SUNTRUST BANKS INC
Form 10-Q
August 01, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2012
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 ý 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).
ý 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. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

(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 Act). Yes ¨ No ý
At July 25, 2012, 538,484,027 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.
Agreements — Equity forward agreements.
AIP — Annual Incentive Plan.
ALCO — Asset/Liability Management Committee.
ALM — Asset/Liability Management.
ALLL — Allowance for loan and lease losses.
AOCI — Accumulated other comprehensive income.
ARS — Auction rate securities.
ASU — Accounting standards update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
BCBS — Basel Committee on Banking Supervision.
Board — The Company's Board of Directors.
CCAR — Comprehensive Capital Analysis and Review.
CDO — Collateralized debt obligation.
CD — Certificate of deposit.
CDS — Credit default swaps.
CIB — Corporate and Investment Banking.
Class A shares — Visa Inc. Class A common stock.
Class B shares —Visa Inc. Class B common stock.
CLO — Collateralized loan obligation.
Coke — The Coca-Cola Company.
Company — SunTrust Banks, Inc.
CP — Commercial paper.
CPP — Capital Purchase Program.
CSA — Credit support annex.
DBRS — Dun and Bradstreet, Inc.
DDA — Demand deposit account.
Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
EPS — Earnings per share.
ERISA — Employee Retirement Income Security Act of 1974.
Exchange Act — Securities Exchange Act of 1934.
FASB — Financial Accounting Standards Board.
FDIC — The Federal Deposit Insurance Corporation.
Federal Reserve — The Board of Governors of the Federal Reserve System.
Fed funds — Federal funds.
FFELP — Federal Family Education Loan Program.

FHA — Federal Housing Administration.
FHLB — Federal Home Loan Bank.
FICO — Fair Isaac Corporation.
FINRA — Financial Industry Regulatory Authority.
Fitch — Fitch Ratings Ltd.
FRB — Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GSE — Government-sponsored enterprise.
HARP — Home Affordable Refinance Program.
HUD — U.S. Department of Housing and Urban Development.
IFRS — International Financial Reporting Standards.
IIS — Institutional Investment Solutions.
IPO — Initial public offering.
IRLC — Interest rate lock commitment.
IRS — Internal Revenue Service.
ISDA — International Swaps and Derivatives Association.
LGD — Loss given default.
LHFI — Loans held for investment.
LHFI-FV — Loans held for investment carried at fair value.
LHFS — Loans held for sale.
LIBOR —London InterBank Offered Rate.
LOCOM – Lower of cost or market.
LTI — Long-term incentive.
LTV— Loan to value.
MBS — Mortgage-backed securities.
MD&A — Management's Discussion and Analysis of Financial Condition and Results of Operations.
MIP — Management Incentive Plan.
Moody's — Moody's Investors Service.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NEO — Named executive officers.
NII — Net interest income.
NOW — Negotiable order of withdrawal account.
NPL — Nonperforming loan.
NPR — Notice of Proposed Rulemaking.
OCC — Office of the Comptroller of the Currency.
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 of SunTrust Banks, Inc.
PD — Probability of default.
PPG — Playbook for profitable growth.
QSPE — Qualifying special-purpose entity.
RidgeWorth — RidgeWorth Capital Management, Inc.
ROA — Return on average total assets.
ROE — Return on average 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.
SERP — Supplemental Executive Retirement Plan.
SPE — Special purpose entity.
STIS — SunTrust Investment Services, Inc.
STM — SunTrust Mortgage, Inc.
STRH — SunTrust Robinson Humphrey, Inc.
SunTrust — SunTrust Banks, Inc.
TARP — Troubled Asset Relief Program.
TDR — Troubled debt restructuring.
Three Pillars —Three Pillars Funding, LLC.
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.
UTB — Unrecognized tax benefits.
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.
W&IM — Wealth and Investment Management.

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 and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012.

Item 1. FINANCIAL STATEMENTS (UNAUDITED)
SunTrust Banks, Inc.
Consolidated Statements of Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(Dollars in millions and shares in thousands, except per share data) (Unaudited)	2012	2011	2012	2011
Interest Income				
Interest and fees on loans	$1,263	$1,299	$2,563	$2,613
Interest and fees on loans held for sale	31	22	55	50
Interest and dividends on securities available for sale:				
Taxable interest	153	177	322	342
Tax-exempt interest	4	6	8	11
Dividends[1]	23	21	45	41
Trading account interest and other	18	21	33	43
Total interest income	1,492	1,546	3,026	3,100
Interest Expense				
Interest on deposits	118	162	245	331
Interest on long-term debt	90	113	178	237
Interest on other borrowings	10	12	18	24
Total interest expense	218	287	441	592
Net interest income	1,274	1,259	2,585	2,508
Provision for credit losses	300	392	617	839
Net interest income after provision for credit losses	974	867	1,968	1,669
Noninterest Income				
Service charges on deposit accounts	167	170	332	333
Trust and investment management income	130	135	260	270
Other charges and fees	130	130	245	256
Mortgage production related income	103	4	166	3
Mortgage servicing related income	70	72	151	144
Investment banking income	75	95	147	162
Trading income	70	53	127	105
Card fees	66	105	127	205
Retail investment services	62	59	120	117
Net securities gains[2]	14	32	32	96
Other noninterest income	53	57	109	104
Total noninterest income	940	912	1,816	1,795
Noninterest Expense				
Employee compensation	654	638	1,306	1,256
Employee benefits	108	110	254	246
Outside processing and software	180	162	356	320
Net occupancy expense	88	89	176	178
Operating losses	69	62	129	89
Credit and collection services	61	60	116	111
Regulatory assessments	60	81	111	152
Other real estate expense	52	64	103	133
Equipment expense	46	44	91	88
Marketing and customer development	32	46	59	84
Net loss/(gain) on debt extinguishment	13	(1)	13	(2)
Amortization of intangible assets	11	12	22	23

Other noninterest expense	172	175	351	329
Total noninterest expense	1,546	1,542	3,087	3,007
Income before provision for income taxes	368	237	697	457
Provision for income taxes	91	58	160	91
Net income including income attributable to noncontrolling interest	277	179	537	366
Net income attributable to noncontrolling interest	2	1	12	8
Net income	$275	$178	$525	$358
Net income available to common shareholders	$270	$174	$515	$212
Net income per average common share:				
Diluted	$0.50	$0.33	$0.96	$0.41
Basic	0.51	0.33	0.97	0.41
Dividends declared per common share	0.05	0.01	0.10	0.02
Average common shares - diluted	537,495	535,416	536,951	519,548
Average common shares - basic	533,964	531,792	533,532	515,819

[1] Includes dividends on common stock of The Coca-Cola Company of $15 million and $14 million during the three months ended June 30, 2012 and 2011, and $31 million and $28 million during the six months ended June 30, 2012 and 2011, respectively.

[2] Includes credit-related OTTI losses of $2 million and $1 million for the three months ended June 30, 2012 and 2011, respectively, and $4 million and $2 million for the six months ended June 30, 2012 and 2011, respectively. There were no non-credit related unrealized OTTI losses recorded in OCI, before taxes, for the three and six months ended June 30, 2012 and 2011.

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Statements of Comprehensive Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(Dollars in millions) (Unaudited)	2012	2011	2012	2011
Net Income	$275	$178	$525	$358
Components of Other Comprehensive Income/(Loss):				
Change in unrealized gains on securities, net of tax of $80, $110, $107 and $70, respectively	142	190	192	121
Change in unrealized gains on derivatives, net of tax of ($38), $41, ($96), and ($31), respectively	(69)	72	(170)	(53)
Change related to employee benefit plans, net of tax of ($2), ($12), ($16) and ($10), respectively	(4)	(19)	(28)	(16)
Total Other Comprehensive Income/(Loss)	69	243	(6)	52
Total Comprehensive Income	$344	$421	$519	$410

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Balance Sheets

(Dollars in millions and shares in thousands) (Unaudited)	As of June 30, 2012	December 31, 2011
Assets		
Cash and due from banks	$5,781	$3,696
Securities purchased under agreements to resell	937	792
Interest-bearing deposits in other banks	21	21
Cash and cash equivalents	6,739	4,509
Trading assets (including encumbered securities of $712 and $574 as of June 30, 2012 and December 31, 2011, respectively)	6,327	6,279
Securities available for sale	24,409	28,117
Loans held for sale[1] (loans at fair value: $2,940 and $2,141 as of June 30, 2012 and December 31, 2011, respectively)	3,123	2,353
Loans[2] (loans at fair value: $406 and $433 as of June 30, 2012 and December 31, 2011, respectively)	124,560	122,495
Allowance for loan and lease losses	(2,300)	(2,457)
Net loans	122,260	120,038
Premises and equipment	1,578	1,564
Goodwill	6,376	6,344
Other intangible assets (MSRs at fair value: $865 and $921 as of June 30, 2012 and December 31, 2011, respectively)	939	1,017
Other real estate owned	331	479
Other assets	6,175	6,159
Total assets	$178,257	$176,859
Liabilities and Shareholders' Equity		
Noninterest-bearing consumer and commercial deposits	$37,394	$34,359
Interest-bearing consumer and commercial deposits	88,751	91,252
Total consumer and commercial deposits	126,145	125,611
Brokered time deposits (CDs at fair value: $914 and $1,018 as of June 30, 2012 and December 31, 2011, respectively)	2,208	2,281
Foreign deposits	50	30
Total deposits	128,403	127,922
Funds purchased	847	839
Securities sold under agreements to repurchase	1,583	1,644
Other short-term borrowings	7,098	8,983
Long-term debt [3] (debt at fair value: $2,010 and $1,997 as of June 30, 2012 and December 31, 2011, respectively)	13,076	10,908
Trading liabilities	1,782	1,806
Other liabilities	4,900	4,691
Total liabilities	157,689	156,793
Preferred stock, no par value	275	275
Common stock, $1.00 par value	550	550
Additional paid in capital	9,218	9,306
Retained earnings	9,443	8,978
Treasury stock, at cost, and other[4]	(661)	(792)
Accumulated other comprehensive income, net of tax	1,743	1,749
Total shareholders' equity	20,568	20,066
Total liabilities and shareholders' equity	$178,257	$176,859

Common shares outstanding	538,398	536,967
Common shares authorized	750,000	750,000
Preferred shares outstanding	3	3
Preferred shares authorized	50,000	50,000
Treasury shares of common stock	11,522	12,954
[1] Includes loans held for sale, at fair value, of consolidated VIEs	$322	$315
[2] Includes loans of consolidated VIEs	390	3,322
[3] Includes debt of consolidated VIEs ($288 and $289 at fair value as of June 30, 2012 and December 31, 2011, respectively)	700	722
[4] Includes noncontrolling interest held	111	107

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 Income [2]	Total
Balance, January 1, 2011	$4,942	500	$515	$8,403	$8,542	($888)	$1,616	$23,130
Net income	—	—	—	—	358	—	—	358
Other comprehensive income	—	—	—	—	—	—	52	52
Change in noncontrolling interest	—	—	—	—	—	1	—	1
Common stock dividends, $0.02 per share	—	—	—	—	(11)	—	—	(11)
Preferred stock dividends, $2,022 per share	—	—	—	—	(4)	—	—	(4)
U.S. Treasury preferred stock dividends, $1,236 per share	—	—	—	—	(60)	—	—	(60)
Accretion of discount for preferred stock issued to U.S. Treasury	6	—	—	—	(6)	—	—	—
Repurchase of preferred stock issued to U.S. Treasury	(4,776)	—	—	—	(74)	—	—	(4,850)
Issuance of common stock	—	35	35	982	—	—	—	1,017
Stock compensation expense	—	—	—	7	—	—	—	7
Restricted stock activity	—	2	—	(54)	—	46	—	(8)
Amortization of restricted stock compensation	—	—	—	—	—	17	—	17
Issuance of stock for employee benefit plans and other	—	—	—	(8)	—	19	—	11
Balance, June 30, 2011	$172	537	$550	$9,330	$8,745	($805)	$1,668	$19,660
Balance, January 1, 2012	$275	537	$550	$9,306	$8,978	($792)	$1,749	$20,066
Net income	—	—	—	—	525	—	—	525
Other comprehensive loss	—	—	—	—	—	—	(6)	(6)
Change in noncontrolling interest	—	—	—	—	—	4	—	4
Common stock dividends, $0.10 per share	—	—	—	—	(54)	—	—	(54)
Preferred stock dividends, $2,033 per share	—	—	—	—	(6)	—	—	(6)
Exercise of stock options and stock compensation expense	—	—	—	(17)	—	26	—	9
Restricted stock activity	—	1	—	(61)	—	65	—	4
Amortization of restricted stock compensation	—	—	—	—	—	15	—	15
Issuance of stock for employee benefit plans and other	—	—	—	(10)	—	21	—	11
Balance, June 30, 2012	$275	538	$550	$9,218	$9,443	($661)	$1,743	$20,568

[1] At June 30, 2012 includes ($707) million for treasury stock, ($65) million for compensation element of restricted stock, and $111 million for noncontrolling interest.

At June 30, 2011 includes ($869) million for treasury stock, ($67) million for compensation element of restricted stock, and $131 million for noncontrolling interest.

[2] Components of AOCI at June 30, 2012 included $2,055 million in unrealized net gains on AFS securities, $399 million in unrealized net gains on derivative financial instruments, and ($711) million related to employee benefit plans. At June 30, 2011 components included $1,647 million in unrealized net gains on AFS securities, $479 million in unrealized net gains on derivative financial instruments, and ($458) million related to employee benefit plans.

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Statements of Cash Flows

	Six Months Ended June 30	
(Dollars in millions) (Unaudited)	2012	2011
Cash Flows from Operating Activities		
Net income including income attributable to noncontrolling interest	$537	$366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	382	372
Origination of mortgage servicing rights	(161)	(136)
Provisions for credit losses and foreclosed property	706	930
Mortgage repurchase provision	330	170
Stock option compensation and amortization of restricted stock compensation	17	24
Net loss/(gain) on extinguishment of debt	13	(2)
Net securities gains	(32)	(96)
Net gain on sale of assets	(518)	(141)
Net decrease in loans held for sale	782	1,718
Net increase in other assets	(282)	(358)
Net increase in other liabilities	18	251
Net cash provided by operating activities	1,792	3,098
Cash Flows from Investing Activities		
Proceeds from maturities, calls, and paydowns of securities available for sale	3,179	2,414
Proceeds from sales of securities available for sale	2,210	10,763
Purchases of securities available for sale	(1,451)	(12,603)
Proceeds from maturities, calls, and paydowns of trading securities	—	124
Proceeds from sales of trading securities	—	102
Net increase in loans, including purchases of loans	(4,621)	(1,109)
Proceeds from sales of loans	477	287
Capital expenditures	(112)	(9)
Contingent consideration and other payments related to acquisitions	(9)	(18)
Proceeds from the sale of other assets	259	360
Net cash (used in)/provided by investing activities	(68)	311
Cash Flows from Financing Activities		
Net increase in total deposits	481	1,877
Net (decrease)/increase in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	(1,938)	162
Proceeds from the issuance of long-term debt	4,000	1,039
Repayment of long-term debt	(1,991)	(1,170)
Proceeds from the exercise of stock options	5	—
Excess tax benefits from stock-based compensation	9	—
Proceeds from the issuance of common stock	—	1,017
Repurchase of preferred stock	—	(4,850)
Common and preferred dividends paid	(60)	(75)
Net cash provided by/(used in) financing activities	506	(2,000)
Net increase in cash and cash equivalents	2,230	1,409
Cash and cash equivalents at beginning of period	4,509	5,378
Cash and cash equivalents at end of period	$6,739	$6,787
Supplemental Disclosures:		
Loans transferred from loans held for sale to loans	$31	$46

Loans transferred from loans to loans held for sale	1,116	198
Loans transferred from loans to other real estate owned	200	367
Accretion of discount for preferred stock issued to the U.S. Treasury	—	80

See Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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 Annual Report on Form 10-K for the year ended December 31, 2011. Except for accounting policies that have been recently adopted as described below, there have been no significant changes to the Company’s accounting policies as disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” The primary purpose of the ASU was to conform the language in the fair value measurements guidance in U.S. GAAP and IFRS. The ASU also clarified how to apply existing fair value measurement and disclosure requirements. Further, the ASU required additional disclosures about transfers between level 1 and 2 of the fair value hierarchy, quantitative information for level 3 inputs, and the level of the fair value measurement hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed. The ASU was effective for the interim reporting period ending March 31, 2012. The Company adopted the standard as of January 1, 2012, and the required disclosures are included in Note 12, “Fair Value Election and Measurement.” The adoption did not impact the Company’s financial position, results of operations, or EPS.

In June 2011, the FASB issued ASU 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” The ASU requires presentation of the components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. The update does not change the items presented in OCI and does not affect the calculation or reporting of EPS. In December 2011, the FASB issued ASU 2011-12, “Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items out of Accumulated Other Comprehensive Income in ASU 2011-05,” which deferred the effective date for the amendments to the reclassification of items out of AOCI. In June 2012, the FASB decided that the presentation requirements deferred in ASU 2011-12 would not be reinstated. The guidance, with the exception of reclassification adjustments, was effective on January 1, 2012 and must be applied retrospectively for all periods presented. The Company adopted the standard as of January 1, 2012, and the required disclosures are included in the Consolidated Statements of Comprehensive Income. The adoption did not impact the Company’s financial position, results of operations, or EPS.

In September 2011, the FASB issued ASU 2011-08, “Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment.” The ASU amends interim and annual goodwill impairment testing requirements such that an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The guidance was effective for annual and interim goodwill impairment tests beginning on or after January 1, 2012. The Company adopted the standard as of January 1, 2012 and has applied the guidance to interim goodwill impairment testing. The adoption did not have an impact on the Company's financial position, results of operations, or EPS.

In July 2012, the FASB issued ASU 2012-02, “Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment." The ASU permits entities to perform an optional qualitative assessment for determining whether it is more likely than not that an indefinite-lived intangible asset is impaired. The guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company is evaluating the impact of the ASU; however, it is not expected to have a significant impact on the Company's financial position, results of operations, or EPS.

NOTE 2 – SECURITIES AVAILABLE FOR SALE
Securities Portfolio Composition

(Dollars in millions)	June 30, 2012 Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$214	$10	$—	$224
Federal agency securities	1,698	85	—	1,783
U.S. states and political subdivisions	359	19	6	372
MBS - agency	17,308	803	1	18,110
MBS - private	225	—	17	208
ABS	344	9	5	348
Corporate and other debt securities	42	3	—	45
Coke common stock	—	2,346	—	2,346
Other equity securities[1]	972	1	—	973
Total securities AFS	$21,162	$3,276	$29	$24,409

(Dollars in millions)	December 31, 2011 Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$671	$23	$—	$694
Federal agency securities	1,843	89	—	1,932
U.S. states and political subdivisions	437	21	4	454
MBS - agency	20,480	743	—	21,223
MBS - private	252	—	31	221
CDO/CLO securities	50	—	—	50
ABS	460	11	7	464
Corporate and other debt securities	49	2	—	51
Coke common stock	—	2,099	—	2,099
Other equity securities[1]	928	1	—	929
Total securities AFS	$25,170	$2,989	$42	$28,117

[1]At June 30, 2012, other equity securities included the following securities at cost: $455 million in FHLB of Atlanta stock, $401 million in Federal Reserve Bank stock, and $116 million in mutual fund investments. At December 31, 2011, other equity securities included the following securities at cost: $342 million in FHLB of Atlanta stock, $398 million in Federal Reserve Bank stock, and $187 million in mutual fund investments.

Securities AFS that were pledged to secure public deposits, repurchase agreements, trusts, and other funds had a fair value of $7.6 billion and $9.1 billion as of June 30, 2012 and December 31, 2011, respectively. Further, under the Agreements, the Company pledged its shares of Coke common stock, which is hedged with derivative instruments, as discussed in Note 10, “Derivative Financial Instruments.” As of June 30, 2012 and December 31, 2011, there were no securities AFS pledged under which the transferee may repledge the collateral. The Company has also pledged $978 million and $770 million of certain marketable securities and cash equivalents to secure $930 million and $747 million of repurchase agreements as of June 30, 2012 and December 31, 2011, respectively.

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Notes to Consolidated Financial Statements (Unaudited), continued

The amortized cost and fair value of investments in debt securities at June 30, 2012 by estimated average life are shown below. Actual 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.

	Distribution of Maturities				
(Dollars in millions)	1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Total
Amortized Cost:					
U.S. Treasury securities	$12	$202	$—	$—	$214
Federal agency securities	117	1,372	95	114	1,698
U.S. states and political subdivisions	108	178	21	52	359
MBS - agency	901	14,304	1,827	276	17,308
MBS - private	—	136	89	—	225
ABS	123	152	2	67	344
Corporate and other debt securities	3	2	37	—	42
Total debt securities	$1,264	$16,346	$2,071	$509	$20,190
Fair Value:					
U.S. Treasury securities	$12	$212	$—	$—	$224
Federal agency securities	118	1,441	105	119	1,783
U.S. states and political subdivisions	111	191	21	49	372
MBS - agency	951	14,957	1,916	286	18,110
MBS - private	—	125	83	—	208
ABS	123	152	2	71	348
Corporate and other debt securities	3	2	40	—	45
Total debt securities	$1,318	$17,080	$2,167	$525	$21,090

Securities in an Unrealized Loss Position

The Company held certain investment securities having unrealized loss positions. Market changes in interest rates and credit spreads may result in temporary unrealized losses as the market price of securities fluctuates. As of June 30, 2012, 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 outlined in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Notes to Consolidated Financial Statements (Unaudited), continued

	June 30, 2012					
	Less than twelve months		Twelve months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Temporarily impaired securities:						
Federal agency securities	$19	$—	$—	$—	$19	$—
U.S. states and political subdivisions	1	—	24	6	25	6
MBS - agency	12	1	1	—	13	1
ABS	—	—	12	3	12	3
Total temporarily impaired securities	32	1	37	9	69	10
Other-than-temporarily impaired securities[1]:						
MBS - private	—	—	207	17	207	17
ABS	1	—	4	2	5	2
Total other-than-temporarily impaired securities	1	—	211	19	212	19
Total impaired securities	$33	$1	$248	$28	$281	$29

	December 31, 2011					
	Less than twelve months		Twelve months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Temporarily impaired securities:						
Federal agency securities	$10	$—	$—	$—	$10	$—
U.S. states and political subdivisions	1	—	28	4	29	4
MBS - agency	224	—	1	—	225	—
CDO/CLO securities	50	—	—	—	50	—
ABS	—	—	11	5	11	5
Total temporarily impaired securities	285	—	40	9	325	9
Other-than-temporarily impaired securities[1]:						
MBS - private	15	1	206	30	221	31
ABS	1	—	3	2	4	2
Total other-than-temporarily impaired securities	16	1	209	32	225	33
Total impaired securities	$301	$1	$249	$41	$550	$42

[1]Includes OTTI securities for which credit losses have been recorded in earnings in current or prior periods.

At June 30, 2012 and December 31, 2011, unrealized losses on securities that have been in a temporarily impaired position for longer than twelve months include municipal ARS and one ABS collateralized by 2004 vintage home equity loans. The municipal securities are backed by investment grade rated obligors; however, the fair value of these securities continues to be impacted by the lack of a functioning ARS market and the extension of time for expected refinance and repayment. No credit loss is expected on these securities. The ABS is also highly-rated, 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 securities that have been other-than-temporarily impaired that relates to factors other than credit are recorded in AOCI. Losses related to credit impairment on these securities is determined through estimated cash flow analyses and have been recorded in earnings in current or prior periods. The unrealized OTTI loss relating to private MBS as of June 30, 2012 includes purchased and retained interests from 2007 vintage securitizations. The unrealized OTTI loss relating to ABS is related to four securities within the portfolio that are 2003 and 2004 vintage home equity issuances. The expectation of cash flows for the previously impaired ABS securities has improved since the credit-related impairment was recognized, and as a result, the amount of expected credit losses was reduced, and the expected increase in cash flows is being accreted into earnings as a yield adjustment over the remaining life of the securities.

Notes to Consolidated Financial Statements (Unaudited), continued

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

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Gross realized gains	$16	$33	$36	$176
Gross realized losses	—	—	—	(78)
OTTI	(2)	(1)	(4)	(2)
Net securities gains	$14	$32	$32	$96

The securities that gave rise to credit impairments recognized during the three and six months ended June 30, 2012 and 2011, as shown in the table below, consisted of private MBS with a fair value of $140 million and $193 million at June 30, 2012 and 2011, respectively. Credit impairment that is determined through the use of cash flow 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. For the majority of the securities that the Company has reviewed for credit-related OTTI, credit information is available and modeled for the collateral underlying each security. As part of that analysis, the model incorporates loan level information such as loan to collateral values, FICO scores, and home price appreciation/depreciation data specific to the geography of the loan. These inputs are updated on a regular basis to ensure the most current credit and other assumptions are utilized in the analysis. If, based on this analysis, 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. During the three and six months ended June 30, 2012 and 2011, all OTTI recognized in earnings on private MBS have underlying collateral of residential mortgage loans securitized in 2007. The Company has not purchased new private MBS during the six months ended June 30, 2012, and continues to reduce existing exposure primarily through paydowns.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012 MBS - Private	2011 MBS - Private	2012 MBS - Private	2011 MBS - Private
OTTI[1]	$2	$1	$4	$2
Portion of losses recognized in OCI (before taxes)	—	—	—	—
Net impairment losses recognized in earnings	$2	$1	$4	$2

[1] The initial OTTI amount represents the excess of the amortized cost over the fair value of AFS debt securities. For subsequent impairments of the same security, amount represents additional declines in the fair value subsequent to the previously recorded OTTI, if applicable, until such time the security is no longer in an unrealized loss position.

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Notes to Consolidated Financial Statements (Unaudited), continued

The following is a rollforward of credit losses recognized in earnings for the three and six months ended June 30, 2012 and 2011, related to securities for which some portion of the OTTI loss remains in AOCI:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Balance, beginning of period	$27	$21	$25	$20
Additions:				
OTTI credit losses on previously impaired securities	2	1	4	2
Reductions:				
Increases in expected cash flows recognized over the remaining life of the securities	(1)	(1)	(1)	(1)
Balance, end of period	$28	$21	$28	$21

The following table presents a summary of the significant inputs used in determining the measurement of credit losses recognized in earnings for private MBS for the three and six months ended June 30:

	2012	2011
Default rate	2 - 6%	4 - 8%
Prepayment rate	7 - 21%	12 - 22%
Loss severity	47 - 56%	39 - 44%

Assumption ranges represent the lowest and highest lifetime average estimates of each security for which credit losses were recognized in earnings. During the first six months of 2012, there was improvement in the default estimates for certain credit impaired bonds; however, the slower prepayment speeds and higher severity rates resulted in the recognition of additional impairment.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 3 - LOANS

Composition of Loan Portfolio

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

(Dollars in millions)	June 30, 2012	December 31, 2011
Commercial loans:		
Commercial & industrial	$52,030	$49,538
Commercial real estate	4,825	5,094
Commercial construction	959	1,240
Total commercial loans	57,814	55,872
Residential loans:		
Residential mortgages - guaranteed	5,663	6,672
Residential mortgages - nonguaranteed[1]	24,405	23,243
Home equity products	15,281	15,765
Residential construction	853	980
Total residential loans	46,202	46,660
Consumer loans:		
Guaranteed student loans	7,248	7,199
Other direct	2,225	2,059
Indirect	10,506	10,165
Credit cards	565	540
Total consumer loans	20,544	19,963
LHFI	$124,560	$122,495
LHFS	$3,123	$2,353

[1]Includes $405 million and $431 million of loans carried at fair value at June 30, 2012 and December 31, 2011, respectively.

During the six months ended June 30, 2012 and 2011, the Company transferred $1.1 billion and $198 million in LHFI to LHFS, and $31 million and $46 million in LHFS to LHFI, respectively. Additionally, during the six months ended June 30, 2012 and 2011, the Company sold $454 million and $277 million in loans and leases that had been held for investment at December 31, 2011 and December 31, 2010 for gains of $23 million and $10 million, respectively. There were no other material sales of LHFI during the period.

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/analysis, and qualitative assessments.

For the commercial portfolio, the Company believes that the most appropriate credit quality indicator is the individual loan’s risk assessment expressed according to regulatory agency classification, 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 expectations of default. The granularity in Pass ratings assists in the establishment of pricing, loan structures, approval requirements, reserves, and ongoing credit management requirements. Criticized assets have a higher PD. 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 Non-Performing (which includes a portion of Adversely Classified, 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.

Notes to Consolidated Financial Statements (Unaudited), continued

Risk ratings are refreshed at least annually, or more frequently as appropriate, based upon considerations such as market conditions, loan 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. In response to updates in the industry-wide FICO scoring model and to enhance the Company's ability to manage risk, the Company updated its FICO scoring model to this updated version for the Home Equity, Indirect, and Other Direct portfolios in the first quarter of 2012. This change was the primary reason for the changes in the percentage of balances across the FICO score ranges noted below. There was no impact to the Company's financial position or results of operations as a result of updating the FICO scoring model.

For government guaranteed student 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 both June 30, 2012 and December 31, 2011, 79% of the guaranteed student loan portfolio was current with respect to payments; however, the loss exposure to the Company is mitigated by the government guarantee.

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

	Commercial & industrial		Commercial real estate		Commercial construction	
(Dollars in millions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Credit rating:						
Pass	$50,130	$47,683	$3,836	$3,845	$581	$581
Criticized accruing	1,569	1,507	756	961	247	369
Criticized nonaccruing	331	348	233	288	131	290
Total	$52,030	$49,538	$4,825	$5,094	$959	$1,240

	Residential mortgages - nonguaranteed [2]		Home equity products		Residential construction	
(Dollars in millions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Current FICO score range:						
700 and above	$17,567	$16,139	$11,583	$11,084	$613	$661
620 - 699	4,149	4,132	2,405	2,903	158	202
Below 620[1]	2,689	2,972	1,293	1,778	82	117
Total	$24,405	$23,243	$15,281	$15,765	$853	$980

	Consumer - other direct		Consumer - indirect		Consumer - credit cards	
(Dollars in millions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Current FICO score range:						
700 and above	$1,829	$1,614	$7,965	$7,397	$379	$347
620 - 699	325	359	1,886	1,990	142	142
Below 620[1]	71	86	655	778	44	51
Total	$2,225	$2,059	$10,506	$10,165	$565	$540

[1]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.

[2]Excludes $5.7 billion and $6.7 billion at June 30, 2012 and December 31, 2011, respectively, of guaranteed residential loans. At both June 30, 2012 and December 31, 2011, the majority of these loans had FICO scores of 700 and above.

Notes to Consolidated Financial Statements (Unaudited), continued

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

(Dollars in millions)	As of June 30, 2012 Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
Commercial & industrial	$51,600	$76	$23	$331	$52,030
Commercial real estate	4,582	8	2	233	4,825
Commercial construction	826	2	—	131	959
Total commercial loans	57,008	86	25	695	57,814
Residential loans:					
Residential mortgages - guaranteed	4,357	144	1,162	—	5,663
Residential mortgages - nonguaranteed[1]	22,834	255	30	1,286	24,405
Home equity products	14,828	151	—	302	15,281
Residential construction	691	7	1	154	853
Total residential loans	42,710	557	1,193	1,742	46,202
Consumer loans:					
Guaranteed student loans	5,746	583	919	—	7,248
Other direct	2,201	14	6	4	2,225
Indirect	10,443	45	1	17	10,506
Credit cards	553	6	6	—	565
Total consumer loans	18,943	648	932	21	20,544
Total LHFI	$118,661	$1,291	$2,150	$2,458	$124,560

[1]Includes $405 million of loans carried at fair value.
[2]Total nonaccruing loans past due 90 days or more totaled $2.0 billion. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs.

(Dollars in millions)	As of December 31, 2011 Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
Commercial & industrial	$49,098	$80	$12	$348	$49,538
Commercial real estate	4,797	9	—	288	5,094
Commercial construction	943	7	—	290	1,240
Total commercial loans	54,838	96	12	926	55,872
Residential loans:					
Residential mortgages - guaranteed	5,394	176	1,102	—	6,672
Residential mortgages - nonguaranteed[1]	21,501	324	26	1,392	23,243
Home equity products	15,223	204	—	338	15,765
Residential construction	737	22	1	220	980
Total residential loans	42,855	726	1,129	1,950	46,660
Consumer loans:					
Guaranteed student loans	5,690	640	869	—	7,199
Other direct	2,032	14	6	7	2,059
Indirect	10,074	66	5	20	10,165
Credit cards	526	7	7	—	540

Total consumer loans	18,322	727	887	27	19,963
Total LHFI	$116,015	$1,549	$2,028	$2,903	$122,495

[1]Includes $431 million of loans carried at fair value.

[2]Total nonaccruing loans past due 90 days or more totaled $2.3 billion. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs.

Notes to Consolidated Financial Statements (Unaudited), continued

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 consumer, residential, and commercial 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.

	As of June 30, 2012			Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
(Dollars in millions)	Unpaid Principal Balance	Amortized Cost[1]	Related Allowance	Average Amortized Cost	Interest Income Recognized[2]	Average Amortized Cost	Interest Income Recognized[2]
Impaired loans with no related allowance recorded:							
Commercial loans:							
Commercial & industrial	$45	$37	$—	$37	$—	$38	$—
Commercial real estate	83	51	—	59	1	63	1
Commercial construction	28	17	—	28	—	32	—
Total commercial loans	156	105	—	124	1	133	1
Impaired loans with an allowance recorded:							
Commercial loans:							
Commercial & industrial	90	74	7	81	—	83	—
Commercial real estate	92	76	7	82	—	84	—
Commercial construction	68	63	4	66	—	67	1
Total commercial loans	250	213	18	229	—	234	1
Residential loans:							
Residential mortgages - nonguaranteed	2,659	2,255	238	2,255	20	2,260	42
Home equity products	577	534	92	535	7	539	13
Residential construction	274	227	25	232	3	237	5
Total residential loans	3,510	3,016	355	3,022	30	3,036	60
Consumer loans:							
Other direct	12	12	1	12	—	12	—
Indirect	14	14	—	14	1	15	1
Credit cards	25	25	7	25	—	26	1
Total consumer loans	51	51	8	51	1	53	2
Total impaired loans	$3,967	$3,385	$381	$3,426	$32	$3,456	$64

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

[2]Of the interest income recognized for the three and six months ended June 30, 2012, cash basis interest income was $4 million and $8 million, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

	As of December 31, 2011			Year Ended December 31, 2011	
(Dollars in millions)	Unpaid Principal Balance	Amortized Cost[1]	Related Allowance	Average Amortized Cost	Interest Income Recognized[2]
Impaired loans with no related allowance recorded:					
Commercial loans:					
Commercial & industrial	$93	$73	$—	$109	$3
Commercial real estate	58	50	—	56	1
Commercial construction	45	40	—	47	1
Total commercial loans	196	163	—	212	5
Impaired loans with an allowance recorded:					
Commercial loans:					
Commercial & industrial	76	67	9	68	1
Commercial real estate	111	82	15	103	2
Commercial construction	132	100	10	121	2
Total commercial loans	319	249	34	292	5
Residential loans:					
Residential mortgages - nonguaranteed	2,797	2,405	293	2,451	88
Home equity products	553	515	86	528	23
Residential construction	246	221	26	229	8
Total residential loans	3,596	3,141	405	3,208	119
Consumer loans:					
Other direct	12	12	1	13	1
Credit cards	27	27	8	26	2
Total consumer loans	39	39	9	39	3
Total impaired loans	$4,150	$3,592	$448	$3,751	$132

[1]Amortized cost reflects charge-offs that have been recognized plus other amounts that have been applied to reduce net book balance.
[2]Of the interest income recognized for the year ended December 31, 2011, cash basis interest income was $25 million.

Included in the impaired loan balances above were $2.6 billion of accruing TDRs at both June 30, 2012 and December 31, 2011, of which 94% and 93% were current, respectively. For further information regarding the Company’s loan impairment policy, see Note 1, “Significant Accounting Policies,” to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Nonperforming assets are shown in the following table:

(Dollars in millions)	June 30, 2012	December 31, 2011
Nonaccrual/NPLs:		
Commercial loans:		
Commercial & industrial	$331	$348
Commercial real estate	233	288
Commercial construction	131	290
Residential loans:		
Residential mortgages - nonguaranteed	1,286	1,392
Home equity products	302	338
Residential construction	154	220
Consumer loans:		

Other direct	4	7
Indirect	17	20
Total nonaccrual/NPLs	2,458	2,903
OREO[1]	331	479
Other repossessed assets	11	10
Total nonperforming assets	$2,800	$3,392

[1]Does not include foreclosed real estate related to loans insured by the FHA or the VA. Proceeds due from the FHA and the VA are recorded as a receivable in other assets until the funds are received and the property is conveyed. The receivable amount related to proceeds due from the FHA or the VA totaled $124 million and $132 million at June 30, 2012 and December 31, 2011, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

Restructured Loans

TDRs are loans in which the borrower is experiencing financial difficulty and the Company has granted an economic concession to the borrower that it would not otherwise consider. When loans are modified under the terms of a TDR, the Company typically offers the borrower an extension of the loan maturity date and/or a reduction in the original contractual interest rate. In certain limited situations, the Company may offer to restructure a loan in a manner that ultimately results in the forgiveness of contractually specified principal balances.

At June 30, 2012 and December 31, 2011, the Company had $4 million and $5 million, respectively, in commitments to lend additional funds to debtors owing receivables whose terms have been modified in a TDR.

The number and amortized cost of loans modified under the terms of a TDR during the three and six months ended June 30, 2012 and 2011, by type of modification, are shown in the following tables:

	Three Months Ended June 30, 2012				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [1]	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:					
Commercial & industrial	80	$—	$1	$3	$4
Commercial real estate	13	6	6	—	12
Commercial construction	5	1	—	10	11
Residential loans:					
Residential mortgages - nonguaranteed	199	—	21	—	21
Home equity products	457	—	33	2	35
Residential construction	140	—	1	20	21
Consumer loans:					
Other direct	27	—	—	1	1
Indirect	795	—	—	14	14
Credit cards	361	—	2	—	2
Total TDRs	2,077	$7	$64	$50	$121

	Six Months Ended June 30, 2012				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [1]	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:					
Commercial & industrial	183	$—	$2	$15	$17
Commercial real estate	23	12	7	2	21
Commercial construction	12	2	—	11	13
Residential loans:					
Residential mortgages - nonguaranteed	424	—	41	1	42
Home equity products	841	—	64	3	67
Residential construction	175	—	1	29	30
Consumer loans:					
Other direct	39	—	—	1	1
Indirect	795	—	—	14	14
Credit cards	863	—	5	—	5
Total TDRs	3,355	$14	$120	$76	$210

[1]Restructured loans which had forgiveness of amounts contractually due under the terms of the loan typically have had multiple concessions including rate modifications and/or term extensions. The total amount of charge-offs

associated with principal forgiveness was $1 million during both the three and six months ended June 30, 2012.

[2]Restructured loans which had a modification of the loan's contractual interest rate may also have had an extension of the loan's contractual maturity date and/or other concessions. The financial effect of modifying the interest rate on the loans modified as a TDR was immaterial to the financial statements during the three and six months ended June 30, 2012.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Three Months Ended June 30, 2011				
	Number of Loans Modified	Principal Forgiveness [1]	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:					
Commercial & industrial	56	$19	$22	$3	$44
Commercial real estate	9	4	—	3	7
Commercial construction	8	3	—	31	34
Residential loans:					
Residential mortgages - nonguaranteed	258	—	61	5	66
Home equity products	398	—	31	—	31
Residential construction	27	—	5	1	6
Consumer loans:					
Other direct	11	—	—	1	1
Total TDRs	767	$26	$119	$44	$189

(Dollars in millions)	Six Months Ended June 30, 2011				
	Number of Loans Modified	Principal Forgiveness [1]	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:					
Commercial & industrial	78	$27	$22	$8	$57
Commercial real estate	25	22	16	15	53
Commercial construction	82	27	2	41	70
Residential loans:					
Residential mortgages - nonguaranteed	528	—	142	8	150
Home equity products	743	—	62	—	62
Residential construction	50	—	10	1	11
Consumer loans:					
Other direct	51	—	—	2	2
Total TDRs	1,557	$76	$254	$75	$405

[1]Restructured loans which had forgiveness of amounts contractually due under the terms of the loan typically have had multiple concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the three and six months ended June 30, 2011 was $8 million and $9 million, respectively.

[2]Restructured loans which had a modification of the loan's contractual interest rate may also have had an extension of the loan's contractual maturity date and/or other concessions. The financial effect of modifying the interest rate on the loans modified as a TDR was immaterial to the financial statements during the three and six months ended June 30, 2011.

Notes to Consolidated Financial Statements (Unaudited), continued

The preceding tables represent loans modified under the terms of a TDR during the three and six months ended June 30, 2012 and 2011, whereas the following tables represent loans modified as a TDR over longer time periods; as specified in the tables below, that became 90 days or more delinquent during the three and six months ended June 30, 2012 and 2011, respectively.

	Three Months Ended June 30, 2012 [1]		Six Months Ended June 30, 2012 [2]	
(Dollars in millions)	Number of Loans	Amortized Cost	Number of Loans	Amortized Cost
Commercial loans:				
Commercial & industrial	14	$1	25	$3
Commercial real estate	—	—	4	4
Commercial construction	4	4	7	6
Residential loans:				
Residential mortgages	28	9	56	14
Home equity products	38	3	81	6
Residential construction	6	—	17	2
Consumer loans:				
Other direct	—	—	2	—
Credit cards	57	—	135	1
Total TDRs	147	$17	327	$36

[1]For the three months ended June 30, 2012, this represents defaults on loans that were first modified between the periods April 1, 2011 and June 30, 2012.
[2]For the six months ended June 30, 2012, this represents defaults on loans that were first modified between the periods January 1, 2011 and June 30, 2012.

	Three Months Ended June 30, 2011 [1]		Six Months Ended June 30, 2011 [2]	
(Dollars in millions)	Number of Loans	Amortized Cost	Number of Loans	Amortized Cost
Commercial loans:				
Commercial & industrial	10	$—	20	$2
Commercial real estate	2	1	6	1
Commercial construction	8	15	14	24
Residential loans:				
Residential mortgages	94	23	334	75
Home equity products	47	4	111	11
Residential construction	8	1	23	5
Consumer loans:				
Other direct	5	—	7	—
Total TDRs	174	$44	515	$118

[1]For the three months ended June 30, 2011, this represents defaults on loans that were first modified between the periods April 1, 2010 and June 30, 2011.
[2]For the six months ended June 30, 2011, this represents defaults on loans that were first modified between the periods January 1, 2010 and June 30, 2011.

The majority of loans that were modified and subsequently became 90 days or more delinquent have remained on nonaccrual status since the time of modification.

Concentrations of Credit Risk
The Company does not have a significant concentration of risk to any individual client except for the U.S. government and its agencies. However, a geographic concentration arises because the Company operates primarily in the

Southeastern and Mid-Atlantic regions of the U.S. The Company engages in limited international banking activities. The Company's total cross-border outstanding loans were $680 million and $630 million at June 30, 2012 and December 31, 2011, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

The major concentrations of credit risk for the Company arise by collateral type in relation to loans and credit commitments. The only significant concentration that exists is in loans secured by residential real estate. At June 30, 2012, the Company owned $46.2 billion in residential loans, representing 37% of total LHFI, and had $12.2 billion in commitments to extend credit on home equity lines and $9.1 billion in mortgage loan commitments. Of the residential loans owned at June 30, 2012, 12% were guaranteed by a federal agency or a GSE. At December 31, 2011, the Company owned $46.7 billion in residential real estate loans, representing 38% of total LHFI, and had $12.7 billion in commitments to extend credit on home equity lines and $7.8 billion in mortgage loan commitments. Of the residential loans owned at December 31, 2011, 14% were guaranteed by a federal agency or a GSE.
Included in the residential mortgage portfolio were $14.2 billion and $14.7 billion of mortgage loans at June 30, 2012 and December 31, 2011, respectively, that included terms such as an interest only feature, a high LTV ratio, or a junior lien position that may increase the Company's exposure to credit risk and result in a concentration of credit risk. Of these mortgage loans, $8.7 billion and $9.4 billion were interest only loans, primarily with a ten year interest only period. Approximately $1.7 billion of those interest only loans as of June 30, 2012 and $1.9 billion as of December 31, 2011, were loans with no mortgage insurance and were either first liens with combined original LTV ratios in excess of 80% or were junior liens. Additionally, the Company owned approximately $5.5 billion and $5.3 billion of amortizing loans with no mortgage insurance at both June 30, 2012 and December 31, 2011, comprised of first liens with combined original LTV ratios in excess of 80% and junior liens. Despite changes in underwriting guidelines that have curtailed the origination of high LTV loans, the balances of such loans with no mortgage insurance have increased as the benefits of mortgage insurance covering certain junior lien mortgage loans have been exhausted, resulting in the loans effectively no longer being insured.

NOTE 4 - ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses consists of the ALLL and the reserve for unfunded commitments. Activity in the allowance for credit losses is summarized in the table below:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Balance at beginning of period	$2,400	$2,908	$2,505	$3,032
Provision for loan losses	302	395	615	846
Provision/(benefit) for unfunded commitments	(2)	(3)	2	(7)
Loan charge-offs	(397)	(563)	(860)	(1,178)
Loan recoveries	47	58	88	102
Balance at end of period	$2,350	$2,795	$2,350	$2,795
Components:				
ALLL	$2,300	$2,744		
Unfunded commitments reserve[1]	50	51		
Allowance for credit losses	$2,350	$2,795		

[1] The unfunded commitments reserve is recorded in other liabilities in the Consolidated Balance Sheets.

Notes to Consolidated Financial Statements (Unaudited), continued

Activity in the ALLL by segment is presented in the tables below:

	Three Months Ended June 30, 2012			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$901	$1,315	$132	$2,348
Provision for loan losses	49	230	23	302
Loan charge-offs	(94)	(274)	(29)	(397)
Loan recoveries	31	6	10	47
Balance at end of period	$887	$1,277	$136	$2,300

	Three Months Ended June 30, 2011			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$1,255	$1,440	$159	$2,854
Provision for loan losses	124	252	19	395
Loan charge-offs	(220)	(303)	(40)	(563)
Loan recoveries	41	6	11	58
Balance at end of period	$1,200	$1,395	$149	$2,744

	Six Months Ended June 30, 2012			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$964	$1,354	$139	$2,457
Provision for loan losses	87	488	40	615
Loan charge-offs	(220)	(576)	(64)	(860)
Loan recoveries	56	11	21	88
Balance at end of period	$887	$1,277	$136	$2,300

	Six Months Ended June 30, 2011			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$1,303	$1,498	$173	$2,974
Provision for loan losses	232	574	40	846
Loan charge-offs	(405)	(688)	(85)	(1,178)
Loan recoveries	70	11	21	102
Balance at end of period	$1,200	$1,395	$149	$2,744

As discussed in Note 1, “Significant Accounting Policies,” to the Company's Annual Report on Form 10-K for the year ended December 31, 2011, the ALLL is composed of both specific allowances for certain nonaccrual loans and TDRs and general allowances grouped into loan pools based on similar characteristics. No allowance is required for loans carried at fair value. Additionally, the Company records an immaterial allowance for loan products that are guaranteed by government agencies, as there is nominal risk of principal loss.

Notes to Consolidated Financial Statements (Unaudited), continued

The Company’s LHFI portfolio and related ALLL is shown in the tables below:

	As of June 30, 2012							
	Commercial		Residential		Consumer		Total	
(Dollars in millions)	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL
Individually evaluated	$318	$18	$3,016	$355	$51	$8	$3,385	$381
Collectively evaluated	57,495	869	42,781	922	20,493	128	120,769	1,919
Total evaluated	57,813	887	45,797	1,277	20,544	136	124,154	2,300
LHFI at fair value	1	—	405	—	—	—	406	—
Total LHFI	$57,814	$887	$46,202	$1,277	$20,544	$136	$124,560	$2,300

	As of December 31, 2011							
	Commercial		Residential		Consumer		Total	
(Dollars in millions)	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL
Individually evaluated	$412	$34	$3,141	$405	$39	$9	$3,592	$448
Collectively evaluated	55,458	930	43,088	949	19,924	130	118,470	2,009
Total evaluated	55,870	964	46,229	1,354	19,963	139	122,062	2,457
LHFI at fair value	2	—	431	—	—	—	433	—
Total LHFI	$55,872	$964	$46,660	$1,354	$19,963	$139	$122,495	$2,457

NOTE 5 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

As discussed in Note 14, "Business Segment Reporting," SunTrust reorganized its management reporting structure in the first quarter of 2012 and, accordingly, its segment reporting structure and goodwill reporting units. Goodwill was reassigned to the new reporting units using a relative fair value allocation. After the allocation, Consumer Banking and Private Wealth Management's goodwill balance was comprised of $3.6 billion and $335 million previously recorded within the Retail Banking and W&IM segments, respectively. Wholesale Banking's goodwill balance was comprised of $1.3 billion, $47 million, $928 million, and $180 million previously recorded within the Retail Banking, W&IM, Diversified Commercial Banking, and CIB segments, respectively.

Goodwill is required to be tested for impairment on an annual basis or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount or indicate that it is more likely than not that a goodwill impairment exists when the carrying amount of a reporting unit is zero or negative. The Company monitored events and circumstances during the first six months of 2012, noting the Company's overall performance and stock price has improved during this period. Giving specific consideration to the changes in reporting units, the Company did not observe any qualitative factors which caused the Company to believe that goodwill is more likely than not impaired. The changes in the carrying amount of goodwill by reportable segment for the six months ended June 30, 2012, including the reallocation as noted above, are as follows:

(Dollars in millions)	Retail Banking	Diversified Commercial Banking	CIB	W&IM	Consumer Banking and Private Wealth Management	Wholesale Banking	Total
Balance, January 1, 2012	$4,854	$928	$180	$382	$—	$—	$6,344
Acquisition of FirstAgain, LLC	—	—	—	—	32	—	32

Intersegment transfers	(4,854)	(928)	(180)	(382)	3,930	2,414	—
Balance, June 30, 2012	$—	$—	$—	$—	$3,962	$2,414	$6,376
Balance, January 1, 2011	$4,854	$928	$180	$361	$—	$—	$6,323
Contingent consideration	—	—	—	1	—	—	1
Acquisition of certain additional assets of CSI Capital Management	—	—	—	19	—	—	19
Balance, June 30, 2011	$4,854	$928	$180	$381	$—	$—	$6,343

Other Intangible Assets
Changes in the carrying amounts of other intangible assets for the six months ended June 30 are as follows:

(Dollars in millions)	Core Deposit Intangibles	MSRs - Fair Value	Other	Total
Balance, January 1, 2012	$38	$921	$58	$1,017
Amortization	(11)	—	(11)	(22)
MSRs originated	—	161	—	161
Changes in fair value:				
Due to changes in inputs and assumptions [1]	—	(102)	—	(102)
Other changes in fair value [2]	—	(112)	—	(112)
Sale of MSRs	—	(3)	—	(3)
Balance, June 30, 2012	$27	$865	$47	$939
Balance, January 1, 2011	$67	$1,439	$65	$1,571
Amortization	(16)	—	(7)	(23)
MSRs originated	—	136	—	136
Changes in fair value:				
Due to changes in inputs and assumptions [1]	—	(51)	—	(51)
Other changes in fair value [2]	—	(94)	—	(94)
Sale of MSRs	—	(7)	—	(7)
Other	—	—	7	7
Balance, June 30, 2011	$51	$1,423	$65	$1,539

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

Mortgage Servicing Rights
The Company retains MSRs from certain of its sales or securitizations of residential mortgage loans. MSRs on residential mortgage loans are the only servicing assets capitalized by the Company and are classified within intangible assets on the Company’s Consolidated Balance Sheets.
Income earned by the Company on its MSRs is derived primarily from contractually specified mortgage servicing fees and late fees, net of curtailment costs. Such income earned for the three months ended June 30, 2012 and 2011 was $80 million and $94 million, respectively, and $163 million and $186 million for the six months ended June 30, 2012 and 2011, respectively. These amounts are reported in mortgage servicing related income in the Consolidated Statements of Income.
As of June 30, 2012 and December 31, 2011, the total unpaid principal balance of mortgage loans serviced was $153.4 billion and $157.8 billion, respectively. Included in these amounts were $118.9 billion and $124.1 billion as of June 30, 2012 and December 31, 2011, respectively, of loans serviced for third parties. During the six months ended

June 30, 2012, the Company sold MSRs on residential loans with an unpaid principal balance of $1.4 billion. Because MSRs are reported at fair value, the sale did not have a material impact on mortgage servicing related income.

At the end of each quarter, the Company determines the fair value of the MSRs using a valuation model that calculates the present value of the estimated future net servicing income. The model incorporates a number of assumptions as MSRs do not trade in an active and open market with readily observable prices. The Company determines fair value using market based prepayment rates, discount rates, and other assumptions that are compared to various sources of market data including independent third party valuations and industry surveys. Senior management and the valuation committee review all significant assumptions quarterly since many factors can affect the fair value of MSRs. Changes in the valuation model inputs and assumptions are reported in the periods' results.

A summary of the key characteristics, inputs, and economic assumptions used to estimate the fair value of the Company's MSRs as of June 30, 2012 and December 31, 2011, and the sensitivity of the fair values to immediate 10% and 20% adverse changes in those assumptions are shown in the table below. Substantially all of the decrease in fair value during the six months ended June 30, 2012 was driven by a 4% decline in the principal balance of loans serviced for others and a decrease in prevailing interest rates during the six months ended June 30, 2012.

(Dollars in millions)	June 30, 2012		December 31, 2011	
Fair value of retained MSRs	$865		$921	
Prepayment rate assumption (annual)	20	%	20	%
Decline in fair value from 10% adverse change	$55		$52	
Decline in fair value from 20% adverse change	100		98	
Discount rate (annual)	11	%	11	%
Decline in fair value from 10% adverse change	$31		$33	
Decline in fair value from 20% adverse change	60		63	
Weighted-average life (in years)	4.2		4.3	
Weighted-average coupon	5.0	%	5.2	%

The above sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the sensitivities above do not include the effect of hedging activity undertaken by the Company to offset changes in the fair value of MSRs. See Note 10, "Derivative Financial Instruments," for further information regarding these hedging transactions.

NOTE 6 - CERTAIN TRANSFERS OF FINANCIAL ASSETS AND VARIABLE INTEREST ENTITIES

Certain Transfers of Financial Assets and related Variable Interest Entities

As discussed in Note 11, "Certain Transfers of Financial Assets and Variable Interest Entities," to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, the Company has transferred loans and securities in sale or securitization transactions in which the Company has, or had, continuing involvement. Except as specifically noted herein, the Company is not required to provide additional financial support to any of the entities to which the Company has transferred financial assets, nor has the Company provided any support it was not otherwise obligated to provide.

When evaluating transfers and other transactions with VIEs for consolidation, the Company first determines if it has a VI in the VIE. A VI is typically in the form of securities representing retained interests in the transferred assets and, at times, servicing rights and collateral manager fees. If the Company has a VI in the entity, it then evaluates whether or not it has both (1) the power to direct the activities that most significantly impact the economic performance of the VIE, and (2) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE to determine if the Company should consolidate the VIE.

Below is a summary of transfers of financial assets to VIEs for which the Company has retained some level of continuing involvement and supplements Note 11, “Certain Transfers of Financial Assets and Variable Interest Entities,” to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Notes to Consolidated Financial Statements (Unaudited), continued

Residential Mortgage Loans

The Company typically transfers first lien residential mortgage loans in conjunction with Ginnie Mae, Fannie Mae, and Freddie Mac securitization transactions whereby the loans are exchanged for cash or securities that are readily redeemed for cash proceeds and servicing rights. The Company sold residential mortgage loans to these entities, which resulted in pre-tax gains of $236 million, and $107 million, including servicing rights for the three months ended June 30, 2012 and 2011, respectively and $460 million and $118 million for the six months ended June 30, 2012 and 2011, respectively. These gains are included within mortgage production related income/(loss) in the Consolidated Statements of Income. These gains include the change in value of the loans as a result of changes in interest rates from the time the related IRLCs were issued to the borrowers but do not include the results of hedging activities initiated by the Company to mitigate this market risk. See Note 10, “Derivative Financial Instruments,” for further discussion of the Company’s hedging activities. As seller, the Company has made certain representations and warranties with respect to the originally transferred loans, including those transferred under Ginnie Mae, Fannie Mae, and Freddie Mac programs, and those representations and warranties are discussed in Note 11, “Reinsurance Arrangements and Guarantees.”

In a limited number of securitizations, the Company has received securities representing retained interests in the transferred loans in addition to cash and servicing rights in exchange for the transferred loans. The received securities are carried at fair value as either trading assets or securities AFS. As of June 30, 2012 and December 31, 2011, the fair value of securities received totaled $96 million and $104 million, respectively, and were valued using a third party pricing service.

The Company evaluated these securitization transactions for consolidation under the VIE consolidation guidance. As servicer of the underlying loans, the Company is generally deemed to have power over the securitization. However, if a single party, such as the issuer or the master servicer, effectively controls the servicing activities or has the unilateral ability to terminate the Company as servicer without cause, then that party is deemed to have power. In almost all of its securitization transactions, the Company does not have power over the VIE as a result of these rights held by the master servicer. In certain transactions, the Company does have power as the servicer; however, the Company does not also have an obligation to absorb losses or the right to receive benefits that could potentially be significant to the securitization. The absorption of losses and the receipt of benefits would generally manifest itself through the retention of senior or subordinated interests. Total assets as of June 30, 2012 and December 31, 2011 of the unconsolidated trusts in which the Company has a VI are $484 million and $529 million, respectively. No events have occurred during the six months ended June 30, 2012 that would change the Company's previous conclusion that it is not the primary beneficiary of any of these securitization entities.

The Company’s maximum exposure to loss related to the unconsolidated VIEs in which it holds a VI is comprised of the loss of value of any interests it retains and any repurchase obligations it incurs as a result of a breach of its representations and warranties. Discussion of the Company's representations and warranties is included in Note 11, “Reinsurance Arrangements and Guarantees.”

Commercial and Corporate Loans

The Company has involvement with CLO entities that own commercial leveraged loans and bonds, certain of which were transferred by the Company to the CLOs. In addition to retaining certain securities issued by the CLOs, the Company also acts as collateral manager for these CLOs. The securities retained by the Company and the fees received as collateral manager represent a VI in the CLOs, which are considered to be VIEs. The Company has determined that it is the primary beneficiary of, and thus, has consolidated one of these CLOs as it has both the power to direct the activities that most significantly impact the entity’s economic performance and the obligation to absorb losses and the right to receive benefits from the entity that could potentially be significant to the CLO. The Company's involvement with the CLO includes receiving fees for its duties as collateral manager, including eligibility for performance fees as well as ownership in one of the senior interests in the CLO and certain preference shares of the CLO. Substantially all of the assets and liabilities of the CLO are loans and issued debt, respectively. The loans are classified within LHFS at fair value and the debt is included within long-term debt at fair value on the Company’s Consolidated Balance Sheets (see Note 12, “Fair Value Election and Measurement,” for a discussion of the Company’s methodologies for estimating the fair values of these financial instruments). At June 30, 2012, the Company’s

Consolidated Balance Sheets reflected $322 million of loans held by the CLO and $288 million of debt issued by the CLO. At December 31, 2011, the Company's Consolidated Balance Sheets reflected $315 million of loans held by the CLO and $289 million of debt issued by the CLO. The Company is not obligated, contractually or otherwise, to provide financial support to this VIE nor has it previously provided support to this VIE. Further, creditors of the VIE have no recourse to the general credit of the Company, as the liabilities of the CLO are paid only to the extent of available cash flows from the CLO's assets.

For the remaining CLOs, which are also considered to be VIEs, the Company has determined that it is not the primary beneficiary as it does not have an obligation to absorb losses or the right to receive benefits from the entities that could potentially be significant to the VIE. The Company's preference share exposure was valued at $2 million as of June 30, 2012 and December 31, 2011. The Company’s only remaining involvement with these VIEs was through its collateral manager role. The Company receives fees for managing the assets of these vehicles; these fees are considered adequate compensation and are commensurate with the level of effort required to provide such services. The fees received by the Company from these entities are recorded as trust and investment management income in the Consolidated Statements of Income. Senior fees earned by the Company are generally not considered at risk; however, subordinate fees earned by the Company are subject to the availability of cash flows and to the priority of payments. At June 30, 2012 and December 31, 2011, the Company’s Consolidated Balance Sheets did not include $1.9 billion and 2.0 billion, respectively, of estimated assets and $1.8 billion and $1.9 billion, respectively, of estimated liabilities. The Company is not obligated to provide any support to these entities, nor has it previously provided support to these entities. No events occurred during the six months ended June 30, 2012 that would change the Company’s previous conclusion that it is not the primary beneficiary of any of these securitization entities.

Student Loans

In 2006, the Company completed a securitization of government-guaranteed student loans through a transfer of loans to a securitization SPE, which previously qualified as a QSPE, and retained the related residual interest in the SPE. The Company concluded that this securitization of government-guaranteed student loans (the “Student Loan entity”) should be consolidated. At June 30, 2012 and December 31, 2011, the Company’s Consolidated Balance Sheets reflected $416 million and $438 million, respectively, of assets held by the Student Loan entity and $412 million and $433 million, respectively, of debt issued by the Student Loan entity.

Payments from the assets in the SPE must first be used to settle the obligations of the SPE, with any remaining payments remitted to the Company as the owner of the residual interest. To the extent that losses occur on the SPE’s assets, the SPE has recourse to the federal government as the guarantor up to a maximum guarantee amount of 97%. Losses in excess of the government guarantee reduce the amount of available cash payable to the Company as the owner of the residual interest. To the extent that losses result from a breach of the master servicer’s servicing responsibilities, the SPE has recourse to the Company; the SPE may require the Company to repurchase the loan from the SPE at par value. If the breach was caused by the subservicer, the Company has recourse to seek reimbursement from the subservicer up to the guaranteed amount. The Company’s maximum exposure to loss related to the SPE is represented by the potential losses resulting from a breach of servicing responsibilities. To date, all loss claims filed with the guarantor that have been denied due to servicing errors have either been cured or reimbursement has been provided to the Company by the subservicer.

CDO Securities

The Company has transferred bank trust preferred securities in securitization transactions. The Company is not obligated to provide any support to these entities and its maximum exposure to loss at June 30, 2012 and December 31, 2011 includes current senior interests held in trading securities, which had a fair value of $43 million.

As discussed further in Note 12, "Fair Value Election and Measurement," the Company values these interests by constructing a pricing matrix of values based on a range of overcollateralization levels that are derived from discussions with the dealer community along with limited trade data. The price derived from the matrix is then adjusted for each security based on deal specific factors such as the percentage of collateral that is considered to be at heightened risk for future deferral or default, and collateral specific prepayment expectations, among other factors. The underlying collateral of the VIEs is highly concentrated, and as a result, the default or deferral of certain large exposures adversely impacts the value of the interests. From a sensitivity analysis of the overcolleralization, the Company estimates that if each of the VIEs in which the Company holds retained positions experienced one to three additional large deferrals or defaults of an underlying collateral obligation, the fair value of the retained ARS would decline $9 million to $28 million, respectively.

At June 30, 2012 and December 31, 2011, the total assets of the trust preferred CDO entities in which the Company has remaining exposure to loss were $1.2 billion. The Company determined that it was not the primary beneficiary of any of these VIEs as the Company lacks the power to direct the significant activities of any of the VIEs. No events occurred during the six months ended June 30, 2012 that changed either the Company’s sale accounting or the Company’s conclusions that it is not the primary beneficiary of these VIEs.

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Notes to Consolidated Financial Statements (Unaudited), continued

The following tables present certain information related to the Company’s asset transfers in which it has continuing economic involvement.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Cash flows on interests held:				
Residential Mortgage Loans	$8	$13	$15	$28
Commercial and Corporate Loans	—	1	—	1
CDO Securities	1	—	1	1
Total cash flows on interests held	$9	$14	$16	$30
Servicing or management fees:				
Residential Mortgage Loans	$1	$1	$1	$2
Commercial and Corporate Loans	2	2	5	5
CDO Securities	—	—	—	—
Total servicing or management fees	$3	$3	$6	$7

Portfolio balances and delinquency balances based on accruing loans 90 days or more past due and all nonaccrual loans as of June 30, 2012 and December 31, 2011 and net charge-offs related to managed portfolio loans (both those that are owned or consolidated by the Company and those that have been transferred) for the three and six months ended June 30, 2012 and 2011 are as follows:

	Portfolio Balance		Past Due		Net Charge-offs For the Three Months Ended June 30		For the Six Months Ended June 30	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011				
(Dollars in millions)					2012	2011	2012	2011
Type of loan:								
Commercial	$57,814	$55,872	$720	$938	$63	$179	$164	$335
Residential	46,202	46,660	2,935	3,079	268	297	565	677
Consumer	20,544	19,963	953	914	19	29	43	64
Total loan portfolio	124,560	122,495	4,608	4,931	350	505	772	1,076
Managed securitized loans:								
Commercial	1,920	1,978	20	43	—	—	—	—
Residential	110,031	114,342	2,642 [1]	3,310 [1]	9	15	16	27
Total managed loans	$236,511	$238,815	$7,270	$8,284	$359	$520	$788	$1,103

[1]Excludes loans that have completed the foreclosure or short sale process (i.e., involuntary prepayments).

Other Variable Interest Entities

In addition to the Company’s involvement with certain VIEs related to transfers of financial assets, the Company also has involvement with VIEs from other business activities as further discussed in Note 11, “Certain Transfers of Financial Assets and Variable Interest Entities,” to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Three Pillars Funding, LLC

The Company previously assisted in providing liquidity to select corporate clients by directing them to a multi-seller CP conduit, Three Pillars. Three Pillars provided financing for direct purchases of financial assets originated and serviced by the Company’s corporate clients by issuing CP. The Company was the primary beneficiary of Three Pillars.

In January 2012, the Company initiated the process of liquidating Three Pillars. As of June 30, 2012, all commitments and outstanding loans of Three Pillars have been transferred to the Bank. Three Pillars' CP has been repaid in full and the remaining other assets and liabilities are immaterial to the Company's Consolidated Balance Sheets.

Notes to Consolidated Financial Statements (Unaudited), continued

Total Return Swaps

The Company has involvement with various VIEs related to its TRS business. At June 30, 2012 and December 31, 2011, the Company had $1.9 billion and $1.7 billion, respectively, in senior financing outstanding to VIEs, which were classified within trading assets on the Consolidated Balance Sheets and carried at fair value. These VIEs had entered into TRS contracts with the Company with outstanding notional amounts of $1.9 billion and $1.6 billion at June 30, 2012 and December 31, 2011, respectively, and the Company had entered into mirror TRS contracts with its third parties with the same outstanding notional amounts. At June 30, 2012, the fair values of these TRS assets and liabilities were $29 million and $25 million, respectively, and at December 31, 2011, the fair values of these TRS assets and liabilities were $20 million and $17 million, respectively, reflecting the pass-through nature of these structures. The notional amounts of the TRS contracts with the VIEs represent the Company’s maximum exposure to loss, although such exposure to loss has been mitigated via the TRS contracts with the third parties. The Company has not provided any support to the VIE that it was not contractually obligated to for the six months ended June 30, 2012 and 2011. For additional information on the Company’s TRS with these VIEs, see Note 10, “Derivative Financial Instruments.”

Community Development Investments

As part of its community reinvestment initiatives, the Company invests almost exclusively within its footprint in multi-family affordable housing developments and other community development entities as a limited and/or general partner and/or a debt provider. The Company receives tax credits for various investments. The Company has determined that the related partnerships are VIEs. For partnerships where the Company operates strictly as the general partner, the Company consolidates these partnerships on its Consolidated Balance Sheets. As the general partner, the Company typically guarantees the tax credits due to the limited partner and is responsible for funding construction and operating deficits. As of June 30, 2012 and December 31, 2011, total assets, which consist primarily of fixed assets and cash attributable to the consolidated partnerships, were $5 million and total liabilities, excluding intercompany liabilities, were $1 million. Security deposits from the tenants are recorded as liabilities on the Company’s Consolidated Balance Sheets. The Company maintains separate cash accounts to fund these liabilities and these assets are considered restricted. The tenant liabilities and corresponding restricted cash assets were not material as of June 30, 2012 and December 31, 2011. While the obligations of the general partner are generally non-recourse to the Company, as the general partner, the Company may from time to time step in when needed to fund deficits. During the three and six months ended June 30, 2012 and 2011, the Company did not provide any significant amount of funding as the general partner or to cover any deficits the partnerships may have generated.

For other partnerships, the Company acts only in a limited partnership capacity. The Company has determined that it is not the primary beneficiary of these partnerships. The general partner or an affiliate of the general partner provides guarantees to the limited partner, which protects the Company from losses attributable to operating deficits, construction deficits, and tax credit allocation deficits. Partnership assets of $1.2 billion in these partnerships were not included in the Consolidated Balance Sheets at June 30, 2012 and December 31, 2011. These limited partner interests had carrying values of $189 million and $194 million at June 30, 2012 and December 31, 2011, respectively, and are recorded in other assets in the Company’s Consolidated Balance Sheets. The Company’s maximum exposure to loss for these limited partner investments totaled $454 million and $472 million at June 30, 2012 and December 31, 2011, respectively. The Company’s maximum exposure to loss would be borne by the loss of the limited partnership equity investments along with $238 million and $249 million of loans, interest-rate swaps, or letters of credit issued by the Company to the limited partnerships at June 30, 2012 and December 31, 2011, respectively. The difference between the maximum exposure to loss and the investment and loan balances is primarily attributable to the unfunded equity commitments. Unfunded equity commitments are amounts that the Company has committed to the partnerships upon the partnerships meeting certain conditions. When these conditions are met, the Company will invest these additional amounts in the partnerships.

Additionally, the Company invests in funds whose purpose is to invest in affordable housing developments as the limited partner investor. The Company owns minority and noncontrolling interests in these funds. As of June 30, 2012 and December 31, 2011, the Company's investment in these funds totaled $67 million and $68 million, respectively, and the Company's maximum exposure to loss on its equity investments, which is comprised of its investments in the

funds plus any additional unfunded equity commitments, was $106 million and $108 million, respectively.
When the Company owns both the limited partner and general partner interests or acts as the indemnifying party, the Company consolidates the partnerships. As of June 30, 2012 and December 31, 2011, total assets, which consist primarily of fixed assets and cash, attributable to the consolidated non-VIE partnerships were $349 million and $360 million, respectively, and total liabilities, excluding intercompany liabilities, primarily representing third party borrowings, were $104 million and $107 million, respectively. See Note 12, “Fair Value Election and Measurement,” for further discussion on the impact of impairment charges on affordable housing partnership investments.

Notes to Consolidated Financial Statements (Unaudited), continued

Registered and Unregistered Funds Advised by RidgeWorth

RidgeWorth, a registered investment advisor and majority owned subsidiary of the Company, serves as the investment advisor for various private placement, common and collective funds, and registered mutual funds (collectively the "Funds"). The Company evaluates these Funds to determine if the Funds are VIEs. In February 2010, the FASB issued guidance that defers the application of the existing VIE consolidation guidance for investment funds meeting certain criteria. All of the registered and unregistered Funds advised by RidgeWorth meet the scope exception criteria and thus are not evaluated for consolidation under the guidance. Accordingly, the Company continues to apply the consolidation guidance in effect prior to the issuance of the existing guidance to interests in funds that qualify for the deferral.

The Company has concluded that some of the Funds are VIEs. However, the Company has concluded that it is not the primary beneficiary of these funds as the Company does not absorb a majority of the expected losses nor expected returns of the funds. The Company's exposure to loss is limited to the investment advisor and other administrative fees it earns and if applicable, any equity investments. The total unconsolidated assets of these funds as of June 30, 2012 and December 31, 2011 were $1.0 billion and $1.1 billion, respectively.

The Company does not have any contractual obligation to provide monetary support to any of the Funds. The Company did not provide any significant support, contractual or otherwise, to the Funds during the three and six months ended June 30, 2012 and 2011.

NOTE 7 – NET INCOME PER COMMON SHARE

Equivalent shares of 26 million and 32 million related to common stock options and common stock warrants outstanding as of June 30, 2012 and 2011, respectively, were excluded from the computations of diluted income per average common share because they would have been anti-dilutive.

A reconciliation of the difference between average basic common shares outstanding and average diluted common shares outstanding for the three and six months ended June 30, 2012 and 2011 is included below. Additionally, included below is a reconciliation of net income to net income available to common shareholders.

	Three Months Ended June 30		Six Months Ended June 30	
(In millions, except per share data)	2012	2011	2012	2011
Net income	$275	$178	$525	$358
Preferred dividends	(3)	(2)	(6)	(4)
Dividends and accretion of discount on preferred stock issued to the U.S. Treasury	—	—	—	(66)
Accretion associated with repurchase of preferred stock issued to the U.S. Treasury	—	—	—	(74)
Dividends and undistributed earnings allocated to unvested shares	(2)	(2)	(4)	(2)
Net income available to common shareholders	$270	$174	$515	$212
Average basic common shares	534	532	534	516
Effect of dilutive securities:				
Stock options	1	1	1	2
Restricted stock	2	2	2	2
Average diluted common shares	537	535	537	520
Net income per average common share - diluted	$0.50	$0.33	$0.96	$0.41
Net income per average common share - basic	$0.51	$0.33	$0.97	$0.41

NOTE 8 - INCOME TAXES

The provision for income taxes was $91 million and $58 million for the three months ended June 30, 2012 and 2011, respectively, representing an effective tax rate of 25% for each of these periods. The provision for income taxes was $160 million and $91 million for the six months ended June 30, 2012 and 2011, respectively, representing effective tax rates of 23% and 20%, respectively. The Company calculated income taxes for the three and six months ended June 30, 2012 and 2011 based on actual year-to-date results. Interest and penalties related to tax matters are recorded as a component of the income tax provision.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Company sponsors various short-term incentive and LTI plans for eligible employees. The Company delivers LTIs through various incentive programs, including stock options, RSUs, restricted stock, and LTI cash. Awards under the LTI cash plan generally cliff vest over a period of three years from the date of the award and are paid in cash. AIP is the Company's short-term cash incentive plan for key employees that provides for potential annual cash awards based on the Company's performance and/or the achievement of business unit and individual performance objectives. The Company's AIP plan includes a higher number of eligible employees that previously received compensation under other incentive plans, including MIP. Compensation expense for the AIP and LTI cash plans was $40 million and $32 million for the three months ended June 30, 2012 and 2011, respectively, and $77 million and $60 million for the six months ended June 30, 2012 and 2011, respectively.

Previously, TARP prohibited the payment of any bonus, incentive compensation or stock option award to the Company's five NEOs and certain other highly-compensated executives. As a result, beginning in January 2010, the Company paid additional base salary amounts in the form of stock (salary shares) to the NEOs and some of the other employees who were among the next 20 most highly-compensated employees. The Company did this each pay period in the form of stock units under the SunTrust Banks, Inc. 2009 Stock Plan (the "2009 Stock Plan") until the Company repaid TARP. The Company settled the stock units in cash; for the 2010 salary shares, one half was settled on March 31, 2011 and one half was settled on March 31, 2012. The 2011 salary shares were settled on March 30, 2011, the date the Company repaid the U.S. government's TARP investment. The amount paid upon settlement of the stock units was equal to the value of a share of SunTrust common stock on the settlement date. The value of salary shares paid was $4 million and $7 million in 2012 and 2011, respectively.

Stock-Based Compensation

The Company provides stock-based awards through the SunTrust Banks Inc. 2009 Stock Plan (as amended and restated effective January 1, 2011) under which the Compensation Committee of the Board of Directors has the authority to grant stock options, restricted stock, and RSUs to key employees of the Company, some of which may have performance or other conditions such as vesting tied to the Company's total shareholder return relative to a peer group or vesting tied to the achievement of a ROA target.

The Company granted 1,665,570 shares of restricted stock and 1,690,515 RSUs during the first six months of 2012. The weighted average grant-date fair value of these awards was $21.80 and $20.77 per share, respectively. The Company also granted 859,390 shares of stock options with a weighted average exercise price of $21.92. The fair value of options granted during the first six months of 2012 and 2011 was $7.83 and $10.97 per share, respectively. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model using the following assumptions:

	Six Months Ended June 30			
	2012		2011	
Dividend yield	0.91	%	0.67	%
Expected stock price volatility	39.88		34.73	
Risk-free interest rate (weighted average)	1.07		2.61	
Expected life of options	6 years		6 years	

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

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Stock-based compensation expense:				
Stock options	$2	$5	$6	$8

Restricted stock	8	8	15	17
RSUs	4	8	18	8
Total stock-based compensation expense	$14	$21	$39	$33

The recognized stock-based compensation tax benefit was $6 million and $8 million for the three months ended June 30, 2012 and 2011, respectively, and $15 million and $12 million for the six months ended June 30, 2012 and 2011, respectively.

Retirement Plans

Certain Retirement Plans were amended in 2011 to cease all future benefit accruals as disclosed in Note 16, "Employee Benefit Plans," to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. SunTrust did not contribute to either of its noncontributory qualified retirement plans ("Retirement Benefits Plans") in the first six months of 2012. The expected long-term rate of return on plan assets for the Retirement Benefit Plans is 7.00% for 2012.

Anticipated employer contributions/benefit payments for 2012 are $28 million for the SERP. For the three and six months ended June 30, 2012, the actual contributions/benefit payments were $1 million and $2 million, respectively. SunTrust contributed less than $1 million to the Postretirement Welfare Plan during the three and six months ended June 30, 2012. Additionally, SunTrust expects to receive a Medicare Part D Subsidy reimbursement for 2012 in the amount of $3 million. The expected pre-tax long-term rate of return on plan assets for the Postretirement Welfare Plan is 6.25% for 2012.

Components of net periodic benefit cost were as follows:

	Three Months Ended June 30			
	2012		2011	
(Dollars in millions)	Retirement Benefits	Other Postretirement Benefits	Retirement Benefits	Other Postretirement Benefits
Service cost	$—	$—	$17	$—
Interest cost	31	1	32	2
Expected return on plan assets	(43)	(1)	(47)	(2)
Amortization of prior service credit	—	—	(4)	—
Recognized net actuarial loss	6	—	11	—
Net periodic (benefit)/cost	($6)	$—	$9	$—

	Six Months Ended June 30			
	2012		2011	
(Dollars in millions)	Retirement Benefits	Other Postretirement Benefits	Retirement Benefits	Other Postretirement Benefits
Service cost	$—	$—	$35	$—
Interest cost	60	3	64	5
Expected return on plan assets	(86)	(3)	(94)	(4)
Amortization of prior service credit	—	—	(9)	—
Recognized net actuarial loss	12	—	21	—
Net periodic (benefit)/cost	($14)	$—	$17	$1

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into various derivative financial instruments, both in a dealer capacity to facilitate client transactions and as an end user as a risk management tool. When derivatives have been entered into with clients, the Company generally manages the risk associated with these derivatives within the framework of its VAR approach that monitors total exposure daily and seeks to manage the exposure on an overall basis. Derivatives are used as a risk management tool to hedge the Company's balance sheet exposure to changes in identified cash flow and fair value risks, either economically or in accordance with hedge accounting provisions. The Company's Corporate Treasury function is responsible for employing the various hedge accounting strategies to manage these objectives and all derivative activities are monitored by ALCO. The Company may also enter into derivatives, on a limited basis, in consideration of trading opportunities in the market. Additionally, as a normal part of its operations, the Company enters into IRLCs on mortgage loans that are accounted for as freestanding derivatives and has certain contracts containing embedded derivatives that are carried, in their entirety, at fair value. All freestanding derivatives and any embedded derivatives that the Company bifurcates from the host contracts are carried at fair value in the Consolidated Balance Sheets in trading assets, other assets, trading liabilities, or other liabilities. The associated gains and losses are either recognized in AOCI, net of tax, or within the Consolidated Statements of Income depending upon the use and designation of the derivatives.

Credit and Market Risk Associated with Derivatives

Derivatives expose the Company to credit risk. The Company minimizes the credit risk of derivatives by entering into transactions with high credit-quality counterparties with defined exposure limits that are reviewed periodically by the Company's Credit Risk Management division. The Company's derivatives may also be governed by an ISDA master agreement, and depending on the nature of the derivative, bilateral collateral agreements are typically in place as well. When the Company has more than one outstanding derivative transaction with a single counterparty and there exists a legally enforceable master netting agreement with that counterparty, the Company considers its exposure to the counterparty to be the net market value of all positions with that counterparty adjusted for held and posted collateral, if such net value is an asset to the Company. As of June 30, 2012, net derivative asset positions to which the Company was exposed to risk of its counterparties were $2.3 billion, representing the $3.4 billion of derivative gains adjusted for collateral of $1.1 billion that the Company holds in relation to these gain positions. As of December 31, 2011, net derivative asset positions to which the Company was exposed to risk of its counterparties were $2.4 billion, representing $3.6 billion of derivative gains, adjusted for collateral of $1.2 billion that the Company holds in relation to these gain positions.

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

Derivative instruments are priced with observable market assumptions at a mid-market valuation point, with appropriate valuation adjustments for liquidity and credit risk. For purposes of valuation adjustments to its derivative positions, the Company has evaluated liquidity premiums that may be demanded by market participants, as well as the credit risk of its counterparties and its own credit. The Company has considered factors such as the likelihood of default by itself and its counterparties, its net exposures, and remaining maturities in determining the appropriate fair value adjustments to recognize. Generally, the expected loss of each counterparty is estimated using the Company's internal risk rating system. The risk rating system utilizes counterparty-specific probabilities of default and LGD estimates to derive the expected loss. For counterparties that are rated by national rating agencies, those ratings are also considered in estimating the credit risk. Additionally, counterparty exposure is evaluated by offsetting positions that are subject to master netting arrangements, as well as considering the amount of marketable collateral securing the position. All counterparties are explicitly approved, as are defined exposure limits. Counterparties are regularly reviewed and appropriate business action is taken to adjust the exposure to certain counterparties, as necessary. This approach is also used by the Company to estimate its own credit risk on derivative liability positions. The Company adjusted the net fair value of its derivative contracts for estimates of net counterparty credit risk by approximately $32 million and $36 million as of June 30, 2012 and December 31, 2011, respectively.

The majority of the Company's derivatives contain contingencies that relate to the creditworthiness of the Bank. These contingencies, which are contained in industry standard master trading agreements, may be considered events of default. Should the Bank be in default under any of these provisions, the Bank's counterparties would be permitted under such master agreements to close-out net at amounts that would approximate the then-fair values of the derivatives and the offsetting of the amounts would produce a single sum due by one party to the other. The counterparties would have the right to apply any collateral posted by the Bank against any net amount owed by the Bank. Additionally, certain of the Company's derivative liability positions, totaling $1.2 billion in fair value at both June 30, 2012 and December 31, 2011 contain provisions conditioned on downgrades of the Bank's credit rating. These provisions, if triggered, would either give rise to an ATE that permits the counterparties to close-out net and apply collateral or, where a CSA is present, require the Bank to post additional collateral. Collateral posting requirements generally result from differences in the fair value of the net derivative liability compared to specified collateral thresholds at different ratings levels of the Bank, both of which are negotiated provisions within each CSA. At June 30, 2012, the Bank carried senior long-term debt ratings of A3/BBB+ from three of the major ratings agencies. At the current rating level, ATEs have been triggered for approximately $10 million in fair value liabilities as of June 30, 2012. For illustrative purposes, if the Bank were downgraded to Baa3/BBB-, ATEs would be triggered in derivative liability contracts that had a total fair value of $4 million at June 30, 2012, against which the Bank had posted collateral of $1 million; ATEs do not exist at lower ratings levels. At June 30, 2012, $1.2 billion in fair value of derivative liabilities were subject to CSAs, against which the Bank has posted $1.2 billion in collateral, primarily in the form of cash. If requested by the counterparty pursuant to the terms of the CSA, the Bank would be required to post estimated additional collateral against these contracts at June 30, 2012 of $15 million if the Bank were downgraded to Baa3/BBB-, and any further downgrades to Ba1/BB+ or below would require the posting of an additional $8 million. Such collateral posting amounts may be more or less than the Bank’s estimates based on the specified terms of each CSA as to the timing of a collateral calculation and whether the Bank and its counterparties differ on their estimates of the fair values of the derivatives or collateral.

Notional and Fair Value of Derivative Positions

The following tables present the Company’s derivative positions at June 30, 2012 and December 31, 2011. The notional amounts in the tables are presented on a gross basis and have been classified within Asset Derivatives or Liability Derivatives based on the estimated fair value of the individual contract at June 30, 2012 and December 31, 2011. Gross positive and gross negative fair value amounts associated with respective notional amounts are presented without consideration of any netting agreements. For contracts constituting a combination of options that contain a written option and a purchased option (such as a collar), the notional amount of each option is presented separately, with the purchased notional amount generally being presented as an Asset Derivative and the written notional amount being presented as a Liability Derivative. The fair value of a combination of options is generally presented as a single value with the purchased notional amount if the combined fair value is positive, and with the written notional amount, if the combined fair value is negative.

Notes to Consolidated Financial Statements (Unaudited), continued

	As of June 30, 2012[1]					
	Asset Derivatives			Liability Derivatives		
(Dollars in millions)	Balance Sheet Classification	Notional Amounts	Fair Value	Balance Sheet Classification	Notional Amounts	Fair Value
Derivatives designated in cash flow hedging relationships [2]						
Equity contracts hedging:						
Securities AFS	Trading assets	$1,547	$—	Trading liabilities	$1,547	$349
Interest rate contracts hedging:						
Floating rate loans	Trading assets	13,350	854	Trading liabilities	—	—
Total		14,897	854		1,547	349
Derivatives designated in fair value hedging relationships [3]						
Interest rate contracts covering:						
Fixed rate debt	Trading assets	1,000	63	Trading liabilities	—	—
Total		1,000	63		—	—
Derivatives not designated as hedging instruments [4]						
Interest rate contracts covering:						
Fixed rate debt	Trading assets	437	7	Trading liabilities	60	10
MSRs	Other assets	13,558	416	Other liabilities	4,860	36
LHFS, IRLCs, LHFI-FV	Other assets	2,922	9	Other liabilities	7,485 [5]	51
Trading activity [6]	Trading assets	87,129	6,429	Trading liabilities	95,911	6,094
Foreign exchange rate contracts covering:						
Commercial loans	Trading assets	33	1	Trading liabilities	—	—
Trading activity	Trading assets	2,489	63	Trading liabilities	2,712	64
Credit contracts covering:						
Loans	Other assets	60	1	Other liabilities	368	5
Trading activity	Trading assets	2,044 [7]	34	Trading liabilities	2,035 [7]	28
Equity contracts - Trading activity [6]	Trading assets	12,883	1,348	Trading liabilities	15,807	1,464
Other contracts:						
IRLCs and other	Other assets	6,402	135	Other liabilities	134 [8]	3 [8]
Trading activity	Trading assets	310	26	Trading liabilities	285	26
Total		128,267	8,469		129,657	7,781
Total derivatives		$144,164	$9,386		$131,204	$8,130

[1] The Company offsets cash collateral paid to and received from derivative counterparties when the derivative contracts are subject to ISDA master netting arrangements and meet the derivative offsetting requirements. The effects of offsetting on the Company's Consolidated Balance Sheets as of June 30, 2012 are presented in Note 12, "Fair Value Election and Measurement."

[2] See "Cash Flow Hedges" in this Note for further discussion.

[3] See "Fair Value Hedges" in this Note for further discussion.

[4] See "Economic Hedging and Trading Activities" in this Note for further discussion.

[5] Amount includes $1.2 billion of notional amounts related to interest rate futures. These futures contracts settle in cash daily, one day in arrears. The derivative asset or liability associated with the one day lag is included in the fair value column of this table.

[6] Amounts include $20.3 billion and $0.6 billion of notional related to interest rate futures and equity futures, respectively. These futures contracts settle in cash daily, one day in arrears. The derivative assets/liabilities associated with the one day lag are included in the fair value column of this table.

[7] Asset and liability amounts include $2 million and $5 million, respectively, of notional from purchased and written credit risk participation agreements, respectively, whose notional is calculated as the notional of the derivative

participated adjusted by the relevant RWA conversion factor.
[8] Includes a $3 million derivative liability recognized in other liabilities in the Consolidated Balance Sheets, related to a notional amount of $134 million. The notional amount is based on the number of Visa Class B shares, 3.2 million, the conversion ratio from Class B shares to Class A shares, and the Class A share price at the derivative inception date of May 28, 2009. This derivative was established upon the sale of Class B shares in the second quarter of 2009 as discussed in Note 11, "Reinsurance Arrangements and Guarantees."

Notes to Consolidated Financial Statements (Unaudited), continued

	As of December 31, 2011[1]					
	Asset Derivatives			Liability Derivatives		
(Dollars in millions)	Balance Sheet Classification	Notional Amounts	Fair Value	Balance Sheet Classification	Notional Amounts	Fair Value
Derivatives designated in cash flow hedging relationships [2]						
Equity contracts hedging:						
Securities AFS	Trading assets	$1,547	$—	Trading liabilities	$1,547	$189
Interest rate contracts hedging:						
Floating rate loans	Trading assets	14,850	1,057	Trading liabilities	—	—
Total		16,397	1,057		1,547	189
Derivatives designated in fair value hedging relationships [3]						
Interest rate contracts covering:						
Securities AFS	Trading assets	—	—	Trading liabilities	450	1
Fixed rate debt	Trading assets	1,000	56	Trading liabilities	—	—
Total		1,000	56		450	1
Derivatives not designated as hedging instruments [4]						
Interest rate contracts covering:						
Fixed rate debt	Trading assets	437	13	Trading liabilities	60	9
MSRs	Other assets	28,800	472	Other liabilities	2,920	29
LHFS, IRLCs, LHFI-FV	Other assets	2,657	19	Other liabilities	6,228 [5]	54
Trading activity	Trading assets	113,420 [6]	6,226	Trading liabilities	101,042	5,847
Foreign exchange rate contracts covering:						
Foreign-denominated debt and commercial loans	Trading assets	33	1	Trading liabilities	460	129
Trading activity	Trading assets	2,532	127	Trading liabilities	2,739	125
Credit contracts covering:						
Loans	Trading assets	45	1	Trading liabilities	308	3
Trading activity	Trading assets	1,841 [7]	28	Trading liabilities	1,809 [7]	23
Equity contracts - Trading activity	Trading assets	10,168 [6]	1,013	Trading liabilities	10,445	1,045
Other contracts:						
IRLCs and other	Other assets	4,909	84	Other liabilities	139 [8]	22 [8]
Trading activity	Trading assets	207	23	Trading liabilities	203	23
Total		165,049	8,007		126,353	7,309
Total derivatives		$182,446	$9,120		$128,350	$7,499

[1] The Company offsets cash collateral paid to and received from derivative counterparties when the derivative contracts are subject to ISDA master netting arrangements and meet the derivative offsetting requirements. The effects of offsetting on the Company's Consolidated Balance Sheets as of December 31, 2011 are presented in Note 12, "Fair Value Election and Measurement."

[2] See “Cash Flow Hedges” in this Note for further discussion.

[3] See "Fair Value Hedges" in this Note for further discussion.

[4] See “Economic Hedging and Trading Activities” in this Note for further discussion.

[5] Amount includes $1.2 billion of notional amounts related to interest rate futures. These futures contracts settle in cash daily, one day in arrears. The derivative liability associated with the one day lag is included in the fair value column of this table unless immaterial.

[6] Amounts include $16.7 billion and $0.6 billion of notional related to interest rate futures and equity futures, respectively. These futures contracts settle in cash daily, one day in arrears. The derivative asset associated with the one day lag is included in the fair value column of this table unless immaterial.

[7] Asset and liability amounts include $2 million and $6 million, respectively, of notional from purchased and written interest rate swap risk participation agreements, respectively, whose notional is calculated as the notional of the interest rate swap participated adjusted by the relevant RWA conversion factor.
[8] Includes a $22 million derivative liability recognized in other liabilities in the Consolidated Balance Sheets, related to a notional amount of $134 million. The notional amount is based on the number of Visa Class B shares, 3.2 million, the conversion ratio from Class B shares to Class A shares, and the Class A share price at the derivative inception date of May 28, 2009. This derivative was established upon the sale of Class B shares in the second quarter of 2009 as discussed in Note 11, “Reinsurance Arrangements and Guarantees.”

Notes to Consolidated Financial Statements (Unaudited), continued

Impact of Derivatives on the Consolidated Statements of Income and Shareholders' Equity
The impacts of derivatives on the Consolidated Statements of Income and the Consolidated Statements of Shareholders' Equity for the three and six months ended June 30, 2012 and 2011 are presented below. The impacts are segregated between those derivatives that are designated in hedging relationships and those that are used for economic hedging or trading purposes, with further identification of the underlying risks in the derivatives and the hedged items, where appropriate. The tables do not disclose the financial impact of the activities that these derivative instruments are intended to hedge, for both economic hedges and those instruments designated in formal, qualifying hedging relationships.

	Three Months Ended June 30, 2012		
(Dollars in millions)	Amount of pre-tax gain/(loss) recognized in OCI on Derivatives (Effective Portion)	Classification of gain/(loss) reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax gain/(loss) reclassified from AOCI into Income (Effective Portion)
Derivatives in cash flow hedging relationships			
Equity contracts hedging Securities AFS	($103)		$—
Interest rate contracts hedging Floating rate loans[1]	117	Interest and fees on loans	83
Total	$14		$83

	Six Months Ended June 30, 2012		
(Dollars in millions)	Amount of pre-tax gain/(loss) recognized in OCI on Derivatives (Effective Portion)	Classification of gain/(loss) reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax gain/(loss) reclassified from AOCI into Income (Effective Portion)
Derivatives in cash flow hedging relationships			
Equity contracts hedging Securities AFS	($161)		$—
Interest rate contracts hedging Floating rate loans[1]	167	Interest and fees on loans	166
Total	$6		$166

[1] During the three and six months ended June 30, 2012, the Company also reclassified $37 million and $105 million, respectively, in pre-tax gains from AOCI into net interest income. These gains related to hedging relationships that have been previously terminated or de-designated and are reclassified into earnings in the same period in which the forecasted transaction occurs.

	Three Months Ended June 30, 2012		
(Dollars in millions)	Amount of gain/(loss) on Derivatives recognized in Income	Amount of gain/(loss) on related Hedged Items recognized in Income	Amount of gain/(loss) recognized in Income on Hedges (Ineffective Portion)
Derivatives in fair value hedging relationships[1]			
Interest rate contracts hedging Fixed rate debt	$8	($8)	$—
Interest rate contracts hedging Securities AFS	—	—	—
Total	$8	($8)	$—

(Dollars in millions)	Six Months Ended June 30, 2012 Amount of gain/(loss) on Derivatives recognized in Income	Amount of gain/(loss) on related Hedged Items recognized in Income	Amount of gain/(loss) recognized in Income on Hedges (Ineffective Portion)
Derivatives in fair value hedging relationships[1]			
Interest rate contracts hedging Fixed rate debt	$7	($7)	$—
Interest rate contracts hedging Securities AFS	1	(1)	—
Total	$8	($8)	$—

[1] Amounts are recognized in trading income in the Consolidated Statements of Income.

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Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Classification of gain/(loss) recognized in Income on Derivatives	Amount of gain/(loss) recognized in Income on Derivatives for the Three Months Ended June 30, 2012	Amount of gain/(loss) recognized in Income on Derivatives for the Six Months Ended June 30, 2012
Derivatives not designated as hedging instruments			
Interest rate contracts covering:			
Fixed rate debt	Trading income	($2)	($1)
MSRs	Mortgage servicing related income	269	196
LHFS, IRLCs, LHFI-FV	Mortgage production related income	(135)	(170)
Trading activity	Trading income	27	54
Foreign exchange rate contracts covering:			
Commercial loans and foreign-denominated debt	Trading income	115	130
Trading activity	Trading income	11	14
Credit contracts covering:			
Loans	Other income [1]	(1)	(4)
Trading activity	Trading income	6	12
Equity contracts - trading activity	Trading income	10	13
Other contracts:			
IRLCs	Mortgage production related income	257	442
Total		$557	$686

[1] For the six months ended June 30, 2012, losses of $3 million were recorded in trading income.

The impacts of derivatives on the Consolidated Statements of Income and the Consolidated Statements of Shareholders' Equity for the three and six months ended June 30, 2011 are presented below:

	Three Months Ended June 30, 2011		
(Dollars in millions)	Amount of pre-tax gain/(loss) recognized in OCI on Derivatives (Effective Portion)	Classification of gain/(loss) reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax gain/(loss) reclassified from AOCI into Income (Effective Portion)
Derivatives in cash flow hedging relationships			
Equity contracts hedging Securities AFS	$6		$—
Interest rate contracts hedging Floating rate loans[1]	261	Interest and fees on loans	105
Total	$267		$105

	Six Months Ended June 30, 2011		
(Dollars in millions)	Amount of pre-tax gain/(loss) recognized in OCI on Derivatives (Effective Portion)	Classification of gain/(loss) reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax gain/(loss) reclassified from AOCI into Income (Effective Portion)
Derivatives in cash flow hedging relationships			
	($10)		$—

Equity contracts hedging Securities AFS			
Interest rate contracts hedging Floating rate loans[1]	234	Interest and fees on loans	218
Total	$224		$218

[1] During the three and six months ended June 30, 2011, the Company also reclassified $49 million and $90 million in pre-tax gains from AOCI into net interest income. These gains related to hedging relationships that have been previously terminated or de-designated and are reclassified into earnings in the same period in which the forecasted transaction occurs.

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Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Three Months Ended June 30, 2011 Amount of gain/(loss) on Derivatives recognized in Income	Amount of gain/(loss) on related Hedged Items recognized in Income	Amount of gain/(loss) recognized in Income on Hedges (Ineffective Portion)
Derivatives in fair value hedging relationships			
Interest rate contracts hedging Fixed rate debt[1]	$15	($15)	$—

(Dollars in millions)	Six Months Ended June 30, 2011 Amount of gain/(loss) on Derivatives recognized in Income	Amount of gain/(loss) on related Hedged Items recognized in Income	Amount of gain/(loss) recognized in Income on Hedges (Ineffective Portion)
Derivatives in fair value hedging relationships			
Interest rate contracts hedging Fixed rate debt[1]	$15	($15)	$—

[1] Amounts are recognized in trading income in the Consolidated Statements of Income.

(Dollars in millions)	Classification of gain/(loss) recognized in Income on Derivatives	Amount of gain/(loss) recognized in Income on Derivatives for the Three Months Ended June 30, 2011	Amount of gain/(loss) recognized in Income on Derivatives for the Six Months Ended June 30, 2011
Derivatives not designated as hedging instruments			
Interest rate contracts covering:			
Fixed rate debt	Trading income	$—	$1
MSRs	Mortgage servicing related income	134	91
LHFS, IRLCs, LHFI-FV	Mortgage production related income	(67)	(93)
Trading activity	Trading income	33	37
Foreign exchange rate contracts covering:			
Commercial loans and foreign-denominated debt	Trading income	29	110
Trading activity	Trading income	(5)	(6)
Credit contracts covering:			
Loans	Trading income	—	(1)
Trading activity	Trading income	4	8
Equity contracts - trading activity	Trading income	5	8
Other contracts:			
IRLCs	Mortgage production related income	48	84
Total		$181	$239

Credit Derivatives

As part of its trading businesses, the Company enters into contracts that are, in form or substance, written guarantees: specifically, CDS, swap participations, and TRS. The Company accounts for these contracts as derivatives and, accordingly, recognizes these contracts at fair value, with changes in fair value recognized in trading income in the Consolidated Statements of Income.

The Company writes CDS, which are agreements under which the Company receives premium payments from its counterparty for protection against an event of default of a reference asset. In the event of default under the CDS, the Company would either net cash settle or make a cash payment to its counterparty and take delivery of the defaulted reference asset, from which the Company may recover all, a portion, or none of the credit loss, depending on the performance of the reference asset. Events of default, as defined in the CDS agreements, are generally triggered upon the failure to pay and similar events related to the issuer(s) of the reference asset. As of June 30, 2012, all written CDS contracts reference single name corporate credits or corporate credit indices. When the Company has written CDS, it has generally entered into offsetting CDS for the underlying reference asset, under which the Company paid a premium to its counterparty for protection against an event of default on the reference asset. The counterparties to these purchased CDS are generally of high creditworthiness and typically have ISDA master agreements in place that subject the CDS to master netting provisions, thereby mitigating the risk of non-payment to the Company. As such, at June 30, 2012, the Company did not have any significant risk of making a non-recoverable payment on any written CDS. During 2012 and 2011, the only instances of default on written CDS were driven by credit indices with constituent credit default. In all cases where the Company made resulting cash payments to settle, the Company collected like amounts from the counterparties to the offsetting purchased CDS. At June 30, 2012, the written CDS had remaining terms ranging from less than one year to nine years. The maximum guarantees outstanding at June 30, 2012 and December 31, 2011, as measured by the gross notional amounts of written CDS, were $117 million and $167 million, respectively. At June 30, 2012 and December 31, 2011, the gross notional amounts of purchased CDS contracts, which represent benefits to, rather than obligations of, the Company, were $125 million and $175 million, respectively. The fair values of written CDS were $1 million and $4 million at June 30, 2012 and December 31, 2011, respectively, and the fair values of purchased CDS were $2 million and $6 million at June 30, 2012 and December 31, 2011, respectively.

The Company has also entered into TRS contracts on loans. The Company's TRS business consists of matched trades, such that when the Company pays depreciation on one TRS, it receives the same amount on the matched TRS. As such, the Company does not have any long or short exposure, other than credit risk of its counterparty which is mitigated through collateralization. The Company typically receives initial cash collateral from the counterparty upon entering into the TRS and is entitled to additional collateral if the fair value of the underlying reference assets deteriorates. At June 30, 2012 and December 31, 2011, there were $1.9 billion and $1.6 billion of outstanding and offsetting TRS notional balances, respectively. The fair values of the TRS derivative assets and liabilities at June 30, 2012 were $29 million and $25 million, respectively, and related collateral held at June 30, 2012 was $283 million. The fair values of the TRS derivative assets and liabilities at December 31, 2011 were $20 million and $17 million, respectively, and related collateral held at December 31, 2011 was $285 million.

The Company writes risk participations, which are credit derivatives, whereby the Company has guaranteed payment to a dealer counterparty in the event that the counterparty experiences a loss on a derivative, such as an interest rate swap, due to a failure to pay by the counterparty's customer (the "obligor") on that derivative. The Company monitors its payment risk on its risk participations by monitoring the creditworthiness of the obligors, which is based on the normal credit review process the Company would have performed had it entered into the derivatives directly with the obligors. The obligors are all corporations or partnerships. However, the Company continues to monitor the creditworthiness of its obligors and the likelihood of payment could change at any time due to unforeseen circumstances. To date, no material losses have been incurred related to the Company's written risk participations. At June 30, 2012, the remaining terms on these risk participations generally ranged from one year to eleven years with a weighted average on the maximum estimated exposure of 4.1 years. The Company's maximum estimated exposure to written risk participations, as measured by projecting a maximum value of the guaranteed derivative instruments based on interest rate curve simulations and assuming 100% default by all obligors on the maximum values, was approximately $42 million and $57 million at June 30, 2012 and December 31, 2011, respectively. The fair values of the written risk participations were not material at both June 30, 2012 and December 31, 2011. As part of its trading activities, the Company may enter into purchased risk participations, but such activity is not matched, as discussed herein related to CDS or TRS.

Cash Flow Hedges

The Company utilizes a comprehensive risk management strategy to monitor sensitivity of earnings to movements in interest rates. Specific types of funding and principal amounts hedged are determined based on prevailing market conditions and the shape of the yield curve. In conjunction with this strategy, the Company may employ various interest rate derivatives as risk management tools to hedge interest rate risk from recognized assets and liabilities or from forecasted transactions. The terms and notional amounts of derivatives are determined based on management's assessment of future interest rates, as well as other factors. At June 30, 2012, the Company's outstanding interest rate hedging relationships include interest rate swaps that have been designated as cash flow hedges of probable forecasted transactions related to recognized floating rate loans.

Interest rate swaps have been designated as hedging the exposure to the benchmark interest rate risk associated with floating rate loans. At June 30, 2012, the maximum range of hedge maturities for hedges of floating rate loans was one to five years, with the weighted average being 2.9 years. Ineffectiveness on these hedges was not material during the three and six months ended June 30, 2012 and 2011. As of June 30, 2012, $278 million, net of tax, of the deferred net gains on derivatives that are recognized in AOCI are expected to be reclassified to net interest income over the next twelve months in connection with the recognition of interest income on these hedged items. The amount to be reclassified into income includes both active and terminated or de-designated cash flow hedges. The Company may choose to terminate or de-designate a hedging relationship in this program due to a change in the risk management objective for that specific hedge item, which may arise in conjunction with an overall balance sheet management strategy.

During the third quarter of 2008, the Company executed the Agreements on 30 million common shares of Coke. A consolidated subsidiary of SunTrust owns 22.9 million Coke common shares and a consolidated subsidiary of the Bank owns 7.1 million Coke common shares. These two subsidiaries entered into separate derivative contracts on their respective holdings of Coke common shares with a large, unaffiliated financial institution (the "Counterparty"). Execution of the Agreements (including the pledges of the Coke common shares pursuant to the terms of the Agreements) did not constitute a sale of the Coke common shares under U.S. GAAP for several reasons, including that ownership of the common shares was not legally transferred to the Counterparty. The Agreements were zero-cost equity collars at inception, which caused the Agreements to be derivatives in their entirety. The Company has designated the Agreements as cash flow hedges of the Company's probable forecasted sales of its Coke common shares, which are expected to occur between 6.5 years and 7 years from the Agreements' effective date, for overall price volatility below the strike prices on the floor (purchased put) and above the strike prices on the ceiling (written call). Although the Company is not required to deliver its Coke common shares under the Agreements, the Company has asserted that it is probable that it will sell all of its Coke common shares at or around the settlement date of the Agreements. The Federal Reserve's approval for Tier 1 capital treatment was significantly based on this expected disposition of the Coke common shares under the Agreements or in another market transaction. Both the sale and the timing of such sale remain probable to occur as designated. At least quarterly, the Company assesses hedge effectiveness and measures hedge ineffectiveness with the effective portion of the changes in fair value of the Agreements recognized in AOCI and any ineffective portions recognized in trading income. None of the components of the Agreements' fair values are excluded from the Company's assessments of hedge effectiveness. Potential sources of ineffectiveness include changes in market dividends and certain early termination provisions. During the three and six months ended June 30, 2012 and 2011, the Company recognized ineffectiveness gains of approximately $1 million, respectively. Ineffectiveness gains were recognized in trading income. Other than potential measured hedge ineffectiveness, no amounts are expected to be reclassified from AOCI over the next twelve months and any remaining amounts recognized in AOCI will be reclassified to earnings when the probable forecasted sales of the Coke common shares occur.

Fair Value Hedges

During 2011, the Company entered into interest rate swap agreements, as part of the Company's risk management objectives for hedging its exposure to changes in fair value due to changes in interest rates. These hedging arrangements converted Company-issued fixed rate senior long-term debt to floating rates. Consistent with this objective, the Company reflects the accrued contractual interest on the hedged item and the related swaps as part of current period interest. There were no components of derivative gains or losses excluded in the Company's assessment of hedge effectiveness related to the fair value hedges.

Economic Hedging and Trading Activities

In addition to designated hedging relationships, the Company also enters into derivatives as an end user as a risk management tool to economically hedge risks associated with certain non-derivative and derivative instruments, along with entering into derivatives in a trading capacity with its clients.

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

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

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

The Company is exposed to risk on the returns of certain of its brokered deposits that are carried at fair value. To hedge against this risk, the Company has entered into interest rate derivatives that mirror the risk profile of the returns on these instruments.

The Company is exposed to interest rate risk associated with MSRs, which the Company hedges with a combination of mortgage and interest rate derivatives, including forward and option contracts, futures, and forward rate agreements.

The Company enters into mortgage and interest rate derivatives, including forward contracts, futures, and option contracts to mitigate interest rate risk associated with IRLCs and mortgage LHFS. The Company also previously entered into derivative contracts on mortgage LHFI reported at fair value, but there were none outstanding during 2012.

- The Company was exposed to foreign exchange rate risk associated with certain senior notes denominated in pound sterling. This risk was economically hedged with cross currency swaps, which received pound sterling and paid U.S. dollars. During the three months ended June 30, 2012, this debt and the related hedges matured. Interest expense on the Consolidated Statements of Income reflects only the contractual interest rate on the debt based on the average spot exchange rate during the applicable period, while fair value changes on the derivatives and valuation adjustments on the debt are both recognized within trading income.

Notes to Consolidated Financial Statements (Unaudited), continued

- The Company enters into CDS to hedge credit risk associated with certain loans held within its Wholesale Banking segment. The Company accounts for these contracts as derivatives and, accordingly, recognizes these contracts at fair value, with changes in fair value recognized in other income in the Consolidated Statements of Income.
- Trading activity, as illustrated in the tables within this footnote, primarily includes interest rate swaps, equity derivatives, CDS, futures, options and foreign currency contracts. These derivatives are entered into in a dealer capacity to facilitate client transactions or are utilized as a risk management tool by the Company as an end user in certain macro-hedging strategies. The macro-hedging strategies are focused on managing the Company's overall interest rate risk exposure that is not otherwise hedged by derivatives or in connection with specific hedges and, therefore, the Company does not specifically associate individual derivatives with specific assets or liabilities.

NOTE 11 – REINSURANCE ARRANGEMENTS AND GUARANTEES

Reinsurance

The Company provides mortgage reinsurance on certain mortgage loans through contracts with several primary mortgage insurance companies. Under these contracts, the Company provides aggregate excess loss coverage in a mezzanine layer in exchange for a portion of the pool's mortgage insurance premium. As of June 30, 2012 and December 31, 2011, approximately $7.0 billion and $8.0 billion, respectively, of mortgage loans were covered by such mortgage reinsurance contracts. The reinsurance contracts are intended to place limits on the Company's maximum exposure to losses by defining the loss amounts ceded to the Company as well as by establishing trust accounts for each contract. The trust accounts, which are comprised of funds contributed by the Company plus premiums earned under the reinsurance contracts, are maintained to fund claims made under the reinsurance contracts. If claims exceed funds held in the trust accounts, the Company does not intend to make additional contributions beyond future premiums earned under the existing contracts.

At June 30, 2012 and December 31, 2011, the total loss exposure ceded to the Company was approximately $275 million and $309 million, respectively; however, the maximum amount of loss exposure based on funds held in each separate trust account, including net premiums due to the trust accounts, was limited to $27 million. Of this amount, $24 million of losses have been reserved for as of June 30, 2012, reducing the Company's net remaining loss exposure to $3 million. The reinsurance reserve was $38 million as of December 31, 2011. The decrease in the reserve balance was due to claim payments made to the primary mortgage insurance companies since December 31, 2011. The Company's evaluation of the required reserve amount includes an estimate of claims to be paid by the trust in relation to loans in default and an assessment of the sufficiency of future revenues, including premiums and investment income on funds held in the trusts, to cover future claims. Future reported losses may exceed $3 million since future premium income will increase the amount of funds held in the trust; however, future cash losses, net of premium income, are not expected to exceed $3 million. The amount of future premium income is limited to the population of loans currently outstanding since additional loans are not being added to the reinsurance contracts; future premium income could be further curtailed to the extent the Company agrees to relinquish control of other individual trusts to the mortgage insurance companies. Premium income, which totaled $3 million and $6 million, for the three months ended June 30, 2012 and 2011, respectively and $8 million and $14 million for the six months ended June 30, 2012 and 2011, respectively, is reported as part of other noninterest income. The related provision for losses, which totaled $3 million and $6 million, for the three months ended June 30, 2012 and 2011, respectively, and $9 million and $13 million for the six months ended June 30, 2012 and 2011, respectively, is reported as part of other noninterest expense.

Guarantees

The Company has undertaken certain guarantee obligations in the ordinary course of business. The issuance of a guarantee imposes an obligation for the Company to stand ready to perform and should certain triggering events occur, it also imposes an obligation to make future payments. Payments may be in the form of cash, financial instruments, other assets, shares of stock, or provisions of the Company's services. The following discussion appends and updates certain guarantees disclosed in Note 18, "Reinsurance Arrangements and Guarantees," to the Consolidated

Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The Company has also entered into certain contracts that are similar to guarantees, but that are accounted for as derivatives (see Note 10, "Derivative Financial Instruments").

Letters of Credit

Letters of credit are conditional commitments issued by the Company generally to guarantee the performance of a client to a third party in borrowing arrangements, such as CP, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients and may be reduced by selling
participations to third parties. The Company issues letters of credit that are classified as financial standby, performance standby, or commercial letters of credit.

As of June 30, 2012 and December 31, 2011, the maximum potential amount of the Company's obligation was $4.8 billion and $5.2 billion, respectively, for financial and performance standby letters of credit. The Company has recorded $104 million and $105 million in other liabilities in the Consolidated Balance Sheets for unearned fees related to these letters of credit as of June 30, 2012 and December 31, 2011, respectively. The Company's outstanding letters of credit generally have a term of less than one year but may extend longer. If a letter of credit is drawn upon, the Company may seek recourse through the client's underlying obligation. If the client's line of credit is also in default, the Company may take possession of the collateral securing the line of credit, where applicable. The Company monitors its credit exposure under standby letters of credit in the same manner as it monitors other extensions of credit in accordance with credit policies. Some standby letters of credit are designed to be drawn upon and others are drawn upon only under circumstances of dispute or default in the underlying transaction to which the Company is not a party. In all cases, the Company holds the right to reimbursement from the applicant and may or may not also hold collateral to secure that right. An internal assessment of the PD and loss severity in the event of default is assessed consistent with the methodologies used for all commercial borrowers. The management of credit risk regarding letters of credit leverages the risk rating process to focus higher visibility on the higher risk and higher dollar letters of credit. The associated reserve is a component of the unfunded commitment reserve recorded in other liabilities in the Consolidated Balance Sheets and included in the allowance for credit losses as disclosed in Note 4, "Allowance for Credit Losses."

Loan Sales

STM, a consolidated subsidiary of SunTrust, originates and purchases residential mortgage loans, a portion of which are sold to outside investors in the normal course of business, through a combination of whole loan sales to GSEs, Ginnie Mae, and non-agency investors. Prior to 2008, the Company also sold loans through a limited amount of Company sponsored securitizations. When mortgage loans are sold, representations and warranties regarding certain attributes of the loans sold are made to these third party purchasers. Subsequent to the sale, if a material underwriting deficiency or documentation defect is discovered, STM may be obligated to repurchase the mortgage loan or to reimburse the investor for losses incurred (make whole requests) if such deficiency or defect cannot be cured by STM within the specified period following discovery. Defects in the securitization process or breaches of underwriting and servicing representations and warranties can result in loan repurchases, as well as adversely affect the valuation of MSRs, servicing advances, or other mortgage loan related exposures, such as OREO. These representations and warranties may extend through the life of the mortgage loan. STM's risk of loss under its representations and warranties is largely driven by borrower payment performance since investors will perform extensive reviews of delinquent loans as a means of mitigating losses.

Loan repurchase requests generally arise from loans sold during the period from January 1, 2005 to June 30, 2012, which totaled $256.5 billion at the time of sale, consisting of $197.3 billion and $30.3 billion of agency and non-agency loans, respectively, as well as $28.9 billion of loans sold to Ginnie Mae. The composition of the remaining outstanding balance by vintage and type of buyer as of June 30, 2012 is shown in the following table:

	Remaining Outstanding Balance by Year of Sale								
(Dollars in billions)	2005	2006	2007	2008	2009	2010	2011	2012	Total

GSE[1]	$3.7	$4.4	$8.7	$8.8	$20.8	$12.4	$12.5	$9.7	$81.0
Ginnie Mae[1]	0.7	0.5	0.5	2.4	5.1	3.7	2.9	2.3	18.1
Non-agency	3.9	5.6	4.2	—	—	—	—	—	13.7
Total	$8.3	$10.5	$13.4	$11.2	$25.9	$16.1	$15.4	$12.0	$112.8

[1] Balances based on loans serviced by the Company.

Non-agency loan sales include whole loans and loans sold in private securitization transactions. While representations and warranties have been made related to these sales, they differ in many cases from those made in connection with loans sold to the GSEs in that non-agency loans may not be required to meet the same underwriting standards and, in addition to identifying a representation or warranty breach, non-agency investors are generally required to demonstrate that the alleged breach was material, and that it caused the investors' loss. Loans sold to Ginnie Mae are insured by either the FHA or VA. As servicer, we may elect to repurchase delinquent loans in accordance with Ginnie Mae guidelines; however, the loans continue to be insured. Although we indemnify the FHA and VA for losses related to loans not originated in accordance with their guidelines, such occurrences have historically been limited and the repurchase liability for loans sold to Ginnie Mae is immaterial. As discussed
in Note 13, "Contingencies," during the second quarter the Company was informed of the commencement of an investigation by the HUD regarding origination practices for FHA loans.

Although the timing and volume has varied, repurchase and make whole requests have increased over the past several years. Repurchase requests from GSEs and non-agency investors were $937 million during the six months ended June 30, 2012 and $1.7 billion, $1.1 billion, and $1.1 billion during the years ended 2011, 2010, and 2009, respectively, and on a cumulative basis since 2005 totaled $6.2 billion, which includes Ginnie Mae repurchase requests. The majority of these requests are from GSEs, with a limited number of requests having been received from non-agency investors. Repurchase requests from non-agency investors were $6 million during the six months ended June 30, 2012 and $50 million, $55 million, and $99 million during the years ended December 31, 2011, 2010, and 2009, respectively. Additionally, repurchase requests related to loans originated during 2006 - 2008 have consistently comprised the vast majority of total repurchase requests during the past three years. The repurchase and make whole requests received have been primarily due to material breaches of representations related to compliance with the applicable underwriting standards, including borrower misrepresentation and appraisal issues. STM performs a loan by loan review of all requests and demands have been contested to the extent they are not considered valid. At June 30, 2012, the unpaid principal balance of loans related to unresolved requests previously received from investors was $652 million, comprised of $642 million from the GSEs and $10 million from non-agency investors. Comparable amounts at December 31, 2011, were $590 million, comprised of $578 million from the GSEs and $12 million from non-agency investors.

The Company uses the best information available when estimating its mortgage repurchase liability. As of June 30, 2012 and December 31, 2011, the Company's estimate of the liability for incurred losses related to all vintages of mortgage loans sold totaled $434 million and $320 million, respectively. The liability is recorded in other liabilities in the Consolidated Balance Sheets, and the related repurchase provision is recognized in mortgage production related income in the Consolidated Statements of Income.

A significant degree of judgment is used to estimate the mortgage repurchase liability. This estimation process is inherently uncertain and subject to imprecision; consequently, there is a range of reasonably possible loss in excess of the recorded repurchase liability. Based on an analysis of the assumptions used to estimate the repurchase liability related to loans sold prior to 2009, the Company estimates that it is reasonably possible that the estimated liability, as of June 30, 2012, could exceed the current repurchase liability by $0 to $500 million. This estimate is subject to revision due to changes in borrower default levels, investor request criteria and behavior, repurchase rates, and home values. This estimate of reasonably possible incremental loss does not pertain to non-agency investors or to loans sold after 2008 due to the limited amount of historical repurchase requests and loss experience the Company has realized on these more recent vintages; therefore, the Company is unable to estimate a reasonably possible range of loss for loans sold to non-agency investors or for loans sold subsequent to 2008. The following table summarizes the changes in the Company’s reserve for mortgage loan repurchases:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011

Balance at beginning of period	$383	$270	$320	$265
Repurchase provision	155	90	330	170
Charge-offs	(104)	(61)	(216)	(136)
Balance at end of period	$434	$299	$434	$299

During the six months ended June 30, 2012 and 2011, the Company repurchased or otherwise settled mortgages with unpaid principal balances of $368 million and $246 million, respectively, related to investor demands. As of June 30, 2012 and December 31, 2011, the carrying value of outstanding repurchased mortgage loans, net of any allowance for loan losses, totaled $294 million and $252 million, respectively, of which $128 million and $134 million, respectively, were nonperforming.

As of June 30, 2012, the Company maintained a reserve for costs associated with foreclosure delays of loans serviced for GSEs. The Company normally retains servicing rights when loans are transferred. As servicer, the Company makes representations and warranties that it will service the loans in accordance with investor servicing guidelines and standards which include collection and remittance of principal and interest, administration of escrow for taxes and insurance, advancing principal, interest, taxes, insurance, and collection expenses on delinquent accounts, loss mitigation strategies including loan modifications, and foreclosures. STM recognizes a liability for contingent losses when MSRs are sold, which totaled $10 million and $8 million as of June 30, 2012 and December 31, 2011, respectively.

Contingent Consideration

The Company has contingent payment obligations related to certain business combination transactions. Payments are calculated using certain post-acquisition performance criteria. The potential obligation and amount recorded as a liability representing the fair value of the contingent payments was $32 million and $10 million as of June 30, 2012 and December 31, 2011, respectively. If required, these contingent payments will be payable over the next three years.

Visa

The Company issues and acquires credit and debit card transactions through Visa. The Company is a defendant, along with Visa and MasterCard International (the “Card Associations”), as well as several other banks, in one of several antitrust lawsuits challenging the practices of the Card Associations (the “Litigation”). The Company entered into judgment and loss sharing agreements with Visa and certain other banks in order to apportion financial responsibilities arising from any potential adverse judgment or negotiated settlements related to the Litigation. Additionally, in connection with Visa's restructuring in 2007, a provision of the original Visa By-Laws, Section 2.05j, was restated in Visa's certificate of incorporation. Section 2.05j contains a general indemnification provision between a Visa member and Visa, and explicitly provides that after the closing of the restructuring, each member's indemnification obligation is limited to losses arising from its own conduct and the specifically defined Litigation.

As of June 30, 2012, Visa had funded $8.1 billion into an escrow account, established for the purpose of funding judgments in, or settlements of, the Litigation. Agreements associated with Visa's IPO have provisions that Visa will first use the funds in the escrow account to pay for future settlements of, or judgments in the Litigation. If the escrow account is insufficient to cover the Litigation losses, then Visa will issue additional Class A shares (“loss shares”). The proceeds from the sale of the loss shares would then be deposited in the escrow account. The issuance of the loss shares will cause a dilution of Visa's Class B shares as a result of an adjustment to lower the conversion factor of the Class B shares to Class A shares. Visa U.S.A.'s members are responsible for any portion of the settlement or loss on the Litigation after the escrow account is depleted and the value of the Class B shares is fully-diluted. In May 2009, the Company sold its 3.2 million Visa Inc. Class B shares to another financial institution (“the Counterparty”) and entered into a derivative with the Counterparty. The Company received $112 million and recognized a gain of $112 million in connection with these transactions. Under the derivative, the Counterparty is compensated by the Company for any decline in the conversion factor as a result of the outcome of the Litigation. Conversely, the Company is compensated by the Counterparty for any increase in the conversion factor. The amount of payments made or received under the derivative is a function of the 3.2 million shares sold to the Counterparty, the change in conversion rate, and Visa’s share price. The Counterparty, as a result of its ownership of the Class B shares, is impacted by dilutive adjustments to the conversion factor of the Class B shares caused by the Litigation losses. The conversion factor at the inception of the derivative in May 2009 was 0.6296 and as of June 30, 2012 the conversion factor had decreased to

0.4254 due to Visa's funding of the litigation escrow account. The decreases in the conversion factor triggered payments by the Company to the Counterparty of $23 million, $8 million, and $17 million, during the six months ending June 30, 2012, and for the years ended 2011 and 2010, respectively. The estimated fair value of the derivative liability recorded as of June 30, 2012 and December 31, 2011 was $3 million and $22 million, respectively.
In July 2012, the Card Associations and defendants signed a memorandum of understanding to enter into a settlement agreement to resolve the plaintiffs' claims in the Litigation. Visa's share of the claims represents approximately $4.4 billion which will be paid from its litigation escrow account. As the escrow account is sufficient to cover the expected liability, the Company does not expect the conversion ratio to decrease below the 0.4254 ratio as of June 30, 2012, and thus, is not expecting any additional payments to the Counterparty, other than certain fixed charges included in the liability, which are payable until the final settlement occurs.

Tax Credits Sold
SunTrust Community Capital, a SunTrust subsidiary, previously obtained state and federal tax credits through the construction and development of affordable housing properties and continues to obtain state and federal tax credits through investments in affordable housing developments. SunTrust Community Capital or its subsidiaries are limited and/or general partners in various partnerships established for the properties. Some of the investments that generate state tax credits may be sold to outside investors. As of June 30, 2012, SunTrust Community Capital has completed six sales containing guarantee provisions stating that SunTrust Community Capital will make payment to the outside investors if the tax credits become ineligible. SunTrust Community Capital also guarantees that the general partner under the transaction will perform on the delivery of the credits. The guarantees are expected to expire within a ten year period from inception. As of June 30, 2012, the maximum potential amount that SunTrust Community Capital could be obligated to pay under these guarantees is $37 million; however, SunTrust Community Capital can seek recourse against the general partner. Additionally, SunTrust Community Capital can seek reimbursement from cash flow and residual values of the underlying affordable housing properties provided that the properties retain value. As of June 30, 2012 and December 31, 2011, $4 million and $5 million, respectively, was accrued representing the remainder of tax credits to be delivered, and were recorded in other liabilities in the Consolidated Balance Sheets.

Other
In the normal course of business, the Company enters into indemnification agreements and provides standard representations and warranties in connection with numerous transactions. These transactions include those arising from securitization activities, underwriting agreements, merger and acquisition agreements, loan sales, contractual commitments, payment processing, sponsorship agreements, and various other business transactions or arrangements. The extent of the Company's obligations under these indemnification agreements depends upon the occurrence of future events; therefore, the Company's potential future liability under these arrangements is not determinable.

NOTE 12 - FAIR VALUE ELECTION AND MEASUREMENT
The Company carries certain assets and liabilities at fair value on a recurring basis and appropriately classifies them as level 1, 2, or 3 within the fair value hierarchy. The Company's recurring fair value measurements are based on a requirement to carry such assets and liabilities at fair value or the Company's election to carry certain financial assets and liabilities at fair value. Assets and liabilities that are required to be carried at fair value on a recurring basis include trading securities, securities AFS, and derivative financial instruments. Assets and liabilities that the Company has elected to carry at fair value on a recurring basis include certain LHFS and LHFI, MSRs, certain brokered time deposits, and certain issuances of fixed rate debt.
In certain circumstances, fair value enables a company to more accurately align its financial performance with the economic value of actively traded or hedged assets or liabilities. Fair value also enables a company to mitigate the non-economic earnings volatility caused from financial assets and liabilities being carried at different bases of accounting, as well as, to more accurately portray the active and dynamic management of a company's balance sheet.
Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. The assumptions used to estimate the value of an instrument have varying degrees of impact to the overall fair value of the asset or liability. This process has involved the gathering of multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other similar securities,

market indices, pricing matrices along with employing various modeling techniques, such as discounted cash flow analyses, in arriving at the best estimate of fair value. Any model used to produce material financial reporting information is required to have a satisfactory independent review performed on an annual basis, or more frequently, when significant modifications to the functionality of the model are made. This review is performed by an internal group that separately reports to the Corporate Risk Function.

The Company has formal processes and controls in place to ensure the appropriateness of all fair value estimates. For fair values obtained from a third party, there is an internal independent price validation function within the Finance organization that provides oversight for fair value estimates. For level 2 instruments and certain level 3 instruments, the validation generally involves evaluating pricing received from two or more other third party pricing sources that are widely used by market participants. The Company classifies instruments as level 2 in the fair value hierarchy when it is able to determine that external pricing sources are using similar instruments trading in the markets as the basis for estimating fair value. One way the Company determines this is by the number of pricing services that will provide a quote on the instrument along with the range of values provided by those pricing services. A wide range of quoted values may indicate that significant adjustments to the trades in the market are being made by the pricing services.
The Company maintains a cross-functional approach when estimating the fair value for level 3 instruments that are internally valued since the selection of unobservable inputs is subjective. This approach includes input and sign off on assumptions from not only the related line of business, but also from risk management and finance, to ultimately arrive at a consensus estimate of the instrument's fair value after evaluating all available information pertaining to fair value. Inputs, assumptions and overall conclusions on internally priced level 3 valuations are formally documented on a quarterly basis.
The classification of an instrument as level 3 versus 2 involves judgment and is based on a variety of subjective factors to assess whether a market is inactive, resulting in the application of significant unobservable assumptions to value a financial instrument. A market is considered inactive if significant decreases in the volume and level of activity for the asset or liability have been observed. In determining whether a market is inactive, the Company evaluates such factors as the number of recent transactions in either the primary or secondary markets, whether price quotations are current, the nature of the market participants, the variability of price quotations, the significance of bid/ask spreads, declines in (or the absence of) new issuances and the availability of public information. Inactive markets necessitate the use of additional judgment when valuing financial instruments, such as pricing matrices, cash flow modeling, and the selection of an appropriate discount rate. The assumptions used to estimate the value of an instrument where the market was inactive are based on the Company's assessment of the assumptions a market participant would use to value the instrument in an orderly transaction and include considerations of illiquidity in the current market environment.

Notes to Consolidated Financial Statements (Unaudited), continued

Recurring Fair Value Measurements

The following tables present certain information regarding assets and liabilities measured at fair value on a recurring basis and the changes in fair value for those specific financial instruments in which fair value has been elected.

(Dollars in millions)	Assets/Liabilities	Fair Value Measurements at June 30, 2012 Using Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Trading assets:				
U.S. Treasury securities	$125	$125	$—	$—
Federal agency securities	521	—	521	—
U.S. states and political subdivisions	58	—	58	—
MBS - agency	371	—	371	—
MBS - private	1	—	—	1
CDO/CLO securities	45	—	2	43
ABS	37	—	32	5
Corporate and other debt securities	560	—	560	—
CP	113	—	113	—
Equity securities	91	91	—	—
Derivative contracts	3,127	208	2,919	—
Trading loans	2,215	—	2,215	—
Gross trading assets	7,264	424	6,791	49
Offsetting collateral [1]	(937)			
Total trading assets	6,327			
Securities AFS:				
U.S. Treasury securities	224	224	—	—
Federal agency securities	1,783	—	1,783	—
U.S. states and political subdivisions	372	—	317	55
MBS - agency	18,110	—	18,110	—
MBS - private	208	—	—	208
ABS	348	—	331	17
Corporate and other debt securities	45	—	40	5
Coke common stock	2,346	2,346	—	—
Other equity securities [2]	973	116	—	857
Total securities AFS	24,409	2,686	20,581	1,142
LHFS:				
Residential loans	2,618	—	2,616	2
Corporate and other loans	322	—	322	—
Total LHFS	2,940	—	2,938	2
LHFI	406	—	—	406
MSRs	865	—	—	865
Other assets [3]	552	2	415	135
Liabilities				
Trading liabilities:				

U.S. Treasury securities	330	330	—	—
Corporate and other debt securities	301	—	301	—
Equity securities	22	22	—	—
Derivative contracts	2,337	—	1,988	349
Gross trading liabilities	2,990	352	2,289	349
Offsetting collateral [1]	(1,208)			
Total trading liabilities	1,782			
Brokered time deposits	914	—	914	—
Long-term debt	2,010	—	2,010	—
Other liabilities [3,4]	109	1	82	26

[1]Amount represents the cash collateral received from or deposited with derivative counterparties. Amount is offset with derivatives in the Consolidated Balance Sheets as of June 30, 2012.
[2]Includes at cost, $455 million of FHLB of Atlanta stock, $401 million of Federal Reserve Bank stock, and $116 million in mutual fund investments.
[3]These amounts include IRLCs and derivative financial instruments entered into by the Mortgage line of business to hedge its interest rate risk.
[4]These amounts include the derivative associated with the Company's sale of Visa shares during the year ended December 31, 2009, certain CDS, and the contingent consideration obligation related to an acquisition.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Assets/Liabilities	Fair Value Measurements at December 31, 2011 Using Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Trading assets:				
U.S. Treasury securities	$144	$144	$—	$—
Federal agency securities	478	—	478	—
U.S. states and political subdivisions	54	—	54	—
MBS - agency	412	—	412	—
MBS - private	1	—	—	1
CDO/CLO securities	45	—	2	43
ABS	37	—	32	5
Corporate and other debt securities	344	—	344	—
CP	229	—	229	—
Equity securities	91	91	—	—
Derivative contracts	3,444	306	3,138	—
Trading loans	2,030	—	2,030	—
Gross trading assets	7,309	541	6,719	49
Offsetting collateral [1]	(1,030)			
Total trading assets	6,279			
Securities AFS:				
U.S. Treasury securities	694	694	—	—
Federal agency securities	1,932	—	1,932	—
U.S. states and political subdivisions	454	—	396	58
MBS - agency	21,223	—	21,223	—
MBS - private	221	—	—	221
CDO/CLO securities	50	—	50	—
ABS	464	—	448	16
Corporate and other debt securities	51	—	46	5
Coke common stock	2,099	2,099	—	—
Other equity securities [2]	929	188	—	741
Total securities AFS	28,117	2,981	24,095	1,041
LHFS:				
Residential loans	1,826	—	1,825	1
Corporate and other loans	315	—	315	—
Total LHFS	2,141	—	2,140	1
LHFI	433	—	—	433
MSRs	921	—	—	921
Other assets [3]	554	7	463	84
Liabilities				
Trading liabilities:				
U.S. Treasury securities	569	569	—	—
Corporate and other debt securities	77	—	77	—

Equity securities	37	37	—	—
Derivative contracts	2,293	174	1,930	189
Gross trading liabilities	2,976	780	2,007	189
Offsetting collateral [1]	(1,170)			
Total trading liabilities	1,806			
Brokered time deposits	1,018	—	1,018	—
Long-term debt	1,997	—	1,997	—
Other liabilities [3,4]	84	1	61	22

[1]Amount represents the cash collateral received from or deposited with derivative counterparties. Amount is offset with derivatives in the Consolidated Balance Sheets as of December 31, 2011.

[2] Includes at cost, $342 million of FHLB of Atlanta stock, $398 million of Federal Reserve Bank stock, and $187 million in mutual fund investments.

[3]These amounts include IRLCs and derivative financial instruments entered into by the Mortgage line of business to hedge its interest rate risk.

[4]These amounts include the derivative associated with the Company's sale of Visa shares during the year ended December 31, 2009.

Notes to Consolidated Financial Statements (Unaudited), continued

The following tables present the difference between the aggregate fair value and the unpaid principal balance of trading loans, LHFS, LHFI, brokered time deposits, and long-term debt instruments for which the FVO has been elected. For LHFS and LHFI for which the FVO has been elected, the tables also include the difference between aggregate fair value and the unpaid principal balance of loans that are 90 days or more past due, as well as loans in nonaccrual status.

(Dollars in millions)	Aggregate Fair Value June 30, 2012	Aggregate Unpaid Principal Balance under FVO June 30, 2012	Fair Value Over/(Under) Unpaid Principal
Trading loans	$2,215	$2,197	$18
LHFS	2,939	2,819	120
Nonaccrual loans	1	8	(7)
LHFI	386	407	(21)
Past due loans of 90 days or more	1	2	(1)
Nonaccrual loans	19	42	(23)
Brokered time deposits	914	914	—
Long-term debt	2,010	1,900	110

(Dollars in millions)	Aggregate Fair Value December 31, 2011	Aggregate Unpaid Principal Balance under FVO December 31, 2011	Fair Value Over/(Under) Unpaid Principal
Trading loans	$2,030	$2,010	$20
LHFS	2,139	2,077	62
Past due loans of 90 days or more	1	1	—
Nonaccrual loans	1	8	(7)
LHFI	407	439	