

SUNTRUST BANKS INC  
Form 10-Q  
August 10, 2009  
Table of Contents

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

Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

or

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

EXCHANGE ACT OF 1934

Commission File Number 001-08918

**SUNTRUST BANKS, INC.**

(Exact name of registrant as specified in its charter)

**Georgia**  
(State or other jurisdiction)

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

of incorporation or organization)

Identification No.)

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

(Address of principal executive offices) (Zip Code)

**(404) 588-7711**

(Registrant's telephone number, including area code)

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

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

Yes  No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

At July 31, 2009, 498,827,499 shares of the Registrant's Common Stock, \$1.00 par value, were outstanding.

**Table of Contents**

**Tables of Contents**

**PART I FINANCIAL INFORMATION**

|  | <b>Page</b> |
|--|-------------|
| Item 1.  | 2           |
| <u>Financial Statements (Unaudited)</u>  | 2           |
| <u>Consolidated Statements of Income/(Loss)</u>  | 2           |
| <u>Consolidated Balance Sheets</u>   | 3           |
| <u>Consolidated Statements of Shareholders' Equity</u>                                       | 4           |
| <u>Consolidated Statements of Cash Flows</u>   | 5           |
| <u>Notes to Consolidated Financial Statements</u>  | 6           |
| Item 2.  | 54          |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 54          |
| Item 3.  | 102         |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | 102         |
| Item 4.  | 102         |
| <u>Controls and Procedures</u>   | 102         |

**PART II OTHER INFORMATION**

|  |            |
|--|------------|
| Item 1.  | 102        |
| <u>Legal Proceedings</u>   | 102        |
| Item 1A.   | 102        |
| <u>Risk Factors</u>  | 102        |
| Item 2.  | 103        |
| <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 103        |
| Item 3.  | 104        |
| <u>Defaults Upon Senior Securities</u>                             | 104        |
| Item 4.  | 104        |
| <u>Submission of Matters to a Vote of Security Holders</u>         | 104        |
| Item 5.  | 104        |
| <u>Other Information</u>   | 104        |
| Item 6.  | 105        |
| <u>Exhibits</u>  | 105        |
| <b><u>SIGNATURES</u></b>   | <b>107</b> |

**PART I FINANCIAL INFORMATION**

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

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

| (Dollars and shares in thousands, except per share data) (Unaudited)           | For the Three Months Ended |                  | For the Six Months Ended |                  |
|--|----------------------------|------------------|--------------------------|------------------|
|  | June 30                    |                  | June 30                  |                  |
|  | 2009                       | 2008             | 2009                     | 2008             |
| <b>Interest Income</b>   |                            |                  |                          |                  |
| Interest and fees on loans   | \$1,397,045                | \$1,715,410      | \$2,809,930              | \$3,570,056      |
| Interest and fees on loans held for sale                                       | 72,406                     | 72,491           | 134,238                  | 171,500          |
| Interest and dividends on securities available for sale                        |                            |                  |                          |                  |
| Taxable interest   | 168,659                    | 156,614          | 349,861                  | 309,517          |
| Tax-exempt interest  | 10,018                     | 11,240           | 20,717                   | 22,543           |
| Dividends <sup>1</sup>   | 18,066                     | 29,337           | 36,228                   | 63,262           |
| Interest on funds sold and securities purchased under agreements to resell     | 558                        | 6,734            | 1,495                    | 15,681           |
| Interest on deposits in other banks  | 63                         | 201              | 176                      | 448              |
| Trading account interest   | 26,459                     | 74,338           | 69,964                   | 171,690          |
| <b>Total interest income</b>   | <b>1,693,274</b>           | <b>2,066,365</b> | <b>3,422,609</b>         | <b>4,324,697</b> |
| <b>Interest Expense</b>  |                            |                  |                          |                  |
| Interest on deposits   | 398,903                    | 579,829          | 822,776                  | 1,327,649        |
| Interest on funds purchased and securities sold under agreements to repurchase | 2,441                      | 35,378           | 5,174                    | 92,327           |
| Interest on trading liabilities  | 4,917                      | 6,583            | 11,077                   | 12,633           |
| Interest on other short-term borrowings  | 3,593                      | 13,088           | 8,748                    | 35,864           |
| Interest on long-term debt   | 193,763                    | 274,771          | 423,079                  | 559,641          |
| <b>Total interest expense</b>  | <b>603,617</b>             | <b>909,649</b>   | <b>1,270,854</b>         | <b>2,028,114</b> |
| Net interest income  | 1,089,657                  | 1,156,716        | 2,151,755                | 2,296,583        |
| Provision for loan losses  | 962,181                    | 448,027          | 1,956,279                | 1,008,049        |
| <b>Net interest income after provision for loan losses</b>                     | <b>127,476</b>             | <b>708,689</b>   | <b>195,476</b>           | <b>1,288,534</b> |
| <b>Noninterest Income</b>  |                            |                  |                          |                  |
| Service charges on deposit accounts  | 210,224                    | 230,296          | 416,618                  | 442,135          |
| Trust and investment management income   | 117,007                    | 157,319          | 233,017                  | 318,421          |
| Other charges and fees   | 127,799                    | 129,581          | 252,120                  | 256,812          |
| Card fees  | 80,505                     | 78,566           | 156,165                  | 152,327          |
| Retail investment services   | 55,400                     | 73,764           | 112,113                  | 146,064          |
| Investment banking income  | 77,038                     | 60,987           | 136,572                  | 116,407          |
| Mortgage production related income   | 165,388                    | 63,508           | 415,858                  | 149,057          |
| Mortgage servicing related income  | 139,658                    | 32,548           | 223,010                  | 61,646           |
| Trading account profits/(losses) and commissions                               | (30,020)                   | (49,306)         | 77,273                   | (21,088)         |
| Net gain on sale of businesses   | -                          | 29,648           | -                        | 119,038          |
| Gain from ownership in Visa  | 112,102                    | -                | 112,102                  | 86,305           |
| Net gain on sale/leaseback of premises   | -                          | -                | -                        | 37,039           |
| Other noninterest income   | 41,473                     | 56,312           | 79,587                   | 117,148          |
| Net securities gains/(losses) <sup>2</sup>                                     | (24,899)                   | 549,787          | (21,522)                 | 489,201          |
| <b>Total noninterest income</b>  | <b>1,071,675</b>           | <b>1,413,010</b> | <b>2,192,913</b>         | <b>2,470,512</b> |
| <b>Noninterest Expense</b>   |                            |                  |                          |                  |
| Employee compensation  | 569,228                    | 607,558          | 1,142,250                | 1,192,348        |
| Employee benefits  | 134,481                    | 104,399          | 297,511                  | 234,692          |
| Outside processing and software  | 145,359                    | 107,205          | 283,720                  | 216,370          |
| Operating losses   | 32,570                     | 44,654           | 55,191                   | 74,917           |
| Marketing and customer development   | 30,264                     | 47,203           | 64,989                   | 102,906          |
| Net occupancy expense  | 87,220                     | 85,483           | 174,637                  | 171,924          |

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|  |             |           |               |           |
|--|-------------|-----------|---------------|-----------|
| Equipment expense  | 43,792      | 50,991    | 87,332        | 103,386   |
| Mortgage reinsurance   | 24,581      | 24,961    | 94,620        | 31,972    |
| Credit and collection services   | 66,269      | 33,733    | 114,187       | 61,565    |
| Amortization/impairment of goodwill/intangible assets                      | 13,955      | 64,735    | 780,971       | 85,450    |
| Other real estate expense  | 49,036      | 24,908    | 93,408        | 37,129    |
| Regulatory assessments   | 148,675     | 10,921    | 196,148       | 15,326    |
| Net loss on debt extinguishment  | 38,864      | -         | 13,560        | 11,723    |
| Visa litigation  | 7,000       | -         | 7,000         | (39,124)  |
| Other noninterest expense  | 136,678     | 168,591   | 274,471       | 326,991   |
| Total noninterest expense  | 1,527,972   | 1,375,342 | 3,679,995     | 2,627,575 |
| Income/(loss) before provision/(benefit) for income taxes                  | (328,821)   | 746,357   | (1,291,606)   | 1,131,471 |
| Provision/(benefit) for income taxes                                       | (148,957)   | 202,804   | (299,734)     | 294,452   |
| Net income/(loss) including income attributable to noncontrolling interest | (179,864)   | 543,553   | (991,872)     | 837,019   |
| Net income attributable to noncontrolling interest                         | 3,596       | 3,191     | 6,755         | 6,102     |
| Net income/(loss)  | (\$183,460) | \$540,362 | (\$998,627)   | \$830,917 |
| Net income/(loss) available to common shareholders                         | (\$164,428) | \$529,968 | (\$1,039,809) | \$811,523 |
| Net income/(loss) per average common share                                 |             |           |               |           |
| Diluted  | (\$0.41)    | \$1.52    | (\$2.77)      | \$2.33    |
| Basic  | (0.41)      | 1.52      | (2.77)        | 2.33      |
| Dividends declared per common share  | 0.10        | 0.77      | 0.20          | 1.54      |
| Average common shares - diluted  | 399,242     | 349,783   | 375,429       | 348,927   |
| Average common shares - basic  | 399,242     | 348,714   | 375,429       | 347,647   |

<sup>1</sup> Includes dividends on common stock of The Coca-Cola Company \$12,300 \$16,560 \$24,600 \$33,120

<sup>2</sup> Includes net other-than-temporary impairment losses of \$5.7 million for the three months ended June 30, 2009, consisting of \$8.5 million of gross impairment losses, net of \$2.8 million of impairment losses recognized in other comprehensive income, before taxes.

See Notes to Consolidated Financial Statements (unaudited).

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

|   | As of                |                     |
|---|----------------------|---------------------|
|   | June 30<br>2009      | December 31<br>2008 |
| (Dollars in thousands) (Unaudited)  |                      |                     |
| <b>Assets</b>   |                      |                     |
| Cash and due from banks   | <b>\$2,434,859</b>   | \$5,622,789         |
| Interest-bearing deposits in other banks  | <b>24,310</b>        | 23,999              |
| Funds sold and securities purchased under agreements to resell  | <b>798,515</b>       | 990,614             |
| <b>Cash and cash equivalents</b>  | <b>3,257,684</b>     | 6,637,402           |
| Trading assets  | <b>7,739,197</b>     | 10,396,269          |
| Securities available for sale <sup>1</sup>  | <b>19,465,291</b>    | 19,696,537          |
| Loans held for sale (loans at fair value: \$6,604,312 as of June 30, 2009; \$2,424,432 as of December 31, 2008)               | <b>8,031,114</b>     | 4,032,128           |
| Loans (loans at fair value: \$494,669 as of June 30, 2009; \$270,342 as of December 31, 2008)                                 | <b>122,816,176</b>   | 126,998,443         |
| Allowance for loan and lease losses   | <b>(2,896,000)</b>   | (2,350,996)         |
| <b>Net loans</b>  | <b>119,920,176</b>   | 124,647,447         |
| Premises and equipment  | <b>1,545,990</b>     | 1,547,892           |
| Goodwill  | <b>6,314,382</b>     | 7,043,503           |
| Other intangible assets (mortgage servicing rights at fair value: \$641,939 as of June 30, 2009; \$0 as of December 31, 2008) | <b>1,517,483</b>     | 1,035,427           |
| Customers acceptance liability  | <b>5,276</b>         | 5,294               |
| Other real estate owned   | <b>588,922</b>       | 500,481             |
| Unsettled sales of securities available for sale  | <b>874,205</b>       | 6,386,795           |
| Other assets  | <b>7,475,251</b>     | 7,208,786           |
| <b>Total assets</b>   | <b>\$176,734,971</b> | \$189,137,961       |
| <b>Liabilities and Shareholders Equity</b>  |                      |                     |
| Noninterest-bearing consumer and commercial deposits  | <b>\$24,610,303</b>  | \$21,522,021        |
| Interest-bearing consumer and commercial deposits   | <b>89,136,044</b>    | 83,753,686          |
| <b>Total consumer and commercial deposits</b>   | <b>113,746,347</b>   | 105,275,707         |
| Brokered deposits (CDs at fair value: \$1,093,017 as of June 30, 2009; \$587,486 as of December 31, 2008)                     | <b>4,519,752</b>     | 7,667,167           |
| Foreign deposits  | <b>535,372</b>       | 385,510             |
| <b>Total deposits</b>   | <b>118,801,471</b>   | 113,328,384         |
| Funds purchased   | <b>3,920,127</b>     | 1,120,079           |
| Securities sold under agreements to repurchase  | <b>2,393,434</b>     | 3,193,311           |
| Other short-term borrowings (debt at fair value: \$0 as of June 30, 2009; \$399,611 as of December 31, 2008)                  | <b>1,761,711</b>     | 5,166,360           |
| Long-term debt (debt at fair value: \$3,365,649 as of June 30, 2009; \$7,155,684 as of December 31, 2008)                     | <b>18,842,460</b>    | 26,812,381          |
| Acceptances outstanding   | <b>5,276</b>         | 5,294               |
| Trading liabilities   | <b>2,348,851</b>     | 3,240,784           |
| Unsettled purchases of securities available for sale  | <b>938,785</b>       | 8,898,279           |
| Other liabilities   | <b>4,769,698</b>     | 4,872,284           |
| <b>Total liabilities</b>  | <b>153,781,813</b>   | 166,637,156         |
| Preferred stock   | <b>4,918,863</b>     | 5,221,703           |
| Common stock, \$1.00 par value  | <b>514,667</b>       | 372,799             |
| Additional paid in capital  | <b>8,540,036</b>     | 6,904,644           |
| Retained earnings   | <b>9,271,388</b>     | 10,388,984          |
| Treasury stock, at cost, and other  | <b>(1,115,782)</b>   | (1,368,450)         |
| Accumulated other comprehensive income, net of tax  | <b>823,986</b>       | 981,125             |
| <b>Total shareholders equity</b>  | <b>22,953,158</b>    | 22,500,805          |

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|   |                      |               |
|---|----------------------|---------------|
| Total liabilities and shareholders' equity  | <b>\$176,734,971</b> | \$189,137,961 |
| Common shares outstanding   | <b>498,786,047</b>   | 354,515,013   |
| Common shares authorized  | <b>750,000,000</b>   | 750,000,000   |
| Preferred shares outstanding  | <b>50,358</b>        | 53,500        |
| Preferred shares authorized   | <b>50,000,000</b>    | 50,000,000    |
| Treasury shares of common stock   | <b>15,880,548</b>    | 18,284,356    |
| <sup>1</sup> Includes net unrealized gains on securities available for sale<br><i>See Notes to Consolidated Financial Statements (unaudited).</i> | <b>\$1,479,277</b>   | \$1,413,330   |

**Table of Contents**

**SunTrust Banks, Inc.**

**Consolidated Statements of Shareholders' Equity**

| (Shares and shares in thousands, except per share data)<br>(in thousands) | Preferred<br>Stock | Common<br>Shares<br>Outstanding | Common<br>Stock | Additional<br>Paid in<br>Capital | Retained<br>Earnings | Treasury<br>Stock and<br>Other <sup>1</sup> | Accumulated<br>Other<br>Comprehensive<br>Income | Total        |
|---|--------------------|---------------------------------|-----------------|----------------------------------|----------------------|---|---|--------------|
| <b>Balance, January 1, 2008</b>   | \$500,000          | 348,411                         | \$370,578       | \$6,707,293                      | \$10,646,640         | (\$1,661,719)                               | \$1,607,149                                     | \$18,168,302 |
| Net income  | -                  | -                               | -               | -                                | 830,917              | -   | -   | 830,917      |
| Other comprehensive income:   |                    |                                 |                 |                                  |                      |   |   |              |
| Change in unrealized gains (losses) on                                    |                    |                                 |                 |                                  |                      |   |   |              |
| Securities, net of taxes  | -                  | -                               | -               | -                                | -                    | -   | (649,700)                                       | (649,700)    |
| Change in unrealized gains (losses) on                                    |                    |                                 |                 |                                  |                      |   |   |              |