SUNTRUST BANKS INC
Form 10-Q
May 07, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-08918
SUNTRUST BANKS, INC.
(Exact name of registrant as specified in its charter)

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

303 Peachtree Street, N.E., Atlanta, Georgia 30308
(Address of principal executive offices) (Zip Code)
(404) 588-7711
(Registrant's telephone number, including area code)

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 þ No ¨

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

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

At April 30, 2015, 516,219,400 shares of the Registrant’s Common Stock, $1.00 par value, were outstanding.

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GLOSSARY OF DEFINED TERMS

ABS — Asset-backed securities.
ACH — Automated clearing house.
AFS — Available for sale.
ALCO — Asset/Liability Committee.
ALM — Asset/Liability Management.
ALLL — Allowance for loan and lease losses.
AOCI — Accumulated other comprehensive income.
ASU — Accounting Standards Update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
Basel III — the Third Basel Accord, a comprehensive set of reform measures developed by the BCBS.
BCBS — Basel Committee on Banking Supervision.
Board — The Company's Board of Directors.
bps — Basis points.
BRC — Board Risk Committee.
CCAR — Comprehensive Capital Analysis and Review.
CCB — Capital conservation buffer.
CDO — Collateralized debt obligation.
CD — Certificate of deposit.
CDR — Conditional default rate.
CDS — Credit default swaps.
CET1 — Common Equity Tier 1 Capital.
CEO — Chief Executive Officer.
CFO — Chief Financial Officer.
CIB — Corporate and investment banking.
C&I — Commercial and industrial.
Class A shares — Visa Inc. Class A common stock.
Class B shares — Visa Inc. Class B common stock.
CLO — Collateralized loan obligation.
Company — SunTrust Banks, Inc.
CP — Commercial paper.
CPR — Conditional prepayment rate.
CRE — Commercial real estate.
CSA — Credit support annex.
CVA — Credit valuation adjustment.
DDA — Demand deposit account.
Dodd-Frank Act — Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DOJ — Department of Justice.
DTA — Deferred tax asset.
DVA — Debit valuation adjustment.
ERISA — Employee Retirement Income Security Act of 1974.
Exchange Act — Securities Exchange Act of 1934.
Fannie Mae — Federal National Mortgage Association.
Freddie Mac — Federal Home Loan Mortgage Corporation.
FDIC — Federal Deposit Insurance Corporation.
Federal Reserve — Federal Reserve System.
Fed funds — Federal funds.

FHA — Federal Housing Administration.
FHLB — Federal Home Loan Bank.
FICO — Fair Isaac Corporation.
Fitch — Fitch Ratings Ltd.
FRB — Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.

GenSpring — GenSpring Family Offices, LLC.
Ginnie Mae — Government National Mortgage Association.
GSE — Government-sponsored enterprise.
HAMP — Home Affordable Modification Program.
HUD — U.S. Department of Housing and Urban Development.
IIS — Institutional Investment Solutions.
IPO — Initial public offering.
IRLC — Interest rate lock commitment.
ISDA — International Swaps and Derivatives Association.
LCR — Liquidity coverage ratio.
LGD — Loss given default.
LHFI — Loans held for investment.
LHFS — Loans held for sale.
LIBOR — London InterBank Offered Rate.
LOCOM — Lower of cost or market.
LTI — Long-term incentive.
LTV— Loan to value.
MasterCard — MasterCard International.
MBS — Mortgage-backed securities.
MD&A — Management's Discussion and Analysis of Financial Condition and Results of Operations.
MI — Mortgage insurance.
Moody's — Moody's Investors Service.
MRA — Master Repurchase Agreement.
MRM — Market Risk Management.
MRMG — Model Risk Management Group.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NOW — Negotiable order of withdrawal account.
NPA — Nonperforming asset.
NPL — Nonperforming loan.
OCI — Other comprehensive income.
OREO — Other real estate owned.
OTC — Over-the-counter.
OTTI — Other-than-temporary impairment.
Parent Company — SunTrust Banks, Inc. (the parent Company of SunTrust Bank and other subsidiaries).
PD — Probability of default.
PWM — Private Wealth Management.
REIT — Real estate investment trust.
RidgeWorth — RidgeWorth Capital Management, Inc.
ROA — Return on average total assets.
ROE — Return on average common shareholders' equity.
ROTCE — Return on average tangible common shareholders' equity.
RSU — Restricted stock unit.

RWA — Risk-weighted assets.
S&P — Standard and Poor's.
SBA — Small Business Administration.
SEC — U.S. Securities and Exchange Commission.
SPE — Special purpose entity.
STIS — SunTrust Investment Services, Inc.
STM — SunTrust Mortgage, Inc.
STRH — SunTrust Robinson Humphrey, Inc.
SunTrust — SunTrust Banks, Inc.
STCC — SunTrust Community Capital, LLC.
TDR — Troubled debt restructuring.

TRS — Total return swaps.
U.S. — United States.
U.S. GAAP — Generally Accepted Accounting Principles in the United States.
U.S. Treasury — The United States Department of the Treasury.
UPB — Unpaid principal balance.
UTB — Unrecognized tax benefit.
VA —Veterans Administration.

VAR —Value at risk.
VI — Variable interest.
VIE — Variable interest entity.
Visa — The Visa, U.S.A. Inc. card association or its affiliates, collectively.
Visa Counterparty — A financial institution that purchased the Company's Visa Class B shares.

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 U.S. GAAP 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, 2015 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2015.

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

SunTrust Banks, Inc.

Consolidated Statements of Income

	Three Months Ended March 31	
(Dollars in millions and shares in thousands, except per share data) (Unaudited)	2015	2014
Interest Income		
Interest and fees on loans	$1,091	$1,151
Interest and fees on loans held for sale	22	15
Interest and dividends on securities available for sale	140	153
Trading account interest and other	19	17
Total interest income	1,272	1,336
Interest Expense		
Interest on deposits	56	65
Interest on long-term debt	68	58
Interest on other borrowings	8	9
Total interest expense	132	132
Net interest income	1,140	1,204
Provision for credit losses	55	102
Net interest income after provision for credit losses	1,085	1,102
Noninterest Income		
Service charges on deposit accounts	151	155
Other charges and fees	89	88
Card fees	80	76
Investment banking income	97	88
Trading income	55	49
Trust and investment management income	84	130
Retail investment services	72	71
Mortgage production related income	83	43
Mortgage servicing related income	43	54
Net securities losses	—	(1)
Other noninterest income	63	38
Total noninterest income	817	791
Noninterest Expense		
Employee compensation	633	659
Employee benefits	138	141
Outside processing and software	189	170
Net occupancy expense	84	86
Equipment expense	40	44
Regulatory assessments	37	40
Marketing and customer development	27	25
Credit and collection services	18	22
Operating losses	14	21
Amortization	7	3
Other noninterest expense	93	146
Total noninterest expense	1,280	1,357
Income before provision for income taxes	622	536
Provision for income taxes	191	125
Net income including income attributable to noncontrolling interest	431	411

Net income attributable to noncontrolling interest	2	6
Net income	$429	$405
Net income available to common shareholders	$411	$393
Net income per average common share:		
Diluted	$0.78	$0.73
Basic	0.79	0.74
Dividends declared per common share	0.20	0.10
Average common shares - diluted	526,837	536,992
Average common shares - basic	521,020	531,162

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Comprehensive Income

	Three Months Ended March 31	
(Dollars in millions) (Unaudited)	2015	2014
Net income	$429	$405
Components of other comprehensive income:		
Change in net unrealized gains on securities available for sale, net of tax of $53 and $63, respectively	86	108
Change in net unrealized gains/(losses) on derivative instruments, net of tax of $27 and ($29), respectively	44	(50)
Change related to employee benefit plans, net of tax of ($43) and $18, respectively	(73)	31
Total other comprehensive income, net of tax	57	89
Total comprehensive income	$486	$494

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Balance Sheets

(Dollars in millions and shares in thousands, except per share data)	March 31, 2015	December 31, 2014
Assets	(Unaudited)	
Cash and due from banks	$6,483	$7,047
Federal funds sold and securities borrowed or purchased under agreements to resell	1,233	1,160
Interest-bearing deposits in other banks	22	22
Cash and cash equivalents	7,738	8,229
Trading assets and derivative instruments [1]	6,595	6,202
Securities available for sale [2]	26,761	26,770
Loans held for sale ($2,077 and $1,892 at fair value at March 31, 2015 and December 31, 2014, respectively)	3,404	3,232
Loans [3] ($268 and $272 at fair value at March 31, 2015 and December 31, 2014, respectively)	132,380	133,112
Allowance for loan and lease losses	(1,893)	(1,937)
Net loans	130,487	131,175
Premises and equipment	1,494	1,508
Goodwill	6,337	6,337
Other intangible assets (MSRs at fair value: $1,181 and $1,206 at March 31, 2015 and December 31, 2014, respectively)	1,193	1,219
Other assets	5,872	5,656
Total assets	$189,881	$190,328
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits	$42,376	$41,096
Interest-bearing deposits	102,047	99,471
Total deposits	144,423	140,567
Funds purchased	1,299	1,276
Securities sold under agreements to repurchase	1,845	2,276
Other short-term borrowings	1,438	5,634
Long-term debt [4] ($1,281 and $1,283 at fair value at March 31, 2015 and December 31, 2014, respectively)	13,012	13,022
Trading liabilities and derivative instruments	1,459	1,227
Other liabilities	3,145	3,321
Total liabilities	166,621	167,323
Preferred stock, no par value	1,225	1,225
Common stock, $1.00 par value	550	550
Additional paid in capital	9,074	9,089
Retained earnings	13,600	13,295
Treasury stock, at cost, and other [5]	(1,124)	(1,032)
Accumulated other comprehensive loss, net of tax	(65)	(122)
Total shareholders' equity	23,260	23,005
Total liabilities and shareholders' equity	$189,881	$190,328
Common shares outstanding [6]	522,031	524,540
Common shares authorized	750,000	750,000
Preferred shares outstanding	12	12
Preferred shares authorized	50,000	50,000

Treasury shares of common stock	27,890	25,381
[1] Includes trading securities pledged as collateral where counterparties have the right to sell or repledge the collateral	$1,207	$1,316
[2] Includes securities AFS pledged as collateral where counterparties have the right to sell or repledge the collateral	—	369
[3] Includes loans of consolidated VIEs	277	288
[4] Includes debt of consolidated VIEs	292	302
[5] Includes noncontrolling interest	106	108
[6] Includes restricted shares	1,712	2,930

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Shareholders’ Equity

(Dollars and shares in millions, 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 (Loss)/Income [2]	Total
Balance, January 1, 2014	$725	536	$550	$9,115	$11,936	($615)	($289)	$21,422
Net income	—	—	—	—	405	—	—	405
Other comprehensive income	—	—	—	—	—	—	89	89
Change in noncontrolling interest	—	—	—	—	—	7	—	7
Common stock dividends, $0.10 per share	—	—	—	—	(54)	—	—	(54)
Preferred stock dividends [3]	—	—	—	—	(9)	—	—	(9)
Acquisition of treasury stock	—	(1)	—	—	—	(50)	—	(50)
Exercise of stock options and stock compensation expense	—	—	—	(9)	—	8	—	(1)
Restricted stock activity	—	—	—	7	—	(3)	—	4
Amortization of restricted stock compensation	—	—	—	—	—	8	—	8
Issuance of stock for employee benefit plans and other	—	—	—	(6)	—	2	—	(4)
Balance, March 31, 2014	$725	535	$550	$9,107	$12,278	($643)	($200)	$21,817
Balance, January 1, 2015	$1,225	525	$550	$9,089	$13,295	($1,032)	($122)	$23,005
Net income	—	—	—	—	429	—	—	429
Other comprehensive income	—	—	—	—	—	—	57	57
Change in noncontrolling interest	—	—	—	—	—	(2)	—	(2)
Common stock dividends, $0.20 per share	—	—	—	—	(105)	—	—	(105)
Preferred stock dividends [3]	—	—	—	—	(17)	—	—	(17)
Acquisition of treasury stock	—	(3)	—	—	—	(115)	—	(115)
Exercise of stock options and stock compensation expense	—	—	—	(10)	—	11	—	1
Restricted stock activity	—	—	—	(5)	(2)	7	—	—
Amortization of restricted stock compensation	—	—	—	—	—	6	—	6
Issuance of stock for employee benefit plans and other	—	—	—	—	—	1	—	1
Balance, March 31, 2015	$1,225	522	$550	$9,074	$13,600	($1,124)	($65)	$23,260

[1] At March 31, 2015, includes ($1,215) million for treasury stock, ($15) million for compensation element of restricted stock, and $106 million for noncontrolling interest.
At March 31, 2014, includes ($727) million for treasury stock, ($42) million for compensation element of restricted stock, and $126 million for noncontrolling interest.
[2] At March 31, 2015, includes $384 million in unrealized net gains on securities AFS, $141 million in unrealized net gains on derivative financial instruments, and ($590) million related to employee benefit plans.

At March 31, 2014, includes $31 million in unrealized net gains on securities AFS, $229 million in unrealized net gains on derivative financial instruments, and ($460) million related to employee benefit plans.

[3] For the three months ended March 31, 2015, dividends were $1,000 per share for both Perpetual Preferred Stock Series A and B, $1,469 per share for Perpetual Preferred Stock Series E, and $1,406 per share for Perpetual Preferred Stock Series F.

For the three months ended March 31, 2014, dividends were $1,000 per share for both Perpetual Preferred Stock Series A and B, and $1,469 per share for Perpetual Preferred Stock Series E.

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Cash Flows

	Three Months Ended March 31	
(Dollars in millions) (Unaudited)	2015	2014
Cash Flows from Operating Activities		
Net income including income attributable to noncontrolling interest	$431	$411
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, amortization, and accretion	201	163
Origination of mortgage servicing rights	(46)	(32)
Provisions for credit losses and foreclosed property	58	104
Stock-based compensation	19	17
Excess tax benefits from stock-based compensation	(16)	(3)
Net securities losses	—	1
Net gain on sale of loans held for sale, loans, and other assets	(102)	(70)
Net (increase)/decrease in loans held for sale	(108)	353
Net (increase)/decrease in trading assets	(322)	53
Net (increase)/decrease in other assets	(340)	64
Net increase/(decrease) in other liabilities	15	(231)
Net cash (used in)/provided by operating activities	(210)	830
Cash Flows from Investing Activities		
Proceeds from maturities, calls, and paydowns of securities available for sale	1,421	762
Proceeds from sales of securities available for sale	10	69
Purchases of securities available for sale	(1,344)	(1,436)
Proceeds from sales of auction rate securities	—	59
Net decrease/(increase) in loans, including purchases of loans	212	(1,667)
Proceeds from sales of loans	411	94
Purchases of mortgage servicing rights	(64)	—
Capital expenditures	(33)	(34)
Payments related to acquisitions, including contingent consideration	(10)	(8)
Proceeds from the sale of other real estate owned and other assets	86	96
Net cash provided by/(used in) investing activities	689	(2,065)
Cash Flows from Financing Activities		
Net increase in total deposits	3,856	3,197
Net decrease in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	(4,604)	(60)
Proceeds from long-term debt	—	876
Repayments of long-term debt	(14)	(28)
Repurchase of common stock	(115)	(50)
Common and preferred dividends paid	(115)	(63)
Incentive compensation related activity	22	7
Net cash (used in)/provided by financing activities	(970)	3,879
Net (decrease)/increase in cash and cash equivalents	(491)	2,644
Cash and cash equivalents at beginning of period	8,229	5,263
Cash and cash equivalents at end of period	$7,738	$7,907

Supplemental Disclosures:

Loans transferred from loans held for sale to loans	$11	$17
Loans transferred from loans to loans held for sale	512	115
Loans transferred from loans and loans held for sale to other real estate owned	14	42

See Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The unaudited consolidated financial statements have been prepared in accordance with 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 presentation of the results of operations in these financial statements, have been made.

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.

The Company evaluated subsequent events through the date its financial statements were issued.

These financial statements should be read in conjunction with the Company's 2014 Annual Report on Form 10-K. There have been no significant changes to the Company's accounting policies as disclosed in the 2014 Annual Report on Form 10-K.

Pending Accounting Pronouncements

The following table provides a brief description of recent accounting pronouncements that could have a material effect on the Company's financial statements:

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
Standards not yet adopted			
ASU 2014-09, Revenue from Contracts with Customers	The ASU supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The core principle of the ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU may be adopted either retrospectively or on a modified retrospective basis to new contracts and existing contracts with remaining performance obligations as of the effective date.	January 1, 2017	The Company is continuing to evaluate the alternative methods of adoption and the anticipated effects on the financial statements and related disclosures.
ASU 2015-02, Amendments to the Consolidation Analysis	The ASU rescinds the indefinite deferral of previous amendments to ASC Topic 810 for certain entities and amends components of the consolidation analysis under ASC Topic 810 including evaluating limited partnerships and similar legal entities, evaluating fees paid to a decision maker or service provider as a variable interest, the effects of fee arrangements and/or related parties on the primary beneficiary determination and investment fund specific matters. The ASU may be adopted either retrospectively or on a modified	January 1, 2016	The Company is continuing to evaluate the impact of this ASU on the financial statements and related disclosures. The adoption is not expected to materially impact the Company's financial position, results of operations, or EPS.

retrospective basis and early adoption is permitted.

NOTE 2 - FEDERAL FUNDS SOLD AND SECURITIES FINANCING ACTIVITIES

Federal Funds Sold and Securities Borrowed or Purchased
Under Agreements to Resell

Fed funds sold and securities borrowed or purchased under agreements to resell were as follows:

(Dollars in millions)	March 31, 2015	December 31, 2014
Fed funds sold	$—	$38
Securities borrowed or purchased	262	290
Resell agreements	971	832
Total fed funds sold and securities borrowed or purchased under agreements to resell	$1,233	$1,160

Securities purchased under agreements to resell are primarily collateralized by U.S. government or agency securities and are

carried at the amounts at which securities will be subsequently resold. Securities borrowed are primarily collateralized by corporate securities. The Company takes possession of all securities purchased under agreements to resell and securities borrowed and performs a margin evaluation on the acquisition date based on market volatility, as necessary. It is the Company's policy to obtain possession of collateral with a fair value between 95% to 110% of the principal amount loaned under resell and securities borrowing agreements. At March 31, 2015 and December 31, 2014, the total market value of collateral held was $1.2 billion and $1.1 billion, of which $194 million and $222 million was repledged, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are accounted for as secured borrowings. The following table presents the Company's related activity, by collateral type and remaining contractual maturity:

	March 31, 2015	December 31, 2014		
(Dollars in millions)	Overnight and Continuous	Overnight and Continuous	Up to 30 days	Total
U.S. Treasury securities	$167	$376	$—	$376
Federal agency securities	101	231	—	231
MBS - agency	1,105	1,059	45	1,104
CP	101	238	—	238
Corporate and other debt securities	371	327	—	327
Total securities sold under agreements to repurchase	$1,845	$2,231	$45	$2,276

For these securities sold under agreements to repurchase, the Company would be obligated to provide additional collateral in the event of a significant decline in fair value of the collateral pledged. This risk is managed by monitoring the liquidity and credit quality of the collateral, as well as the maturity profile of the transactions.

Netting of Securities - Repurchase and Resell Agreements

The Company has various financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements. The Company's derivatives that are subject to enforceable master netting agreements or similar agreements are discussed in Note 13, "Derivative Financial Instruments." The following table presents the Company's securities borrowed or purchased under agreements to resell and securities sold under agreements to repurchase subject to MRAs. Under the terms of the MRA, all transactions between the Company and a counterparty constitute a single

business relationship such that in the event of default, the nondefaulting party is entitled to set off claims and apply property held against obligations owed. Any payments, deliveries, or other transfers may be applied against each other and presented net on the Company's Consolidated Balance Sheets, provided criteria are met that permit balance sheet netting. At March 31, 2015 and December 31, 2014, there were no such transactions subject to a legally enforceable MRA that were eligible for balance sheet netting.

Financial instrument collateral received or pledged related to exposures subject to legally enforceable MRAs are not netted on the Consolidated Balance Sheets, but are presented in the following table as a reduction to the net amount presented in the Consolidated Balance Sheets to derive the aggregate collateral deficits by counterparty. These collateral amounts presented are limited to the related recognized asset/liability balance, and accordingly, do not include excess collateral received/pledged.

(Dollars in millions)	Gross Amount	Amount Offset	Net Amount Presented in Consolidated Balance Sheets [1]	Held/Pledged Financial Instruments [2]	Net Amount
March 31, 2015					
Financial assets:					
Securities borrowed or purchased under agreements to resell	$1,233	$—	$1,233	$1,225	$8
Financial liabilities:					
Securities sold under agreements to repurchase	1,845	—	1,845	1,845	—

December 31, 2014					
Financial assets:					
Securities borrowed or purchased under agreements to resell	$1,122	$—	$1,122 [3]	$1,112	$10
Financial liabilities:					
Securities sold under agreements to repurchase	2,276	—	2,276	2,276	—

[1] None of the Company's repurchase or resell transactions met the right of setoff criteria for net balance sheet presentation at March 31, 2015 and December 31, 2014.

[2] Represents collateral received or pledged, limited for presentation purposes to the amount of the related recognized asset or liability for each counterparty, and therefore, may be less than the aggregate amount of collateral actually held/pledged.

[3] Excludes $38 million of Fed funds sold which are not subject to a master netting agreement at December 31, 2014.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 3 - TRADING ASSETS AND LIABILITIES AND DERIVATIVES

The fair values of the components of trading assets and liabilities and derivative instruments were as follows:

(Dollars in millions)	March 31, 2015	December 31, 2014
Trading Assets and Derivative Instruments:		
U.S. Treasury securities	$451	$267
Federal agency securities	327	547
U.S. states and political subdivisions	100	42
MBS - agency	575	545
CLO securities	3	3
Corporate and other debt securities	646	509
CP	239	327
Equity securities	46	45
Derivative instruments [1]	1,475	1,307
Trading loans [2]	2,733	2,610
Total trading assets and derivative instruments	$6,595	$6,202
Trading Liabilities and Derivative Instruments:		
U.S. Treasury securities	$614	$485
Federal agency securities	2	—
MBS - agency	3	1
Corporate and other debt securities	288	279
Derivative instruments [1]	552	462
Total trading liabilities and derivative instruments	$1,459	$1,227

[1] Amounts include the impact of offsetting cash collateral received from and paid to the same derivative counterparties and the impact of netting derivative assets and derivative liabilities when a legally enforceable master netting agreement or similar agreement exists.
[2] Includes loans related to TRS.

Various trading products and derivative instruments are used as part of the Company's overall balance sheet management strategies and to support client requirements executed through the Bank and/or its broker/dealer subsidiary. The Company manages the potential market volatility associated with trading instruments with appropriate risk management strategies. The size, volume, and nature of the trading products and derivative instruments can vary based on economic conditions as well as client-specific and Company-specific asset or liability positions. Product offerings to clients include debt securities, loans traded in the secondary market, equity securities, derivative contracts, and similar financial instruments. Other trading-related activities include acting as a market maker in certain debt and equity

securities and derivatives. The Company also uses derivatives to manage its interest rate and market risk from non-trading activities. The Company has policies and procedures to manage market risk associated with client trading activities as well as non-trading activities and assumes a limited degree of market risk by managing the size and nature of its exposure. The Company has pledged $978 million and $1.1 billion of trading securities to secure $935 million and $1.1 billion of repurchase agreements at March 31, 2015 and December 31, 2014, respectively. Additionally, the Company has pledged $234 million and $202 million of trading securities to secure certain derivative agreements at March 31, 2015 and December 31, 2014, respectively.

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Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 4 – SECURITIES AVAILABLE FOR SALE
Securities Portfolio Composition

(Dollars in millions)	March 31, 2015 Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$2,110	$35	$—	$2,145
Federal agency securities	461	16	1	476
U.S. states and political subdivisions	183	9	—	192
MBS - agency	22,366	614	28	22,952
MBS - private	118	2	1	119
ABS	19	2	—	21
Corporate and other debt securities	37	2	—	39
Other equity securities [1]	815	2	—	817
Total securities AFS	$26,109	$682	$30	$26,761

(Dollars in millions)	December 31, 2014 Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$1,913	$9	$1	$1,921
Federal agency securities	471	15	2	484
U.S. states and political subdivisions	200	9	—	209
MBS - agency	22,573	558	83	23,048
MBS - private	122	2	1	123
ABS	19	2	—	21
Corporate and other debt securities	38	3	—	41
Other equity securities [1]	921	2	—	923
Total securities AFS	$26,257	$600	$87	$26,770

[1] At March 31, 2015, the fair value of other equity securities was comprised of the following: $207 million in FHLB of Atlanta stock, $402 million in Federal Reserve Bank of Atlanta stock, $201 million in mutual fund investments, and $7 million of other. At December 31, 2014, other equity securities was comprised of the following: $376 million in FHLB of Atlanta stock, $402 million in Federal Reserve Bank of Atlanta stock, $138 million in mutual fund investments, and $7 million of other.

The following table presents interest and dividends on securities AFS:

(Dollars in millions)	Three Months Ended March 31 2015	2014
Taxable interest	$128	$141
Tax-exempt interest	2	3
Dividends	10	9
Total interest and dividends	$140	$153

Securities AFS pledged to secure public deposits, repurchase agreements, trusts, and other funds had a fair value of $3.1 billion and $2.6 billion at March 31, 2015 and December 31, 2014, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

The amortized cost and fair value of investments in debt securities at March 31, 2015, by estimated average life, are shown below. Receipt of cash flows may differ from estimated

average lives and contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

(Dollars in millions)	Distribution of Maturities 1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Total
Amortized Cost:					
U.S. Treasury securities	$200	$1,315	$595	$—	$2,110
Federal agency securities	87	205	36	133	461
U.S. states and political subdivisions	38	27	102	16	183
MBS - agency	2,524	12,008	4,168	3,666	22,366
MBS - private	—	118	—	—	118
ABS	15	3	1	—	19
Corporate and other debt securities	5	32	—	—	37
Total debt securities	$2,869	$13,708	$4,902	$3,815	$25,294
Fair Value:					
U.S. Treasury securities	$203	$1,335	$607	$—	$2,145
Federal agency securities	88	215	38	135	476
U.S. states and political subdivisions	38	28	109	17	192
MBS - agency	2,679	12,343	4,249	3,681	22,952
MBS - private	—	119	—	—	119
ABS	14	5	2	—	21
Corporate and other debt securities	5	34	—	—	39
Total debt securities	$3,027	$14,079	$5,005	$3,833	$25,944
Weighted average yield [1]	1.67 %	2.26 %	2.69 %	2.81 %	2.43 %

[1]Average yields are based on amortized cost and presented on an FTE basis.

Securities in an Unrealized Loss Position

The Company held certain investment securities where amortized cost exceeded fair market value, resulting in unrealized loss positions. Market changes in interest rates and credit spreads may result in temporary unrealized losses as the market price of securities fluctuates. At March 31, 2015, the Company did not intend to sell these securities nor was it more-

likely-than-not that the Company would be required to sell these securities before their anticipated recovery or maturity. The Company has reviewed its portfolio for OTTI in accordance with the accounting policies described in the Company's 2014 Annual
Report on Form 10-K.

(Dollars in millions)	March 31, 2015 Less than twelve months Fair Value	 Unrealized Losses [2]	Twelve months or longer Fair Value	 Unrealized Losses [2]	Total Fair Value	 Unrealized Losses [2]
Temporarily impaired securities:						
Federal agency securities	$47	$—	$52	$1	$99	$1

MBS - agency	2,339	9	1,175	19	3,514	28
ABS	—	—	14	—	14	—
Total temporarily impaired securities	2,386	9	1,241	20	3,627	29
OTTI securities [1]:						
MBS - private	67	1	—	—	67	1
Total OTTI securities	67	1	—	—	67	1
Total impaired securities	$2,453	$10	$1,241	$20	$3,694	$30

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Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	December 31, 2014					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Unrealized Losses [2]	Fair Value	Unrealized Losses [2]	Fair Value	Unrealized Losses [2]
Temporarily impaired securities:						
U.S. Treasury securities	$150	$1	$—	$—	$150	$1
Federal agency securities	20	—	132	2	152	2
MBS - agency	2,347	6	4,911	77	7,258	83
ABS	—	—	14	—	14	—
Total temporarily impaired securities	2,517	7	5,057	79	7,574	86
OTTI securities [1]:						
MBS - private	69	1	—	—	69	1
Total OTTI securities	69	1	—	—	69	1
Total impaired securities	$2,586	$8	$5,057	$79	$7,643	$87

[1] Includes OTTI securities for which credit losses have been recorded in earnings in current or prior periods.
[2] Unrealized losses less than $0.5 million are shown as zero.

At March 31, 2015, unrealized losses on securities that have been in a temporarily impaired position for longer than twelve months included agency MBS, federal agency securities, and one ABS collateralized by 2004 vintage home equity loans. Unrealized losses on federal agency securities and agency MBS securities at March 31, 2015 were due to market interest rates being higher than the securities' stated yield. The ABS continues to receive timely principal and interest payments, and is evaluated quarterly for credit impairment. Cash flow analysis shows that the underlying collateral can withstand highly stressed loss assumptions without incurring a credit loss.

The portion of unrealized losses on OTTI securities that relates to factors other than credit is recorded in AOCI. Losses related to credit impairment on these securities are determined through estimated cash flow analyses and have been recorded in earnings in current or prior periods.

Realized Gains and Losses and Other-than-Temporarily Impaired Securities

Net securities losses are comprised of gross realized gains, gross realized losses, and OTTI losses recognized in earnings. For both the three months ended March 31, 2015 and 2014, gross realized gains and losses were immaterial and there were no OTTI losses recognized in earnings.

Credit impairment that is determined through the use of models is estimated using cash flows on security specific collateral and the transaction structure. Future expected credit losses are determined by using various assumptions, the most

significant of which include default rates, prepayment rates, and loss severities. If, based on this analysis, the security is in an unrealized loss position and the Company does not expect to recover the entire amortized cost basis of the security, the expected cash flows are then discounted at the security’s initial effective interest rate to arrive at a present value amount. OTTI credit losses reflect the difference between the present value of cash flows expected to be collected and the amortized cost basis of these securities.

The Company continues to reduce existing exposure on OTTI securities primarily through paydowns. In certain instances, the amount of impairment losses recognized in earnings includes credit losses on debt securities that exceeds the total unrealized losses, and as a result, the securities may have unrealized gains in AOCI relating to factors other than credit. Subsequent credit losses may be recorded on securities without a corresponding further decline in fair value when there has been a decline in expected cash flows.

During the three months ended March 31, 2015 and 2014, there was no credit impairment recognized on securities AFS still held at the end of each period. The accumulated balance of credit losses recognized in earnings on securities

AFS held at period end for which a portion of OTTI was recognized in OCI was $25 million at both March 31, 2015 and 2014, all of which was recognized in prior periods. Subsequent credit losses may be recorded on securities without a corresponding further decline in fair value when there has been a decline in expected cash flows.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 5 - LOANS

Composition of Loan Portfolio

The composition of the Company's loan portfolio is shown in the following table:

(Dollars in millions)	March 31, 2015	December 31, 2014
Commercial loans:		
C&I	$65,574	$65,440
CRE	6,389	6,741
Commercial construction	1,484	1,211
Total commercial loans	73,447	73,392
Residential loans:		
Residential mortgages - guaranteed	655	632
Residential mortgages - nonguaranteed [1]	23,419	23,443
Home equity products	13,954	14,264
Residential construction	417	436
Total residential loans	38,445	38,775
Consumer loans:		
Guaranteed student loans	4,337	4,827
Other direct	4,937	4,573
Indirect	10,336	10,644
Credit cards	878	901
Total consumer loans	20,488	20,945
LHFI	$132,380	$133,112
LHFS [2]	$3,404	$3,232

[1] Includes $268 million and $272 million of LHFI carried at fair value at March 31, 2015 and December 31, 2014, respectively.

[2] Includes $2.1 billion and $1.9 billion of LHFS carried at fair value at March 31, 2015 and December 31, 2014, respectively.

During the three months ended March 31, 2015 and 2014, the Company transferred $512 million and $115 million in LHFI to LHFS, and $11 million and $17 million in LHFS to LHFI, respectively. Additionally, during the three months ended March 31, 2015 and 2014, the Company sold $405 million and $85 million in loans and leases for gains of $6 million and $9 million, respectively.

At March 31, 2015 and December 31, 2014, the Company had $25.2 billion and $26.5 billion of net eligible loan collateral pledged to the Federal Reserve discount window to support $17.5 billion and $18.4 billion of available, unused borrowing capacity, respectively.

At March 31, 2015 and December 31, 2014, the Company had $31.0 billion and $31.2 billion of net eligible loan collateral pledged to the FHLB of Atlanta to support $24.5 billion and $24.3 billion of available borrowing capacity, respectively. The available FHLB borrowing capacity at March 31, 2015 was used to support $4.0 billion of long-term debt, $500 million of short-term debt, and $6.4 billion of letters of credit issued on the Company's behalf. At December 31, 2014, the available FHLB borrowing capacity was used to support $4.0 billion of long-term debt, $4.0 billion of short-term debt, and $7.9 billion of letters of credit issued on the Company's behalf.

Credit Quality Evaluation

The Company evaluates the credit quality of its loan portfolio by employing a dual internal risk rating system, which assigns both PD and LGD ratings to derive expected losses. Assignment of PD and LGD ratings are predicated upon numerous factors, including consumer credit risk scores, rating agency information, borrower/guarantor financial capacity, LTV ratios, collateral type, debt service coverage ratios, collection experience, other internal

metrics/analyses, and/or qualitative assessments.
For the commercial portfolio, the Company believes that the most appropriate credit quality indicator is an individual loan’s risk assessment expressed according to the broad regulatory agency classifications of Pass or Criticized. The Company's risk rating system is granular, with multiple risk ratings in both the Pass and Criticized categories. Pass ratings reflect relatively low PDs, whereas, Criticized assets have higher PDs. The granularity in Pass ratings assists in the establishment of pricing, loan structures, approval requirements, reserves, and ongoing credit management requirements. The Company conforms to the following regulatory classifications for Criticized assets: Other Assets Especially Mentioned (or Special Mention), Adversely Classified, Doubtful, and Loss. However, for the purposes of disclosure, management believes the most meaningful distinction within the Criticized categories is between Accruing Criticized (which includes Special Mention and a portion of Adversely Classified) and Nonaccruing Criticized (which includes a portion of Adversely Classified and Doubtful and Loss). This distinction identifies those relatively higher risk loans for which there is a basis to believe that the Company will collect all amounts due from those where full collection is less certain. Commercial risk ratings are refreshed at least annually, or more frequently as appropriate, based upon considerations such as market conditions, borrower characteristics, and portfolio trends. Additionally, management routinely reviews portfolio risk ratings, trends, and concentrations to support risk identification and mitigation activities.
For consumer and residential loans, the Company monitors credit risk based on indicators such as delinquencies and FICO scores. The Company believes that consumer credit risk, as assessed by the industry-wide FICO scoring method, is a relevant credit quality indicator. Borrower-specific FICO scores are obtained at origination as part of the Company’s formal underwriting process, and refreshed FICO scores are obtained by the Company at least quarterly.
For government-guaranteed loans, the Company monitors the credit quality based primarily on delinquency status, as it is a more relevant indicator of credit quality due to the government guarantee. At March 31, 2015 and December 31, 2014, 30% and 28%, respectively, of the guaranteed residential loan portfolio was current with respect to payments. At March 31, 2015 and December 31, 2014, 80% and 79%, respectively, of the guaranteed student loan portfolio was current with respect to payments. Loss exposure to the Company on these loans is mitigated by the government guarantee.

Notes to Consolidated Financial Statements (Unaudited), continued

LHFI by credit quality indicator are shown in the tables below:

	Commercial Loans					
	C&I		CRE		Commercial construction	
(Dollars in millions)	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Risk rating:						
Pass	$64,295	$64,228	$6,265	$6,586	$1,468	$1,196
Criticized accruing	1,139	1,061	100	134	15	14
Criticized nonaccruing	140	151	24	21	1	1
Total	$65,574	$65,440	$6,389	$6,741	$1,484	$1,211

	Residential Loans [1]					
	Residential mortgages - nonguaranteed		Home equity products		Residential construction	
(Dollars in millions)	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Current FICO score range:						
700 and above	$18,752	$18,780	$11,245	$11,475	$327	$347
620 - 699	3,411	3,369	1,932	1,991	71	70
Below 620 [2]	1,256	1,294	777	798	19	19
Total	$23,419	$23,443	$13,954	$14,264	$417	$436

	Consumer Loans [3]					
	Other direct		Indirect		Credit cards	
(Dollars in millions)	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Current FICO score range:						
700 and above	$4,345	$4,023	$7,324	$7,661	$613	$639
620 - 699	530	476	2,361	2,335	219	212
Below 620 [2]	62	74	651	648	46	50
Total	$4,937	$4,573	$10,336	$10,644	$878	$901

[1] Excludes $655 million and $632 million of guaranteed residential loans at March 31, 2015 and December 31, 2014, respectively.
[2] For substantially all loans with refreshed FICO scores below 620, the borrower's FICO score at the time of origination exceeded 620 but has since deteriorated as the loan has seasoned.
[3] Excludes $4.3 billion and $4.8 billion of guaranteed student loans at March 31, 2015 and December 31, 2014, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

The payment status for the LHFI portfolio is shown in the tables below:

	March 31, 2015				
(Dollars in millions)	Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
C&I	$65,369	$44	$21	$140	$65,574
CRE	6,362	3	—	24	6,389
Commercial construction	1,483	—	—	1	1,484
Total commercial loans	73,214	47	21	165	73,447
Residential loans:					
Residential mortgages - guaranteed	195	34	426	—	655
Residential mortgages - nonguaranteed [1]	23,058	95	12	254	23,419
Home equity products	13,705	84	—	165	13,954
Residential construction	388	6	—	23	417
Total residential loans	37,346	219	438	442	38,445
Consumer loans:					
Guaranteed student loans	3,454	372	511	—	4,337
Other direct	4,912	18	3	4	4,937
Indirect	10,260	74	1	1	10,336
Credit cards	866	6	6	—	878
Total consumer loans	19,492	470	521	5	20,488
Total LHFI	$130,052	$736	$980	$612	$132,380

[1] Includes $268 million of loans carried at fair value, the majority of which were accruing current.
[2] Nonaccruing loans past due 90 days or more totaled $379 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs and performing second lien loans which are classified as nonaccrual when the first lien loan is nonperforming.

	December 31, 2014				
(Dollars in millions)	Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
C&I	$65,246	$36	$7	$151	$65,440
CRE	6,716	3	1	21	6,741
Commercial construction	1,209	1	—	1	1,211
Total commercial loans	73,171	40	8	173	73,392
Residential loans:					
Residential mortgages - guaranteed	176	34	422	—	632
Residential mortgages - nonguaranteed [1]	23,067	108	14	254	23,443
Home equity products	13,989	101	—	174	14,264
Residential construction	402	7	—	27	436
Total residential loans	37,634	250	436	455	38,775
Consumer loans:					

Guaranteed student loans	3,801	425	601	—	4,827
Other direct	4,545	19	3	6	4,573
Indirect	10,537	104	3	—	10,644
Credit cards	887	8	6	—	901
Total consumer loans	19,770	556	613	6	20,945
Total LHFI	$130,575	$846	$1,057	$634	$133,112

[1] Includes $272 million of loans carried at fair value, the majority of which were accruing current.
[2] Nonaccruing loans past due 90 days or more totaled $388 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs and performing second lien loans which are classified as nonaccrual when the first lien loan is nonperforming.

Impaired Loans

A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. Commercial nonaccrual loans greater than $3 million and certain commercial, residential, and consumer loans whose terms have been modified in a TDR are

individually evaluated for impairment. Smaller-balance homogeneous loans that are collectively evaluated for impairment are not included in the following tables. Additionally, the tables below exclude guaranteed student loans and guaranteed residential mortgages for which there was nominal risk of principal loss.

	March 31, 2015			December 31, 2014		
(Dollars in millions)	Unpaid Principal Balance	Amortized Cost [1]	Related Allowance	Unpaid Principal Balance	Amortized Cost [1]	Related Allowance
Impaired loans with no related allowance recorded:						
Commercial loans:						
C&I	$54	$39	$—	$70	$51	$—
CRE	11	10	—	12	11	—
Total commercial loans	65	49	—	82	62	—
Residential loans:						
Residential mortgages - nonguaranteed	557	410	—	592	425	—
Residential construction	30	8	—	31	9	—
Total residential loans	587	418	—	623	434	—
Impaired loans with an allowance recorded:						
Commercial loans:						
C&I	34	28	5	27	26	7
CRE	3	3	1	4	4	4
Total commercial loans	37	31	6	31	30	11
Residential loans:						
Residential mortgages - nonguaranteed	1,413	1,373	196	1,381	1,354	215
Home equity products	708	633	73	703	630	66
Residential construction	137	137	16	145	145	19
Total residential loans	2,258	2,143	285	2,229	2,129	300
Consumer loans:						
Other direct	12	12	—	13	13	1
Indirect	107	106	5	105	105	5
Credit cards	8	8	2	8	8	2
Total consumer loans	127	126	7	126	126	8
Total impaired loans	$3,074	$2,767	$298	$3,091	$2,781	$319

[1] Amortized cost reflects charge-offs that have been recognized plus other amounts that have been applied to reduce the net book balance.

Included in the impaired loan balances above at March 31, 2015 and December 31, 2014 were $2.6 billion and $2.5 billion of accruing TDRs at amortized cost, of which 97% and 96% were current, respectively. See Note 1, "Significant Accounting

Policies," to the Company's 2014 Annual Report on Form 10-K for further information regarding the Company's loan impairment policy.

Notes to Consolidated Financial Statements (Unaudited), continued

	Three Months Ended March 31			
	2015		2014	
(Dollars in millions)	Average Amortized Cost	Interest Income Recognized [1]	Average Amortized Cost	Interest Income Recognized [1]
Impaired loans with no related allowance recorded:				
Commercial loans:				
C&I	$41	$—	$52	$1
CRE	10	—	11	—
Commercial construction	—	—	5	—
Total commercial loans	51	—	68	1
Residential loans:				
Residential mortgages - nonguaranteed	413	4	440	4
Residential construction	9	—	18	—
Total residential loans	422	4	458	4
Impaired loans with an allowance recorded:				
Commercial loans:				
C&I	38	1	63	—
CRE	3	—	12	—
Commercial construction	—	—		