Consolidated Financial Statements in this report for more information.

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

From time to time, the Financial Accounting Standards Board ( FASB ) changes the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements.

**Our stock price can be volatile.**

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

- variations in our quarterly operating results;
- changes in market valuations of companies in the financial services industry;
- fluctuations in stock market prices and volumes;
- issuances of shares of common stock or other securities in the future;
- the addition or departure of key personnel;
- seasonal fluctuations;
- changes in financial estimates or recommendations by securities analysts regarding SunTrust or shares of our common stock; and
- announcements by us or our competitors of new services or technology, acquisitions, or joint ventures.

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

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

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by SunTrust in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

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

**Item 1B. UNRESOLVED STAFF COMMENTS**

There are no unresolved written comments that were received from the Securities and Exchange Commission's staff 180 days or more before the end of the Company's fiscal year relating to the Company's periodic or current reports filed under the Securities Exchange Act of 1934.

**Item 2. PROPERTIES**

The Company's headquarters is located in Atlanta, Georgia. As of December 31, 2006, SunTrust Bank owned 995 of its 1,701 full-service banking offices and leased the remaining banking offices. (See Note 8, Premises and Equipment to the Consolidated Financial Statements.)

**Item 3. LEGAL PROCEEDINGS**

On August 25, 2006, the Company received notice from the Securities and Exchange Commission that the SEC had terminated its formal inquiry into matters concerning the restatement of SunTrust's consolidated financial statements for the first and second quarters of 2004 and related matters, and that the Staff of the SEC recommended to the Commission that no enforcement action be taken against the Company.

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

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

There were no matters submitted to a vote of shareholders during the quarter ended December 31, 2006.

## PART II

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

The principal market on which the Common Stock of the Company is traded is the New York Stock Exchange ( NYSE ). See Item 6 and Table 16 in the MD&A for information on the high and the low closing sales prices of the Common Stock on the NYSE, which is incorporated herein by reference. During the twelve months ended December 31, 2006 and 2005, we paid a quarterly dividend of \$.61 and \$.55 per share of Common Stock. Our Common Stock is held by approximately 38,328 Registered Shareholders as of December 31, 2006. See Table 22 in the MD&A on page 69 for information on the monthly share repurchases activity, including total common shares repurchased and announced programs, weighted average per share price and the remaining buy-back authority under the announced programs, which is incorporated herein by reference.

Set forth below is a line graph comparing the yearly percentage change in the cumulative total Shareholder return on SunTrust Common Stock against the cumulative total return of the S&P Composite-500 Stock Index, the S&P Diversified Banks Index and the S&P Commercial Bank Industry Index for the five years commencing December 31, 2001 and ended December 31, 2006.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among SunTrust Banks, Inc., The S & P 500 Index,

The S & P Diversified Banks Index And The S & P Commercial Bank Industry

\* \$ 100 invested on 12/31/01 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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	12/01	12/02	12/03	12/04	12/05	12/06
SunTrust Banks, Inc.	100.00	93.26	120.64	128.31	130.24	156.04
S & P 500	100.00	77.90	100.24	111.15	116.61	135.03
S & P 500 Diversified Banks Index	100.00	98.98	130.74	153.64	157.87	183.59
S & P 500 Commercial Bank Industry Index	100.00	102.95	132.58	144.97	146.75	170.57

The Company added the cumulative total return on the S&P 500 Commercial Bank Industry Index this year in advance of retiring the comparison to the S&P 500 Diversified Banks Index in 2008 and replacing it with this index. The reason for this transition is that the Company believes the S&P 500 Commercial Bank Industry Index provides a more comprehensive representation of peer banks than does the S&P 500 Diversified Banks Index, which currently is comprised of four banks. The S&P 500 Commercial Bank Industry Index is currently comprised of 19 banks and includes the four banks that are currently included in the S&P 500 Diversified Banks Index.



**Item 6. SELECTED FINANCIAL DATA**

(Dollars in millions, except per share and other data)	<b>Twelve Months Ended December 31</b>					
	<b>2006</b>	2005	2004	2003	2002	2001
<b>Summary of Operations</b>						
Interest, fees, and dividend income	<b>\$9,792.0</b>	\$7,731.3	\$5,218.4	\$4,768.8	\$5,135.2	\$6,279.6
Interest expense	<b>5,131.6</b>	3,152.3	1,533.2	1,448.5	1,891.5	3,027.0
Net interest income	<b>4,660.4</b>	4,579.0	3,685.2	3,320.3	3,243.7	3,252.6
Provision for loan losses	<b>262.5</b>	176.9	135.6	313.6	469.8	275.2
Net interest income after provision for loan losses	<b>4,397.9</b>	4,402.1	3,549.6	3,006.7	2,773.9	2,977.4
Noninterest income	<b>3,468.4</b>	3,155.0	2,604.4	2,303.0	2,268.8	2,051.9
Noninterest expense	<b>4,879.9</b>	4,690.7	3,897.0	3,400.6	3,219.4	2,999.9
Income before provision for income taxes	<b>2,986.4</b>	2,866.4	2,257.0	1,909.1	1,823.3	2,029.4
Provision for income taxes	<b>869.0</b>	879.2	684.1	576.8	491.5	653.9
Net income	<b>2,117.4</b>	1,987.2	1,572.9	1,332.3	1,331.8	1,375.5
Preferred stock dividends	<b>7.7</b>	-	-	-	-	-
Net income available to common shareholders	<b>\$2,109.7</b>	\$1,987.2	\$1,572.9	\$1,332.3	\$1,331.8	\$1,375.5