SUNTRUST BANKS INC
Form 10-Q
August 06, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

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 x No ¨

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

Yes x No ¨

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

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

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

Yes ¨ No x

At July 29, 2010, 499,934,095 shares of the Registrant's Common Stock, $1.00 par value, were outstanding.

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PART I FINANCIAL INFORMATION

The following unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and accordingly do not include all of the information and footnotes required by 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, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010.

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GLOSSARY OF DEFINED TERMS

A&D Acquisition and development.

ABS Asset-backed securities.

ALCO Asset/Liability Management Committee.

ALLL Allowance for loan and lease losses.

Alt-A Alternative A-paper.

AOCI Accumulated other comprehensive income.

AFS Available for sale.

ARM Adjustable rate mortgage.

ARS Auction rate securities.

ASC FASB Accounting Standard Codification.

ASU Accounting Standards Update.

ATE Additional termination event.

ATM Automated teller machine.

Bank SunTrust Bank.

Board The SunTrust Banks, Inc. Board of Directors.

CDO Collateralized debt obligations.

CD Certificate of deposit.

CDS Credit default swaps.

CIB Corporate and Investment Banking.

Class B shares Visa Inc. Class B common stock.

CLO Collateralized loan obligation.

CLTV Combined loan to value.

Coke The Coca-Cola Company.

Company SunTrust Banks, Inc. and subsidiaries.

CP Commercial paper.

CPP Capital Purchase Program.

CSA Credit support annex.

Cusip Committee on Uniform Security Identification Procedures.

DBRS Dun and Bradstreet, Inc.

Dodd-Frank Reform Act The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

EESA The Emergency Economic Stabilization Act of 2008.

EPS Earnings per share.

FASB Financial Accounting Standards Board.

FDA Federal Deposit Insurance Act.

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.

FFIEC Federal Financial Institutions Examination Council.

FHA Federal Housing Administration.

FHFA Federal Housing Finance Agency.

FHLB Federal Home Loan Bank.

FICO Fair Isaac Corporation.

FINRA Financial Industry Regulatory Authority.

Fitch Fitch Ratings Ltd.

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FRM Fixed rate mortgage.

FTE Fully taxable-equivalent.

FVO Fair value option.

GenSpring GenSpring Family Offices LLC.

GB&T GB&T Bancshares, Inc.

GSE Government-sponsored enterprise.

HUD Department of Housing and Urban Development.

IIS Institutional Investment Solutions.

Inlign Inlign Wealth Management, LLC.

IPO Initial public offering.

IRA Individual retirement arrangement.

IRLC Interest rate lock commitment.

IRS Internal Revenue Service.

ISDA International Swaps and Derivatives Association, Inc.

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.

LTSC Long-term standby commitment

LTV Loan to value.

MBS Mortgage-backed securities.

MD&A Management s Discussion and Analysis of Financial Condition and Results of Operations.

MMMF Money market mutual fund.

Moody s Moody s Investors Service.

MSR Mortgage servicing right.

MVE Market value of equity.

NOW Negotiable order of withdrawal account.

NPL Nonperforming loan.

NSF Non-sufficient funds.

OCI Other comprehensive income.

OREO Other real estate owned.

OTC Over-the-counter.

OTTI Other-than-temporary impairment.

Parent Company SunTrust Banks, Inc.

PWM Private Wealth Management.

QSPE Qualifying special purpose entity.

RidgeWorth RidgeWorth Capital Management, Inc.

RMBS Residential mortgage-backed securities.

S&P Standard and Poor s.

SBA Small Business Administration.

SCAP Supervisory Capital Assessment Program.

SEC U.S. Securities and Exchange Commission.

Seix Seix Investment Advisors, Inc.

SEO Senior executive officers.

SIV Structured investment vehicle.

SPE Special purpose entity.

STIIA SunTrust Institutional Investment Advisors LLC.

STIS SunTrust Investment Services, Inc.

STM SunTrust Mortgage, Inc.

STRH SunTrust Robinson Humphrey, Inc.

SunTrust SunTrust Banks, Inc. and subsidiaries.

SunTrust Community Capital SunTrust Community Capital, LLC.

TARP Troubled Asset Relief Program.

TDR Troubled debt restructuring.

The Agreements Equity forward agreements.

Three Pillars Three Pillars Funding, LLC.

TRS Total return swaps.

Twin Rivers Twin Rivers Insurance Company.

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.

UTBs 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.

VRDO Variable rate demand obligation.

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Item 1. FINANCIAL STATEMENTS (UNAUDITED)

SunTrust Banks, Inc.

Consolidated Statements of Income/(Loss)

(Dollars and shares in thousands, except per share data) (Unaudited)	For the Three Months Ended June 30 2010	2009	For the Six Months Ended June 30 2010	2009
Interest Income				
Interest and fees on loans	**$1,317,707**	$1,397,045	**$2,634,463**	$2,809,930
Interest and fees on loans held for sale	**33,146**	72,406	**66,323**	134,238
Interest and dividends on securities available for sale				
Taxable interest	**167,463**	168,659	**343,365**	349,861
Tax-exempt interest	**8,506**	10,018	**17,434**	20,717
Dividends[1]	**18,970**	18,066	**37,929**	36,228
Interest on funds sold and securities purchased under agreements to resell	**280**	558	**525**	1,495
Interest on deposits in other banks	**11**	63	**29**	176
Trading account interest	**24,310**	26,459	**44,011**	69,964
Total interest income	**1,570,393**	1,693,274	**3,144,079**	3,422,609
Interest Expense				
Interest on deposits	**225,199**	398,903	**458,244**	822,776
Interest on funds purchased and securities sold under agreements to repurchase	**1,520**	2,441	**2,612**	5,174
Interest on trading liabilities	**8,141**	4,917	**14,276**	11,077
Interest on other short-term borrowings	**3,021**	3,593	**6,215**	8,748
Interest on long-term debt	**154,382**	193,763	**313,165**	423,079
Total interest expense	**392,263**	603,617	**794,512**	1,270,854
Net interest income	**1,178,130**	1,089,657	**2,349,567**	2,151,755
Provision for credit losses	**662,064**	962,181	**1,523,673**	1,956,279
Net interest income after provision for credit losses	**516,066**	127,476	**825,894**	195,476
Noninterest Income				
Service charges on deposit accounts	**207,765**	210,224	**403,667**	416,618
Card fees	**94,306**	80,505	**181,240**	156,165
Other charges and fees	**133,379**	127,799	**262,479**	252,120
Trust and investment management income	**127,222**	117,007	**249,309**	233,017
Retail investment services	**48,626**	55,400	**95,366**	112,113
Mortgage production related income/(loss)	**(16,462)**	165,388	**(47,391)**	415,858
Mortgage servicing related income	**87,544**	139,658	**158,048**	223,010
Investment banking income	**57,875**	77,038	**113,791**	136,572
Trading account profits/(losses) and commissions	**108,738**	(30,020)	**101,470**	77,273
Gain from ownership in Visa	**-**	112,102	**-**	112,102
Other noninterest income	**46,035**	41,473	**73,666**	79,587
Net securities gains/(losses)[2]	**56,971**	(24,899)	**58,514**	(21,522)
Total noninterest income	**951,999**	1,071,675	**1,650,159**	2,192,913
Noninterest Expense				
Employee compensation	**575,420**	569,228	**1,131,918**	1,142,250
Employee benefits	**107,063**	134,481	**242,358**	297,511
Outside processing and software	**157,764**	145,359	**306,467**	283,720
Net occupancy expense	**89,927**	87,220	**181,068**	174,637

Regulatory assessments	**65,029**	148,675	**129,364**	196,148
Credit and collection services	**65,550**	66,269	**139,340**	114,187
Other real estate expense	**86,464**	49,036	**132,472**	93,408
Equipment expense	**42,366**	43,792	**82,879**	87,332
Marketing and customer development	**43,958**	30,264	**78,085**	64,989
Operating losses	**16,106**	32,570	**29,903**	55,191
Amortization/impairment of goodwill/intangible assets	**13,172**	13,955	**26,359**	780,971
Mortgage reinsurance	**8,780**	24,581	**18,180**	94,620
Net loss on debt extinguishment	**63,423**	38,864	**54,116**	13,560
Visa litigation	**-**	7,000	**-**	7,000
Other noninterest expense	**167,727**	136,678	**310,783**	274,471
Total noninterest expense	**1,502,749**	1,527,972	**2,863,292**	3,679,995
Loss before benefit for income taxes	**(34,684)**	(328,821)	**(387,239)**	(1,291,606)
Benefit for income taxes	**(49,764)**	(148,957)	**(243,926)**	(299,734)
Net income/(loss) including income attributable to noncontrolling interest	**15,080**	(179,864)	**(143,313)**	(991,872)
Net income attributable to noncontrolling interest	**2,696**	3,596	**5,117**	6,755
Net income/(loss)	**$12,384**	($183,460)	**($148,430)**	($998,627)
Net loss available to common shareholders	**($56,109)**	($164,428)	**($285,293)**	($1,039,809)
Net income/(loss) per average common share				
Diluted	**($0.11)**	($0.41)	**($0.58)**	($2.77)
Basic	**(0.11)**	(0.41)	**(0.58)**	(2.77)
Dividends declared per common share	**0.01**	0.10	**0.02**	0.20
Average common shares - diluted[3]	**498,499**	400,633	**498,369**	376,400
Average common shares - basic	**495,351**	399,242	**495,112**	375,429
[1] Includes dividends on common stock of The Coca-Cola Company	**$13,200**	$12,300	**$26,400**	$24,600

[2]Net securities gains/(losses) for the three and six months ended June 30, 2010 include OTTI losses of $1 million and $2 million, respectively. During the three and six months ended June 30, 2010, there were no non-credit related unrealized OTTI losses recorded in other comprehensive income. Net securities gains/(losses) for the three and six months ended June 30, 2009 include OTTI losses of $6 million consisting of $9 million of total unrealized losses, net of $3 million of non-credit related unrealized OTTI losses recorded in other comprehensive income.

[3]For earnings per share calculation purposes, the impact of dilutive securities are excluded from the diluted share count during periods that the Company has recognized a net loss available to common shareholders because the impact would be anti-dilutive.

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Balance Sheets

	As of	
(Dollars in thousands) (Unaudited)	**June 30 2010**	December 31 2009
Assets		
Cash and due from banks	**$3,835,943**	$6,456,406
Interest-bearing deposits in other banks	**24,463**	24,109
Funds sold and securities purchased under agreements to resell	**932,769**	516,656
Cash and cash equivalents	**4,793,175**	6,997,171
Trading assets	**6,165,802**	4,979,938
Securities available for sale	**27,598,360**	28,477,042
Loans held for sale[1] (loans at fair value: $2,524,470 as of June 30, 2010; $2,923,375 as of December 31, 2009)	**3,184,717**	4,669,823
Loans [2] (loans at fair value: $410,870 as of June 30, 2010; $448,720 as of December 31, 2009)	**112,925,417**	113,674,844
Allowance for loan and lease losses	**(3,156,000)**	(3,120,000)
Net loans	**109,769,417**	110,554,844
Premises and equipment	**1,547,294**	1,551,794
Goodwill	**6,323,028**	6,319,078
Other intangible assets (MSRs at fair value: $1,297,668 as of June 30, 2010; $935,561 as of December 31, 2009)	**1,443,227**	1,711,299
Customers acceptance liability	**10,620**	6,264
Other real estate owned	**699,828**	619,621
Unsettled sales of securities available for sale	**534,512**	-
Other assets	**8,598,490**	8,277,861
Total assets	**$170,668,470**	$174,164,735
Liabilities and Shareholders Equity		
Noninterest-bearing consumer and commercial deposits	**$25,382,113**	$24,244,041
Interest-bearing consumer and commercial deposits	**90,879,385**	92,059,411
Total consumer and commercial deposits	**116,261,498**	116,303,452
Brokered deposits (CDs at fair value: $1,203,858 as of June 30, 2010; $1,260,505 as of December 31, 2009)	**2,342,435**	4,231,530
Foreign deposits	**64,170**	1,328,584
Total deposits	**118,668,103**	121,863,566
Funds purchased	**1,260,447**	1,432,581
Securities sold under agreements to repurchase	**2,476,519**	1,870,510
Other short-term borrowings	**2,516,714**	2,062,277
Long-term debt[3] (debt at fair value: $3,682,630 as of June 30, 2010; $3,585,892 as of December 31, 2009)	**15,658,705**	17,489,516
Acceptances outstanding	**10,620**	6,264
Trading liabilities	**2,655,092**	2,188,923
Other liabilities	**4,398,376**	4,720,243
Total liabilities	**147,644,576**	151,633,880
Preferred stock	**4,929,357**	4,917,312
Common stock, $1.00 par value	**514,667**	514,667
Additional paid in capital	**8,445,077**	8,521,042
Retained earnings	**8,358,155**	8,562,807
Treasury stock, at cost, and other	**(968,279)**	(1,055,136)
Accumulated other comprehensive income, net of tax	**1,744,917**	1,070,163
Total shareholders equity	**23,023,894**	22,530,855

Total liabilities and shareholders equity	**$170,668,470**	$174,164,735
Common shares outstanding	**499,928,565**	499,156,858
Common shares authorized	**750,000,000**	750,000,000
Preferred shares outstanding	**50,225**	50,225
Preferred shares authorized	**50,000,000**	50,000,000
Treasury shares of common stock	**14,738,030**	15,509,737
[1] Includes loans held for sale of consolidated VIEs	**$301,012**	-
[2] Includes loans of consolidated VIEs	**1,689,873**	-
[3] Includes debt of consolidated VIEs	**280,162**	-

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Statements of Shareholders Equity

nd shares in thousands, except per share data) (Unaudited)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock and Other[1]	Accumulated Other Comprehensive Income	T
January 1, 2009	$5,221,703	354,515	$372,799	$6,904,644	$10,388,984	($1,368,450)	$981,125	$22
	-	-	-	-	(998,627)	-	-	(
nprehensive income:								
unrealized gains (losses) on securities, net of taxes	-	-	-	-	-	-	51,967	
unrealized gains (losses) on derivatives, net of taxes	-	-	-	-	-	-	(337,565)	(
elated to employee benefit plans	-	-	-	-	-	-	136,174	
mprehensive loss								(1,
noncontrolling interest	-	-	-	-	-	1,839	-	
stock dividends, $0.20 per share	-	-	-	-	(72,646)	-	-	
preferred stock dividends, $2,022 per share	-	-	-	-	(10,635)	-	-	
sury preferred stock dividends, $2,504 per share	-	-	-	-	(121,438)	-	-	(
of discount associated with U.S. Treasury preferred stock	11,387	-	-	-	(11,387)	-	-	
of common stock in connection with SCAP capital plan	-	141,868	141,868	1,687,299	-	-	-	1
hment of forward stock purchase contract	-	-	-	164,927	-	-	-	
se of preferred stock	(314,227)	-	-	4,843	89,425	-	-	(
of stock options and stock compensation expense	-	-	-	8,631	-	-	-	
stock activity	-	1,676	-	(186,168)	-	157,693	-	
tion of restricted stock compensation	-	-	-	-	-	36,277	-	
of stock for employee benefit plans and other	-	727	-	(44,140)	(3)	56,859	-	
of OTTI guidance	-	-	-	-	7,715	-	(7,715)	
June 30, 2009	$4,918,863	498,786	$514,667	$8,540,036	$9,271,388	($1,115,782)	$823,986	$22
January 1, 2010	**$4,917,312**	**499,157**	**$514,667**	**$8,521,042**	**$8,562,807**	**($1,055,136)**	**$1,070,163**	**$22**
	-	**-**	**-**	**-**	**(148,430)**	**-**	**-**	**(**
nprehensive income:								
unrealized gains (losses) on securities, net of taxes	**-**	**-**	**-**	**-**	**-**	**-**	**214,340**	
unrealized gains (losses) on derivatives, net of taxes	**-**	**-**	**-**	**-**	**-**	**-**	**377,261**	
elated to employee benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**83,153**	
mprehensive income								
noncontrolling interest	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	
stock dividends, $0.02 per share	**-**	**-**	**-**	**-**	**(9,988)**	**-**	**-**	
preferred stock dividends, $2,022 per share	**-**	**-**	**-**	**-**	**(3,488)**	**-**	**-**	
sury preferred stock dividends, $2,500 per share	**-**	**-**	**-**	**-**	**(121,250)**	**-**	**-**	**(**
of discount associated with U.S. Treasury preferred stock	**12,045**	**-**	**-**	**-**	**(12,045)**	**-**	**-**	
npensation expense	**-**	**-**	**-**	**11,298**	**-**	**-**	**-**	
stock activity	**-**	**461**	**-**	**(69,531)**	**-**	**41,318**	**-**	
tion of restricted stock compensation	**-**	**-**	**-**	**-**	**-**	**22,221**	**-**	
of stock for employee benefit plans and other	**-**	**311**	**-**	**(17,732)**	**1,976**	**23,320**	**-**	
election of MSRs	**-**	**-**	**-**	**-**	**88,995**	**-**	**-**	
of VIE consolidation guidance	**-**	**-**	**-**	**-**	**(422)**	**-**	**-**	
June 30, 2010	**$4,929,357**	**499,929**	**$514,667**	**$8,445,077**	**$8,358,155**	**($968,279)**	**$1,744,917**	**$23**

1 Balance at June 30, 2010 includes ($1,021,588) for treasury stock, ($54,885) for compensation element of restricted stock, and $108,194 for noncontrolling interest. Balance at June 30, 2009 includes ($1,141,909) for treasury stock, ($88,408) for compensation element of restricted stock, and $114,535 for noncontrolling interest.

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Statements of Cash Flows

(Dollars in thousands) (Unaudited)	Six Months Ended June 30 2010	2009
Cash Flows from Operating Activities:		
Net loss including income attributable to noncontrolling interest	**($143,313)**	($991,872)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:		
Gain from ownership in Visa	**-**	(112,102)
Depreciation, amortization and accretion	**404,254**	476,416
Goodwill impairment	**-**	751,156
MSRs impairment recovery	**-**	(188,207)
Origination of MSRs	**(133,789)**	(379,725)
Provisions for credit losses and foreclosed property	**1,620,306**	2,030,966
Amortization of restricted stock compensation	**22,221**	36,277
Stock option compensation	**11,298**	8,631
Excess tax benefits from stock-based compensation	**33**	(352)
Net loss on extinguishment of debt	**54,116**	13,560
Net securities (gains)/losses	**(58,514)**	21,522
Net (gain)/loss on sale of assets	**4,158**	(29,351)
Net decrease/(increase) in loans held for sale	**822,860**	(4,305,295)
Contributions to retirement plans	**(3,912)**	(18,664)
Net increase in other assets	**(407,387)**	(6,329)
Net increase/(decrease) in other liabilities	**173,441**	(962,058)
Net cash provided by/(used in) operating activities	**2,365,772**	(3,655,427)
Cash Flows from Investing Activities:		
Proceeds from maturities, calls and paydowns of securities available for sale	**2,801,861**	1,765,339
Proceeds from sales of securities available for sale	**10,525,781**	9,157,424
Purchases of securities available for sale	**(12,677,081)**	(13,127,424)
Proceeds from maturities, calls and paydowns of trading securities	**78,370**	60,710
Proceeds from sales of trading securities	**60,534**	2,042,528
Purchases of trading securities	**-**	(85,965)
Net decrease in loans	**30,914**	2,077,223
Proceeds from sales of loans held for investment	**600,014**	499,576
Capital expenditures	**(88,614)**	(108,820)
Proceeds from sale/redemption of Visa shares	**-**	112,102
Contingent consideration and other payments related to acquisitions	**(4,233)**	(17,038)
Proceeds from the sale of other assets	**349,001**	257,414
Net cash provided by investing activities	**1,676,547**	2,633,069
Cash Flows from Financing Activities:		
Net (decrease)/increase in total deposits	**(3,194,023)**	5,028,585
Assumption of deposits, net	**-**	445,482
Net decrease in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	**(1,134,991)**	(1,404,478)
Proceeds from the issuance of long-term debt	**500,000**	574,560
Repayment of long-term debt	**(2,282,542)**	(8,409,350)
Excess tax benefits from stock-based compensation	**(33)**	352
Proceeds from the issuance of common stock	**-**	1,829,167
Repurchase of preferred stock	**-**	(219,959)
Common and preferred dividends paid	**(134,726)**	(201,719)
Net cash used in financing activities	**(6,246,315)**	(2,357,360)
Net decrease in cash and cash equivalents	**(2,203,996)**	(3,379,718)

Cash and cash equivalents at beginning of period	**6,997,171**	6,637,402
Cash and cash equivalents at end of period	**$4,793,175**	$3,257,684
Supplemental Disclosures:		
Loans transferred from loans held for sale to loans	**$17,222**	$297,319
Loans transferred from loans to loans held for sale	**237,522**	-
Loans transferred from loans to other real estate owned	**621,929**	383,314
Accretion on U.S. Treasury preferred stock	**12,045**	11,387
Extinguishment of forward stock purchase contract	**-**	164,927
Gain on repurchase of Series A preferred stock	**-**	89,425
Total assets of consolidated VIEs at January 1, 2010	**2,049,392**	-

See Notes to Consolidated Financial Statements (unaudited).

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Notes to Consolidated Financial Statements (Unaudited)

Note 1 Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with 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 Annual Report on Form 10-K for the year ended December 31, 2009. Except for accounting policies that have been modified or recently adopted as described below, there have been no significant changes to the Company s accounting policies as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2009.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are considered held for investment. The Company s loan balance is comprised of loans held in portfolio, including commercial loans, consumer loans, real estate loans and lines, credit card receivables, direct financing leases, leveraged leases, and nonaccrual and restructured loans. Interest income on all types of loans is accrued based upon the outstanding principal amounts, except those classified as nonaccrual loans. The Company typically classifies commercial and commercial real estate loans as nonaccrual when one of the following events occurs: (i) interest or principal has been in default 90 days or more, unless the loan is secured by collateral having realizable value sufficient to discharge the debt in full and the loan is in the legal process of collection; (ii) collection of recorded interest or principal is not anticipated; or (iii) income for the loan is recognized on a cash basis due to the deterioration in the financial condition of the debtor. Consumer and residential mortgage loans are typically placed on nonaccrual when payments have been in default for 90 and 120 days or more, respectively.

When a loan is placed on nonaccrual, unpaid interest is reversed against interest income. Interest income on nonaccrual loans, if recognized, is either recorded using the cash basis method of accounting or recognized at the end of the loan after the principal has been reduced to zero, depending on the type of loan. If and when borrowers demonstrate the ability to repay a loan in accordance with the contractual terms of a loan classified as nonaccrual, the loan may be returned to accrual status. See Allowance for Loan and Lease Losses section of this Note for further discussion of impaired loans.

TDRs are loans in which the borrower is experiencing financial difficulty and the Company has granted an economic concession to the borrower. To date, the Company s TDRs have been predominantly first and second lien residential mortgages and home equity lines of credit. Prior to modifying a borrower s loan terms, the Company performs a careful evaluation of the borrower s financial condition and ability to service the modified loan terms. The types of concessions granted are generally interest rate reductions and/or term extensions. If a loan is accruing at the time of modification, the loan remains on accrual status and is subject to the Company s charge-off and nonaccrual policies. See the Allowance for Loans and Lease Losses section within this Note for further information regarding these policies. If a loan is on nonaccrual before it is determined to be a TDR then the loan remains on nonaccrual. TDRs may be returned to accrual status if there has been at least a six month sustained period of repayment performance by the borrower. Consistent with regulatory guidance, upon sustained performance and classification as a TDR over the Company s year end, the loan will be removed from TDR status as long as the modified terms were market based at the time of modification. Generally, once a single 1-4 family residential related loan becomes a TDR, it is probable that the loan will likely continue to be reported as a TDR until it ultimately pays off.

For loans accounted for at amortized cost, fees and incremental direct costs associated with the loan origination and pricing process, as well as premiums and discounts, are deferred and amortized as level yield adjustments over the respective loan terms. Premiums for purchased credit cards are amortized on a straight-line basis over one year. Fees received for providing loan commitments that result in loans are recognized over the term of the loan as an adjustment of the yield. If a loan is never funded, the commitment fee is recognized into noninterest income at the expiration of the commitment period. Origination

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Notes to Consolidated Financial Statements (Unaudited) - Continued

fees and costs are recognized in noninterest income and expense at the time of origination, for newly originated loans that are accounted for at fair value.

Allowance for Loan and Lease Losses

The Company s ALLL is the amount considered adequate to absorb probable losses within the portfolio based on management s evaluation of the size and current risk characteristics of the loan portfolio. Such evaluation considers numerous factors, including, but not limited to net charge-off trends, internal risk ratings, changes in internal risk ratings, loss forecasts, collateral values, geographic location, borrower FICO scores, delinquency rates, nonperforming and restructured loans, origination channel, product mix, underwriting practices, industry conditions and economic trends.

Specific allowances for loan and lease losses are established for large commercial, corporate, and commercial real estate nonaccrual loans that are evaluated on an individual basis and certain consumer, commercial, corporate, and commercial real estate loans whose terms have been modified in a TDR. The specific allowance established for these loans and leases is based on a thorough analysis of the most probable source of repayment, including the present value of the loan s expected future cash flows, the loan s estimated market value, or the estimated fair value of the underlying collateral depending on the most likely source of repayment.

General allowances are established for loans and leases grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience, portfolio trends, regional and national economic conditions, and expected loss given default derived from the Company s internal risk rating process. Other adjustments may be made to the ALLL after an assessment of internal and external influences on credit quality that are not fully reflected in the historical loss or other risk rating data.

The Company s charge-off policy meets or is more stringent than regulatory minimums. Losses on unsecured consumer loans are recognized at 90 days past due compared to the regulatory loss criteria of 120 days past due. Secured consumer loans, including residential real estate, are typically charged-off between 120 and 180 days past due, depending on the collateral type, in compliance with the FFIEC guidelines. Loans that have been partially charged-off remain on nonperforming status, regardless of collateral value, until specific borrower performance criteria are met.

The Company uses numerous sources of information in order to make an appropriate evaluation of a property s value. Estimated collateral valuations are based on appraisals, broker price opinions, recent sales of foreclosed properties, automated valuation models, other property specific information, and relevant market information, supplemented by the Company s internal property valuation professionals. The value estimate is based on an orderly disposition and marketing period of the property. In limited instances, the Company adjusts appraisals for justifiable and well-supported reasons, such as an appraiser not being aware of certain property- specific factors or recent sales information. Appraisals generally represent the as is value of the property but may be adjusted based on the intended disposition strategy of the property.

For commercial real estate loans secured by property, an acceptable appraisal or other form of evaluation is obtained prior to the origination of the loan. Updated evaluations of the collateral s value are obtained at least annually, or earlier if the credit quality of the loan deteriorates. In situations where an updated appraisal has not been received or a formal evaluation performed, the Company monitors factors that can positively or negatively impact property value, such as the age of the last valuation, the volatility of property values in specific markets, changes in the value of similar properties, and changes in the characteristics of individual properties. Changes in collateral value affect the ALLL through the risk rating or impaired loan evaluation process. Charge-offs are recognized when the amount of the loss is quantifiable and timing is known. The charge-off is measured based on the difference between the loan s carrying value, including deferred fees, and the estimated fair value of the loan. When assessing property value for the purpose of determining a charge-off, a third-party appraisal or an independently derived internal evaluation is generally employed.

For mortgage loans secured by residential property where the Company is proceeding with a foreclosure action, a new valuation is obtained prior to the loan becoming 180 days past due and, if required, the loan is written down to fair value, net of estimated selling costs. In the event the Company decides not to proceed with a foreclosure action, the full balance of the loan is charged-off. If a loan remains in the foreclosure process for 12 months past the original charge-off, typically at 180 days past due, the Company obtains a new valuation and, if required, writes the loan down to the new valuation, less estimated selling costs. At foreclosure, a new valuation is obtained and the loan is transferred to OREO at the new valuation less estimated selling and holding costs; any loan balance in excess of the transfer value is charged-off. Estimated declines in value of the residential collateral between these formal evaluation events are captured in the ALLL based on changes in the house price index in the applicable metropolitan statistical area or other market information.

Notes to Consolidated Financial Statements (Unaudited) - Continued

In addition to the ALLL, the Company also estimates probable losses related to unfunded lending commitments, such as letters of credit and binding unfunded loan commitments. Unfunded lending commitments are analyzed and segregated by risk similar to funded loans based on the Company s internal risk rating scale. These risk classifications, in combination with an analysis of historical loss experience, probability of commitment usage, and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments. The reserve for unfunded lending commitments is reported on the Consolidated Balance Sheets in other liabilities and the provision associated with changes in the unfunded lending commitment reserve is reported in the Consolidated Statements of Income/(Loss) in noninterest expense through the third quarter of 2009. Beginning in the fourth quarter of 2009, the Company began recording changes in the unfunded lending commitment reserve in the provision for credit losses.

Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In June 2009, the FASB issued ASU 2009-16, an update to ASC 860-10, Transfers and Servicing, and ASU 2009-17, an update to ASC 810-10, Consolidation. These updates were effective for the first interim reporting period of 2010. The update to ASC 860-10 amends the guidance to eliminate the concept of a QSPE and changes some of the requirements for derecognizing financial assets. The amendments to ASC 810-10: (a) eliminate the exemption for existing QSPEs from U.S. GAAP, (b) shift the determination of which enterprise should consolidate a VIE to a current control approach, such that an entity that has both the power to make decisions and right to receive benefits or absorb losses that could potentially be significant to the VIE will consolidate a VIE, and (c) change when it is necessary to reassess who should consolidate a VIE.

The Company analyzed the impacts of these amendments on all QSPEs and VIE structures with which it is involved. Based on this analysis, the Company consolidated its multi-seller conduit, Three Pillars, and a CLO entity. The Company consolidated these entities because certain subsidiaries of the Company have significant decision-making rights and own VIs that could potentially be significant to these VIEs. The primary balance sheet impacts from consolidating Three Pillars and the CLO on January 1, 2010, were increases in loans and leases, the related allowance for loan losses, LHFS, long-term debt, and other short-term borrowings. The consolidations of Three Pillars and the CLO had no impact on the Company s earnings or cash flows that result from its involvement with these VIEs, but the Company s Consolidated Statements of Income/(Loss) reflect a reduction in noninterest income and increases in net interest income and noninterest expense due to the consolidations. For additional information on the Company s VIE structures, refer to Note 6, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements.

The combined impact of consolidating Three Pillars and the CLO on January 1, 2010 was incremental total assets and total liabilities of $2.0 billion, respectively, and an immaterial impact on shareholders equity. No additional funding requirements with respect to these entities are expected to significantly impact the liquidity position of the Company. Upon adoption, the Company consolidated the assets and liabilities of Three Pillars at their unpaid principal amounts and subsequently accounted for these assets and liabilities on an accrual basis. The Company consolidated the assets and liabilities of the CLO based on their estimated fair values upon adoption, and made an irrevocable election to carry all of the financial assets and financial liabilities of the CLO at fair value. The impact on certain of the Company s regulatory capital ratios as a result of consolidating Three Pillars and the CLO was not significant.

The Company was not the primary beneficiary of any other significant off-balance sheet entities with which it was involved at January 1, 2010; however, the accounting guidance requires an entity to reassess whether it is the primary beneficiary at least quarterly. The Company s reassessment during the second quarter of 2010 indicated no additional primary beneficiary relationships.

In January 2010, the FASB issued ASU 2010-06, an update to ASC 820-10, Fair Value Measurements. This update adds a new requirement to disclose transfers in and out of level 1 and level 2, along with the reasons for the transfers, and requires a gross presentation of purchases and sales of level 3 activities. Additionally, the update clarifies that entities provide fair value measurement disclosures for each class of assets and liabilities and that entities provide enhanced disclosures around level 2 valuation techniques and inputs. The Company adopted the disclosure requirements for level 1 and level 2 transfers and the expanded fair value measurement and valuation disclosures effective January 1, 2010. The disclosure requirements for level 3 activities will be effective for the Company on January 1, 2011. The adoption of the disclosure requirements for level 1 and level 2 transfers and the expanded qualitative disclosures, had no impact on the Company s financial position, results of operations, and EPS. The Company does not expect the adoption of the level 3 disclosure requirements to have an impact on its financial position, results of operations, and EPS.

In February 2010, the FASB issued ASU 2010-09, an update to ASC 855-10, Subsequent Events. This update amends the guidance to remove the requirement for SEC filers to disclose the date through which subsequent events have been evaluated. SEC filers must continue to evaluate subsequent events through the date the financial statements are issued. The amendment was effective and has been adopted by the Company upon issuance.

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Notes to Consolidated Financial Statements (Unaudited) - Continued

In February 2010, the FASB issued ASU 2010-10, an update to ASC 810-10, Consolidation. This update defers the amendments to the consolidation requirements of ASC 810-10 for a reporting entity s interest in entities that have the attributes of investment companies or for which it is acceptable based on industry practice to apply measurement principles that are consistent with those followed by investment companies. The deferral also applies to a reporting entity s interest in an entity that is required to comply with or operate in accordance with requirements that are similar to those included in Rule 2a-7 of the Investment Company Act of 1940 for registered MMMFs. Certain of the Company s wholly-owned subsidiaries provide investment advisor services for various private placement and publicly registered investment funds. The deferral applies to all of these funds.

In March 2010, the FASB issued ASU 2010-11, an update to ASC 815-15, Derivatives and Hedging Embedded Derivatives. This update clarifies that the scope exception for considering certain credit-related features for potential bifurcation and separate accounting in ASC 815-15 applies to contracts containing an embedded credit derivative that is only in the form of subordination of one financial instrument to another. Other contracts containing embedded credit derivatives do not qualify for the scope exception. The adoption of this standard, effective July 1, 2010, did not have an impact on the Company s financial position, results of operations and EPS.

In April 2010, the FASB issued ASU 2010-18, an update to ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. This update clarifies that modifications of loans that are accounted for within a pool do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a TDR. Loans accounted for individually under ASC Subtopic 310-30 continue to be subject to the TDR accounting provisions within ASC 310-40, Receivables Troubled Debt Restructurings by Creditors. This update was effective for the Company on July 1, 2010 and did not have an impact on the Company s financial position, results of operations, and EPS.

In July 2010, the FASB issued ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. The update requires companies to provide more disclosures about the credit quality of their financing receivables, which include loans, lease receivables, and other long-term receivables, and the credit reserves held against them. The disclosure requirements as of the end of a reporting period will be effective as of December 31, 2010. Disclosures about activity that occurs during a reporting period will be effective in the interim reporting period ending March 31, 2011. The Company is in the process of evaluating the new disclosure requirements.

Note 2 Trading Assets and Liabilities

The fair values of the components of trading assets and liabilities at June 30, 2010 and December 31, 2009 were as follows:

(Dollars in thousands)	**June 30 2010**	December 31 2009
Trading Assets		
U.S. Treasury securities	**$360,217**	$498,781
Federal agency securities	**482,014**	474,188
U.S. states and political subdivisions	**52,004**	58,520
RMBS - agency	**230,455**	94,164
RMBS - private	**3,510**	6,463
CDO securities	**116,844**	174,942
ABS	**48,605**	50,775
Corporate and other debt securities	**641,501**	465,637
Commercial paper	**59,904**	639
Equity securities	**217,918**	256,096
Derivative contracts	**3,039,885**	2,610,288
Trading loans	**912,945**	289,445
Total trading assets	**$6,165,802**	$4,979,938

Trading Liabilities		
U.S. Treasury securities	**$439,137**	$189,461
Federal agency securities	**17,169**	3,432
Corporate and other debt securities	**385,463**	144,142
Equity securities	**148**	7,841
Derivative contracts	**1,813,175**	1,844,047
Total trading liabilities	**$2,655,092**	$2,188,923

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Notes to Consolidated Financial Statements (Unaudited) - Continued

Note 3 Securities Available for Sale

Securities AFS at June 30, 2010 and December 31, 2009 were as follows:

	June 30, 2010			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	**$5,218,329**	**$133,844**	**$19**	**$5,352,154**
Federal agency securities	**923,218**	**31,159**	**1**	**954,376**
U.S. states and political subdivisions	**836,880**	**29,812**	**7,508**	**859,184**
RMBS - agency	**15,666,731**	**532,092**	**-**	**16,198,823**
RMBS - private	**424,987**	**2,415**	**62,041**	**365,361**
ABS	**918,700**	**12,856**	**8,667**	**922,889**
Corporate bonds and other debt securities	**485,742**	**19,710**	**1,261**	**504,191**
Coke common stock	**69**	**1,503,531**	**-**	**1,503,600**
Other equity securities[1]	**936,823**	**959**	**-**	**937,782**
Total securities available for sale	**$25,411,479**	**$2,266,378**	**$79,497**	**$27,598,360**

	December 31, 2009			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$5,206,383	$719	$30,576	$5,176,526
Federal agency securities	2,733,534	12,704	8,653	2,737,585
U.S. states and political subdivisions	927,887	27,799	10,629	945,057
RMBS - agency	15,704,594	273,207	61,724	15,916,077
RMBS - private	471,583	1,707	95,207	378,083
ABS	309,611	10,559	5,423	314,747
Corporate bonds and other debt securities	505,185	9,989	3,373	511,801
Coke common stock	69	1,709,931	-	1,710,000
Other equity securities[1]	786,248	918	-	787,166
Total securities available for sale	$26,645,094	$2,047,533	$215,585	$28,477,042

[1] At June 30, 2010, other equity securities included $343 million in FHLB of Cincinnati and FHLB of Atlanta stock (par value), $361 million in Federal Reserve Bank stock (par value), and $232 million in mutual fund investments (fair value). At December 31, 2009, other equity securities included $343 million in FHLB of Cincinnati and FHLB of Atlanta stock (par value), $360 million in Federal Reserve Bank stock (par value), and $82 million in mutual fund investments (fair value).

See Note 14, Contingencies, to the Consolidated Financial Statements for information concerning ARS classified as securities AFS.

Securities AFS that were pledged to secure public deposits, repurchase agreements, trusts, and other funds had a fair value of $6.2 billion as of June 30, 2010. Further, under The Agreements, the Company has pledged its shares of Coke common stock, as discussed in Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements. The Company has also pledged $949 million of certain trading assets and cash equivalents to secure $914 million of repurchase agreements as of June 30, 2010. Additionally, as of June 30, 2010, the Company had pledged $47.3 billion of net eligible loan collateral to support $28.7 billion in available borrowing capacity at either the Federal Reserve discount window or the FHLB of Atlanta. Of the available borrowing capacity, $8.1 billion was outstanding as of June 30, 2010.

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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, 2010 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 call or prepayment penalties.

(Dollars in thousands)	1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Total
Distribution of Maturities:					
Amortized Cost					
U.S. Treasury securities	**$676,181**	**$4,542,148**	**$-**	**$-**	**$5,218,329**
Federal agency securities	**197,988**	**585,742**	**121,625**	**17,863**	**923,218**
U.S. states and political subdivisions	**198,143**	**422,226**	**115,128**	**101,383**	**836,880**
RMBS - agency	**234,427**	**11,093,770**	**653,038**	**3,685,496**	**15,666,731**
RMBS - private	**25,829**	**172,282**	**226,876**	**-**	**424,987**
ABS	**353,403**	**561,043**	**4,254**	**-**	**918,700**
Corporate bonds and other debt securities	**8,635**	**308,627**	**142,746**	**25,734**	**485,742**
Total debt securities	**$1,694,606**	**$17,685,838**	**$1,263,667**	**$3,830,476**	**$24,474,587**
Fair Value					
U.S. Treasury securities	**$676,689**	**$4,675,465**	**$-**	**$-**	**$5,352,154**
Federal agency securities	**199,002**	**605,903**	**131,098**	**18,373**	**954,376**
U.S. states and political subdivisions	**202,606**	**442,087**	**120,182**	**94,309**	**859,184**
RMBS - agency	**240,741**	**11,481,360**	**707,988**	**3,768,734**	**16,198,823**
RMBS - private	**22,854**	**144,589**	**197,918**	**-**	**365,361**
ABS	**357,988**	**562,540**	**2,361**	**-**	**922,889**
Corporate bonds and other debt securities	**8,811**	**315,863**	**155,044**	**24,473**	**504,191**
Total debt securities	**$1,708,691**	**$18,227,807**	**$1,314,591**	**$3,905,889**	**$25,156,978**

Gross realized gains and losses on sales and OTTI on securities AFS during the periods were as follows:

	Three Months Ended		**Six Months Ended**	
(Dollars in thousands)	**June 30, 2010**	June 30, 2009	**June 30, 2010**	June 30, 2009
Gross realized gains	**$62,445**	$11,974	**$77,436**	$16,163
Gross realized losses	**(4,676)**	(31,133)	**(17,062)**	(31,224)
OTTI	**(798)**	(5,740)	**(1,860)**	(6,461)
Net securities gains	**$56,971**	($24,899)	**$58,514**	($21,522)

Securities in a continuous unrealized loss position at June 30, 2010 and December 31, 2009 were as follows:

	June 30, 2010					
	Less than twelve months		**Twelve months or longer**		**Total**	
(Dollars in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**

Temporarily impaired securities						
U.S. Treasury securities	**$251,213**	**$19**	**$-**	**$-**	**$251,213**	**$19**
Federal agency securities	**1,429**	**1**	**-**	**-**	**1,429**	**1**
U.S. states and political subdivisions	**8,067**	**1,720**	**93,369**	**5,788**	**101,436**	**7,508**
RMBS - private	**37,622**	**1,180**	**19,292**	**3,490**	**56,914**	**4,670**
ABS	**198,005**	**787**	**13,630**	**5,772**	**211,635**	**6,559**
Corporate bonds and other debt securities	**-**	**-**	**24,473**	**1,261**	**24,473**	**1,261**
Total temporarily impaired securities	**496,336**	**3,707**	**150,764**	**16,311**	**647,100**	**20,018**
Other-than-temporarily impaired securities						
RMBS - private	**-**	**-**	**298,743**	**57,371**	**298,743**	**57,371**
ABS	**5,659**	**2,108**	**-**	**-**	**5,659**	**2,108**
Total other-than-temporarily impaired securities	**5,659**	**2,108**	**298,743**	**57,371**	**304,402**	**59,479**
Total impaired securities	**$501,995**	**$5,815**	**$449,507**	**$73,682**	**$951,502**	**$79,497**

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	December 31, 2009					
	Less than twelve months		Twelve months or longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Temporarily impaired securities						
U.S. Treasury securities	$5,083,249	$30,571	$263	$5	$5,083,512	$30,576
Federal agency securities	1,341,330	8,653	-	-	1,341,330	8,653
U.S. states and political subdivisions	125,524	5,711	64,516	4,918	190,040	10,629
RMBS- agency	5,418,226	61,724	-	-	5,418,226	61,724
RMBS - private	14,022	3,174	7,169	385	21,191	3,559
ABS	10,885	1,205	16,334	4,218	27,219	5,423
Corporate bonds and other debt securities	19,819	2	30,416	3,371	50,235	3,373
Total temporarily impaired securities	12,013,055	111,040	118,698	12,897	12,131,753	123,937
Other-than-temporarily impaired securities						
RMBS - private	646	906	304,493	90,742	305,139	91,648
Total other-than-temporarily impaired securities	646	906	304,493	90,742	305,139	91,648
Total impaired securities	$12,013,701	$111,946	$423,191	$103,639	$12,436,892	$215,585

On June 30, 2010, the Company held certain investment securities having unrealized loss positions. The Company does not intend to sell these securities nor is it more likely than not that the Company will 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, 2009. Market changes in interest rates and credit spreads will result in unrealized losses as the market price of securities fluctuates. The economic environment and illiquidity in the financial markets since 2008 have increased market yields on securities resulting in unrealized losses on certain securities within the Company s portfolio.

The Company records OTTI through earnings based on the credit impairment estimates generally derived from cash flow analyses. The remaining unrealized loss, due to factors other than credit, is recorded in OCI. The unrealized OTTI loss relating to private RMBS as of June 30, 2010 includes purchased and retained interests from securitizations that have been other-than-temporarily impaired in prior periods. The unrealized OTTI loss relating to ABS is related to four securities within the portfolio that are home equity issuances and have also been other-than-temporarily impaired in prior periods. Based on the analysis of the underlying cash flows of these securities, there is no expectation of further credit impairment. In addition, the expectation of cash flows for the previously impaired ABS securities has improved such that the amount of expected credit losses was reduced and the expected increase in cash flows will be accreted into earnings as a yield adjustment over the remaining life of the securities.

The Company recorded OTTI losses on AFS securities as follows:

	Three Months Ended		**Six Months Ended**	
(Dollars in thousands)	**June 30, 2010**	June 30, 2009	**June 30, 2010**	June 30, 2009
Total OTTI losses[1]	**$798**	$8,567	**$1,860**	$9,288
Portion of losses recognized in OCI (before taxes)[2]	**-**	2,827	**-**	2,827
Net impairment losses recognized in earnings	**$798**	$5,740	**$1,860**	$6,461

[1]OTTI losses for the three and six months ended June 30, 2010 all related to private RMBS. OTTI losses of $8,567 thousand for the three months ended June 30, 2009 were comprised of $8,355 thousand related to private RMBS and $212 thousand related to other securities. OTTI losses of $9,288 thousand for the six months ended June 30, 2009 were comprised of $9,076 thousand related to private RMBS and $212 thousand related to other securities.

[2]OTTI losses recognized in OCI of $2,827 thousand for the three and six months ended June 30, 2009 all related to private RMBS.

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Notes to Consolidated Financial Statements (Unaudited) - Continued

The following is a rollforward of credit losses recognized in earnings for the six months ended June 30, 2010 and 2009 related to securities for which some portion of the impairment was recorded in OCI.

(Dollars in thousands)	
Balance as of December 31, 2009	**$21,602**
Reductions:	
Increases in expected cash flows recognized over the remaining life of the securities	**(246)**
Balance as of June 30, 2010[1]	**$21,356**

[1] During the six months ended June 30, 2010, the Company recognized $1,860 thousand of OTTI through earnings on debt securities in which no portion of the OTTI loss remained in AOCI at any time during the period. OTTI related to these securities are excluded from these amounts.

Balance as of April 1, 2009, effective date	$7,646
Additions:	
OTTI credit losses on securities not previously impaired	4,805
Balance as of June 30, 2009[2]	$ 12,451

[2] During the three months ended June 30, 2009, the Company recognized $935 thousand of OTTI through earnings on debt securities in which no portion of the OTTI loss remained in AOCI at any time during the period. OTTI related to these securities are excluded from these amounts.

While all securities are reviewed quarterly for OTTI, the securities that gave rise to the OTTI recognized during the six months ended June 30, 2010 consisted of private RMBS with a fair market value of $1 million at June 30, 2010. 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 current default rates, prepayment rates, and loss severities. For the majority of the securities that the Company has reviewed for OTTI, credit information is available and modeled at the loan level underlying each security and also considers information such as loan to collateral values, FICO scores, and geographic considerations such as home price appreciation/depreciation. 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.

The following table presents a summary of the significant inputs used in determining the measurement of credit losses recognized in earnings for private RMBS as of June 30, 2010 and December 31, 2009.

	June 30, 2010	December 31, 2009
Current default rate	**5 - 7%**	2 - 17%
Prepayment rate	**14 - 20%**	6 - 21%
Loss severity	**40 - 46%**	35 - 52%

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Notes to Consolidated Financial Statements (Unaudited) - Continued

Note 4 Allowance for Credit Losses

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 thousands)	**2010**	2009	**2010**	2009
Balance at beginning of period	**$3,276,601**	$2,765,173	**$3,234,900**	$2,378,507
Provision for loan losses[1]	**702,764**	962,181	**1,579,349**	1,956,279
Provision for unfunded commitments[2]	**(40,700)**	(1,573)	**(55,000)**	1,089
Loan charge-offs	**(768,109)**	(835,558)	**(1,630,070)**	(1,482,474)
Loan recoveries	**45,345**	34,377	**86,722**	71,199
Balance at end of period	**$3,215,901**	$2,924,600	**$3,215,901**	$2,924,600
Components:				
ALLL	**$3,156,000**	$2,896,000		
Unfunded commitments reserve[3]	**59,901**	28,600		
Allowance for credit losses	**$3,215,901**	$2,924,600		

[1] The amount for the six months ended June 30, 2010, includes $676 thousand related to the consolidation of a VIE.

[2] Beginning in the fourth quarter of 2009, the Company recorded the provision for unfunded commitments within the provision for credit losses in the Consolidated Statements of Income/(Loss). Considering the immateriality of this provision prior to the fourth quarter of 2009, the provision for unfunded commitments remains classified within other noninterest expense in the Consolidated Statements of Income/(Loss).

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

Note 5 Goodwill and Other Intangible Assets

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. In 2009 and the first quarter of 2010, the Company s reporting units were comprised of Retail, Commercial, Commercial Real Estate, Household Lending, Corporate and Investment Banking, Wealth and Investment Management, and Affordable Housing. Effective in the second quarter of 2010, the Company reorganized its management and segment reporting structure. See Note 15, Business Segment Reporting, to the Consolidated Financial Statements for further discussion of the Company s reorganization and change to segments. The change in segments impacted the goodwill reporting units as follows:

The Retail reporting unit was renamed Branch Banking; however, the composition of the reporting unit did not change.

Portions of the Corporate and Investment Banking reporting unit were transferred to the Commercial reporting unit, resulting in the allocation of approximately $43 million in goodwill from Corporate and Investment Banking to Commercial. As a result of the transfer, the Commercial reporting unit was renamed Diversified Commercial Banking.

As of June 30, 2010, the Company s reporting units with goodwill balances were Branch Banking, Diversified Commercial Banking, Corporate and Investment Banking, and Wealth and Investment Management.

Since the annual testing of the Company s goodwill as of September 30, 2009, no events have occurred nor have circumstances changed, including the reorganization in the second quarter of 2010, which caused re-testing of goodwill during the first six months of 2010.

Due to the continued recessionary environment and sustained deterioration in the economy during the first quarter of 2009, the Company performed a complete goodwill impairment analysis for all of its reporting units at that time. The estimated fair value of the Retail, Commercial, and Wealth and Investment Management reporting units exceeded their respective carrying values as of March 31, 2009; however, the fair value of the Household Lending, Corporate and Investment Banking, Commercial Real Estate (included in Retail and Commercial segment), and Affordable Housing (included in Retail and Commercial segment) reporting units were less than their respective carrying values. The implied fair value of goodwill of the Corporate and Investment Banking reporting unit exceeded the carrying value of the goodwill, thus no goodwill impairment was recorded for this reporting unit. However, the implied fair value of goodwill applicable to the Household Lending,

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Notes to Consolidated Financial Statements (Unaudited) - Continued

Commercial Real Estate, and Affordable Housing reporting units was less than the carrying value of the goodwill. As of March 31, 2009, an impairment loss of $751 million was recorded, which was the entire amount of goodwill carried by each of those reporting units. $677 million of the goodwill impairment charge was non-deductible for tax purposes. The goodwill impairment charge was a direct result of the deterioration in the real estate markets and macro economic conditions that put downward pressure on the fair value of these businesses during the first quarter of 2009. The primary factor contributing to the impairment recognition was further deterioration in the actual and projected financial performance of these reporting units, as evidenced by the increase in net charge-offs and nonperforming loans. The decline in fair value of these reporting units was significantly influenced by the economic downturn, which resulted in depressed earnings in these businesses and the significant decline in the Company s market capitalization during the first quarter of 2009.

The changes in the carrying amount of goodwill by reportable segment for the six months ended June 30 are as follows:

(Dollars in thousands)	Retail and Commercial	Wholesale	Corporate and Investment Banking	Household Lending	Mortgage	Wealth and Investment Management	Total
Balance, January 1, 2009	$5,911,990	$522,548	$-	$-	$278,254	$330,711	$7,043,503
Intersegment transfers	125,580	(522,548)	223,307	451,915	(278,254)	-	-
Goodwill impairment	(299,241)	-	-	(451,915)	-	-	(751,156)
Seix contingent consideration	-	-	-	-	-	12,722	12,722
Purchase of the assets of Epic Advisers, Inc.	-	-	-	-	-	5,012	5,012
Purchase price adjustments	474	-	-	-	-	3,827	4,301
Balance, June 30, 2009	$5,738,803	$-	$223,307	$-	$-	$352,272	$6,314,382

(Dollars in thousands)	Retail and Commercial	Retail Banking	Diversified Commercial Banking	Corporate and Investment Banking	Wealth and Investment Management	Total
Balance, January 1, 2010	**$5,738,803**	**$-**	**$-**	**$223,307**	**$356,968**	**$6,319,078**
Intersegment transfers	**(5,738,803)**	**4,854,582**	**927,520**	**(43,299)**	**-**	**-**
Inlign contingent consideration	**-**	**-**	**-**	**-**	**3,465**	**3,465**
Purchase price adjustments	**-**	**-**	**-**	**-**	**485**	**485**
Balance, June 30, 2010	**$-**	**$4,854,582**	**$927,520**	**$180,008**	**$360,918**	**$6,323,028**

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

(Dollars in thousands)	Core Deposit Intangibles	MSRs Amortized Cost	MSRs Fair Value	Other	Total
Balance, January 1, 2009	$145,311	$810,474	$-	$79,642	$1,035,427
Designated at fair value (transfers from amortized cost)	-	(187,804)	187,804	-	-
Amortization	(22,166)	(130,494)	-	(7,777)	(160,437)
MSRs originated	-	-	379,725	-	379,725
MSRs impairment recovery	-	188,207	-	-	188,207
Changes in fair value					
Due to changes in inputs or assumptions [1]	-	-	115,251	-	115,251
Other changes in fair value [2]	-	-	(40,841)	-	(40,841)

Other	-	-	-	151	151
Balance, June 30, 2009	$123,145	$680,383	$641,939	$72,016	$1,517,483
Balance, January 1, 2010	**$104,240**	**$603,821**	**$935,561**	**$67,677**	**$1,711,299**
Designated at fair value (transfers from amortized cost)	**-**	**(603,821)**	**603,821**	**-**	**-**
Amortization	**(19,536)**	**-**	**-**	**(6,822)**	**(26,358)**
MSRs originated	**-**	**-**	**133,789**	**-**	**133,789**
Changes in fair value					
Due to fair value election	**-**	**-**	**144,634**	**-**	**144,634**
Due to changes in inputs or assumptions [1]	**-**	**-**	**(401,785)**	**-**	**(401,785)**
Other changes in fair value [2]	**-**	**-**	**(118,352)**	**-**	**(118,352)**
Balance, June 30, 2010	**$84,704**	**$-**	**$1,297,668**	**$60,855**	**$1,443,227**

[1] Primarily reflects changes in discount rates and prepayment speed assumptions due to changes in interest rates.

[2] Represents changes due to the collection of expected cash flows, net of accretion, due to passage of time.

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Notes to Consolidated Financial Statements (Unaudited) - Continued

Effective January 1, 2009, the Company elected to create a second class of MSRs that was reported at fair value and is being actively hedged as discussed in Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements. The transfer of MSRs from LOCOM to fair value did not have a material effect on the Consolidated Financial Statements since the MSRs were effectively reported at fair value as of December 31, 2008 as a result of impairment losses recognized at the end of 2008. At December 31, 2009, MSRs associated with loans originated or sold prior to 2008 continued to be accounted for at LOCOM and managed through the Company s overall asset/liability management process. Effective January 1, 2010, the Company elected to designate all remaining MSRs carried at LOCOM at fair value. Upon designating the remaining MSRs at fair value in January 2010, the Company recognized a cumulative effect increase to retained earnings, net of taxes, of $89 million.

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

Certain Transfers of Financial Assets and related Variable Interest Entities

The Company has transferred residential and commercial mortgage loans, student loans, commercial and corporate loans, and CDO securities in sale or securitization transactions in which the Company has, or had, continuing involvement. All such transfers have been accounted for as sales by the Company. The Company s continuing involvement in such transfers includes owning certain beneficial interests, including senior and subordinate debt instruments as well as equity interests, servicing or collateral manager responsibilities, and guarantee or recourse arrangements. 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. Prior to January 1, 2010, interests that were held by the Company in transferred financial assets, excluding servicing and collateral management rights, were generally recorded as securities AFS or trading assets at their allocated carrying amounts based on their relative fair values at the time of transfer and were subsequently remeasured at fair value. In accordance with the new accounting guidance related to transfers of financial assets that became effective on January 1, 2010, upon completion of future transfers of assets that satisfy the conditions to be reported as a sale, the Company will derecognize the transferred assets and recognize at fair value any beneficial interests in the transferred financial assets such as trading assets or securities AFS, as well as servicing rights retained and guarantee liabilities incurred. See Note 13, Fair Value Measurement and Election, to the Consolidated Financial Statements for further discussion of the Company s fair value methodologies.

When evaluating transfers and other transactions with VIEs for consolidation under the newly adopted VIE consolidation guidance, 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. If the Company determines that it does not have power over the significant activities of the VIE, an analysis of the economics of the VIE is not necessary. If it is determined that the Company does have power over the significant activities of the VIE, the Company must determine if it also has an obligation to absorb losses and/or the right to receive benefits that could potentially be significant to the VIE.

Below is a summary of transfers of financial assets to VIEs for which the Company has retained some level of continuing involvement.

<u>Residential Mortgage Loans</u>

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 securities issued through these transactions are guaranteed by the issuer and, as such, under seller/servicer agreements the Company is required to service the loans in accordance with the issuers servicing guidelines and standards. The Company sold residential mortgage loans to these entities, which resulted in pre-tax gains of $137 million and $201 million for the three months ended June 30, 2010 and 2009, respectively, and $222 million and $428 million for the six months ended June 30, 2010 and 2009, respectively. These gains are included within mortgage production related income in the Consolidated Statements of Income/(Loss). 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, to the Consolidated Financial Statements 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, which are discussed in Note 11, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements.

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Notes to Consolidated Financial Statements (Unaudited) - Continued

In a limited number of securitizations, the Company has transferred loans to trusts, which previously qualified as QSPEs, sponsored by the Company. These trusts issue securities which are ultimately supported by the loans in the underlying trusts. In these transactions, the Company has received securities representing retained interests in the transferred loans in addition to cash and servicing rights in exchange for the transferred loans. The received securities are carried at fair value as either trading assets or securities AFS. As of June 30, 2010 and December 31, 2009, the fair value of securities received totaled $213 million and $217 million, respectively. At June 30, 2010, securities with a fair value of $192 million were valued using a third party pricing service. The remaining securities consist of subordinate interests from a 2003 securitization of prime fixed and floating rate loans and were valued using a discounted cash flow model that uses historically derived prepayment rates and credit loss assumptions along with estimates of current market discount rates. The Company did not significantly modify the assumptions used to value these retained interests at June 30, 2010 from the assumptions used to value the interests at December 31, 2009. For both periods, analyses of the impact on the fair values of two adverse changes from the key assumptions were performed and the resulting amounts were insignificant for each key assumption and in the aggregate.

The Company evaluated these securitization transactions for consolidation under the newly adopted 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 retain power over the securitization as a result of these rights held by the master servicer; therefore, an analysis of the economics of the securitization is not necessary. 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. As of January 1, 2010, the Company determined that it was not the primary beneficiary of, and thus did not consolidate, any of these securitization transactions. No events occurred during the six months ended June 30, 2010 that would change the Company s previous conclusion that it is not the primary beneficiary of any of these securitization transactions. Total assets as of June 30, 2010 and December 31, 2009 of the unconsolidated trusts in which the Company has a VI are $724 million and $780 million, respectively.

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.

Separately, the Company has accrued $76 million and $36 million as of June 30, 2010 and December 31, 2009 for contingent losses related to certain of its representations and warranties made in connection with other previous transfers of nonconforming loans. The Company did not repurchase any of these previously transferred loans during the six months ended June 30, 2010 or 2009.

Commercial and Corporate Loans

In 2007, the Company completed a $1.9 billion structured sale of corporate loans to multi-seller CP conduits, which are VIEs administered by unrelated third parties, from which it retained a 3% residual interest in the pool of loans transferred, which does not constitute a VI in the third party conduits as it relates to the unparticipated portion of the loans. During the six months ended June 30, 2009, the Company wrote this residual interest and related accrued interest to zero, resulting in a loss of $17 million. This write off was the result of the deterioration in the performance of the loan pool to such an extent that the Company expects that it will no longer receive cash flows on the interest until the senior participation interest has been repaid in full. In conjunction with the transfer of the loans, the Company provided commitments in the form of liquidity facilities to these conduits; the sum of these commitments, which represents the Company s maximum exposure to loss under the facilities, totaled $322 million at December 31, 2009. Due to deterioration in the loans that collateralize these facilities, the Company recorded a contingent loss reserve of $16 million on the facilities during the year ended December 31, 2009. In January 2010, the administrator of the conduits drew on these commitments in full, resulting in a funded loan to the conduits that is recorded on the Company s Consolidated Balance Sheets. This event did not modify the Company s sale accounting treatment or conclusion that it is not the primary beneficiary of these VIEs. In addition, no other events have occurred during the six months ended June 30, 2010 that would call into question 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 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.

Beginning January 1, 2010, upon adoption of the new VIE consolidation guidance, the Company determined that it was the primary beneficiary of, and thus, would consolidate 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. In addition to fees received as collateral manager, including eligibility for performance incentive fees, and owning certain preference shares, the Company s multi-seller conduit, Three Pillars, owns a senior interest in the CLO, resulting in economics that could potentially be significant to the VIE. Accordingly, on January 1, 2010, the Company consolidated $307 million in total assets and $279 million in net liabilities, after the elimination of this senior interest. The Company elected to consolidate the CLO at fair value and to carry the financial assets and financial liabilities of the CLO at fair value subsequent to adoption. The initial consolidation of the CLO had a negligible impact on the Company s Consolidated Statements of Shareholders Equity. Substantially all of the assets and liabilities of the CLO are loans and issued debt, respectively. The loans are classified within loans held for sale at fair value and the debt is included with long-term debt at fair value on the Company s Consolidated Balance Sheets (see Note 13, Fair Value Measurement and Election, to the Consolidated Financial Statements for a discussion of the Company s methodologies for estimating the fair values of these financial instruments). 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. During the six months ended June 30, 2009, the Company recognized losses of $7 million, which represented the complete write off of the preference shares in certain of the VIEs due to the continued deterioration in the performance of the collateral in those vehicles. At December 31, 2009, the carrying value of the Company s investment in the preference shares was zero; however, during the first six months of 2010, the Company observed an improvement in cash flow expectations as well as an overall steady recovery in value in the broader CLO market. As a result, the Company marked up the value of the CLO preference shares by less than $10 million, which represented the market value of the Company s investment in the preference shares at June 30, 2010. 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/(Loss) and totaled $3 million and $1 million for the three months ended June 30, 2010 and 2009, respectively, and $7 million and $4 million for the six months ended June 30, 2010 and 2009, respectively. 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. The estimated assets and liabilities of these entities that were not included on the Company s Consolidated Balance Sheets were $2.2 billion and $2.1 billion, respectively, at June 30, 2010 and $2.3 billion and $2.2 billion, respectively, at December 31, 2009. 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, 2010 that would change the Company s previous conclusion that it is not the primary beneficiary of any of these securitization transactions.

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 corresponding residual interest in the SPE. The residual interest, classified within trading assets on the Company s Consolidated Balance Sheet, and any losses the Company might incur as a result of that breach, represents the Company s maximum exposure to loss as a result of its involvement with the VIE. The fair value of the residual interest at both June 30, 2010 and December 31, 2009 was less than $25 million. The key assumptions and inputs used by the Company in valuing this retained interest include prepayment speeds and the discount rate. The Company did not significantly modify the assumptions used to value the retained interest at June 30, 2010 from the assumptions used to value the retained interest at December 31, 2009. For both periods, analyses of the impact on the fair values of two adverse changes from the key assumptions were performed and the resulting amounts were insignificant for each key assumption and in the aggregate.

The total assets and liabilities of this VIE that were not included in the Company s Consolidated Balance Sheets were $504 million and $497 million, respectively, at June 30, 2010 and $532 million and $522 million, respectively, at

Notes to Consolidated Financial Statements (Unaudited) - Continued

December 31, 2009. The Company is not obligated to provide any noncontractual support to this entity, nor has it previously provided support to this entity. All of the student loans that were securitized are U.S. government guaranteed student loans. As such, the Company has agreed to service each loan consistent with the guidelines determined by the applicable government agencies in order to maintain that guarantee. A breach of this responsibility could obligate the Company to repurchase the loan from the VIE at par. The Company believes that it does not have the power to direct activities that most significantly impact the economic performance of the VIE that holds these student loans, and it is therefore not the primary beneficiary of the VIE under the new VIE consolidation guidance. No events occurred during the six months ended June 30, 2010 that would change the Company s previous conclusion that it is not the primary beneficiary of this VIE.

CDO Securities

The Company has transferred bank trust preferred securities in securitization transactions. The majority of these transfers occurred between 2002 and 2005, with one transaction completed in 2007. The Company retained equity interests in certain of these entities and also holds certain senior interests that were acquired during 2007 and 2008 in conjunction with its acquisition of assets from Three Pillars and the ARS transactions discussed in Note 14, Contingencies, to the Consolidated Financial Statements. During 2009, the Company sold its senior interest related to the acquisition of assets from Three Pillars; however, the Company continues to hold senior interests related to the ARS purchases. The assumptions and inputs considered by the Company in valuing this retained interest include prepayment speeds, credit losses, and the discount rate. The Company did not significantly modify the assumptions used to value the retained interest at June 30, 2010 from the assumptions used to value the interest at December 31, 2009. Due to the seniority of the interests in the structure, current estimates of credit losses in the underlying collateral could withstand a 20% adverse change without the securities incurring a loss. In addition, while all the underlying collateral is currently eligible for repayment by the obligor, given the nature of the collateral and the current repricing environment, the Company assumed no prepayment would occur before the final maturity, which is approximately 24 years on a weighted average basis. Therefore, the key assumption in valuing these securities was the assumed discount rate, which was estimated to be 14% over LIBOR. For both periods, analyses of the impact on the fair values of two adverse changes from the key assumption were performed. At both June 30, 2010 and December 31, 2009, a 20% adverse change in the assumed discount rate resulted in a decline of $5 million in the fair value of these securities.

The Company is not obligated to provide any support to these entities and its maximum exposure to loss at June 30, 2010 and December 31, 2009 was limited to (i) the current senior interests held in trading securities, which had a fair value of $25 million and $26 million, respectively and (ii) the remaining senior interests expected to be purchased in conjunction with the ARS issue, which had a total fair value of $2 million. The total assets of the trust preferred CDO entities in which the Company has remaining exposure to loss was $1.3 billion at both June 30, 2010 and December 31, 2009, respectively. The Company determined that it was not the primary beneficiary of any of these VIEs under the new VIE consolidation guidance, 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, 2010 that called into question either the Company s sale accounting or the Company s conclusions that it is not the primary beneficiary of these VIEs.

The following tables present certain information related to the Company s asset transfers in which it has continuing economic involvement for the three and six months ended June 30:

	Three Months Ended June 30, 2010				
(Dollars in thousands)	Residential Mortgage Loans	Commercial and Corporate Loans	Student Loans	CDO Securities	Total
Cash flows on interests held	**$13,349**	**$861**	**$477**	**$465**	**$15,152**
Servicing or management fees	**1,024**	**3,556**	**184**	**-**	**4,764**

	Three Months Ended June 30, 2009				
(Dollars in thousands)	Residential Mortgage Loans	Commercial and Corporate	Student Loans	CDO Securities	Total

		Loans			
Cash flows on interests held	$26,262	$308	$3,377	$1,204	$31,151
Servicing or management fees	1,266	1,865	153	-	3,284

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	Six Months Ended June 30, 2010				
(Dollars in thousands)	Residential Mortgage Loans	Commercial and Corporate Loans	Student Loans	CDO Securities	Total
Cash flows on interests held	**$27,695**	**$1,760**	**$3,401**	**$862**	**$33,718**
Servicing or management fees	**2,093**	**6,850**	**375**	**-**	**9,318**

	Six Months Ended June 30, 2009				
(Dollars in thousands)	Residential Mortgage Loans	Commercial and Corporate Loans	Student Loans	CDO Securities	Total
Cash flows on interests held	$52,389	$702	$3,715	$1,644	$58,450
Servicing or management fees	2,602	4,848	357	-	7,807

Portfolio balances and delinquency balances based on 90 days or more past due (including accruing and nonaccrual loans) as of June 30, 2010 and December 31, 2009, and net charge-offs related to managed portfolio loans (both those that are owned by the Company and those that have been transferred) for three and six months ended June 30, 2010 and 2009 are as follows:

	Principal Balance		Past Due		Net Charge-offs			
					For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Dollars in millions)	**June 30, 2010**	December 31, 2009	**June 30, 2010**	December 31, 2009	**2010**	2009	**2010**	2009
Type of loan:								
Commercial	**$32,523**	$32,494	**$402**	$508	**$87**	$150	**$183**	$281
Residential mortgage and home equity	**46,569**	46,743	**3,279**	4,065	**430**	512	**1,004**	851
Commercial real estate and construction	**20,138**	21,721	**1,899**	1,902	**163**	85	**257**	168
Consumer	**12,664**	11,649	**481**	428	**21**	32	**50**	72
Credit card	**1,031**	1,068	**15**	-	**21**	22	**49**	39
Total loan portfolio	**112,925**	113,675	**6,076**	6,903	**722**	801	**1,543**	1,411
Managed securitized loans								
Commercial	**2,961**	3,460	**64**	64	**22**	13	**22**	20
Residential mortgage	**1,368**	1,482	**124**	123	**11**	15	**22**	24
Other	**482**	506	**23**	25	**-**	-	**-**	-
Total managed loans	**$117,736**	$119,123	**$6,287**	$7,115	**$755**	$829	**$1,587**	$1,455

Residential mortgage loans securitized through Ginnie Mae, Fannie Mae, and Freddie Mac have been excluded from the tables above since the Company does not retain any beneficial interests or other continuing involvement in the loans other than servicing responsibilities on behalf of Ginnie Mae, Fannie Mae, and Freddie Mac and repurchase contingencies under standard representations and warranties made with respect to the transferred mortgage loans. The total amount of loans serviced by the Company as a result of such securitization transactions totaled $128.7 billion and $127.8 billion at June 30, 2010 and December 31, 2009, respectively. Related servicing fees received by the Company were $94 million and $79 million for the three months ended June 30, 2010 and 2009, respectively, and $187 million and $155 million for the six months ended June 30, 2010 and 2009, respectively.

Mortgage Servicing Rights

In addition to other interests that continue to be held by the Company in the form of securities, the Company also retains MSRs from certain of its sales or securitizations of residential mortgage loans. MSRs on residential mortgage loans are the only servicing assets capitalized by the Company. Previously, the Company maintained two classes of MSRs: MSRs related to loans originated and sold after January 1, 2008, which were reported at fair value, and MSRs related to loans sold before January 1, 2008, which were reported at amortized cost, net of any allowance for impairment losses. Beginning January 1, 2010, the Company elected to account for all MSRs at fair value. See Note 5, Goodwill and Other Intangible Assets, to the Consolidated Financial Statements for the rollforward of MSRs. As of December 31, 2009, the Company had established an MSR valuation allowance of $7 million. No permanent impairment losses were recorded against the allowance for MSRs carried at amortized cost during the year ended December 31, 2009.

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 was $100 million and $82 million for the three months ended June 30, 2010 and 2009, respectively, and $198 million and $164 million for the six months ended June 30, 2010 and 2009, respectively. These amounts are reported in mortgage servicing related income in the Consolidated Statements of Income/(Loss).

Notes to Consolidated Financial Statements (Unaudited) - Continued

As of June 30, 2010 and December 31, 2009, the total unpaid principal balance of mortgage loans serviced was $177.8 billion and $178.9 billion, respectively. Included in these amounts were $145.8 billion and $146.7 billion as of June 30, 2010 and December 31, 2009, respectively, of loans serviced for third parties.

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, 2010 and December 31, 2009, and the sensitivity of the fair values to immediate 10% and 20% adverse changes in those assumptions are as follows:

	June 30, 2010	December 31, 2009	
(Dollars in millions)	**Fair Value**	Fair Value	LOCOM
Fair value of retained MSRs	**$1,298**	$936	$749
Prepayment rate assumption (annual)	**22 %**	10 %	17 %
Decline in fair value of 10% adverse change	**$66**	$30	$30
Decline in fair value of 20% adverse change	**125**	58	58
Discount rate (annual)	**10 %**	10 %	12 %
Decline in fair value of 10% adverse change	**$40**	$39	$27
Decline in fair value of 20% adverse change	**77**	75	51
Weighted-average life (in years)	**4.1**	7.5	4.8
Weighted-average coupon	**5.6 %**	5.2 %	6.1 %

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.

Other Variable Interest Entities

In addition to the Company s involvement with certain VIEs, which is discussed herein under Certain Transfers of Financial Assets and related Variable Interest Entities, the Company also has involvement with VIEs from other business activities.

Three Pillars Funding, LLC

SunTrust assists in providing liquidity to select corporate clients by directing them to a multi-seller CP conduit, Three Pillars. Three Pillars provides financing for direct purchases of financial assets originated and serviced by SunTrust s corporate clients by issuing CP.

The Company has determined that Three Pillars is a VIE as Three Pillars has not issued sufficient equity at risk. Previously, Three Pillars had issued a subordinated note to a third party, which would have absorbed the first dollar of loss in the event of nonpayment of any of Three Pillars assets. The outstanding and committed amounts of the subordinated note were $20 million at December 31, 2009 and no losses had been incurred through December 31, 2009. In January 2010, Three Pillars repaid and extinguished the subordinated note in full. In accordance with the provisions of the new VIE consolidation guidance, the Company has determined that it is the primary beneficiary of Three Pillars, as certain subsidiaries have both the power to direct the significant activities of Three Pillars and own potentially significant VIs, as discussed further herein. No losses on any of Three Pillars assets were incurred during the six months ended June 30, 2010.

The Company s involvement with Three Pillars includes the following activities: services related to the administration of Three Pillars activities and client referrals to Three Pillars; the issuing of letters of credit, which provide partial credit protection to the CP holders; and providing liquidity arrangements that would provide funding to Three Pillars in the event it can no longer issue CP or in certain other circumstances. The Company s activities with Three Pillars generated total revenue for the Company, net of direct salary and administrative costs, of $15 million and $16 million for the three months ended June 30, 2010 and 2009, respectively, and $30 million and $33 million for the six months ended June 30, 2010 and 2009, respectively.

At June 30, 2010, the Company s Consolidated Balance Sheets reflected $1.7 billion of secured loans held by Three Pillars, which are included within commercial loans, and $180 million of CP issued by Three Pillars, excluding

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Notes to Consolidated Financial Statements (Unaudited) - Continued

intercompany liabilities, which is included within other short-term borrowings; other assets and liabilities were *de minimis* to the Company s Consolidated Balance Sheets. The assets and liabilities of Three Pillars were consolidated by the Company at their unpaid principal amounts at January 1, 2010; upon consolidation, the Company recorded an allowance for loan losses on $1.7 billion of secured loans that were consolidated at that time, resulting in a transition adjustment of less than $1 million, which is presented as Adoption of VIE consolidation guidance on the Company s Consolidated Statements of Shareholders Equity.

Funding commitments extended by Three Pillars to its customers totaled $3.8 billion at June 30, 2010, almost all of which renew annually. At December 31, 2009, Three Pillars had $1.8 billion of assets not included on the Company s Consolidated Balance Sheet and funding commitments and outstanding receivables totaled $3.7 billion and $1.7 billion, respectively. The majority of the commitments are backed by trade receivables and commercial loans that have been originated by companies operating across a number of industries. Trade receivables and commercial loans collateralize 53% and 17%, respectively, of the outstanding commitments, as of June 30, 2010, compared to 50% and 18%, respectively, as of December 31, 2009. Total assets supporting outstanding commitments have a weighted average life of 2.23 years and 1.69 years at June 30, 2010 and December 31, 2009, respectively.

Each transaction added to Three Pillars is typically structured to a minimum implied A/A2 rating according to established credit and underwriting policies as approved by credit risk management and monitored on a regular basis to ensure compliance with each transaction s terms and conditions. Typically, transactions contain dynamic credit enhancement features that provide increased credit protection in the event asset performance deteriorates. If asset performance deteriorates beyond predetermined covenant levels, the transaction could become ineligible for continued funding by Three Pillars. This could result in the transaction being amended with the approval of credit risk management, or Three Pillars could terminate the transaction and enforce any rights or remedies available, including amortization of the transaction or liquidation of the collateral. In addition, Three Pillars has the option to fund under the liquidity facility provided by the Bank in connection with the transaction and may be required to fund under the liquidity facility if the transaction remains in breach. In addition, each commitment renewal requires credit risk management approval. The Company is not aware of unfavorable trends related to Three Pillars assets for which the Company expects to suffer material losses. For the six months ended June 30, 2010 and 2009, there were no write-downs of Three Pillars assets.

At June 30, 2010, Three Pillars outstanding CP used to fund its assets had remaining weighted average lives of 18 days and maturities through September 16, 2010. The assets of Three Pillars generally provide the sources of cash flows for the CP. However, the Company has issued commitments in the form of liquidity facilities and other credit enhancements to support the operations of Three Pillars. Due to the Company s consolidation of Three Pillars as of January 1, 2010, these commitments would be eliminated in consolidation for U.S. GAAP purposes. The liquidity commitments are revolving facilities that are sized based on the current commitments provided by Three Pillars to its customers. The liquidity facilities may generally be used if new CP cannot be issued by Three Pillars to repay maturing CP. However, the liquidity facilities are available in all circumstances, except certain bankruptcy-related events with respect to Three Pillars. Draws on the facilities are subject to the purchase price (or borrowing base) formula that, in many cases, excludes defaulted assets to the extent that they exceed available over-collateralization in the form of non-defaulted assets, and may also provide the liquidity banks with loss protection equal to a portion of the loss protection provided for in the related securitization agreement. Additionally, there are transaction specific covenants and triggers that are tied to the performance of the assets of the relevant seller/servicer that may result in a transaction termination event, which, if continuing, would require funding through the related liquidity facility. Finally, in a termination event of Three Pillars, such as if its tangible net worth falls below $5,000 for a period in excess of 15 days, Three Pillars would be unable to issue CP, which would likely result in funding through the liquidity facilities. Draws under the credit enhancement are also available in all circumstances, but are generally used to the extent required to make payment on any maturing CP if there are insufficient funds from collections of receivables or the use of liquidity facilities. The required amount of credit enhancement at Three Pillars will vary from time to time as new receivable pools are purchased or removed from its asset portfolio, but is generally equal to 10% of the aggregate commitments of Three Pillars.

Due to the consolidation of Three Pillars, the Company s maximum exposure to potential loss was $3.9 billion as of June 30, 2010, which represents the Company s exposure to the lines of credit that Three Pillars had extended to its clients. Prior to consolidation, the Company had $3.8 billion and $371 million, respectively, of liquidity facilities and other credit enhancements outstanding as of December 31, 2009. The Company did not recognize any liability on its Consolidated Balance Sheets related to these liquidity facilities and other credit enhancements as of June 30, 2010 or December 31, 2009, as no amounts had been drawn, nor were any draws probable to occur, such that a loss should have been accrued. In addition, no losses were recognized by the Company in connection with these commitments during the six months ended June 30, 2010 or 2009.

Notes to Consolidated Financial Statements (Unaudited) - Continued

Total Return Swaps

The Company has had involvement with various VIEs related to its TRS business. The Company had unwound prior transactions during 2009, such that no such transactions were outstanding at December 31, 2009. However, during the six months ended June 30, 2010, the Company began to execute new TRS transactions.

Under the matched book TRS business model, the VIEs purchase assets (typically loans) from the market that serve as the underlying reference assets for a TRS between the VIE and the Company and a mirror TRS between the Company and its third party clients. The TRS between the VIEs and the Company hedge the Company s exposure to the TRS with its third party clients. These third parties are not related parties to the Company, nor are they and the Company de facto agents of each other. In order for the VIEs to purchase the reference assets, the Company provides senior financing, in the form of demand notes, to these VIEs. The TRS contracts pass through interest and other cash flows on the assets owned by the VIEs to the third parties, along with exposing the third parties to depreciation on the assets and providing them with the rights to appreciation on the assets. The terms of the TRS contracts require the third parties to post initial collateral, in addition to ongoing margin as the fair values of the underlying assets change. There is no legal obligation between the Company and its third party clients for the Company to purchase the reference assets or for the Company to cause the VIEs to purchase the assets.

Prior to January 1, 2010, the Company had concluded it was not the primary beneficiary of the VIEs, as the VIEs were designed for the benefit of the third parties. Specifically, the third parties had implicit VIs in the VIEs via their TRS contracts with the Company, whereby these third parties absorbed the majority of the expected losses and were entitled to the majority of the expected residual returns of the VIEs. The Company has considered the new VIE consolidation guidance with respect to the new VIEs established subsequent to January 1, 2010. Specifically, the Company has evaluated the nature of all VIs and other interests and involvement with the VIEs, in addition to the purpose and design of the VIEs, relative to the risks they were designed to create. Based on this evaluation, the Company has determined that it is not the primary beneficiary of the VIEs, as the design of the TRS business results in the Company having limited power to direct the significant activities of the VIEs. The purpose and design of a VIE are key components of a consolidation analysis and any power should be analyzed based on the substance of that power relative to other facts and circumstances. As discussed herein, the VIEs would not exist if the Company did not enter into the TRS contracts with the third parties.

At June 30, 2010, the Company had $595 million in senior financing outstanding to VIEs, which was 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 $594 million at June 30, 2010 and the Company had entered into mirror TRS contracts with its third parties with the same outstanding notional amounts. At June 30, 2010, the fair values of these TRS derivative assets and derivative liabilities were $6 million and $4 million, respectively. 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 that it was not contractually obligated to for the six months ended June 30, 2010. For additional information on the Company s TRS with these VIEs, see Note 10, Derivative Financial Instruments to the Consolidated Financial Statements.

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 its partnership investments. The Company has determined that these partnerships are VIEs when it does not own 100% of the entity because the holders of the equity investment at risk do not have the power through voting rights or similar rights to direct the activities of the entity that most significantly impact the entity s economic performance. Accordingly, the Company s general partner, limited partner, and/or debt interests are VIs that the Company evaluates for purposes of determining whether the Company is the primary beneficiary. During 2010 and 2009, the Company did not provide any financial or other support to its consolidated or unconsolidated investments that it was not previously contractually required to provide.

For some partnerships, the Company operates strictly as a general partner and, as such, has both (1) the power to direct the activities of the VIE that most significantly impact the entity s economic performance and (2) the obligation to absorb losses of and the right to receive benefits from the entity that could potentially be significant to the VIE. Accordingly, 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, 2010 and December 31, 2009, total assets, which consist primarily of fixed assets and cash attributable to the consolidated partnerships, were $11 million and $14 million, respectively, and total liabilities, excluding intercompany liabilities, were $1 million and $3 million, respectively. Security deposits from the tenants are

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Notes to Consolidated Financial Statements (Unaudited) - Continued

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 *de minimis* as of June 30, 2010 and December 31, 2009. 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 2010 and 2009, 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 because it does not have the power to direct the activities of the entity that most significantly impact the entity s economic performance. The Company accounts for its limited partner interests in accordance with the accounting guidance for investments in affordable housing projects. The general partner or an affiliate of the general partner provides guarantees to the limited partner which protect the Company from losses attributable to operating deficits, construction deficits and tax credit allocation deficits. Partnership assets of $1.1 billion in these partnerships were not included in the Consolidated Balance Sheets at June 30, 2010 and December 31, 2009. These limited partner interests had carrying values of $211 million and $218 million at June 30, 2010 and December 31, 2009, respectively, and are recorded in other assets on the Company s Consolidated Balance Sheets. The Company s maximum exposure to loss for these limited partner investments totaled $452 million and $468 million at June 30, 2010 and December 31, 2009, respectively. The Company s maximum exposure to loss would be borne by the loss of the limited partnership equity investments along with $220 million and $219 million of loans issued by the Company to the limited partnerships at June 30, 2010 and December 31, 2009, 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.

When the Company owns both the limited partner and general partner or acts as the indemnifying party, the Company consolidates the partnerships and does not consider these partnerships VIEs because, as owner of the partnerships, the Company has the ability to directly and indirectly make decisions that have a significant impact on the business. As of June 30, 2010 and December 31, 2009, total assets, which consist primarily of fixed assets and cash, attributable to the consolidated, non-VIE partnerships were $410 million and $425 million, respectively, and total liabilities, excluding intercompany liabilities, primarily representing third-party borrowings, were $108 million and $209 million, respectively. See Note 13, Fair Value Measurement and Election, to the Consolidated Financial Statements for further discussion on the impact of impairment charges on affordable housing partnership investments recorded during the six months ended June 30, 2010 and 2009.

Registered and Unregistered Funds Advised by RidgeWorth

RidgeWorth, a registered investment advisor and wholly-owned subsidiary of the Company, serves as the investment advisor for various private placement and publicly registered investment funds (collectively the Funds). The Company evaluates these Funds to determine if the Funds are voting interest entities or VIEs, as well as monitors the nature of its interests in each Fund to determine if the Company is required to consolidate any of the Funds. In February 2010, the FASB issued guidance that defers the application of the new 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 new guidance. Accordingly, the Company continues to apply the consolidation guidance in effect prior to the issuance of the new guidance to interests in funds that qualify for the deferral. Further, funds that were determined to be VIEs under the previous accounting guidance and are still considered VIEs under the new accounting guidance are required to comply with the new disclosure requirements.

The Company has concluded that some of the Funds are VIEs because the equity investors lack decision making rights. However, the Company has concluded that it is not the primary beneficiary of these funds as the Company does not absorb a majority of the expected losses 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. Payment of fees is received from the individual investor accounts. The total unconsolidated assets of these funds as of June 30, 2010 and December 31, 2009 were $2.8 billion and $3.3 billion, respectively.

The Company does not have any contractual obligation to provide monetary support to any of the Funds and did not provide any support, contractual or otherwise, to the Funds during the six months ended June 30, 2010 and 2009.

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Notes to Consolidated Financial Statements (Unaudited) - Continued

Note 7 Loss Per Share

Net loss is the same in the calculation of basic and diluted loss per average common share. Equivalent shares of 32 million and 36 million related to common stock options and common stock warrants outstanding as of June 30, 2010 and 2009, respectively, were excluded from the computations of diluted loss per average common share because they would have been antidilutive. 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, 2010 and 2009 is included below. Additionally, included below is a reconciliation of net loss to net loss available to common shareholders.

	Three Months Ended June 30		Six Months Ended June 30	
(In thousands, except per share data)	**2010**	2009	**2010**	2009
Net income/(loss)	**$12,384**	($183,460)	**($148,430)**	($998,627)
Series A preferred dividends	**(1,762)**	(5,635)	**(3,488)**	(10,635)
U.S. Treasury preferred dividends and accretion of discount	**(66,690)**	(66,546)	**(133,295)**	(132,825)
Gain on repurchase of Series A preferred stock	**-**	89,425	**-**	89,425
Dividends and undistributed earnings allocated to unvested shares	**(41)**	1,788	**(80)**	12,853
Net loss available to common shareholders	**($56,109)**	($164,428)	**($285,293)**	($1,039,809)
Average basic common shares	**495,351**	399,242	**495,112**	375,429
Effect of dilutive securities:				
Stock options	**983**	279	**945**	140
Restricted stock	**2,165**	1,112	**2,312**	831
Average diluted common shares	**498,499**	400,633	**498,369**	376,400
Loss per average common share - diluted	**($0.11)**	($0.41)	**($0.58)**	($2.77)
Loss per average common share - basic	**($0.11)**	($0.41)	**($0.58)**	($2.77)

Note 8 - Income Taxes

The provision for income taxes was a benefit of $50 million and $149 million for the three months ended June 30, 2010 and 2009, respectively, representing negative effective tax rates of 133.1% and 44.8% during those periods. The provision for income taxes was a benefit of $244 million and $300 million for the six months ended June 30, 2010 and 2009, respectively, representing negative effective tax rates of 62.2% and 23.1% during those periods. The Company calculated the benefit for income taxes for the three and six months ended June 30, 2010 and 2009 based on the discrete methodology using actual year-to-date results.

As of June 30, 2010, the Company s gross cumulative UTBs amounted to $105 million, of which $72 million (net of federal tax benefit) would affect the Company s effective tax rate, if recognized. As of December 31, 2009, the Company s gross cumulative UTBs amounted to $161 million. The reduction in UTBs was primarily attributable to the settlement of an examination by a taxing authority and the related payments and reversal of the liability. Additionally, the Company recognized a gross liability of $33 million and $39 million for interest related to its UTBs as of June 30, 2010 and December 31, 2009, respectively. Interest related to UTBs was an expense of approximately $2 million and an income of approximately $3 million for the three and six months ended June 30, 2010, compared to an expense of approximately $4 million and approximately $11 million, for the same periods in 2009. The Company continually evaluates the UTBs associated with its uncertain tax positions. It is reasonably possible that the total UTBs could decrease during the next 12 months by up to $13 million due to completion of tax authority examinations and the expiration of statutes of limitations.

The Company files consolidated and separate income tax returns in the United States federal jurisdiction and in various state jurisdictions. As of June 30, 2010, the Company s federal returns through 2006 have been examined by the IRS. All issues have been resolved for tax years through 2004. Only one issue remains in dispute for tax years 2005 and 2006. The Company s 2007 through 2009 federal income tax returns are currently under examination by the IRS. Generally, the state jurisdictions in which the Company files income tax returns are subject to examination for a period from three to seven years after returns are filed.

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Notes to Consolidated Financial Statements (Unaudited) - Continued

Note 9 - Employee Benefit Plans

The Company sponsors various short and LTI plans for eligible employees. The Company delivers LTIs through various incentive programs, including stock options, restricted stock, LTI cash plan, and salary shares. Certain employees received long-term deferred cash awards which are subject to a three year vesting requirement. The accrued liability related to these deferred cash grants was $42 million and $28 million as of June 30, 2010 and December 31, 2009, respectively.

An important new compensation development that had the characteristics of both base salary and equity emerged as part of the U.S. Treasury s Interim Final Rule on TARP Standards for Compensation and Corporate Governance. This compensation development became known as salary shares. Specifically, the Interim Rule prohibits the payment of short-term incentives (annual bonus) and stock options to the SEO and to the next 20 most highly compensated employees. Effective January 1, 2010, the Company chose to use the salary share concept because it is specifically authorized by EESA to address the constraints on the annual cash bonus and equity awards; and the Company believes it is necessary that it use this approach to remain competitive and to minimize the risk of talent flight to other companies with which it competes. Specifically, the Company will pay additional base salary amounts in the form of stock (salary shares) to the SEO and other employees who are among the next 20 most highly-compensated employees. The Company will do this each pay period in the form of stock units under the SunTrust Banks, Inc. 2009 Stock Plan. The stock units will not include any rights to receive dividends or dividend equivalents. As required by EESA, each salary share will be non-forfeitable upon grant but may not be sold or transferred until the expiration of a holding period (except as necessary to satisfy applicable withholding taxes). As a result, these individuals are at risk for the value of our stock price until the stock unit is settled. The stock units will be settled in cash; one half on March 31, 2011 and one half on March 31, 2012, unless settled earlier due to the executive s death. The amount to be paid on settlement of the stock units will be equal to the value of a share of SunTrust common stock on the settlement date. Benefit plan determinations and limits were established to ensure that the salary shares were accounted for equitably within relevant benefit plans. As of June 30, 2010, the accrual related to salary shares was $4 million.

Stock-Based Compensation

The weighted average fair values of options granted during the first six months of 2010 and 2009 were $12.78 per share and $5.13 per share, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Six Months Ended June 30	
	2010	2009
Dividend yield	**0.17 %**	4.16 %
Expected stock price volatility	**56.10**	83.17
Risk-free interest rate (weighted average)	**2.84**	1.94
Expected life of options	**6 years**	6 years

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

	Stock Options			Restricted Stock		
(Dollars in thousands except per share data)	Shares	Price Range	Weighted Average Exercise Price	Shares	Deferred Compensation	Weighted Average Grant Price
Balance, January 1, 2010	17,661,216	$9.06 -$150.45	$53.17	4,770,172	$59,161	$37.02
Granted	1,192,974	22.69 - 27.79	23.64	921,938	21,155	22.95
Exercised/vested	-	-	-	(1,078,154)	-	71.72
Cancelled/expired/forfeited	(552,046)	9.06 - 79.73	55.33	(106,302)	(3,210)	30.20
Amortization of restricted stock compensation	-	-	-	-	(22,221)	-
Balance, June 30, 2010	18,302,144	$9.06 -$150.45	$51.18	4,507,654	$54,885	$26.01

Exercisable, June 30, 2010	12,208,774	$65.85
Available for additional grant, June 30, 2010 [1]	7,307,473	

[1] Includes 3,568,383 shares available to be issued as restricted stock.

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Notes to Consolidated Financial Statements (Unaudited) - Continued

The following table presents information on stock options by ranges of exercise price at June 30, 2010:

(Dollars in thousands except per share data)

	Options Outstanding				Options Exercisable			
Range of Exercise Prices	Number Outstanding at June 30, 2010	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Total Aggregate Intrinsic Value	Number Exercisable at June 30, 2010	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Total Aggregate Intrinsic Value
$9.06 to 49.46	5,591,128	$16.11	8.27	$52,530	477,958	$43.13	2.29	$461
$49.47 to 64.57	4,743,326	56.43	1.87	-	4,743,326	56.43	1.87	-
$64.58 to 150.45	7,967,690	72.66	4.45	-	6,987,490	73.80	4.00	-
	18,302,144	$51.18	4.95	$52,530	12,208,774	$65.85	3.11	$461

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

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2010**	2009	**2010**	2009
Stock-based compensation expense:				
Stock options	**$3,496**	$3,565	**$7,105**	$6,478
Restricted stock	**9,953**	15,994	**22,221**	36,277
Total stock-based compensation expense	**$13,449**	$19,559	**$29,326**	$42,755

The recognized stock-based compensation tax benefit amounted to $5 million and $7 million for the three months ended June 30, 2010 and 2009, respectively. For the six months ended June 30, 2010 and 2009, the recognized stock-based compensation tax benefit was $11 million, and $16 million, respectively.

Retirement Plans

SunTrust did not contribute to either of its noncontributory qualified retirement plans (Retirement Benefits plans) in the first six months of 2010. The expected long-term rate of return on plan assets for the Retirement Benefit Plans is 8.00% for 2010.

Anticipated employer contributions/benefit payments for 2010 are $12 million for the Supplemental Retirement Benefit plans. For the three and six months ended June 30, 2010, the actual contributions/benefit payments totaled $1 million and $4 million, respectively.

SunTrust contributed less than $1 million to the Postretirement Welfare Plan in the second quarter of 2010. Additionally, SunTrust expects to receive a Medicare Part D Subsidy reimbursement for 2010 in the amount of $2 million. The expected pre-tax long-term rate of return on plan assets for the Postretirement Welfare plan is 6.75% for 2010.

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Notes to Consolidated Financial Statements (Unaudited) - Continued

	Three Months Ended June 30			
	2010		2009	
(Dollars in thousands)	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
Service cost	**$17,331**	**$-**	$15,967	$73
Interest cost	**32,007**	**2,436**	29,898	2,803
Expected return on plan assets	**(45,723)**	**(1,806)**	(37,288)	(1,758)
Amortization of prior service cost	**(2,792)**	**(95)**	(2,721)	(390)
Recognized net actuarial loss	**15,027**	**245**	28,013	4,648
Net periodic benefit cost	**$15,850**	**$780**	$33,869	$5,376

	Six Months Ended June 30			
	2010		2009	
(Dollars in thousands)	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
Service cost	**$34,662**	**$-**	$34,825	$146
Interest cost	**64,014**	**4,872**	59,961	5,606
Expected return on plan assets	**(91,446)**	**(3,612)**	(74,846)	(3,516)
Amortization of prior service cost	**(5,584)**	**(190)**	(5,442)	(780)
Recognized net actuarial loss	**30,054**	**490**	60,469	9,296
Net periodic benefit cost	**$31,700**	**$1,560**	$74,967	$10,752

During March 2010, a comprehensive health care reform legislation was signed into law under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the Acts). Included among the major provisions of the law is a change in tax treatment of the federal drug subsidy paid with respect to Medicare-eligible retirees. The Company has evaluated the cost of the healthcare reform legislation for which guidance has been issued and the impact is not expected to be material. The Company will continue to monitor and assess the effect of the Acts as further guidance is issued.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

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. Where 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 exposure to changes in interest rates or other identified market or credit risks, either economically or in accordance with the hedge accounting provisions. The Company may also enter into derivatives, on a limited basis, in consideration of trading opportunities in the market. In addition, 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 recorded in OCI, net of tax, or within the Consolidated Statements of Income/(Loss) depending upon the use and designation of the derivatives.

Credit and Market Risk Associated with Derivatives

Derivatives expose the Company to credit risk. If the counterparty fails to perform, the credit risk at that time would be equal to the net derivative asset position, if any, for that counterparty. The Company minimizes the credit or repayment risk in derivatives by entering into transactions with high credit-quality counterparties that are reviewed periodically by the Company s Credit Risk Management division. The Company s derivatives may also be governed by an ISDA; depending on the nature of the derivative transactions, bilateral collateral agreements may be in place as well. When the Company has more than one outstanding derivative transaction with a single counterparty and there exists a legally enforceable master netting agreement with the counterparty, the Company considers its exposure to the counterparty to be the net market value of all positions with that counterparty, if such net value is an asset to the Company, and zero, if such net value is a liability to the Company. As of June 30, 2010, the net derivative asset positions to which the Company was exposed to risk of its counterparties was $2.2 billion, representing the net of $3.3 billion in net derivative gains by counterparty, netted by counterparty where formal netting arrangements exist, adjusted for collateral of $1.1 billion that the Company holds in relation to these gain positions. As of December 31, 2009, the net derivative asset positions to which the Company was exposed to risk of its counterparties was $1.8 billion, representing the net of $2.5 billion in derivative gains by counterparty, netted by counterparty where formal netting arrangements exist, adjusted for collateral of $0.7 billion that the Company holds in relation to these gain positions.

The Company adjusted the fair value of its net derivative asset position for estimates of counterparty credit risk by $28 million and $25 million as of June 30, 2010 and December 31, 2009, respectively. See Note 13, Fair Value Measurement and Election, to the Consolidated Financial Statements for further discussion on quantification of counterparty credit risk.

The majority of the Company s derivatives contain contingencies that relate to the creditworthiness of the Bank. These are contained in industry standard master trading agreements as events of default. Should the Bank be in default under any of these provisions, the Bank s counterparties would be permitted under such master agreements to close-out at net amounts that would approximate the then-fair values of the derivatives and the netting of the amounts would produce a single sum due by one party to the other. The counterparties would have the right to apply any collateral posted by the Bank against any net amount owed by the Bank. In addition, certain of the Company s derivative liability positions, totaling $1.2 billion in fair value, contain provisions conditioned on downgrades of the Bank s credit rating. These provisions, if triggered, would either give rise to an 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, 2010, the Bank carried senior long-term debt ratings of BBB+/A2 from two of the major ratings agencies. For illustrative purposes, if the Bank were downgraded to BBB-/Baa3, ATEs would be triggered in derivative liability contracts that had a total fair value of $20 million at June 30, 2010, against which the Bank had posted collateral of $10 million; ATEs do not exist at lower ratings levels. At June 30, 2010, $1.2 billion in fair value of derivative liabilities are subject to CSAs, against which the Bank has posted $1.1 billion in collateral. If requested by the counterparty per the terms of the CSA, the Bank would be required to post estimated additional collateral against these contracts of $29 million if the Bank were downgraded to BBB-/Baa3, and any further downgrades to BB+/Ba1 or below would require the posting of an additional $17 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.

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

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Notes to Consolidated Financial Statements (Unaudited)-Continued

market risk associated with its derivatives by establishing and monitoring limits on the types and degree of risk that may be undertaken. The Company continually measures this risk by using a VAR methodology.

The table below presents the Company s derivative positions at June 30, 2010. The notional amounts in the table are presented on a gross basis and have been classified within Asset Derivatives or Liability Derivatives based on the estimated fair value of the individual contract at June 30, 2010. On the Consolidated Balance Sheets, the fair values of derivatives with counterparties with master netting agreements are recorded on a net basis. However, for purposes of the table below, the gross positive and gross negative fair value amounts associated with the respective notional amounts are presented without consideration of any netting agreements. 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 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 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.

	As of June 30, 2010					
	Asset Derivatives			Liability Derivatives		
(Dollars in thousands)	Balance Sheet Classification	Notional Amounts	Fair Value	Balance Sheet Classification	Notional Amounts	Fair Value
Derivatives designated in cash flow hedging relationships [5]						
Equity contracts hedging:						
Securities available for sale	Trading assets	$1,546,752	$127,216	Trading liabilities	$1,546,752	$-
Interest rate contracts hedging:						
Floating rate loans	Trading assets	16,350,000	1,091,056		-	-
Total		17,896,752	1,218,272		1,546,752	-
Derivatives not designated as hedging instruments [6]						
Interest rate contracts covering:						
Fixed rate debt	Trading assets	2,923,085	289,842	Trading liabilities	295,000	32,838
Corporate bonds and loans		-	-	Trading liabilities	44,575	4,138
MSRs	Other assets	23,370,000	359,332	Other liabilities	2,255,000	74,537
LHFS, IRLCs, LHFI-FV	Other assets	3,718,910 [3]	15,591	Other liabilities	4,942,200	71,216
Trading activity	Trading assets	108,992,754 [1]	4,346,524	Trading liabilities	95,736,330	4,286,213
Foreign exchange rate contracts covering:						
Foreign-denominated debt and commercial loans		-	-	Trading liabilities	1,467,481	216,199
Trading activity	Trading assets	1,727,824	81,195	Trading liabilities	1,767,455	72,737
Credit contracts covering:						
Loans	Trading assets	115,000	811	Trading liabilities	177,000	1,743
Trading activity	Trading assets	737,334 [2]	10,856	Trading liabilities	704,328 [2]	6,329
Equity contracts - Trading activity	Trading assets	3,679,709 [1]	408,978	Trading liabilities	7,191,552	509,733
Other contracts:						
IRLCs and other	Other assets	5,573,013	87,401	Other liabilities	155,320 [4]	34,321 [4]
Trading activity	Trading assets	79,082	6,243	Trading liabilities	91,497	6,081
Total		150,916,711	5,606,773		114,827,738	5,316,085
Total derivatives		168,813,463	$6,825,045		116,374,490	$5,316,085

[1] Amounts include $28.1 billion and $0.5 billion of notional related to interest rate futures and equity futures, respectively. These futures contracts settle in cash daily and therefore, no derivative asset or liability is recorded.

2 Asset and liability amounts include $1 million and $9 million, respectively, of notional from purchased and written interest rate swap risk participation agreements, respectively, which notional is calculated as the notional of the interest rate swap participated adjusted by the relevant risk weighted assets conversion factor.

[3] Amount includes $1.4 billion of notional amounts related to interest rate futures. These futures contracts settle in cash daily and therefore, no derivative asset or liability is recorded.

[4]Includes a $34 million derivative liability recorded in other liabilities in the Consolidated Balance Sheets, related to a notional amount of $134 million. This derivative was established upon the sale of Visa Class B shares in the second quarter of 2009 as discussed in Note 11, "Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements.

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

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

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Notes to Consolidated Financial Statements (Unaudited)-Continued

The table below presents the Company s derivative positions at December 31, 2009.

	As of December 31, 2009					
	Asset Derivatives			Liability Derivatives		
(Dollars in thousands)	Balance Sheet Classification	Notional Amounts	Fair Value	Balance Sheet Classification	Notional Amounts	Fair Value
Derivatives designated in cash flow hedging relationships [5]						
Equity contracts hedging:						
Securities available for sale	Trading assets	$1,546,752	$-	Trading liabilities	$1,546,752	$45,866
Interest rate contracts hedging:						
Floating rate loans	Trading assets	15,550,000	865,391	Trading liabilities	3,000,000	22,202
Total		17,096,752	865,391		4,546,752	68,068
Derivatives not designated as hedging instruments [6]						
Interest rate contracts covering:						
Fixed rate debt	Trading assets	3,223,085	200,183	Trading liabilities	295,000	10,335
Corporate bonds and loans		-	-	Trading liabilities	47,568	4,002
MSRs	Other assets	3,715,000	61,719	Other liabilities	3,810,000	57,048
LHFS, IRLCs, LHFI-FV	Other assets	7,461,935 [3]	75,071	Other liabilities	1,425,858	20,056
Trading activity	Trading assets	94,139,597 [1]	3,289,667	Trading liabilities	83,483,088	3,242,861
Foreign exchange rate contracts covering:						
Foreign-denominated debt and commercial loans	Trading assets	1,164,169	96,143	Trading liabilities	656,498	144,203
Trading activity	Trading assets	2,059,097	107,065	Trading liabilities	2,020,240	96,266
Credit contracts covering:						
Loans	Trading assets	115,000	771	Trading liabilities	240,750	4,051
Trading activity	Trading assets	170,044 [2]	6,344	Trading liabilities	156,139 [2]	3,837
Equity contracts - Trading activity	Trading assets	3,344,875 [1]	446,355	Trading liabilities	6,907,657	672,221
Other contracts:						
IRLCs and other	Other assets	1,870,040	13,482	Other liabilities	1,560,337 [4]	48,134 [4]
Trading activity	Trading assets	39,117	7,095	Trading liabilities	51,546	6,929
Total		117,301,959	4,303,895		100,654,681	4,309,943
Total derivatives		$134,398,711	$5,169,286		$105,201,433	$4,378,011

[1] Amounts include $18.2 billion and $0.5 billion of notional related to interest rate futures and equity futures, respectively. These futures contracts settle in cash daily and therefore no derivative asset or liability is recorded.

[2] Asset and liability amounts include $4 million and $9 million, respectively, of notional from purchased and written interest rate swap risk participation agreements, respectively, which notional is calculated as the notional of the interest rate swap participated adjusted by the relevant risk weighted assets conversion factor.

[3]Amount includes $2.0 billion of notional amounts related to interest rate futures. These futures contracts settle in cash daily and therefore no derivative asset or liability is recorded.

[4]Includes a $40 million derivative liability recorded in other liabilities in the Consolidated Balance Sheets, related to a notional amount of $134 million. This derivative was established upon the sale of Visa Class B shares in the second quarter of 2009 as discussed in Note 11, "Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements.

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

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

The impacts of derivative financial instruments on the Consolidated Statements of Income/(Loss) and the Consolidated Statements of Shareholders Equity for the three and six months ended June 30, 2010 and 2009 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.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

(Dollars in thousands) Derivatives in cash flow hedging relationships	Three Months Ended June 30, 2010 Amount of pre-tax gain recognized in OCI on Derivatives (Effective Portion)	Classification of gain reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax gain reclassified from AOCI into Income (Effective Portion)[1]
Equity contracts hedging:			
Securities available for sale	$105,931		
Interest rate contracts hedging:			
Floating rate loans	447,355	Interest and fees on loans	$124,203
Total	$553,286		$124,203

(Dollars in thousands) Derivatives in cash flow hedging relationships	Six Months Ended June 30, 2010 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)[1]
Equity contracts hedging:			
Securities available for sale	$166,519		
Interest rate contracts hedging:			
Floating rate loans	735,406	Interest and fees on loans	$251,076
Total	$901,925		$251,076

(Dollars in thousands) Derivatives not designated as hedging instruments	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, 2010	Amount of gain/(loss) recognized in Income on Derivatives for the six months ended June 30, 2010
Interest rate contracts covering:			
Fixed rate debt	Trading account profits/(losses) and commissions	$79,676	$125,097
Corporate bonds and loans	Trading account profits/(losses) and commissions	(471)	(1,203)
MSRs	Mortgage servicing related income	392,325	468,668
LHFS, IRLCs, LHFI-FV	Mortgage production related income	(140,079)	(209,913)
Trading activity	Trading account profits/(losses) and commissions	(23)	29,780
Foreign exchange rate contracts covering:			
Foreign-denominated debt and commercial loans	Trading account profits/(losses) and commissions	(106,439)	(202,070)
Trading activity	Trading account profits/(losses) and commissions	18,920	25,884
Credit contracts covering:			
Loans	Trading account profits/(losses) and commissions	1,082	739
Trading activity	Trading account profits/(losses) and commissions	3,452	3,834
Equity contracts - trading activity		(920)	5,884

	Trading account profits/(losses) and commissions		
Other contracts:			
IRLCs	Mortgage production related income	118,666	210,822
Trading activity	Trading account profits/(losses) and commissions	122	144
Total		$366,311	$457,666

[1] During the three and six months ended June 30, 2010, the Company reclassified $24 million and $53 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.

Notes to Consolidated Financial Statements (Unaudited)-Continued

Three Months Ended June 30, 2009

(Dollars in thousands)

Derivatives in cash flow hedging relationships	Amount of pre-tax gain/(loss) Recognized in OCI on Derivative (Effective Portion)	Classification of gain/(loss) Reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax gain/(loss) Reclassified from AOCI into Income (Effective Portion)[1]
Equity contracts hedging:			
Securities available for sale	($142,501)		$-
Interest rate contracts hedging:			
Floating rate loans	(260,806)	Interest and fees on loans	114,956
Floating rate CDs	(672)	Interest on deposits	(22,239)
Total	($403,979)		$92,717

Six Months Ended June 30, 2009

(Dollars in thousands)

Derivatives in cash flow hedging relationships	Amount of pre-tax gain/(loss) Recognized in OCI on Derivative (Effective Portion)	Classification of gain/(loss) Reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax gain/(loss) Reclassified from AOCI into Income (Effective Portion)[1]
Equity contracts hedging:			
Securities available for sale	($132,519)		$-
Interest rate contracts hedging:			
Floating rate loans	(207,757)	Interest and fees on loans	223,987
Floating rate CDs	(1,494)	Interest on deposits	(45,227)
Floating rate debt	(14)	Interest on long-term debt	(1,333)
Total	($341,784)		$177,427

(Dollars in thousands)

Derivatives not designated as hedging instruments	Classification of gain/(loss) Recognized in Income on Derivative	Amount of gain/(loss) Recognized in Income on Derivatives for the three months ended June 30, 2009	Amount of gain/(loss) Recognized in Income on Derivatives for the six months ended June 30, 2009
Interest rate contracts covering:			
Fixed rate public debt	Trading account profits and commissions	($73,870)	($101,814)
Corporate bonds and loans	Trading account profits and commissions	5,080	7,485
MSRs	Mortgage servicing income	(139,787)	(78,576)
LHFS, IRLCs, LHFI-FV	Mortgage production income	96,450	(10,181)
Trading activity	Trading account profits and commissions	(6,307)	4,889
Foreign exchange rate contracts covering:			
Foreign-denominated debt and commercial loans	Trading account profits and commissions	140,387	61,647
Trading activity	Trading account profits and commissions	(34,265)	695
Credit contracts covering:			

Loans	Trading account profits and commissions	(6,865)	(9,626)
Other	Trading account profits and commissions	(5,211)	(3,600)
Equity contracts - trading activity	Trading account profits and commissions	8,731	48,686
Other contracts:			
IRLCs	Mortgage production income	66,238	343,860
Trading activity	Trading account profits and commissions	892	925
Total		$51,473	$264,390

[1] During the three and six months ended June 30, 2009, the Company reclassified $8 million and $16 million, respectively, in pre-tax gains from AOCI into net interest income. These gains related to hedging relationships under SFAS No. 133 that have been previously terminated or de-designated.

Credit Derivatives

As part of its trading businesses, the Company enters into contracts that are, in form or substance, written guarantees: specifically, CDS, swap participations, and TRS. The Company accounts for these contracts as derivative instruments and, accordingly, records these contracts at fair value, with changes in fair value recorded in trading account profits/(losses) and commissions.

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, 2010, 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

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Notes to Consolidated Financial Statements (Unaudited)-Continued

30, 2010, the Company does not have any significant risk of making a non-recoverable payment on any written CDS. During 2010 and 2009, 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, 2010, the written CDS had remaining terms ranging from six months to five years. The maximum guarantees outstanding at June 30, 2010 and December 31, 2009, as measured by the gross notional amounts of written CDS, were $128 million and $130 million, respectively. At June 30, 2010 and December 31, 2009, the gross notional amounts of purchased CDS contracts, which represent benefits to, rather than obligations of, the Company, were $117 million and $185 million, respectively. The fair values of the written CDS were $1 million and $2 million at June 30, 2010 and December 31, 2009, respectively, and the fair values of the purchased CDS were $4 million at both June 30, 2010, and December 31, 2009.

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 instrument, such as an interest rate swap, due to a failure to pay by the counterparty s customer (the obligor) on that derivative instrument. The Company monitors its payment risk on its 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 derivative instruments 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 swap participations. At June 30, 2010, the remaining terms on these risk participations generally ranged from one month to eight years, with a weighted average on the maximum estimated exposure of 3.1 years. The Company s maximum estimated exposure to written swap participations, as measured by projecting a maximum value of the guaranteed derivative instruments based on interest rate curve simulations and assuming 100% default by all obligors on the maximum values, was $84 million and $83 million at June 30, 2010 and December 31, 2009, respectively. The fair values of the written swap participations were *de minimis* at June 30, 2010 and December 31, 2009. As part of its trading activities, the Company may enter into purchased swap participations, but such activity is not matched, as discussed herein related to CDS or TRS.

The Company has also entered into TRS contracts on loans. The Company s TRS business consists of matched trades, such that when the Company pays depreciation on one TRS, it receives the same depreciation on the matched TRS. As such, the Company does not have any long or short exposure, other than credit risk of its counterparty, which is mitigated through collateralization. The Company typically receives initial cash collateral from the counterparty upon entering into the TRS and is entitled to additional collateral as the fair value of the underlying reference assets deteriorate. The Company temporarily suspended this business and unwound its positions as of December 31, 2009 without incurring losses. Trading resumed during 2010 and at June 30, 2010, there were $594 million of outstanding and offsetting TRS notional balances. The fair values of the TRS derivative assets and liabilities were $6 million and $4 million at June 30, 2010, respectively, and related collateral held at June 30, 2010 was $246 million.

Notes to Consolidated Financial Statements (Unaudited)-Continued

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. The Company establishes parameters for derivative usage, including identification of assets and liabilities to hedge, derivative instruments to be utilized, and notional amounts of hedging relationships. At June 30, 2010, the Company s only outstanding interest rate hedging relationships involve 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. The maximum range of hedge maturities for hedges of floating rate loans is one to five years, with the weighted average being 3.4 years. Ineffectiveness on these hedges was *de minimis* during the six months ended June 30, 2010. As of June 30, 2010, $345 million, net of tax, of the deferred net gains on derivatives that are recorded 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.

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 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 recorded in AOCI and any ineffective portions recorded in trading account profits/(losses) and commissions. 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. Ineffectiveness was *de minimis* during the three months ended June 30, 2010. The Company recognized $7 million of ineffectiveness gains during the six months ended June 30, 2010 and $4 million in ineffectiveness gains during both the three and six months ended June 30, 2009, which was recorded in trading account profits/(losses) and commissions. Other than potential measured hedge ineffectiveness, no amounts are expected to be reclassified from AOCI over the next twelve months and any remaining amounts recorded in AOCI will be reclassified to earnings when the probable forecasted sales of the Coke common shares occur.

Economic Hedging and Trading Activities

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

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

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

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

- The Company is exposed to interest rate risk associated with MSRs, which the Company hedges with a combination of derivatives, including MBS forward and option contracts, and interest rate swap and swaption contracts. At January 1, 2010, the Company elected fair value for MSRs previously accounted for at LOCOM which resulted in an increase in associated hedging activity during the current year.

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

The Company is exposed to foreign exchange rate risk associated with certain senior notes denominated in euros and pound sterling. This risk is economically hedged with cross currency swaps, which receive either euros or pound sterling and pay U.S. dollars. Interest expense on the Consolidated Statements of Income/(Loss) 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 recorded within trading account profits/(losses) and commissions.

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

Trading activity, in the tables in 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, 2010, approximately $14.1 billion 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, 2010, the total loss exposure ceded to the Company was approximately $628 million; 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 $278 million. Of this amount, $274 million of losses have been reserved for as of June 30, 2010, reducing the Company s net remaining loss exposure to $4 million. To date, actual claims paid by the trusts have been limited as claims paid by the mortgage insurance companies have been delayed as a result of elongated foreclosure timelines. The Company s evaluation of the required reserve amount includes an estimate of claims to be paid by the trust related 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 $4 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 $4 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 individual trusts to the mortgage insurance companies. Premium income, which totaled $10 million and $20 million for the three and six months

Notes to Consolidated Financial Statements (Unaudited)-Continued

ended June 30, 2010, respectively and $13 million and $26 million for the three and six months ended June 30, 2009, respectively, are reported as part of noninterest income. The related provision for losses, which totaled $9 million and $18 million for the three and six months ended June 30, 2010, respectively and $25 million and $95 million for the three and six months ended June 30, 2009, respectively, is reported as part of 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 is a discussion of the guarantees that the Company has issued as of June 30, 2010. In addition, the Company has entered into certain contracts that are similar to guarantees, but that are accounted for as derivatives (see Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements).

Visa

The Company issues and acquires credit and debit card transactions through Visa. The Company is a defendant, along with Visa U.S.A. Inc. 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 has 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. The maximum potential amount of future payments that the Company could be required to make under this indemnification provision cannot be determined as there is no limitation provided under the By-Laws and the amount of exposure is dependent on the outcome of the Litigation. Since 2008, Visa has funded $5.3 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 common stock as a result of an adjustment to lower the conversion factor of the Class B common stock to Class A common stock. Visa USA 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 shares of Class B Visa Inc. common stock 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 will be compensated by the Company for any decline in the conversion factor as a result of the outcome of the Litigation. Conversely, the Company will be compensated by the Counterparty for any increase in the conversion factor. The Counterparty, as a result of its ownership of the Class B common stock, will be impacted by dilutive adjustments to the conversion factor of the Class B common stock caused by the Litigation losses. A high degree of subjectivity was used in estimating the fair value of the derivative liability, and the ultimate cost to the Company could be significantly higher or lower than the $34 million recorded as of June 30, 2010.

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. Commercial letters of credit are specifically excluded from the disclosure and recognition requirements.

As of June 30, 2010 and December 31, 2009, the maximum potential amount of the Company s obligation was $7.1 billion and $8.9 billion, respectively, for financial and performance standby letters of credit. The Company has recorded $115 million and $131 million in other liabilities for unearned fees related to these letters of credit as of June 30, 2010 and December 31, 2009, respectively. The Company s outstanding letters of credit generally have a term of less than one year but may extend longer than one year. If a letter of credit is drawn upon, the Company may seek recourse

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Notes to Consolidated Financial Statements (Unaudited)-Continued

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 probability of default and loss severity in the event of default is assessed consistent with the methodologies used for all commercial borrowers and the management of 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 included in the allowance for credit losses as disclosed in Note 4, Allowance for Credit Losses, to the Consolidated Financial Statements.

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. When mortgage loans are sold, representations and warranties regarding certain attributes of the loans sold are made to the third party purchaser. These representations and warranties may extend through the life of the mortgage loan, up to 25 to 30 years. Subsequent to the sale, if an inadvertent underwriting deficiency or documentation defect is discovered, STM may be obligated to reimburse the investor for losses incurred or to repurchase the mortgage loan if such deficiency or defect cannot be cured by STM within the specified period following discovery. 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.

STM maintains a liability for this loss contingency, which is initially based on the estimated fair value of the Company s contingency at the time loans are sold and the guarantee liability is created. Subsequently, STM estimates losses that have been incurred and increases the liability if estimated incurred losses exceed the guarantee liability. As of June 30, 2010 and December 31, 2009, the liability for contingent losses related to sold loans totaled $256 million and $200 million, respectively. The following table summarizes the changes in the Company s reserve for mortgage loan repurchase losses.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2010**	**2009**	**2010**	**2009**
Balance at beginning of period	**$209,613**	$93,191	**$199,856**	$91,780
Provision	**148,331**	62,461	**275,875**	88,352
Charge-offs	**(102,320)**	(63,460)	**(220,107)**	(87,940)
Balance at end of period	**$255,624**	$92,192	**$255,624**	$92,192

During the six months ended June 30, 2010 and 2009, SunTrust repurchased or otherwise settled mortgages with balances of $375 million and $197 million, respectively, related to investor demands. As of June 30, 2010 and December 31, 2009, the carrying value of outstanding repurchased mortgage loans, exclusive of any allowance for loan losses, totaled $170 million and $146 million, respectively, of which $114 million and $98 million, respectively, were nonperforming.

STM also maintains a liability for contingent losses related to MSR sales, which totaled $2 million and $3 million as of June 30, 2010 and December 31, 2009, respectively.

Contingent Consideration

The Company has contingent payment obligations related to certain business combination transactions. Payments are calculated using certain post-acquisition performance criteria. Arrangements entered into prior to January 1, 2009 are not recorded as liabilities; whereas arrangements entered into subsequent to that date are recorded as liabilities. The potential obligation associated with these arrangements was $7 million and

$13 million as of June 30, 2010 and December 31, 2009, respectively, of which $4 million was recorded as a liability representing the fair value of the contingent payments as of June 30, 2010 and December 31, 2009. If required, these contingent payments will be payable at various times over the next five years.

Notes to Consolidated Financial Statements (Unaudited)-Continued

Public Deposits

The Company holds public deposits from various states in which it does business. Individual state laws require banks to collateralize public deposits, typically as a percentage of their public deposit balance in excess of FDIC insurance and may also require a cross-guarantee among all banks holding public deposits of the individual state. The amount of collateral required varies by state and may also vary by institution within each state, depending on the individual state s risk assessment of depository institutions. Certain of the states in which the Company holds public deposits use a pooled collateral method, whereby in the event of default of a bank holding public deposits, the collateral of the defaulting bank is liquidated to the extent necessary to recover the loss of public deposits of the defaulting bank. To the extent the collateral is insufficient, the remaining public deposit balances of the defaulting bank are recovered through an assessment, from the other banks holding public deposits in that state. The maximum potential amount of future payments the Company could be required to make is dependent on a variety of factors, including the amount of public funds held by banks in the states in which the Company also holds public deposits and the amount of collateral coverage associated with any defaulting bank. Individual states appear to be monitoring risk relative to the current economic environment and evaluating collateral requirements; therefore, the likelihood that the Company would have to perform under this guarantee is dependent on whether any banks holding public funds default as well as the adequacy of collateral coverage.

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.

STIS and STRH, broker-dealer affiliates of SunTrust, use a common third party clearing broker to clear and execute their customers securities transactions and to hold customer accounts. Under their respective agreements, STIS and STRH agree to indemnify the clearing broker for losses that result from a customer s failure to fulfill its contractual obligations. As the clearing broker s rights to charge STIS and STRH have no maximum amount, the Company believes that the maximum potential obligation cannot be estimated. However, to mitigate exposure, the affiliate may seek recourse from the customer through cash or securities held in the defaulting customers account. For the three and six month periods ended June 30, 2010 and 2009, STIS and STRH experienced minimal net losses as a result of the indemnity. The clearing agreements expire in May 2015 for both STIS and STRH.

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 as a limited partner in affordable housing developments. SunTrust Community Capital or its subsidiaries are limited and/or general partners in various partnerships established for the properties. If the partnerships generate tax credits, those credits may be sold to outside investors. As of June 30, 2010, SunTrust Community Capital has completed six tax credit 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, 2010, the maximum potential amount that SunTrust Community Capital could be obligated to pay under these guarantees is $39 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, 2010 and December 31, 2009, $8 million and $9 million was accrued representing the remainder of tax credits to be delivered, and were recorded in other liabilities on the Consolidated Balance Sheets.

Note 12 - Concentrations of Credit Risk

Credit risk represents the maximum accounting loss that would be recognized at the reporting date if borrowers failed to perform as contracted and any collateral or security proved to be of no value. Concentrations of credit risk (whether on- or off-balance sheet) arising from financial instruments can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, certain loan products, or certain regions of the country.

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Credit risk associated with these concentrations could arise when a significant amount of loans, related by similar characteristics, are simultaneously impacted by changes in economic or other conditions that cause their probability of repayment to be adversely affected. The Company does not have a significant concentration of risk to any individual client except for the U.S. government and its agencies. 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, 2010, the Company owned $46.6 billion in residential mortgage loans and home equity lines, representing 41% of total loans, $2.8 billion of residential construction loans, representing 3% of total loans, and an additional $14.4 billion in commitments to extend credit on home equity lines and $12.8 billion in mortgage loan commitments. At December 31, 2009, the Company had $46.7 billion in residential mortgage loans and home equity lines, representing 41% of total loans, $3.8 billion of residential construction loans, representing 3% of total loans and an additional $15.2 billion in commitments to extend credit on home equity lines and $12.2 billion in mortgage loan commitments. The Company originates and retains certain residential mortgage loan products that include features such as interest only loans, high LTV loans, and low initial interest rate loans. As of June 30, 2010, the Company owned $14.2 billion of interest only loans, primarily with a 10 year interest only period. Approximately $1.9 billion of those loans had combined original LTV ratios in excess of 80% with no mortgage insurance. Additionally, the Company owned approximately $3.0 billion of amortizing loans with combined original LTV ratios in excess of 80% with no mortgage insurance. The Company attempts to mitigate and control the risk in each loan type through private mortgage insurance and underwriting guidelines and practices. A geographic concentration arises because the Company operates primarily in the Southeastern and Mid-Atlantic regions of the United States.

SunTrust engages in limited international banking activities. The Company s total cross-border outstanding loans were $472 million and $572 million as of June 30, 2010 and December 31, 2009, respectively.

Note 13 - Fair Value Measurement and Election

The Company carries certain assets and liabilities at fair value on a recurring basis and appropriately classifies them as level 1, level 2 or level 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 financial 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 loans and LHFS, MSRs, certain brokered 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 financial 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. In cases where the Company believed that fair value was more representative of the results of its activities, the Company elected to carry certain financial instruments at fair value, as discussed further herein.

The classification of an instrument as level 3 versus level 2 involves judgment and is based on a variety of subjective factors. 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 were based on the Company s assessment of the assumptions a market participant would use to value the instrument in an orderly transaction and included considerations of illiquidity in the current market environment. Where the Company determined that a significant decrease in the volume and level of activity had occurred, the Company was then required to evaluate whether significant adjustments were required to market data to arrive at an exit price.

Beginning January 1, 2010, the Company changed its policy for recording transfers into and out of the fair value hierarchy levels in response to amended U.S. GAAP. All such transfers are now assumed to be as of the end of the quarter in which the transfer occurred, whereas, previously, the Company assumed transfers into levels to occur at the beginning of the quarter and transfers out of levels to occur at the end of the quarter. None of the transfers into or out of level 3 have been the result of using alternative valuation approaches to estimate fair values.

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Recurring Fair Value Measurements

		Fair Value Measurements at June 30, 2010 Using		
(Dollars in thousands)	Assets/Liabilities	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	$360,217	$360,217	$-	$-
Federal agency securities	482,014	-	482,014	-
U.S. states and political subdivisions	52,004	-	42,576	9,428
RMBS - agency	230,455	-	230,455	-
RMBS - private	3,510	-	-	3,510
CDO securities	116,844	-	-	116,844
ABS	48,605	-	276	48,329
Corporate and other debt securities	641,501	-	641,501	-
Commercial paper	59,904	-	59,904	-
Equity securities	217,918	1,993	95,959	119,966
Derivative contracts	3,039,885	106,348	2,806,321	127,216
Trading loans	912,945	-	912,945	-
Total trading assets	6,165,802	468,558	5,271,951	425,293
Securities available for sale				
U.S. Treasury securities	5,352,154	5,352,154	-	-
Federal agency securities	954,376	-	954,376	-
U.S. states and political subdivisions	859,184	-	734,513	124,671
RMBS - agency	16,198,823	-	16,198,823	-
RMBS - private	365,361	-	-	365,361
ABS	922,889	-	815,039	107,850
Corporate and other debt securities	504,191	-	499,191	5,000
Common stock of The Coca-Cola Company	1,503,600	1,503,600	-	-
Other equity securities	937,782	212	232,440	705,130 [3]
Total securities available for sale	27,598,360	6,855,966	19,434,382	1,308,012
Loans held for sale				
Residential loans	2,218,383	-	2,114,552	103,831
Corporate and other loans	306,087	-	301,012	5,075
Loans	410,870	-	-	410,870
Other intangible assets [2]	1,297,668	-	-	1,297,668
Other assets [1]	448,216	-	360,815	87,401
Liabilities				
Trading liabilities				

U.S. Treasury securities	**439,137**	**439,137**	**-**	**-**
Federal agency securities	**17,169**	**-**	**17,169**	**-**
Corporate and other debt securities	**385,463**	**-**	**385,463**	**-**
Equity securities	**148**	**148**	**-**	**-**
Derivative contracts	**1,813,175**	**57,452**	**1,755,723**	**-**
Total trading liabilities	**2,655,092**	**496,737**	**2,158,355**	**-**
Brokered deposits	**1,203,858**	**-**	**1,203,858**	**-**
Long-term debt	**3,682,630**	**-**	**3,682,630**	**-**
Other liabilities [1]	**165,966**	**-**	**131,645**	**34,321**

[1] These amounts include IRLCs and derivative financial instruments entered into by the Mortgage line of business to hedge its interest rate risk along with a derivative associated with the Company s sale of Visa shares during the quarter ended June 30, 2009.

[2] This amount includes MSRs carried at fair value.

[3] Includes $343 million of FHLB of Cincinnati and FHLB of Atlanta stock stated at par value and $361 million of Federal Reserve Bank stock stated at par value.

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(Dollars in thousands)	Assets/Liabilities	Fair Value Measurements at December 31, 2009, 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 and federal agencies	$1,150,323	$498,781	$651,542	$-
U.S. states and political subdivisions	58,520	-	51,119	7,401
RMBS - agency	94,164	-	94,164	-
RMBS - private	13,889	-	-	13,889
CDO securities	174,886	-	-	174,886
Corporate debt securities	464,684	-	464,684	-
Commercial paper	639	-	639	-
Other debt securities	25,886	-	1,183	24,703
Equity securities	163,053	1,049	11,260	150,744
Derivative contracts	2,610,288	102,520	2,507,768	-
Other	223,606	-	205,136	18,470
Total trading assets	4,979,938	602,350	3,987,495	390,093
Securities available for sale				
U.S. Treasury and federal agencies	7,914,111	5,176,525	2,737,586	-
U.S. states and political subdivisions	945,057	-	812,949	132,108
RMBS - agency	15,916,077	-	15,916,077	-
RMBS - private	407,228	-	-	407,228
Other debt securities	797,403	-	719,449	77,954
Common stock of The Coca-Cola Company	1,710,000	1,710,000	-	-
Other equity securities	787,166	182	82,187	704,797 [3]
Total securities available for sale	28,477,042	6,886,707	20,268,248	1,322,087
Loans held for sale	2,923,375	-	2,771,890	151,485
Loans	448,720	-	-	448,720
Other intangible assets [2]	935,561	-	-	935,561
Other assets [1]	150,272	-	136,790	13,482
Liabilities				
Brokered deposits	1,260,505	-	1,260,505	-
Trading liabilities	2,188,923	259,103	1,883,954	45,866
Long-term debt	3,585,892	-	3,585,892	-
Other liabilities [1]	125,239	-	77,105	48,134

[1] These amounts include IRLCs and derivative financial instruments entered into by the Mortgage of business to hedge its interest rate risk along with a derivative associated with the Company's sale of Visa shares during the quarter ended June 30, 2009.

[2] This amount includes MSRs carried at fair value.

[3] Includes $343 million of FHLB of Cincinnati and FHLB of Atlanta stock stated at par value and $360 million of Federal Reserve Bank stock stated at par value.

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

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Notes to Consolidated Financial Statements (Unaudited)-Continued

(Dollars in thousands)	Aggregate Fair Value June 30, 2010	Aggregate Unpaid Principal Balance under FVO June 30, 2010	Fair Value Over/(Under) Unpaid Principal
Trading assets	**$912,945**	**$901,203**	**$11,742**
Loans	**384,509**	**426,854**	**(42,345)**
Past due loans of 90 days or more	**1,157**	**2,126**	**(969)**
Nonaccrual loans	**25,204**	**49,997**	**(24,793)**
Loans held for sale	**2,515,749**	**2,472,649**	**43,100**
Past due loans of 90 days or more	**2,796**	**3,887**	**(1,091)**
Nonaccrual loans	**5,925**	**24,758**	**(18,833)**
Brokered deposits	**1,203,858**	**1,243,423**	**(39,565)**
Long-term debt	**3,682,630**	**3,602,259**	**80,371**

(Dollars in thousands)	Aggregate Fair Value December 31, 2009	Aggregate Unpaid Principal Balance under FVO December 31, 2009	Fair Value Over/(Under) Unpaid Principal
Trading assets	$286,544	$261,693	$24,851
Loans	397,764	453,751	(55,987)
Past due loans of 90 days or more	4,697	8,358	(3,661)
Nonaccrual loans	46,259	83,396	(37,137)
Loans held for sale	2,889,111	2,874,578	14,533
Past due loans of 90 days or more	3,288	4,929	(1,641)
Nonaccrual loans	30,976	52,019	(21,043)
Brokered deposits	1,260,505	1,319,901	(59,396)
Long-term debt	3,585,892	3,613,085	(27,193)

The following tables present the change in fair value during the three and six months ended June 30, 2010 and 2009 of financial instruments for which the FVO has been elected.

	Fair Value Gain/(Loss) for the Three Months Ended June 30, 2010, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option				Fair Value Gain/(Loss) for the Six Months Ended June 30, 2010, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option			
(Dollars in thousands)	Trading Account Profits/(Losses) and Commissions	Mortgage Production Related Income/(Loss) [2]	Mortgage Servicing Related Income	Total Changes in Fair Values Included in Current-Period Earnings[1]	Trading Account Profits/(Losses) and Commissions	Mortgage Production Related Income/(Loss) [2]	Mortgage Servicing Related Income	Total Changes in Fair Values Included in Current-Period Earnings[1]
Assets								
Trading assets	**($4,142)**	**$-**	**$-**	**($4,142)**	**($3,448)**	**$-**	**$-**	**($3,448)**
Loans held for sale	**(3,749)**	**200,155**	**-**	**196,406**	**6,962**	**292,348**	**-**	**299,310**
Loans, net	**(1,474)**	**7,841**	**-**	**6,367**	**(1,581)**	**7,479**	**-**	**5,898**
Other intangible assets	**-**	**2,591**	**(411,009)**	**(408,418)**	**-**	**6,455**	**(520,137)**	**(513,682)**
Liabilities								
Brokered deposits	**22,717**	**-**	**-**	**22,717**	**(8,073)**	**-**	**-**	**(8,073)**
Long-term debt	**(39,524)**	**-**	**-**	**(39,524)**	**(125,076)**	**-**	**-**	**(125,076)**

[1] Changes in fair value for the three and six months ended June 30, 2010, exclude accrued interest for the periods then ended. Interest income or interest expense on trading assets, loans, LHFS, brokered deposits and long-term debt that have been elected to be carried at fair value are recorded in interest income or interest expense in the Consolidated Statements of Income/(Loss) based on their contractual coupons. Certain trading assets do not have a contractually stated coupon and, for these securities, the Company records interest income based on the effective yield calculated upon acquisition of those securities.

[2] For the three and six months ended June 30, 2010, income related to LHFS, includes $65 million and $128 million, respectively, related to MSRs recognized upon the sale of loans reported at fair value. For the three and six month ended June 30, 2010, income related to other intangible assets includes $3 million and $6 million, respectively, of MSRs recognized upon the sale of loans reported at LOCOM. These MSRs are included in the table since the Company elected to report MSRs recognized in 2009 using the fair value method. Previously, MSRs were reported under the amortized cost method.

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(Dollars in thousands)	Fair Value Gain/(Loss) for the Three Months Ended June 30, 2009, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option: Trading Account Profits/(Losses) and Commissions	Mortgage Production Related Income [2]	Mortgage Servicing Related Income	Total Changes in Fair Values Included in Current-Period Earnings[1]	Fair Value Gain/(Loss) for the Six Months Ended June 30, 2009, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option: Trading Account Profits and Commissions	Mortgage Production Related Income/(Loss) [2]	Mortgage Servicing Related Income	Total Changes in Fair Values Included in Current-Period Earnings[1]
Assets								
Trading assets	$3,403	$-	$-	$3,403	$3,248	$-	$-	$3,248
Loans held for sale	-	139,944	-	139,944	-	427,141	-	427,141
Loans	1,376	2,388	-	3,764	3,235	(2,741)	-	494
Other intangible assets	-	2,890	100,208	103,098	-	7,461	74,410	81,871
Liabilities								
Brokered deposits	14,878	-	-	14,878	32,330	-	-	32,330
Long-term debt	(13,249)	-	-	(13,249)	155,417	-	-	155,417

[1] Changes in fair value for the three and six month periods ended June 30, 2009, exclude accrued interest for the periods then ended. Interest income or interest expense on trading assets, loans, LHFS, brokered deposits and long-term debt that have been elected to be carried at fair value under the provisions of SFAS No. 159 or SFAS No. 155 are recorded in interest income or interest expense in the Consolidated Statements of Income/(Loss) based on their contractual coupons. Certain trading assets do not have a contractually stated coupon and, for these securities, the Company records interest income based on the effective yield calculated upon acquisition of those securities.

[2] For the three and six month periods ended June 30, 2009, income related to LHFS, net includes $231 million and $372 million, respectively, related to MSRs recognized upon the sale of loans reported at fair value. For the three and six months ended June 30, 2009, income related to other intangible assets includes $3 million and $8 million, respectively, of MSRs recognized upon the sale of loans reported at the lower of cost or market value. These MSRs are included in the table since the Company elected to report MSRs recognized in 2009 using the fair value method. Previously, MSRs were reported under the amortized cost method.

The following is a discussion of the valuation techniques and inputs used in developing fair value measurements for assets and liabilities classified as level 2 or level 3 that are measured at fair value on a recurring basis, based on the class of financial instrument as determined by the nature and risks of the instrument.

Trading Assets and Securities Available for Sale

Federal agency securities

The Company includes in this classification securities issued by federal agencies and GSEs. Agency securities consist of debt obligations issued by HUD, the FHFA and other agencies, or collateralized by loans that are guaranteed by the SBA and are, therefore, backed by the full faith and credit of the U.S. government. In the case of securities issued by GSEs such as Fannie Mae, Freddie Mac, and FHLB, the obligations are not guaranteed by the U.S. government; however, the GSEs are AAA rated and may be required to maintain such rating through its agency agreement. In certain instances, the U.S. Treasury owns the senior preferred stock of these enterprises and has made a commitment under that stock purchase agreement to provide these GSEs with funds to maintain a positive net worth. The majority of Federal agency securities are valued by an independent pricing service that is widely used by market participants. The Company has determined that this pricing service is using similar instruments that are trading in the markets as the basis for its estimates of fair value and, as such, the Company appropriately classifies these instruments as level 2. For SBA instruments, the Company estimates fair value based on pricing from observable trading activity for similar securities or obtains fair values from a third party pricing service; accordingly, the Company has also classified these instruments as level 2. These SBA instruments were transferred out of level 3 during the second quarter of 2009. The Company began to observe marginal increases in the volume and level of observable trading activity during the first quarter of 2009 and significant increases in such activity during the second quarter of 2009. This level of activity provided the Company with sufficient market evidence of pricing, such that the Company did not have to make any significant adjustments to observed pricing, nor was the Company s pricing based on unobservable data.

U.S. states and political subdivisions

The Company s investments in U.S. states and political subdivisions (collectively municipals) include obligations of county and municipal authorities and agency bonds, which are general obligations of the municipality or are supported by a specified revenue source. The majority of these obligations are priced by an independent pricing service using pricing observed on trades of similar bonds and, therefore, are classified as level 2 in the fair value hierarchy.

Level 3 municipal securities are primarily ARS purchased since the auction rate market began failing in February 2008 and have been considered level 3 securities due to the significant decrease in the volume and level of activity in these markets, which has necessitated the use of significant unobservable inputs into the Company s valuations. Municipal ARS are classified as securities AFS or trading securities. These securities were valued using comparisons

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Notes to Consolidated Financial Statements (Unaudited)-Continued

to similar ARS securities for which auctions are currently successful and/or to longer term, non-ARS securities issued by similar municipalities. The Company also looks at the relative strength of the municipality and makes appropriate downward adjustments in price based on the credit rating of the municipality as well as the relative financial strength of the insurer on those bonds. Although auctions for several municipal ARS continue to operate successfully, ARS owned by the Company at June 30, 2010 continue to be classified as level 3 as they are those ARS in which the auctions continue to fail and, therefore, due to the uncertainty around the success rates for auctions and the absence of any successful auctions for these identical securities, the Company continues to price the ARS below par.

Level 3 AFS municipal bond securities also includes bonds that are only redeemable with the issuer at par and cannot be traded in the market. As such, no significant observable market data for these instruments is available. In order to estimate pricing on these securities, the Company utilizes a third party municipal bond yield curve for the lowest investment grade bonds (BBB rated) and prices each bond based on the yield associated with that maturity.

RMBS agency

RMBS agency includes pass-through securities and collateralized mortgage obligations issued by GSEs and U.S. government agencies, such as Fannie Mae, Freddie Mac and Ginnie Mae. Each security contains a guarantee by the issuing GSE or agency. These securities are valued by an independent pricing service that is widely used by market participants. The Company has determined that this pricing service is using similar instruments that are trading in the market as the basis for its estimates of fair value and, as such, the Company appropriately classifies these instruments as level 2.

RMBS private

RMBS private includes purchased interests in third party securitizations as well as retained interests in Company-sponsored securitizations of residential mortgages. Generally, the Company attempts to obtain pricing for its securities from an independent pricing service or third party brokers who have experience in valuing certain investments. This pricing may be used as either direct support for the Company s valuations or used to validate outputs from its own proprietary models. The Company evaluates third party pricing to determine the reasonableness of the information relative to changes in market data, such as any recent trades the Company executed, market information received from outside market participants and analysts, and/or changes in the underlying collateral performance. When actual trades are not available to corroborate pricing information received, the Company uses industry-standard or proprietary models to estimate fair value and considers assumptions that are generally not observable in the current markets or that are not specific to the securities that the Company owns, such as relevant market indices that correlate to the underlying collateral, prepayment speeds, default rates, loss severity rates and discount rates. During the six months ended June 30, 2010, the Company began to observe a return of liquidity to the markets, resulting in the availability of more pricing information from third parties and a reduction in the need to use internal pricing models to estimate fair value. Even though limited third party pricing has been available, the Company continues to classify private RMBS as level 3, as the Company believes that this third party pricing relies on a significant amount of unobservable assumptions.

Certain vintages of private RMBS have suffered from deterioration in credit quality leading to downgrades. At June 30, 2010, the majority of the Company s private RMBS contained 2006 to 2007 vintage securities AFS and trading securities, along with a portion of 2003 vintage securities classified as AFS. All but a de minimis amount of the 2006 to 2007 vintage securities AFS and trading securities had been downgraded to non-investment grade levels by at least one nationally recognized rating agency. The vast majority of these securities had high investment grade ratings at the time of origination or purchase. The 2006 to 2007 vintage collateral is primarily comprised of prime jumbo fixed and floating rate loans. The 2003 vintage securities are interests retained from a securitization of prime first-lien fixed and floating rate loans and are primarily all investment grade rated, with the exception of a small amount of support bonds. The majority of these securities have maintained their original ratings, with a small amount of upgrades and only one bond downgraded since inception of the deal. Securities that are classified as AFS and are in an unrealized loss position are included as part of our quarterly OTTI evaluation process. See Note 3, Securities Available for Sale, to the Consolidated Financial Statements for details regarding assumptions used to assess impairment and impairment amounts recognized through earnings on private RMBS during the six months ended June 30, 2010.

CDO securities

The Company s investments in SIVs comprise the majority of the Company s CDOs, along with senior ARS interests in Company-sponsored securitizations of trust preferred collateral and preference share interests in Company-sponsored securitizations of commercial leveraged loan obligations. The Company had $84 million and $149 million in SIV investments at June 30, 2010 and December 31, 2009, respectively. One of the remaining two SIV

Notes to Consolidated Financial Statements (Unaudited)-Continued

investments totaling $81 million is in receivership at June 30, 2010. The Company received approximately $75 million in proceeds from sales, pay downs, and maturities of the SIV investments during the six months ended June 30, 2010. CDO interests in Company-sponsored securitizations totaled $33 million at June 30, 2010 and $26 million as of December 31, 2009. The increase in value of these interests for the six months ended June 30, 2010 is due to an improvement in cash flow expectation as well as an overall steady recovery in value in the broader CLO market, causing a markup of the CLO preference shares that the Company had fully written off in 2009. Because secondary market trading is not observable for any of these instruments and market data is generally not available for significant assumptions that would be used to estimate fair values, the Company has classified these instruments as level 3 within the fair value hierarchy.

To estimate the fair values of the SIV investment that is under receivership, the Company utilizes an internally developed model using cusip-specific information where the inputs are based on the best market information available. In addition, the Company has applied a liquidity discount to recognize the illiquid and unique nature of these investments, which was based on historical spreads between the estimated internal value and transaction prices for those investments the Company has been able to sell or settle. For the more liquid securities, such as corporate securities, the Company is able to use pricing from independent pricing services; however, for most of the tranches, fair values are estimated based on the most relevant market data available, such as vintage, rating, structure and monoline insurance wraps. In addition to individual security valuations, the fair values of the SIV investments include a cash component, which represents cash that the SIVs have received on the underlying assets prior to distribution.

CDOs related to trust preferred ARS purchased since the auction rate market began failing in February 2008 have been considered level 3 securities. The significant decrease in the volume and level of activity in these markets has necessitated the use of significant unobservable inputs into the Company s valuations. The auctions for these ARS continue to fail; therefore, actual trades are not available to corroborate pricing estimates. There are also no comparable or relevant indices for regional trust preferred collateral or CDOs, nor is indicative broker pricing or third party pricing available. The Company does have visibility into the underlying collateral in the CDOs and, therefore, can model expected cash flows using estimated discount rates based on pricing and/or spread levels seen on trades of similarly structured securities for valuation purposes. In pricing the CLO preference shares, the Company was able to obtain market information for other performing CLO equity level positions as a starting point for which to develop assumptions to use in modeling the cash flows related to the securitization as well as a yield range expected in the marketplace.

Asset-backed securities

Level 2 ABS classified as securities AFS are interests collateralized by 2009 and 2010 vintage third party securitizations of auto loans. These ABS are either publicly traded or are 144A privately placed bonds. The Company utilizes an independent pricing service to obtain fair values for publicly traded securities and similar securities for estimating the fair value of the privately placed bonds. No significant unobservable assumptions are used in pricing the auto loan ABS; therefore, the Company classifies these bonds as level 2.

Level 3 AFS ABS includes interests in third party securitizations of auto loans, home equity lines of credit that are vintage 2003-2004, and ARS collateralized by student loans. Level 3 trading ABS includes the Company s retained interest in a student loan securitization and ARS collateralized by student loans. These ARS have been considered level 3 securities due to the significant decrease in the volume and level of activity in these markets, which has necessitated the use of significant unobservable inputs into the Company s valuations. Student loan ABS held by the Company are generally collateralized by FFELP student loans, the majority of which benefit from a 97-98% guarantee of principal and interest by U.S. government agencies. The Company utilizes a pricing matrix to value the student loan ABS for which base pricing is determined by market trades and bids for similar senior-level securities. Valuations are adjusted up or down from the base pricing matrix based on timing of the issuer s ability to refinance, a security s subordination level in the structure and/or perceived risk of the issuer as determined by ratings or total leverage of the trust.

Generally, the Company attempts to obtain pricing for these level 3 securities from an independent pricing service or third party brokers who have experience in valuing certain investments. This pricing may be used as either direct support for the valuations or used to validate outputs from the Company s own proprietary models. The Company evaluates third party pricing to determine the reasonableness of the information relative to changes in market data, such as any recent trades, market information received from outside market participants and analysts, and/or changes in the underlying collateral performance. When actual trades are not available to corroborate pricing information, the Company uses industry-standard or proprietary models to estimate fair value and considers assumptions that are generally not observable in the current markets for the specific securities, such as relevant market indices that

Notes to Consolidated Financial Statements (Unaudited)-Continued

correlate to the underlying collateral, prepayment speeds, default rates, loss severity rates and discount rates. During the six months ended June 30, 2010, the Company began to observe a return of liquidity to the markets, resulting in the availability of more pricing information from third parties and a reduction in the need to use internal pricing models to estimate fair value. Even though limited third party pricing has been available, the Company continues to classify certain ABS as level 3, as the Company believes that pricing relies on a significant amount of unobservable assumptions.

Corporate and other debt securities

Corporate debt securities are predominantly comprised of senior and subordinate debt obligations of domestic corporations. These securities are valued by an independent pricing service that is widely used by market participants. The Company has determined that this pricing service is using similar instruments, or in some cases the same instruments, that are trading in the markets as the basis for its estimates of fair value. Because the Company does not have direct access to the pricing service s valuation sources, the Company has determined that classification of these instruments as level 2 is appropriate. Other debt securities in level 3 include bonds that are redeemable with the issuer at par and cannot be traded in the market; as such, no significant observable market data for these instruments is available.

Commercial paper

From time to time, the Company trades third party CP that is generally short-term in nature (less than 30 days) and highly rated (A-1/P-1). The Company estimates the fair value of the CP that it trades based on observable pricing from executed trades of similar instruments.

Equity securities

Level 2 equity securities, both trading and AFS, consist primarily of MMMFs that trade at a $1 net asset value, which is considered the fair market value of those fund shares.

Level 3 equity securities classified as trading include nonmarketable preferred shares in municipal funds issued as ARS that the Company has purchased since the auction rate market began failing in February 2008. These ARS have been considered level 3 securities due to the significant decrease in the volume and level of activity in these markets, which has necessitated the use of significant unobservable inputs into the Company s valuations. Valuation of these shares is based on the level of issuer redemptions at par that have occurred as well as discussions with the dealer community.

Level 3 equity securities classified as securities AFS include, as of June 30, 2010, FHLB stock and Federal Reserve Bank stock, which are redeemable with the issuer at par and cannot be traded in the market. As such, no significant observable market data for these instruments is available. As discussed in Note 3, Securities Available for Sale*,* the Company accounts for the stock based on the industry guidance, which requires these investments to be carried at cost and evaluated for impairment based on the ultimate recovery of par value.

Derivative contracts (trading assets or trading liabilities)

With the exception of one derivative contract discussed herein and certain instruments discussed under Other assets/liabilities, net that qualify as derivative instruments, the Company s derivative instruments are level 1 or level 2 instruments. Level 1 derivative contracts generally include exchange-traded futures or option contracts for which pricing is readily available.

The Company s level 2 instruments are predominantly standard over-the-counter swaps, options and forwards, with underlying market variables of interest rates, foreign exchange, equity and credit. Because fair values for OTC contracts are not readily available, the Company estimates fair values using internal, but standard, valuation models that incorporate market-observable inputs. The valuation model is driven by the type of contract: for option-based products, the Company uses an appropriate option pricing model, such as Black-Scholes; for forward-based products, the Company s valuation methodology is generally a discounted cash flow approach. The primary drivers of the fair values of derivative instruments are the underlying variables, such as interest rates, exchange rates, equity, or credit. As such, the Company uses market-based assumptions for all significant inputs, such as interest rate yield curves, quoted exchange rates and spot prices, market implied volatilities and credit curves.

The Agreements the Company entered into related to its Coke stock are level 3 instruments, due to the unobservability of a significant assumption used to value these instruments. Because the value is primarily driven by the embedded equity collars on the Coke shares, a Black-Scholes model is the appropriate valuation model. Most of the assumptions are directly observable from the market, such as the per share market price of Coke common stock, interest rates, and the dividend rate on the Coke common stock. Volatility is a significant assumption and is impacted

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both by the unusually large size of the trade and the long tenor until settlement. Because the derivatives carry scheduled terms of 6.5 and 7 years from the effective date and are on a significant number of Coke shares, the observable and active options market on Coke does not provide for any identical or similar instruments. As such, the Company receives estimated market values from a market participant who is knowledgeable about Coke equity derivatives and is active in the market. Based on inquiries of the market participant as to their procedures, as well as the Company s own valuation assessment procedures, the Company has satisfied itself that the market participant is using methodologies and assumptions that other market participants would use in estimating the fair value of The Agreements. At June 30, 2010 and December 31, 2009, The Agreements fair value was in an asset position of $127 million and a liability position of $46 million.

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

See Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements, for additional information on the Company s derivative contracts.

Trading loans

The Company engages in certain businesses whereby the election to carry loans at fair value for financial reporting aligns with the underlying business purposes. Specifically, the loans that are included within this classification are: (i) loans made in connection with the Company s TRS business (see Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements for further discussion of this business), (ii) loans backed by the SBA and (iii) the loan sales and trading business within the Company s CIB line of business. All of these loans have been classified as level 2 within the fair value hierarchy, due to the market data that the Company uses in its estimates of fair value.

The loans made in connection with the Company s TRS business are short-term, demand loans, whereby the repayment is senior in priority and whose value is collateralized. While these loans do not trade in the market, the Company believes that the par amount of the loans approximates fair value and no unobservable assumptions are made by the Company to arrive at this conclusion. At June 30, 2010, the Company had $595 million of such short-term loans carried at fair value and none were outstanding at December 31, 2009.

SBA loans are similar to SBA securities discussed herein under Federal agency securities, except for their legal form. In both cases, the Company trades instruments that are fully guaranteed by the U.S. government as to contractual principal and interest and has sufficient observable trading activity upon which to base its estimates of fair value.

The loans from the Company s sales and trading business are commercial and corporate leveraged loans that are either traded in the market or for which similar loans trade. The Company elected to carry these loans at fair value in order to reflect the active management of these positions. The Company is able to obtain fair value estimates for substantially all of these loans using a reputable, third party valuation service that is broadly used by market participants. While most of the loans are traded in the markets, the Company does not believe that trading activity qualifies the loans as level 1 instruments within the fair value hierarchy, as the volume and level of trading activity is subject to variability and the loans are not exchange-traded, such that the Company believes that level 2 is a more appropriate presentation of the underlying market activity for the loans. At June 30, 2010 and December 31, 2009, $317 million and $287 million, respectively, of loans related to the Company s trading business were outstanding.

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Loans and Loans Held for Sale

Residential loans

Current U.S. GAAP generally does not require loans to be measured at fair value on a recurring basis, but does provide for an election to do so. As such, in the second quarter of 2007, the Company began recording at fair value certain newly-originated mortgage LHFS based upon defined product criteria. The Company chose to fair value these mortgage LHFS in order to eliminate the complexities and inherent difficulties of achieving hedge accounting and to better align reported results with the underlying economic changes in value of the loans and related hedge instruments. This election impacts the timing and recognition of origination fees and costs, as well as servicing value. Specifically, origination fees and costs are recognized in earnings at the time of origination. The servicing value, which had been recorded as MSRs at the time the loan was sold, is now included in the fair value of the loan and initially recognized at the time the Company enters into IRLCs with borrowers. The Company began using derivatives to economically hedge changes in servicing value as a result of including the servicing value in the fair value of the loan. The mark to market adjustments related to LHFS and the associated economic hedges are captured in mortgage production income.

Level 2 loans held for sale are primarily agency loans which trade in active secondary markets and are priced using current market pricing for similar securities adjusted for servicing and risk. Level 3 loans are primarily non-agency residential mortgage loans held for investment or LHFS for which there is little to no observable trading activity of similar instruments in either the new issuance or secondary loan markets as either whole loans or as securities. Prior to the non-agency residential loan market disruption, which began during the third quarter of 2007 and continues, the Company was able to obtain certain observable pricing from either the new issuance or secondary loan market. However, as the markets deteriorated and certain loans were not actively trading as either whole loans or as securities, the Company began employing the same alternative valuation methodologies used to value level 3 residential MBS to fair value the loans.

During the six months ended June 30, 2010, the Company transferred $160 million of nonperforming loans that were previously designated as held for investment to held for sale that were subsequently sold at prices that approximated fair value. These loans were predominantly reported at amortized cost prior to transferring to held for sale; however, a portion of the nonperforming loans was carried at fair value. There were no similar transfers during the six months ended June 30, 2009.

As disclosed in the tabular level 3 rollforwards, transfers of certain mortgage LHFS into level 3 during 2009 were largely due to borrower defaults or the identification of other loan defects impacting the marketability of the loans.

For residential loans that the Company has elected to carry at fair value, the Company has considered the component of the fair value changes due to instrument-specific credit risk, which is intended to be an approximation of the fair value change attributable to changes in borrower-specific credit risk. For the three and six months ended June 30, 2010, the Company recognized losses in the Consolidated Statements of Income/(Loss) of $8 million and $12 million due to changes in fair value attributable to borrower-specific credit risk. For the three and six months ended June 30, 2009, the Company recognized gains in the Consolidated Statements of Income/(Loss) of $10 million and $1 million due to changes in fair value attributable to borrower-specific credit risk. In addition to borrower-specific credit risk, there are other, more significant, variables that drive changes in the fair values of the loans, including interest rates and general conditions in the principal markets for the loans.

Corporate and other loans

As discussed in Note 6, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, the Company has determined that it is the primary beneficiary of a CLO vehicle, which resulted in the Company consolidating the loans of that vehicle. Because the CLO trades its loans from time to time and in order to fairly present the economics of the CLO, the Company elected to carry the loans of the CLO at fair value. The Company is able to obtain fair value estimates for substantially all of these loans using a reputable, third party valuation service that is broadly used by market participants. While most of the loans are traded in the markets, the Company does not believe the loans qualify as level 1 instruments, as the volume and level of trading activity is subject to variability and the loans are not exchange-traded, such that the Company believes that level 2 is more representative of the general market activity for the loans.

Level 3 loans include $8 million of loans that were acquired through the acquisition of GB&T. The loans the Company elected to account for at fair value are primarily nonperforming commercial real estate loans, which do not trade in an active secondary market. As these loans are classified as nonperforming, cash proceeds from the sale of the underlying collateral is the expected source of repayment for a majority of these loans. Accordingly, the fair value

Notes to Consolidated Financial Statements (Unaudited)-Continued

of these loans is derived from internal estimates, incorporating market data when available, of the value of the underlying collateral.

Other Intangible Assets

Other intangible assets that the Company records at fair value are the Company s MSR asset. As further discussed in Note 6, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, beginning January 1, 2010, the Company elected to account for all MSRs at fair value. The fair values of MSRs are determined by projecting cash flows, which are then discounted to estimate an expected fair value. The fair values of MSRs are impacted by a variety of factors, including prepayment assumptions, discount rates, delinquency rates, contractually specified servicing fees, and underlying portfolio characteristics. The underlying assumptions and estimated values are corroborated by values received from independent third parties based on their review of the servicing portfolio. Because these inputs are not transparent in market trades, MSRs are considered to be level 3 assets.

Other Assets/Liabilities, net

The Company s other assets/liabilities that are carried at fair value on a recurring basis include IRLCs that satisfy the criteria to be treated as derivative financial instruments, derivative financial instruments that are used by the Company to economically hedge certain loans and MSRs, and the derivative that the Company obtained as a result of its sale of Visa Class B shares.

The fair value of IRLCs on residential mortgage LHFS, while based on interest rates observable in the market, is highly dependent on the ultimate closing of the loans. These pull-through rates are based on the Company s historical data and reflect the Company s best estimate of the likelihood that a commitment will ultimately result in a closed loan. Beginning in the first quarter of 2008, servicing value was included in the fair value of IRLCs in accordance with changes in accounting guidance. The fair value of servicing value is determined by projecting cash flows which are then discounted to estimate an expected fair value. The fair value of servicing value is impacted by a variety of factors, including prepayment assumptions, discount rates, delinquency rates, contractually specified servicing fees and underlying portfolio characteristics. Because these inputs are not transparent in market trades, IRLCs are considered to be level 3 assets.

During the three and six months ended June 30, 2010, the Company transferred $62 million and $129 million, respectively, of IRLCs out of level 3 as the associated loans were closed.

The Company is exposed to interest rate risk associated with MSRs, IRLCs, mortgage LHFS, and mortgage loans held for investment reported at fair value. The Company hedges these exposures with a combination of derivatives, including MBS forward and option contracts, interest rate swap and swaption contracts, futures contracts, and eurodollar options. The Company estimates the fair values of such derivative instruments consistent with the methodologies discussed herein under Derivative contracts and accordingly these derivatives are considered to be level 2 instruments.

During the second quarter of 2009, in connection with its sale of Visa Class B shares, the Company entered into a derivative contract whereby the ultimate cash payments received or paid, if any, under the contract are based on the ultimate resolution of litigation involving Visa. The value of the derivative was estimated based on the Company s expectations regarding the ultimate resolution of that litigation, which involved a high degree of judgment and subjectivity. Accordingly, the value of the derivative liability was classified as a level 3 instrument. See Note 11, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements for further discussion.

Liabilities

Trading liabilities

Trading liabilities are primarily comprised of derivative contracts, but also include various contracts involving U.S. Treasury securities, Federal agency securities and corporate debt securities that the Company uses in certain of its trading businesses. The Company employs the same valuation methodologies for these derivative contracts and securities as are discussed within the corresponding sections herein under Trading Assets and Securities Available for Sale.

Brokered deposits

The Company has elected to measure certain CDs at fair value. These debt instruments include embedded derivatives that are generally based on underlying equity securities or equity indices, but may be based on other underlyings that may or may not be clearly and closely related to the host debt instrument. The Company elected to carry these instruments at fair value in order to remove the mixed attribute accounting model for the single debt instrument or to

Notes to Consolidated Financial Statements (Unaudited)-Continued

better align the economics of the CDs with the Company s risk management strategies. Prior to 2009, the Company had elected to carry substantially all newly-issued CDs at fair value; however, in 2009, given the continued dislocation in the credit markets, the Company evaluated, on an instrument by instrument basis, whether a new issuance would be carried at fair value.

The Company has classified these CDs as level 2 instruments due to the Company s ability to reasonably measure all significant inputs based on observable market variables. The Company employs a discounted cash flow approach to the host debt component of the CD, based on observable market interest rates for the term of the CD and an estimate of the Bank s credit risk. For the embedded derivative features, the Company uses the same valuation methodologies as if the derivative were a standalone derivative, as discussed herein under Derivative contracts.

For brokered deposits carried at fair value, the Company estimated credit spreads above LIBOR, based on credit spreads from actual or estimated trading levels of the debt, or other relevant market data. The Company recognized estimated gains of $22 million and $7 million for the three and six months ended June 30, 2010, and $1 million and $14 million for the three and six months ended June 30, 2009, due to changes in its own credit spread on its brokered deposits carried at fair value.

Long-term debt

The Company has elected to carry at fair value certain fixed rate debt issuances of public debt in which it has entered into derivative financial instruments that economically converted the interest rate on the debt from fixed to floating. The election to fair value the debt is made in order to align the accounting for the debt with the accounting for the derivatives without having to account for the debt under hedge accounting, thus avoiding the complex and time consuming fair value hedge accounting requirements.

The publicly-issued, fixed rate debt that the Company has elected to carry at fair value is valued by obtaining quotes from a third party pricing service and utilizing broker quotes to corroborate the reasonableness of those marks. In addition, information from market data of recent observable trades and indications from buy side investors, if available, are taken into consideration as additional support for the value. Due to the availability of this information, the Company determined that the appropriate classification for the debt was level 2.

For the publicly-traded fixed rate debt carried at fair value, the Company estimated credit spreads above U.S. Treasury rates based on credit spreads from actual or estimated trading levels of the debt, or other relevant market data. The Company recognized gains of $61 million and losses of $17 million for the three and six months ended June 30, 2010, and losses of $104 million and $19 million for the three and six months ended June 30, 2009, due to changes in its own credit spread on its public debt carried at fair value.

The Company also carries $280 million of issued securities contained in a CLO that have been consolidated under newly issue accounting guidance at fair value in order to recognize the nonrecourse nature of these liabilities to the Company (see Note 6, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements for a discussion of this consolidation). Specifically, the holders of the liabilities are only paid interest and principal to the extent of the cash flows from the assets of the vehicle and the Company has no current or future obligations to fund any of the CLO vehicle s liabilities. The Company has classified these securities as level 2, as the primary driver of their fair values are the loans owned by the CLO, which the Company has also elected to carry at fair value, as discussed herein under Loans and Loans Held for Sale Corporate and other loans.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

The following tables show a reconciliation of the beginning and ending balances for fair valued assets and liabilities measured on a recurring basis using significant unobservable inputs (other than MSRs which are disclosed in Note 5, Goodwill and Other Intangible Assets, to the Consolidated Financial Statements):

Fair Value Measurements

Using Significant Unobservable Inputs

ollars in thousands)	Beginning balance April 1, 2010	Included in earnings	Other comprehensive income	Purchases, sales, issuances, settlements, maturities paydowns, net	Transfers to/from other balance sheet line items	Transfers into Level 3[7]	Transfers out of Level 3[7]	Fair value June 30, 2010	Change in unrealized gains (losses) included in earning for the three months ended June 30, 2010 related to financial assets still held at June 30, 2010
sets									
ading assets									
S. states and itical subdivisions	$6,728	$-	$-	$2,700	$-	$-	$-	$9,428	$-
IBS - private	5,288	(870)	-	(908)	-	-	-	3,510	(1,038)
O securities	158,252	6,574 [5]	-	(47,982)	-	-	-	116,844	4,261
S	50,626	(558) [5]	-	(1,739)	-	-	-	48,329	(1,441)
uity securities	145,259	(1,993) [5]	-	(23,300)	-	-	-	119,966	(4,090)
rivative contracts	21,460	(175)	105,931 [6]	-	-	-	-	127,216	-
al trading assets	387,613	2,978 [1]	105,931	(71,229)	-	-	-	425,293	(2,308)
urities available sale									
S. states and itical subdivisions	131,010	358 [5]	(2,267)	(4,430)	-	-	-	124,671	-
IBS - private	369,206	(798)	16,817	(19,864)	-	-	-	365,361	(798)
S	107,913	40 [5]	1,021	(1,124)	-	-	-	107,850	-
rporate and other ot securities	4,550	-	-	450	-	-	-	5,000	-
ner equity urities	704,798	-	6	326	-	-	-	705,130	-
al securities ilable for sale	1,317,477	(400) [2]	15,577	(24,642)	-	-	-	1,308,012	(798)
ans held for sale									
sidential loans	151,762	5,613 [3]	-	(51,000)	(5,775)	4,142	(911)	103,831	2,112
rporate and other ns	9,400	(1,977) [8]	-	(2,348)	-	-	-	5,075	(1,977)
ans	420,484	5,526 [4]	-	(11,286)	(3,854)	-	-	410,870	4,105
ner ets/(liabilities), net	(9,449)	118,666 [3]	-	6,277	(62,414)	-	-	53,080	-

[1] Amounts included in earnings are recorded in trading account profits/(losses) and commissions.
[2] Amounts included in earnings are recorded in net securities gains/(losses) .

[3] Amounts included in earnings are net of issuances, fair value changes, and expirations and are recorded in mortgage production related income.
[4] Amounts are generally included in mortgage production related income, however, the mark on certain fair value loans is included in trading account profits/(losses) and commissions.
[5] Amounts included in earnings do not include losses accrued as a result of the auction rate securities settlement discussed in Note 14, Contingencies, to the Consolidated Financial Statements.
[6] Amount recorded in other comprehensive income is the effective portion of the cash flow hedges related to the Company s probable forecasted sale of its shares of Coke stock as discussed in Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements.
[7] All transfers between fair value hierarchy levels are treated as occurring at the end of the period.
[8] Amounts included in earnings are recorded in other noninterest income.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

Ending balance December 31, 2009	Reclassifications	Beginning balance January 1, 2010	Included in earnings	Other comprehensive income	Purchases, sales, issuances, settlements, maturities paydowns, net	Transfers to/from other balance sheet line items	Transfers into Level 3[7]	Transfers out of Level 3[7]	Fair value June 30, 2010	Change (losses) for th ... rel ... as ...
$7,401	$-	$7,401	$127 [5]	$-	$1,900	$-	$-	$-	$9,428	
13,889	(7,426)	6,463	(655)	-	(2,298)	-	-	-	3,510	
174,886	55	174,941	16,977 [5]	-	(75,074)	-	-	-	116,844	
-	50,544	50,544	3,348 [5]	-	(5,563)	-	-	-	48,329	
24,703	(24,703)	-	-	-	-	-	-	-	-	
150,744	-	150,744	4,341 [5]	-	(35,119)	-	-	-	119,966	
-	-	-	6,562	120,654 [6]	-	-	-	-	127,216	
18,470	(18,470)	-	-	-	-	-	-	-	-	
390,093	-	390,093	30,700 [1]	120,654	(116,154)	-	-	-	425,293	
132,108	-	132,108	446 [5]	(2,408)	(5,475)	-	-	-	124,671	
407,228	(29,145)	378,083	(1,860)	33,896	(44,758)	-	-	-	365,361	
-	102,549	102,549	590 [5]	(7,179)	11,890	-	-	-	107,850	
77,954	(73,404)	4,550	-	-	450	-	-	-	5,000	
704,797	-	704,797	-	7	326	-	-	-	705,130	
1,322,087	-	1,322,087	(824) [2]	24,316	(37,567)	-	-	-	1,308,012	
151,485	(151,485)	-	-	-	-	-	-	-	-	
-	142,085	142,085	4,893 [3]	-	(70,062)	4,389	23,739	(1,213)	103,831	
-	9,400	9,400	(1,977) [8]	-	(2,348)		-	-	5,075	
448,720	-	448,720	5,057 [4]	-	(24,483)	(17,067)	-	(1,357)	410,870	
(34,652)	-	(34,652)	210,822 [3]	-	6,277	(129,367)	-	-	53,080	
(45,866)	-	(45,866)	-	45,866 [6]	-	-	-	-	-	

[1] Amounts included in earnings are recorded in trading account profits/(losses) and commissions.
[2] Amounts included in earnings are recorded in net securities gains/(losses).
[3] Amounts included in earnings are net of issuances, fair value changes, and expirations and are recorded in mortgage production related income/(loss).
[4] Amounts are generally included in mortgage production related income, however, the mark on certain fair value loans is included in trading account profits/(losses) and commissions.

[5] Amounts included in earnings do not include losses accrued as a result of the auction rate securities settlement discussed in Note 14, Contingencies, to the Consolidated Financial Statements.
[6] Amount recorded in other comprehensive income is the effective portion of the cash flow hedges related to the Company s probable forecasted sale of its shares of Coke stock as discussed in Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements.
[7] All transfers between fair value hierarchy levels are treated as occurring at the end of the period.
[8] Amounts included in earnings are recorded in other noninterest income.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

	Fair Value Measurements Using Significant Unobservable Inputs							
(Dollars in thousands)	Beginning balance April 1, 2009	Included in earnings	Other comprehensive income	Purchases, sales, issuances, settlements, maturities paydowns, net	Transfers to/from other balance sheet line items	Level 3 transfers, net	Fair value June 30, 2009	Change in unrealized gains/ (losses) included in earnings for the three months ended June 30, 2009 related to financial assets still held at June 30, 2009
Assets								
Trading assets								
U.S. Treasury and federal agencies	$592,922	($2,798)	$ -	($129,239)	$ -	($460,885)	$ -	$ -
U.S. states and political subdivisions	7,401	-	-	-	-	-	7,401	-
Corporate debt securities	6,650	2,800	-	(9,450)	-	-	-	-
Commercial paper	-	-	-	2,412,408	-	-	2,412,408	-
RMBS - private	26,221	2,493	-	(7,574)	-	-	21,140	(488)
CDO securities	246,423	4,805 [5]	-	(19,161)	-	-	232,067	4,601 [5]
Other debt securities	23,722	231 [5]	-	(400)	-	-	23,553	-
Equity securities	170,694	3,247 [5]	-	(10,591)	-	-	163,350	1,856 [5]
Derivative contracts	259,529	4,136	(142,501) [6]	-	-	-	121,164	-
Other	42,660	(1,726)	-	(2,030)	-	(24,813)	14,091	(336)
Total trading assets	1,376,222	13,188 [1]	(142,501)	2,233,963	-	(485,698)	2,995,174	5,633 [1]
Securities available for sale								
U.S. states and political subdivisions	140,527	80 [5]	(920)	(3,045)	-	-	136,642	-
RMBS - private	474,885	(5,527)	6,905	(36,343)	-	-	439,920	(5,527)
Other debt securities	63,487	198 [5]	946	(1,266)	-	-	63,365	-
Other equity securities	704,847	(212)	(261)	450	-	-	704,824	(212)
Total securities available for sale	1,383,746	(5,461) [2]	6,670	(40,204)	-	-	1,344,751	(5,739) [2]
Loans held for sale	452,890	656 [3]	-	(27,516)	(274,189)	6,140	157,981	(1,362) [3]
Loans	242,193	4,488 [4]	-	(17,686)	269,215	(3,541)	494,669	(791) [4]
Other assets/liabilities, net	106,227	66,238 [3]	-	(50,461)	(141,284)	-	(19,280)	(19,280) [3]
Liabilities								
Long-term debt	(3,352,400)	(13,249) [1]	-	-	-	3,365,649	-	(13,249) [1]

	Beginning balance January 1, 2009	Included in earnings	Other comprehensive income	Purchases, sales, issuances, settlements, maturities paydowns, net	Transfers to/ from other balance sheet line items	Level 3 transfers, net	Fair value June 30, 2009	Change in unrealized gains/ (losses) included in earnings for the six months ended June 30, 2009 related to financial assets still held at June 30, 2009
Assets								
Trading assets								
U.S. Treasury and federal agencies	$645,260	($4,863)	$-	($181,153)	$ -	($459,244)	$ -	$ -
U.S. states and political subdivisions	7,326	(325) [5]	-	400	-	-	7,401	(324) [5]
Corporate debt securities	6,650	2,800	-	(9,450)	-	-	-	-
Commercial paper	-	-	-	2,412,408	-	-	2,412,408	-
RMBS - private	37,970	(60)	-	(16,770)	-	-	21,140	(6,530)
CDO securities	261,528	(16,854) [5]	-	(12,607)	-	-	232,067	(8,583) [5]
Other debt securities	22,945	(12) [5]	-	620	-	-	23,553	(293) [5]
Equity securities	101,964	4,540 [5]	-	56,846	-	-	163,350	1,856 [5]
Derivative contracts	249,547	4,136	(132,519) [6]	-	-	-	121,164	-
Other	58,195	(15,673)	-	(1,976)	-	(26,455)	14,091	2,706
Total trading assets	1,391,385	(26,311) [1]	(132,519)	2,248,318	-	(485,699)	2,995,174	(11,168) [1]
Securities available for sale								
U.S. states and political subdivisions	79,262	5,525 [5]	(3,111)	51,830	-	3,136	136,642	-
RMBS - private	522,151	(6,248)	(15,084)	(60,899)	-	-	439,920	(6,248)
Other debt securities	28,413	248 [5]	946	33,758	-	-	63,365	-
Other equity securities	859,779	(212)	(4,351)	(150,392)	-	-	704,824	(212)
Total securities available for sale	1,489,605	(687) [2]	(21,600)	(125,703)	-	3,136	1,344,751	(6,460) [2]
Loans held for sale	487,445	(3,469) [3]	-	(62,843)	(275,288)	12,136	157,981	(10,074) [3]
Loans	270,342	1,218 [4]	-	(32,594)	268,989	(13,286)	494,669	(5,225) [4]
Other assets/liabilities, net	72,421	343,860 [3]	-	(50,461)	(385,100)	-	(19,280)	(19,280) [3]
Liabilities								
Long-term debt	(3,496,261)	130,612 [1]	-	-	-	3,365,649	-	130,612 [1]

[1] Amounts included in earnings are recorded in trading account profits and commissions.
[2] Amounts included in earnings are recorded in net securities gains/(losses).
[3] Amounts included in earnings are recorded in mortgage production related income.
[4] Amounts are generally included in mortgage production related income except $1 million and $3 million for the three and six month periods ended June 30, 2009, respectively, related to loans acquired in the GB&T acquisition. The mark on these loans is included in trading account profits and commissions.
[5] Amounts included in earnings do not include losses accrued as a result of the auction rate securities settlement discussed in Note 14, Contingencies, to the Consolidated Financial Statements.
[6] Amount recorded in other comprehensive income is the effective portion of the cash flow hedges related to the Company s forward sale of its shares of Coke stock as discussed in Note 10, Derivative Financial Instruments, to the Consolidated Financial Statements.

Non-recurring Fair Value Measurements

The following tables present the change in carrying value of those assets measured at fair value on a non-recurring basis, for which impairment was recognized. The table does not reflect the change in fair value attributable to any related economic hedges the Company may have used to mitigate the interest rate risk associated with LHFS and MSRs, nor does it include information related to the goodwill impairment charge recorded during the first quarter of 2009 which is discussed in Note 5, Goodwill and Other Intangible Assets, to the Consolidated Financial Statements. The Company s economic hedging activities for LHFS and MSRs are deployed at the portfolio level.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

		Fair Value Measurement at June 30, 2010, Using			
(Dollars in thousands)	Net Carrying Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Allowance
Loans Held for Sale	**$331,809**	**$-**	**$254,031**	**$77,778**	**($9,310)**
Loans	**101,042**	**-**	**-**	**101,042**	**(16,225)**
OREO	**699,828**	**-**	**639,930**	**59,898**	**(125,139)**
Affordable Housing	**3,653**	**-**	**-**	**3,653**	**-**
Other Assets	**180,092**	**-**	**105,942**	**74,150**	**-**

		Fair Value Measurement at December 31, 2009, Using			
(Dollars in thousands)	Net Carrying Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Allowance
Loans Held for Sale	$1,339,324	$-	$1,173,310	$166,014	($48,204)
Loans	96,062	-	96,062	-	(15,607)
MSRs	23,342	-	-	23,342	(6,718)
OREO	619,621	-	495,827	123,794	(110,458)
Affordable Housing	395,213	-	-	395,213	-
Other Assets	143,600	-	60,852	82,748	-

The following is a discussion of the valuation techniques and inputs used in developing fair value measurements for assets classified as level 2 or level 3 that are measured at fair value on a non-recurring basis, based on the class as determined by the nature and risks of the instrument. The valuation techniques used for the MSRs accounted for at amortized cost during 2009 are the same as those previously discussed in the Recurring Fair Value Measurement section of this footnote.

Loans Held for Sale

Level 2 LHFS consist primarily of agency-conforming, residential mortgage loans and corporate loans that are accounted for at LOCOM. Level 3 LHFS consist of non-agency residential mortgage LHFS for which there is little or no secondary market activity and leases held for sale. These loans are valued consistent with the methodology discussed in the Recurring Fair Value Measurement section of this footnote. Leases held for sale are valued using internal estimates which incorporate market data when available. Due to the lack of current market data for comparable leases, these assets are considered level 3.

During the six months ended June 30, 2010, the Company transferred $160 million of nonperforming loans that were previously designated as held for investment to held for sale that were subsequently sold at prices that approximated fair value. These loans were predominantly reported at amortized cost prior to transferring to held for sale; however, a portion of the nonperforming loans was carried at fair value. There were no similar transfers during the six months ended June 30, 2009.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

Loans

Loans consist primarily of nonperforming commercial real estate loans for which specific reserves have been recorded. As these loans have been classified as nonperforming, cash proceeds from the sale of the underlying collateral is the expected source of repayment for a majority of these loans. Accordingly, the fair value of these loans is derived from internal estimates of the underlying collateral incorporating market data when available. Due to the lack of market data for similar assets, these loans are considered level 3.

OREO

OREO is measured at the lower of cost or the fair value, less cost to sell. Level 2 OREO consists primarily of residential homes, commercial properties, and vacant lots and land for which current property-specific appraisals, broker pricing opinions, list prices, or other market information is available. Level 3 OREO consists of lots and land for which current property-specific values are not available. The Company values these properties using a pooled approach.

Affordable Housing

The Company evaluates its consolidated affordable housing partnership investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment is recorded when the carrying amount of the partnership exceeds its fair value. Fair value measurements for affordable housing investments are derived from internal models using market assumptions when available. Significant assumptions utilized in these models include cash flows, market capitalization rates and tax credit market pricing. Due to the lack of comparable sales in the marketplace, these valuations are considered level 3. During the six months ended June 30, of 2010 and the year ended December 31, 2009, the Company recorded impairment charges of $5 million and $47 million, respectively, on its consolidated affordable housing partnership investments.

Other Assets

Other assets consists of equity partner investments, structured leasing products, other repossessed assets and assets under operating leases where the Company is the lessor.

Investments in private equity partnerships are valued based on the estimated expected remaining cash flows to be received from these assets discounted at a market rate that is commensurate with their risk profile. Based on the valuation methodology and the lack of observable inputs, these investments are considered level 3. During the six months ended June 30, 2010 and the year ended December 31, 2009, the Company recorded impairment charges attributable to these investments of $2 million and $22 million, respectively.

Structured leasing consists of assets held for sale under third party operating leases. These assets consist primarily of commercial buildings and are recorded at fair value less cost to sell. These assets are valued based on internal estimates which incorporate current market data for similar assets when available. Due to the lack of current market data for comparable assets, these assets are considered level 3. During the six months ended June 30, 2010 and the year ended December 31, 2009, the Company recorded impairment charges attributable to these assets of $2 million and $4 million, respectively.

Other repossessed assets consist of repossessed personal property that is measured at fair value less cost to sell. These assets are considered level 2 as their fair value is determined based on market comparables and broker opinions. During the six months ended June 30, 2010, the Company recorded impairment charges attributable to these assets of $7 million. No impairment was recorded during 2009.

The Company monitors the fair value of assets under operating leases, where the Company is the lessor, and records impairment to the extent the carrying value is not recoverable and the fair value is less than its carrying value. Fair value is determined using collateral specific pricing digests, external appraisals and recent sales data from industry equipment dealers. As market data for similar assets is available and used in the valuation, these assets are considered level 2. During the six months ended June 30, 2010, the Company recorded impairment charges of $11 million which were attributable to the fair value of various personal property under operating leases. No impairment was recorded during 2009.

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Fair Value of Financial Instruments

The carrying amounts and fair values of the Company s financial instruments at June 30, 2010 and December 31, 2009 were as follows:

(Dollars in thousands)	**June 30, 2010** Carrying Amount	**June 30, 2010** Fair Value		December 31, 2009 Carrying Amount	December 31, 2009 Fair Value	
Financial assets						
Cash and cash equivalents	**$4,793,175**	**$4,793,175**	(a)	$6,997,171	$6,997,171	(a)
Trading assets	**6,165,802**	**6,165,802**	(b)	4,979,938	4,979,938	(b)
Securities available for sale	**27,598,360**	**27,598,360**	(b)	28,477,042	28,477,042	(b)
Loans held for sale	**3,184,717**	**3,202,977**	(c)	4,669,823	4,681,915	(c)
Total loans	**112,925,417**	**112,925,417**		113,674,844	113,674,844	
Interest/credit adjustment	**(3,156,000)**	**(3,335,335)**		(3,120,000)	(4,121,806)	
Subtotal	**109,769,417**	**109,590,082**	(d)	110,554,844	109,553,038	(d)
Market risk/liquidity adjustment	**-**	**(6,271,620)**		-	(7,815,567)	
Loans, net	**$109,769,417**	**$103,318,462**	(d)	$110,554,844	$101,737,471	(d)
Financial liabilities						
Consumer and commercial deposits	**$116,261,498**	**$116,684,923**	(e)	$116,303,452	$116,607,808	(e)
Brokered deposits	**2,342,435**	**2,307,100**	(f)	4,231,530	4,160,835	(f)
Foreign deposits	**64,170**	**64,170**	(f)	1,328,584	1,328,584	(f)
Short-term borrowings	**6,253,680**	**6,245,641**	(f)	5,365,368	5,355,625	(f)
Long-term debt	**15,658,705**	**15,024,312**	(f)	17,489,516	16,701,653	(f)
Trading liabilities	**2,655,092**	**2,655,092**	(b)	2,188,923	2,188,923	(b)

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments:

(a) Cash and cash equivalents are valued at their carrying amounts reported in the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.

(b) Securities AFS, trading assets, and trading liabilities that are classified as level 1 are valued based on quoted market prices. For those instruments classified as level 2 or level 3, refer to the respective valuation discussions within this footnote.

(c) LHFS are generally valued based on observable current market prices or, if quoted market prices are not available, on quoted market prices of similar instruments. In instances when significant valuation assumptions are not readily observable in the market, instruments are valued based on the best available data in order to approximate fair value. This data may be internally-developed and considers risk premiums that a market participant would require under then-current market conditions. Refer to the LHFS section within this footnote for further discussion of the LHFS carried at fair value.

(d) Loan fair values are based on a hypothetical exit price, which does not represent the estimated intrinsic value of the loan if held for investment. The assumptions used are expected to approximate those that a market participant purchasing the loans would use to value the loans, including a market risk premium and liquidity discount. Estimating the fair value of the loan portfolio when loan sales and trading markets are illiquid, or for certain loan types, nonexistent, requires significant judgment. Therefore, the estimated fair value can vary significantly depending on a market participant s ultimate considerations and assumptions. The final value yields a market participant s expected return on investment that is indicative of the current market conditions, but it does not take into consideration the Company s estimated value from continuing to hold these loans or its lack of willingness to transact at these estimated values.

The Company estimated fair value based on estimated future cash flows discounted, initially, at current origination rates for loans with similar terms and credit quality, which derived an estimated value of 100% and 99% on the loan portfolio s net carrying value as of June 30, 2010 and

December 31, 2009, respectively. The value derived from origination rates likely does not represent an exit price due to the current illiquid market conditions; therefore, an incremental market risk and liquidity discount was subtracted from the initial value to reflect the illiquid market conditions as of June 30, 2010 and December 31, 2009, respectively. The discounted value is a function of a market participant's required yield in the current environment and is not a reflection of the expected cumulative losses on the loans. Loan prepayments are used to adjust future cash flows based on historical experience and prepayment model forecasts. The value of related accrued interest on loans approximates fair value; however, it is not included in the carrying amount on fair value of loans. The value of long-term customer relationships is not permitted under current U.S. GAAP to be included in the estimated fair value.

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(e) Deposit liabilities with no defined maturity such as demand deposits, NOW/money market accounts, and savings accounts have a fair value equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies current interest rates to a schedule of aggregated expected maturities. The assumptions used in the discounted cash flow analysis are expected to approximate those that market participants would use in valuing deposits. The value of long- term relationships with depositors is not taken into account in estimating fair values.

(f) Fair values for foreign deposits, certain brokered deposits, short-term borrowings, and certain long-term debt are based on quoted market prices for similar instruments or estimated using discounted cash flow analysis and the Company s current incremental borrowing rates for similar types of instruments. For brokered deposits and long- term debt that the Company carries at fair value, refer to the respective valuation sections within this footnote.

Note 14 Contingencies

Litigation and Regulatory Matters

The Company and its subsidiaries are parties to numerous claims and lawsuits arising in the course of their normal business activities, some of which involve claims for substantial amounts. The Company s experience has shown that the damages often alleged by plaintiffs or claimants are overstated, unsubstantiated by legal theory, unsupported by the facts, and/or bear no relation to the ultimate award that a court might grant. Because of these factors, the Company typically cannot provide a meaningful estimate of the range of reasonably possible outcomes of claims in the aggregate or by individual claim. On a case-by-case basis, however, reserves are established for those legal claims in which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. In no cases are those accrual amounts material to the financial condition of the Company. The actual costs of resolving these claims may be substantially higher or lower than the amounts reserved. It is the opinion of management that liabilities arising from legal claims in excess of the amounts currently accrued, if any, will not have a material impact to the Company s financial condition, results of operations, or cash flows. The following is a description of the nature of certain litigation and regulatory matters.

Auction Rate Securities Investigations and Claims

FINRA Auction Rate Securities Investigation

In September 2008, STRH and STIS entered into an agreement in principle with FINRA related to the sales and brokering of ARS by STRH and STIS. This agreement was non-binding and subject to the negotiation of a final settlement. At this time there is no final settlement with FINRA, and FINRA has resumed its investigation. Notwithstanding that fact, the Company announced in November 2008 that it would move forward with ARS purchases from essentially the same categories of investors who would have been covered by the original agreement with FINRA. Additionally, the Company has elected to purchase ARS from certain other investors not addressed by the agreement. As of June 30, 2010, the Company has already purchased approximately $573 million of ARS and is expected to purchase approximately $69 million in additional ARS. The fair value of ARS purchased pursuant to the pending settlement, net of redemptions and calls, was approximately $146 million and $176 million in trading securities and $167 million and $156 million in securities AFS, at June 30, 2010 and December 31, 2009, respectively. The Company has reserved $24 million and $33 million at June 30, 2010 and December 31, 2009, respectively, for the estimated remaining probable losses. The remaining loss amount represents the difference between the par amount and the estimated fair value of the remaining ARS that the Company believes it will likely purchase from investors. This amount may change by the movement in fair market value of the underlying investment and therefore, can be impacted by changes in the performance of the underlying obligor or collateral as well as general market conditions. The total net gain relating to the ARS agreements recognized during the six months ended June 30, 2010 and 2009, was approximately $6 million in both periods. These amounts are comprised of trading gains or losses on probable future purchases, trading gains or losses on ARS classified as trading securities that were purchased from investors, and securities gains on calls and redemptions of securities AFS that were purchased from investors. Due to the pass-through nature of these security purchases, the economic loss has been included in the Corporate Other and Treasury segment.

In re LandAmerica Financial Group, Inc. et al.

Two putative class action lawsuits have been filed against the Company by former customers of LandAmerica 1031 Exchange Services, Inc, (LES), a subsidiary of LandAmerica Financial Group, Inc. (LFG). The first of these actions, *Arthur et al. v. SunTrust Banks, Inc. et al.*, was filed on January 14, 2009 in the United States District Court for the Southern District of California. The second of these cases, *Terry et al. v. SunTrust Banks, Inc. et al.*, was filed on February 2, 2009 in the Court of Common Pleas, Tenth Judicial Circuit, County of Anderson, South Carolina, and subsequently removed to the United States District Court for the District of South Carolina. On June 12, 2009, the Multi-District Litigation (MDL) Panel issued a transfer order designating the United States District Court for the District of

Notes to Consolidated Financial Statements (Unaudited)-Continued

South Carolina, Anderson Division, as MDL Court for IRS Section 1031 Tax Deferred Exchange Litigation (MDL 2054). Plaintiffs allegations in these cases are that LES and certain of its officers caused them to suffer damages in connection with potential 1031 exchange transactions that were pending at the time that LES filed for bankruptcy. Essentially, Plaintiffs core allegation is that their damages are the result of breaches of fiduciary and other duties owed to them by LES and others, and fraud and other improper acts committed by LES and certain of its officers, and that the Company is partially or entirely responsible for such damages because it knew or should have known about the alleged wrongdoing and failed to take appropriate steps to stop the same. The Company believes that the allegations and claims made against it in these actions are both factually and legally unsupported, and has filed a motion to dismiss all claims.

In addition, the Company has been made aware that the bankruptcy trustee representing the estates of LFG and LES currently is investigating whether to bring claims against STRH and other entities related to the purchase of auction rate securities by LES through STRH. The total par amount of auction rate securities bought through STRH and held by LES at the time of the collapse of the auction rate market in February 2008 was approximately $152 million. At this time, no legal action has been filed by the trustee. The underlying bankruptcy proceeding is pending in the United States Bankruptcy Court for the Eastern District of Virginia.

Other ARS Claims

Since April 2008, several arbitrations and individual lawsuits have been filed against STRH and STIS by parties who purchased ARS through the firms. Broadly stated, these complaints allege that STRH and STIS made misrepresentations about the nature of these securities and engaged in conduct designed to mask some of the liquidity risk associated with them. They also allege that STRH and STIS were aware of the risks and problems associated with these securities, and took steps in advance of the wave of auction failures to remove these securities from their own holdings. The claimants in these actions are seeking to recover the par value of the auction rate securities in question as well as compensatory and punitive damages in unspecified amounts.

Only one putative class action lawsuit relating to auction rate securities has been filed against the Company or its subsidiaries, *Martin Zisholtz v. SunTrust Banks, Inc. and SunTrust Robinson Humphrey, Inc*. This case was filed in the U.S. District Court for the Northern District of Georgia, and was dismissed with prejudice on the Company s motion.

Data Treasury Corporation v. Wells Fargo & Company et al.

This lawsuit was filed by Data Treasury Corporation (Data Treasury) against 56 defendants, including SunTrust Bank and SunTrust Banks, Inc., on February 24, 2006 in the United States District Court for the Eastern District of Texas, Marshall Division. In the lawsuit, Data Treasury contends that the defendants infringed on some or all of six patents generally related to check imaging and check clearing processes. The group of defendants consists of various banks, financial processors, hardware and software vendors, and other service providers operating in the check processing industry. Data Treasury has asserted only two patents against the Company. The Company has denied Data Treasury s allegations and is defending the case vigorously. Based on expert reports submitted by Data Treasury, the Company believes that Data Treasury intends to claim damages against it at trial of approximately $125 million. While numerous defendants have entered into settlements with Data Treasury, only one actually has gone to trial to date. In that case, which involved a defendant substantially larger than the Company, Data Treasury obtained a verdict in the amount of approximately $27 million. This verdict is the subject of post-trial motions and likely will be appealed by one or both parties. Pursuant to a phased trial schedule, the Company and several other financial institutions currently are scheduled to go to trial in this matter in October 2010.

Interchange and Related Litigation

Card Association Antitrust Litigation

The Company is a defendant, along with Visa U.S.A. and MasterCard International (the Card Associations), as well as several other banks, in one of several antitrust lawsuits challenging the practices of the Card Association (the Litigation). For a discussion regarding the Company s involvement in the Litigation matter, refer to Note 11, *Reinsurance Arrangements and Guarantees Visa* to the Consolidated Financial Statements.

In re ATM Fee Antitrust Litigation

The Company is a defendant in a number of antitrust actions that have been consolidated in federal court in San Francisco, California under the name *In re ATM Fee Antitrust Litigation*, Master File No. C04-2676 CR13. In these actions, Plaintiffs, on behalf of a class, assert that Concord EFS and a number of financial institutions have unlawfully fixed the interchange fee for participants in the Star ATM Network. Plaintiffs claim that Defendants conduct is illegal under Section 1 of the Sherman Act. Plaintiffs initially asserted the Defendants conduct was illegal *per se*. In August 2007 Concord and the bank defendants filed motions for summary judgment on Plaintiffs *per se* claim. In March 2008, the Court granted the motion on the ground that Defendants conduct in setting an interchange fee must be analyzed under the rule of reason. The Court certified this question for interlocutory appeal, and the Court of Appeals for the Ninth

Notes to Consolidated Financial Statements (Unaudited)-Continued

Circuit rejected Plaintiffs petition for permission to appeal on August 13, 2008. Plaintiffs subsequently filed a Second Amended Complaint in which they asserted a rule of reason claim. This complaint was dismissed by the Court as well, but Plaintiffs were given leave to file another amended complaint. Plaintiffs filed yet another complaint and Defendants moved to dismiss the same. The Court granted this motion in part dismissing one of Plaintiffs two claims but denied the motion as to one claim. The Court has ordered the parties to submit briefs in July and August 2010 regarding the Plaintiffs standing (or lack thereof) to assert the sole remaining claim.

Overdraft Fee Cases

The Company has been named as a defendant in several putative class actions relating to the manner in which it charges overdraft fees to customers. The first such case, *Buffington et al. v. SunTrust Banks, Inc. et al.* was filed in Fulton County Superior Court on May 6, 2009. This action was removed to the United States District Court for the Northern District of Georgia, Atlanta Division on June 10, 2009, and was transferred to the United States District Court for the Southern District of Florida for inclusion in Multi-District Litigation Case No. 2036 on December 1, 2009. Plaintiffs assert claims for breach of contract, conversion, unconscionability, and unjust enrichment for alleged injuries they suffered as a result of the Company s assessment of overdraft charges to their joint checking account, and purport to bring their action on behalf of a putative class of all SunTrust Bank account holders who incurred an overdraft charge despite their account having a sufficient balance of actual funds to cover all debits that have been submitted to the bank for payment, as well as all SunTrust account holders who incurred one or more overdraft charges based on SunTrust Bank s reordering of charges. Plaintiffs seek restitution, damages, expenses of litigation, attorneys fees, and other relief deemed equitable by the Court. The Company filed a Motion to Dismiss and Motion to Compel Arbitration and both motions were denied. The denial of the Motion to Compel Arbitration currently is on appeal to the Eleventh Circuit Court of Appeals. The second of these cases, *Bailey v. SunTrust Bank et al.* was filed in the Orleans Parish Civil Court, State of Louisiana, and was removed to the United States District Court for the Eastern District of Louisiana on December 22, 2009. Plaintiff asserts claims for violation of the Louisiana Unfair Trade Practices Act, breach of contract, conversion, abuse of right, unjust enrichment, fraud, redhibitory vice, product liability, breach of obligation, and violation of the Expedited Funds Availability Act and its implementing regulations for alleged injuries he suffered as a result of the Company s assessment of overdraft charges to his deposit account. Plaintiff purports to bring the class action on behalf of all SunTrust Bank checking account holders whose indebtedness was accelerated by the collection of unwarranted penalty fees, and for transactions despite their account having a sufficient balance of actual funds to cover the transaction, and for transactions negotiated without proper endorsement. Plaintiff seeks restitution, damages, expenses of litigation, attorneys fees, and other relief deemed equitable by the Court. On January 20, 2010, the matter was conditionally transferred to the United States District Court for the Southern District of Florida for inclusion in Multi-District Litigation Case No. 2036, but on February 26, 2010 that transfer order was vacated by the MDL Panel. On February 18, 2010, Plaintiff filed a Motion for Leave to File Third Amended Individual Complaint and Second Amended Class Complaint, which motion was granted on February 22, 2010. Plaintiff s Third Amended Complaint alleges claims against the Company for violation of the Louisiana Unfair Trade Practices Act, violation of the Expedited Funds Availability Act and its implementing regulations, and fault. Plaintiff alleges that his injuries arise from illegal conduct associated with his purchase and electronic payment for an Apple computer and the assessment of certain overdraft charges to his deposit account. Plaintiff s Third Amended Complaint adds Apple, Inc. and the Federal Reserve Bank of Atlanta as Defendants. The Third Amended Complaint purports to bring the class action on behalf of two separate classes: (1) all Apple customers who made a purchase through an Apple Symbol at an Apple Retail Store, and were subjected without warning or notification by Apple to an Apple pre-authorization requirement; and (2) all SunTrust customers who were charged an overdraft fee when their SunTrust checking accounts were not overdrawn. Plaintiff seeks injunctive relief, restitution, disgorgement of ill-gotten gains, actual damages, punitive and exemplary damages, pre-judgment interest, attorney s fees and costs, and other relief deemed equitable by the Court. The Court granted the Company s motion to compel arbitration on February 24, 2010.

In Re SunTrust Banks, Inc. ERISA Litigation

This is a consolidated putative class action case filed by participants in the SunTrust Banks, Inc. 401(k) Plan (Plan) concerning the performance of certain investment options available under the Plan. In particular, the consolidated complaint alleges that the Company s publicly traded stock was an imprudent investment option that should not have been offered by the Plan because of the Company s alleged exposure to losses related to subprime mortgages. The complaint names the Company, members of the Company s Board of Directors, the Company s Benefits Plan Committee, and other members of the Company s management as defendants, and contends that these defendants breached their fiduciary duties under the Employee Retirement Income security Act of 1974, as amended (ERISA) by offering the Company s common stock as an investment option in the Plan. The complaint does not quantify the alleged damages that the plaintiffs seek. On December 10, 2009, the Company and the other defendants moved to dismiss the complaint in its entirety. The case is pending in the United States District Court for the Northern District of Georgia, Atlanta Division.

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Krinsk v. SunTrust Bank

This is a lender liability action in which the borrower claims that the Company has taken actions in violation of her home equity line of credit agreement and in violation of the Truth in Lending Act (TILA). Plaintiff filed this action in the United States District Court for the Middle District of Florida as a putative class action, and is currently attempting to have the class certified. The Court dismissed Plaintiff s first complaint, and she subsequently filed an Amended Complaint asserting breach of contract, breach of implied covenant of good faith and fair dealing, and violation of TILA. Plaintiff has filed a motion for class certification. The Company filed its Answer to the Complaint, has opposed class certification, and has filed a Motion to Compel Arbitration. The Court denied the Motion to Compel Arbitration and this decision is on appeal to the Eleventh Circuit Court of Appeals. The case has been stayed pending the resolution of this appeal.

Lehman Brothers Holdings, Inc. Litigation

Beginning in October 2008, STRH, along with other underwriters and individuals, were named as defendants in several putative class action complaints filed in the U.S. District Court for the Southern District of New York and state and federal courts in Arkansas, California, Texas and Washington. Plaintiffs allege violations of Sections 11 and 12 of the Securities Act of 1933 for allegedly false and misleading disclosures in connection with various debt and preferred stock offerings of Lehman Brothers Holdings, Inc. and seek unspecified damages. All cases have now been transferred for coordination to the multi-district litigation captioned *In re Lehman Brothers Equity/Debt Securities Litigation* pending in the U.S. District Court for the Southern District of New York.

SunTrust Securities Class Action Litigation

Beginning in May 2009, the Company, STRH, SunTrust Capital IX and officers and directors of the Company and others were named in three putative class actions arising out of the offer and sale of approximately $690 million of SunTrust Capital IX 7.875% Trust Preferred Securities (TRUPs) of SunTrust Banks, Inc. The complaints alleged, among other things, that the relevant registration statement and accompanying prospectus misrepresented or omitted material facts regarding the Company s allowance for loan and lease loss reserves, the Company s capital position and its internal risk controls. Plaintiffs seek to recover alleged losses in connection with their investment in the TRUPs or to rescind their purchases of the TRUPs. These cases were consolidated under the caption *Belmont Holdings Corp., et al., v. SunTrust Banks, Inc., et al.*, in the U.S. District Court for the Northern District of Georgia, Atlanta Division, and on November 30, 2009, a consolidated amended complaint was filed. On January 29, 2010, defendants filed a motion to dismiss the consolidated amended complaint.

The Company and several of its executive officers are named as defendants in putative class action securities litigation pending in the U.S. District Court for the Northern District of Georgia, Atlanta Division. These cases were consolidated under the caption *Waterford Township General Employees Retirement System v. SunTrust Banks, Inc. et al.* As lead plaintiff, the Waterford Township General Employees Retirement System (Waterford) filed the Lead Plaintiff s First Amended Class Action Complaint on December 23, 2009. The plaintiffs assert claims on behalf of a class of persons and entities that purchased or acquired the Company s stock during the period July 22, 2008 through January 21, 2009, and allege that the defendants engaged in a fraudulent scheme to understate the Company s allowance for loan and lease loss reserves, its provision for loan losses, and the amount of charge-offs related to its loans. They further allege that the defendants made materially false and misleading statements regarding, among other things, the ALLL, its provision for loan losses, and the amount of charge-offs related to its loans. Waterford seeks certification of the class and an unspecified amount of compensatory damages and costs and expenses, including attorneys fees. Defendants motion to dismiss the Amended Complaint was filed in February 2010 and remains pending. The Company intends to vigorously defend the claims asserted against it.

Riverside National Bank of Florida v. The McGraw-Hill Companies, Inc. et al.

On August 6, 2009, Riverside National Bank of Florida filed a complaint in the Supreme Court of the State of New York, County of Kings, against STRH, along with several other broker-dealers, portfolio managers, rating agencies and others. On November 13, 2009, the plaintiffs filed a second amended complaint entitled *Riverside National Bank of Florida v. TheMcGraw-Hill Companies, Inc. et al.* The complaint alleges claims for common law fraud, negligent misrepresentation, breach of contract and other state law claims relating to the sale of CDOs, backed by trust preferred securities. The complaint alleges that the offering materials for the CDOs were misleading, the trust preferred securities underlying the CDOs were not sufficiently diversified, and the CDOs had inflated and erroneous ratings. As to STRH, the complaint seeks damages in connection with a $7 million senior CDO security that was acquired by Riverside. The complaint alleges that the security has lost over $5 million in value and seeks aggregate damages from all defendants of over $132 million. Defendants filed a motion to dismiss on

December 11, 2009. On April 16, 2010, Riverside National Bank of Florida was closed by the Office of the Comptroller of the Currency and the FDIC was named its receiver. On June 3, 2010, the case was removed to the United States District Court for the Southern District of New York.

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Colonial BancGroup Securities Litigation

Beginning in July 2009, STRH, certain other underwriters, The Colonial BancGroup, Inc. and certain officers and directors of Colonial BancGroup were named as defendants in a putative class action filed in the U.S. District Court for the Middle District of Alabama, Northern District entitled *In re Colonial BancGroup, Inc. Securities Litigation.* The complaint was brought by purchasers of certain debt and equity securities of Colonial BancGroup and seeks unspecified damages. Plaintiffs allege violations of Sections 11 and 12 of the Securities Act of 1933 due to allegedly false and misleading disclosures in the relevant registration statement and prospectus relating to Colonial s goodwill impairment, mortgage underwriting standards and credit quality. On August 28, 2009, The Colonial BancGroup, Inc. filed for bankruptcy. The Defendants Motion to Dismiss was denied in May 2010.

Note 15 - Business Segment Reporting

The Company has six business segments used to measure business activities: Retail Banking, Diversified Commercial Banking, Commercial Real Estate, Corporate and Investment Banking, Mortgage, and Wealth and Investment Management with the remainder in Corporate Other and Treasury.

Earlier this year, SunTrust announced a reorganization, which includes the Retail Banking and Mortgage business segments, which realigned the franchise to support client-focused execution. The management of the Consumer Banking line of business was consolidated in order to ensure a holistic view of the consumer client experience. Also the management of the Commercial and Wholesale businesses were realigned to better focus on the various client segments. Effective in the second quarter of 2010, the segment reporting structure was adjusted as follows:

1. The management structure of the Retail and Commercial segment was changed resulting in three segments: Retail Banking, Diversified Commercial Banking, and Commercial Real Estate.

2. Consumer Lending, which includes student lending, indirect auto, and other specialty consumer lending units, was combined with Retail Banking. Previously, Consumer Lending was combined with Mortgage to form Household Lending. As a result, Mortgage has been identified as its own segment.

3. Portions of the Corporate and Investment Banking segment, such as Middle Market, Asset-Based Lending, and Equipment Leasing, were moved to the Diversified Commercial Banking segment.

Retail Banking serves consumers and business clients with less than $5 million in annual revenue (up to $10 million in sales in larger metropolitan markets). Retail Banking provides services to clients through an extensive network of traditional and in-store branches, ATMs, the internet (www.suntrust.com), and the telephone (1-800-SUNTRUST). Financial products and services offered to consumers include consumer deposits, home equity lines, consumer lines, indirect auto, student lending, bank card, and other consumer loan and fee-based products. Retail Banking also serves as an entry point and provides services for other lines of business. When client needs change and expand, Retail Banking refers clients to our Wealth and Investment Management, Corporate and Investment Banking, Mortgage, Diversified Commercial Banking, Commercial Real Estate, and Corporate Other and Treasury lines of business.

Diversified Commercial Banking provides enterprises with a full array of financial products and services including commercial lending, financial risk management, capital raising, commercial card, and other treasury and payment solutions. The primary client segments served by this line of business include Commercial ($5 million to $100 million in annual revenue), Middle Market ($100 million to $750 million in annual revenue), Dealer Services (financing dealer floor plan inventories) and Not-for-Profit and Government entities. Diversified Commercial Banking also includes the Premium Assignment Corporation, which provides insurance premium financing, and Leasing, which provides equipment and lease financing; both provide services inside and outside of the SunTrust footprint.

Commercial Real Estate offers a broad range of financial solutions to commercial real estate developers and investors. Services include construction, mini-perm, and permanent real estate financing, capital raising services, financial risk management, treasury and payment solutions, investment advisory and management services, as well as tailored financing and equity investment solutions for community development and affordable housing projects delivered through SunTrust Community Capital.

Corporate and Investment Banking offers a full line of traditional banking and investment banking services to corporate banking and institutional investor clients. The Corporate Banking Group generally serves clients with greater than $750 million in annual revenue and is focused on selected industry sectors: consumer and retail, energy, financial services and technology, healthcare, and media and communications. Through STRH, Corporate and Investment Banking provides an extensive range of investment banking products and services to its clients, including strategic advice, capital raising, and financial risk management. These investment banking products and services are also provided to Middle Market, Diversified Commercial Banking and Wealth and Investment Management

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clients. In addition, Corporate and Investment Banking offers traditional lending, leasing, treasury management services and institutional investment management to its clients.

The Mortgage line of business offers residential mortgage products nationally through its retail, broker and correspondent channels, as well as via the internet (www.suntrust.com) and by the telephone (1-800-SUNTRUST). These products are either sold in the secondary market, primarily with servicing rights retained, or held in the Company s loan portfolio. The line of business services loans for itself, for other SunTrust lines of business, and for other investors. The line of business also includes ValuTree Real Estate Services, LLC, a tax service subsidiary.

Wealth and Investment Management provides a full array of wealth management products and professional services to both individual and institutional clients. Wealth and Investment Management s primary businesses include PWM, Genspring, IIS, and RidgeWorth.

The PWM group offers brokerage, professional investment management, and trust services to clients seeking active management of their financial resources. PWM includes the Private Banking group which offers a full array of loan and deposit products to clients as well as STIS which offers discount/online and full service brokerage services to individual clients.

GenSpring provides family office solutions to ultra high net worth individuals and their families. Utilizing teams of multi-disciplinary specialists with expertise in investments, tax, accounting, estate planning and other wealth management disciplines, GenSpring helps families manage and sustain their wealth across multiple generations.

IIS includes Employee Benefit Solutions, Foundations & Endowments Specialty Group, Escrow Services, and STIIA. Employee Benefit Solutions provides administration and custody services for defined benefit and defined contribution plans as well as administration services for non-qualified deferred compensation plans. Foundations & Endowments services nonprofit organizations by providing bundled administrative and investment solutions including planned giving, charitable trustee, and foundation grant administration. Escrow Services targets corporations, governmental entities and attorneys requiring escrow services. STIIA provides portfolio construction and manager due diligence services to other units within IIS to facilitate the delivery of investment management services to their clients.

RidgeWorth, an SEC registered investment advisor, serves as investment manager for the RidgeWorth Funds as well as individual clients. RidgeWorth is also a holding company with varying degrees of ownership in other institutional asset management boutiques offering a wide array of equity, alternative, fixed income, and liquidity management capabilities. These boutiques include Alpha Equity Management, Ceredex Value Advisors, Certium Asset Management, IronOak Advisors, Seix, Silvant Capital Management, StableRiver Capital Management and Zevenbergen Capital Investments. On July 16th, 2010, the Company reached a definitive agreement for Federated Investors, Inc. (Federated) to acquire approximately $17 billion in managed liquidity assets. SunTrust will retain RidgeWorth s long-term asset management business. The transactions are subject to receipt of the customary approvals and the companies expect the migration to the Federated Funds will be completed by year end.

Corporate Other and Treasury includes the investment securities portfolio, long-term debt, end user derivative instruments, short-term liquidity and funding activities, balance sheet risk management, and most real estate assets. Other components include Enterprise Information Services, which is the primary data processing and operations group; the Corporate Real Estate group, Marketing, SunTrust Online, Human Resources, Finance, Corporate Risk Management, Legal and Compliance, Branch Operations, Corporate Strategies, Communications, Procurement, and Executive Management. Finally, Corporate Other and Treasury also includes Trustee Management, which provides treasury management and deposit services to bankruptcy trustees.

Because the business segment results are presented based on management accounting practices, the transition to the consolidated results, which are prepared under U.S. GAAP, creates certain differences which are reflected in Reconciling Items.

For business segment reporting purposes, the basis of presentation in the accompanying discussion includes the following:

Net interest income All net interest income is presented on a FTE basis. The revenue gross-up has been applied to tax-exempt loans and investments to make them comparable to other taxable products. The segments have also been matched maturity funds transfer priced, generating credits or charges based on the economic value or cost created by the assets and liabilities of each segment. The mismatch between funds credits and funds charges at the segment level resides in Reconciling Items. The change in the matched maturity funds mismatch is generally attributable to the corporate balance sheet management strategies.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

Provision for credit losses - Represents net charge-offs by segment. The difference between the segment net charge-offs and the consolidated provision for credit losses is reported in Reconciling Items.

Provision/(benefit) for income taxes - Calculated using a nominal income tax rate for each segment. This calculation includes the impact of various income adjustments, such as the reversal of the FTE gross up on tax-exempt assets, tax adjustments, and credits that are unique to each business segment. The difference between the calculated provision/(benefit) for income taxes at the segment level and the consolidated provision/(benefit) for income taxes is reported in Reconciling Items.

The segment s financial performance is comprised of direct financial results as well as various allocations that for internal management reporting purposes provide an enhanced view of analyzing the segment s financial performance. The internal allocations include the following:

Operational Costs Expenses are charged to the segments based on various statistical volumes multiplied by activity based cost rates. As a result of the activity based costing process, planned residual expenses are also allocated to the segments. The recoveries for the majority of these costs are in the Corporate Other and Treasury segment.

Support and Overhead Costs Expenses not directly attributable to a specific segment are allocated based on various drivers (e.g., number of full-time equivalent employees and volume of loans and deposits). The recoveries for these allocations are in Corporate Other and Treasury.

Sales and Referral Credits Segments may compensate another segment for referring or selling certain products. The majority of the revenue resides in the segment where the product is ultimately managed.

The application and development of management reporting methodologies is a dynamic process and is subject to periodic enhancements. The implementation of these enhancements to the internal management reporting methodology may materially affect the results disclosed for each segment with no impact on consolidated results. Whenever significant changes to management reporting methodologies take place, the impact of these changes is quantified and prior period information is reclassified wherever practicable.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

					Three Months Ended June 30, 2010				
(Dollars in thousands)	Retail Banking	Diversified Commercial Banking	Commercial Real Estate	Corporate and Investment Banking	Mortgage	Wealth and Investment Management	Corporate Other and Treasury	Reconciling Items	Consolidated
Average total assets	**$38,471,183**	**$24,872,643**	**$11,144,192**	**$19,616,417**	**$34,623,794**	**$9,183,120**	**$31,613,810**	**$1,748,325**	**$171,273,484**
Average total liabilities	**75,630,819**	**20,471,804**	**1,685,498**	**15,699,232**	**3,592,503**	**12,034,549**	**19,584,378**	**261,702**	**148,960,485**
Average total equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22,312,999**	**22,312,999**
Net interest income	**$638,728**	**$132,326**	**$41,916**	**$91,629**	**$102,473**	**$108,690**	**$99,423**	**($37,055)**	**$1,178,130**
Fully taxable-equivalent adjustment (FTE)	**13**	**26,694**	**10**	**356**	**-**	**4**	**2,943**	**(1)**	**30,019**
Net interest income (FTE)[1]	**638,741**	**159,020**	**41,926**	**91,985**	**102,473**	**108,694**	**102,366**	**(37,056)**	**1,208,149**
Provision for credit losses[2]	**251,048**	**40,675**	**118,119**	**7,262**	**289,309**	**16,267**	**67**	**(60,683)**	**662,064**
Net interest income after provision for credit losses	**387,693**	**118,345**	**(76,193)**	**84,723**	**(186,836)**	**92,427**	**102,299**	**23,627**	**546,085**
Noninterest income	**301,727**	**55,865**	**18,638**	**140,363**	**77,544**	**196,852**	**163,997**	**(2,987)**	**951,999**
Noninterest expense	**620,065**	**111,946**	**116,446**	**121,118**	**258,706**	**219,880**	**57,659**	**(3,071)**	**1,502,749**
Income/(loss) before provision/(benefit) for income taxes	**69,355**	**62,264**	**(174,001)**	**103,968**	**(367,998)**	**69,399**	**208,637**	**23,711**	**(4,665)**
Provision/(benefit) for income taxes[3]	**25,370**	**23,168**	**(86,113)**	**38,987**	**(140,156)**	**26,415**	**79,947**	**12,637**	**(19,745)**
Net income/(loss) including income attributable to noncontrolling interest	**43,985**	**39,096**	**(87,888)**	**64,981**	**(227,842)**	**42,984**	**128,690**	**11,074**	**15,080**
Net income attributable to noncontrolling interest	**-**	**-**	**-**	**3**	**222**	**204**	**2,266**	**1**	**2,696**
Net income/(loss)	**$43,985**	**$39,096**	**($87,888)**	**$64,978**	**($228,064)**	**$42,780**	**$126,424**	**$11,073**	**$12,384**

					Three Months Ended June 30, 2009				
(Dollars in thousands)	Retail Banking	Diversified Commercial Banking	Commercial Real Estate	Corporate and Investment Banking	Mortgage	Wealth and Investment Management	Corporate Other and Treasury	Reconciling Items	Consolidated
Average total assets	$39,430,919	$27,952,701	$13,831,760	$22,694,305	$38,466,999	$9,128,945	$24,478,703	$496,138	$176,480,470
Average total liabilities	74,168,552	18,845,489	2,318,880	12,410,026	4,357,939	11,443,217	31,076,659	(65,991)	154,554,771
Average total equity	-	-	-	-	-	-	-	21,925,699	21,925,699
Net interest income	$576,390	$117,560	$45,256	$76,723	$140,008	$97,094	$95,531	($58,905)	$1,089,657
Fully taxable-equivalent adjustment (FTE)	22	26,912	10	924	-	16	3,542	2	31,428
Net interest income (FTE)[1]	576,412	144,472	45,266	77,647	140,008	97,110	99,073	(58,903)	1,121,085
Provision for credit losses[2]	327,991	47,290	64,018	49,371	299,311	12,457	743	161,000	962,181

Net interest income after provision for credit losses	248,421	97,182	(18,752)	28,276	(159,303)	84,653	98,330	(219,903)	158,904
Noninterest income	289,659	49,069	26,700	192,675	290,859	185,789	53,392	(16,468)	1,071,675
Noninterest expense	592,281	123,790	75,315	104,764	311,637	208,315	128,413	(16,543)	1,527,972
Income/(loss) before provision/(benefit) for income taxes	(54,201)	22,461	(67,367)	116,187	(180,081)	62,127	23,309	(219,828)	(297,393)
Provision/(benefit) for income taxes[3]	(20,484)	5,874	(44,124)	44,457	(68,077)	23,502	22,297	(80,974)	(117,529)
Net income/(loss) including income attributable to noncontrolling interest	(33,717)	16,587	(23,243)	71,730	(112,004)	38,625	1,012	(138,854)	(179,864)
Net income attributable to noncontrolling interest	-	-	-	-	1,306	-	2,290	-	3,596
Net income/(loss)	($33,717)	$16,587	($23,243)	$71,730	($113,310)	$38,625	($1,278)	($138,854)	($183,460)

[1] Net interest income is fully taxable-equivalent and is presented on a matched maturity funds transfer price basis for the line of business.

[2] Provision for credit losses represents net charge-offs for the segments.

[3] Includes regular income tax provision/(benefit) and taxable-equivalent income adjustment reversal.

				Six Months Ended June 30, 2010					
(Dollars in thousands)	Retail Banking	Diversified Commercial Banking	Commercial Real Estate	Corporate and Investment Banking	Mortgage	Wealth and Investment Management	Corporate Other and Treasury	Reconciling Items	Consolidated
Average total assets	**$38,535,611**	**$25,079,145**	**$11,469,876**	**$19,263,983**	**$34,662,253**	**$9,133,016**	**$32,150,947**	**$1,056,055**	**$171,350,886**
Average total liabilities	**74,802,150**	**20,987,451**	**1,817,507**	**14,960,884**	**3,457,676**	**11,967,446**	**20,737,501**	**294,735**	**149,025,350**
Average total equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22,325,536**	**22,325,536**
Net interest income	**$1,260,833**	**$259,972**	**$84,003**	**$174,271**	**$202,821**	**$215,656**	**$216,151**	**($64,140)**	**$2,349,567**
Fully taxable-equivalent adjustment (FTE)	**29**	**53,621**	**19**	**782**	**-**	**8**	**6,062**	**(1)**	**60,520**
Net interest income (FTE)[1]	**1,260,862**	**313,593**	**84,022**	**175,053**	**202,821**	**215,664**	**222,213**	**(64,141)**	**2,410,087**
Provision for credit losses[2]	**531,387**	**64,227**	**187,774**	**36,164**	**694,660**	**29,050**	**87**	**(19,676)**	**1,523,673**
Net interest income after provision for credit losses	**729,475**	**249,366**	**(103,752)**	**138,889**	**(491,839)**	**186,614**	**222,126**	**(44,465)**	**886,414**
Noninterest income	**577,906**	**106,915**	**39,842**	**251,379**	**124,905**	**382,480**	**174,470**	**(7,738)**	**1,650,159**
Noninterest expense	**1,214,090**	**226,822**	**206,212**	**229,769**	**511,396**	**441,375**	**41,530**	**(7,902)**	**2,863,292**
Income/(loss) before provision/(benefit) for income taxes	**93,291**	**129,459**	**(270,122)**	**160,499**	**(878,330)**	**127,719**	**355,066**	**(44,301)**	**(326,719)**
Provision/(benefit) for income taxes[3]	**33,816**	**48,359**	**(142,316)**	**60,913**	**(335,475)**	**48,367**	**118,191**	**(15,261)**	**(183,406)**
Net income/(loss) including income attributable to noncontrolling	**59,475**	**81,100**	**(127,806)**	**99,586**	**(542,855)**	**79,352**	**236,875**	**(29,040)**	**(143,313)**

interest									
Net income attributable to noncontrolling interest	**-**	**-**	**-**	**8**	**441**	**136**	**4,532**	**-**	**5,117**
Net income/(loss)	**$59,475**	**$81,100**	**($127,806)**	**$99,578**	**($543,296)**	**$79,216**	**$232,343**	**($29,040)**	**($148,430)**

	Six Months Ended June 30, 2009								
(Dollars in thousands)	Retail Banking	Diversified Commercial Banking	Commercial Real Estate	Corporate and Investment Banking	Mortgage	Wealth and Investment Management	Corporate Other and Treasury	Reconciling Items	Consolidated
Average total assets	$39,927,010	$27,526,933	$14,180,576	$23,822,478	$38,358,628	$9,084,839	$24,162,726	$606,084	$177,669,274
Average total liabilities	72,633,988	18,267,861	2,272,845	12,872,328	4,041,156	10,975,461	34,592,392	(132,339)	155,523,692
Average total equity	-	-	-	-	-	-	-	22,145,582	22,145,582
Net interest income	$1,135,965	$216,183	$86,322	$152,847	$270,104	$186,774	$187,218	($83,658)	$2,151,755
Fully taxable-equivalent adjustment (FTE)	45	53,393	20	1,479	-	20	7,330	-	62,287
Net interest income (FTE)[1]	1,136,010	269,576	86,342	154,326	270,104	186,794	194,548	(83,658)	2,214,042
Provision for credit losses[2]	613,451	64,449	116,271	120,429	473,497	22,255	922	545,005	1,956,279
Net interest income after provision for credit losses	522,559	205,127	(29,929)	33,897	(203,393)	164,539	193,626	(628,663)	257,763
Noninterest income	561,440	117,943	51,963	324,178	615,947	360,048	181,963	(20,569)	2,192,913
Noninterest expense	1,354,462	240,794	445,301	236,602	888,227	432,263	103,107	(20,761)	3,679,995
Income/(loss) before provision/(benefit) for income taxes	(270,463)	82,276	(423,267)	121,473	(475,673)	92,324	272,482	(628,471)	(1,229,319)
Provision/(benefit) for income taxes[3]	(42,202)	28,746	(91,201)	46,491	(87,221)	35,031	108,342	(235,433)	(237,447)
Net income/(loss) including income attributable to noncontrolling interest	(228,261)	53,530	(332,066)	74,982	(388,452)	57,293	164,140	(393,038)	(991,872)
Net income attributable to noncontrolling interest	-	-	-	-	2,176	-	4,579	-	6,755
Net income/(loss)	($228,261)	$53,530	($332,066)	$74,982	($390,628)	$57,293	$159,561	($393,038)	($998,627)

[1] Net interest income is fully taxable-equivalent and is presented on a matched maturity funds transfer price basis for the line of business.

[2] Provision for credit losses represents net charge-offs for the segments.

[3] Includes regular income tax provision/(benefit) and taxable-equivalent income adjustment reversal.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

Note 16 - Accumulated Other Comprehensive Income

Comprehensive income was calculated as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2010**	2009	**2010**	2009
Comprehensive income:				
Net income/(loss)	**$12,384**	($183,460)	**($148,430)**	($998,627)
Other comprehensive income:				
Change in unrealized gains (losses) on securities, net of taxes	**175,217**	(4,716)	**214,340**	51,967
Change in unrealized gains (losses) on derivatives, net of taxes	**255,325**	(318,571)	**377,261**	(337,565)
Change related to employee benefit plans	**7,996**	113,259	**83,153**	136,174
Total comprehensive income/(loss)	**$450,922**	($393,488)	**$526,324**	($1,148,051)

The components of AOCI were as follows:

(Dollars in thousands)	**June 30 2010**	December 31 2009
Unrealized net gain on available for sale securities	**$1,374,322**	$1,159,982
Unrealized net gain on derivative financial instruments	**789,581**	412,320
Employee benefit plans	**(418,986)**	(502,139)
Total accumulated other comprehensive income	**$1,744,917**	$1,070,163

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Important Cautionary Statement About Forward-Looking Statements

This report may contain forward-looking statements. Statements regarding future levels of the allowance for loan and lease losses, charge-offs, net interest margin, service charges, card fees, overdraft income, loan delinquencies, the provision for loan losses, and our dividend; the impact of the Dodd-Frank Reform Act (particularly on regulatory assessments, card fees, and trading account profits); our future ability to utilize deferred tax assets; the future performance of our loan portfolios (including the residential portfolio); future loss rates on nonperforming construction, residential, and consumer loans; and future balances within our loan portfolio (including nonperforming construction loan balances), are forward-looking statements. Also, any statement that does not describe historical or current facts is a forward-looking statement. These statements often include the words believes, expects, anticipates, estimates, intends, plans, targets, initiatives, potenti projects, outlook or similar expressions or future conditional verbs such as may, will, should, would, and could. Such statements are the current beliefs and expectations of management and on information currently available to management. Such statements speak as of the date hereof, and we do not assume any obligation to update the statements made herein or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements can be found in Item 1A of Part II of this report and include risks discussed in this MD&A and in other periodic reports that we file with the SEC. Those factors include: our expense for regulatory assessment may increase as a result of the passage of the Dodd-Frank Reform Act; difficult market conditions have adversely affected our industry; recent levels of market volatility are unprecedented; we are subject to capital adequacy guidelines and, if we fail to meet these guidelines, our financial condition would be adversely affected; recently enacted legislation, or legislation enacted in the future, or any proposed federal programs subject us to increased regulation and may adversely affect us; we have not yet received permission to repay TARP funds; emergency measures designed to stabilize the U.S. banking system are beginning to wind down; we are subject to credit risk; weakness in the economy and in the real estate market, including specific weakness within our geographic footprint, has adversely affected us and may continue to adversely affect us; weakness in the real estate market, including the secondary residential mortgage loan markets, has adversely affected us and may continue to adversely affect us; as a financial services company, adverse changes in general business or economic conditions could have a material adverse effect on our financial condition and results of operations; changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital or liquidity; the fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings; we may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, borrower fraud, or certain borrower defaults, which could harm our liquidity, results of operations, and financial condition; we may continue to suffer increased losses in our loan portfolio despite enhancement of our underwriting policies; depressed market values for our stock may require us to write down goodwill; clients could pursue alternatives to bank deposits, causing us to lose a relatively inexpensive source of funding; consumers may decide not to use banks to complete their financial transactions, which could affect net income; we have businesses other than banking which subject us to a variety of risks; hurricanes and other natural disasters may adversely affect loan portfolios and operations and increase the cost of doing business; negative public opinion could damage our reputation and adversely impact business and revenues; we rely on other companies to provide key components of our business infrastructure; the soundness of other financial institutions could adversely affect us; we rely on our systems, employees, and certain counterparties, and certain failures could materially adversely affect our operations; we depend on the accuracy and completeness of information about clients and counterparties; we are subject to certain litigation, and our expenses related to this litigation may adversely affect our results; regulation by federal and state agencies could adversely affect the business, revenue, and profit margins; competition in the financial services industry is intense and could result in losing business or reducing margins; future legislation could harm our competitive position; maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services; we may not pay dividends on your common stock; our ability to receive dividends from our subsidiaries accounts for most of our revenue and could affect our liquidity and ability to pay dividends; significant legal actions could subject us to substantial uninsured liabilities; recently declining values of real estate, increases in unemployment, and the related effects on local economies may increase our credit losses, which would negatively affect our financial results; deteriorating credit quality, particularly in real estate loans, has adversely impacted us and may continue to adversely impact us; our ALLL may not be adequate to cover our eventual losses; we will realize future losses if the proceeds we receive upon liquidation of nonperforming assets are less than the carrying value of such assets; disruptions in our ability to access global capital markets may negatively affect our capital resources and liquidity; in 2009 and 2010, credit rating agencies downgraded the credit ratings of SunTrust Bank and SunTrust Banks, Inc., and these downgrades and any subsequent downgrades could adversely impact the price and liquidity of our securities and could have an impact on our businesses and results of operations; we have in the past and may in the future pursue acquisitions, which could affect costs and from which we may not be able to realize anticipated benefits; we

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depend on the expertise of key personnel, and if these individuals leave or change their roles without effective replacements, operations may suffer; we may not be able to hire or retain additional qualified personnel and recruiting and compensation costs may increase as a result of turnover, both of which may increase costs and reduce profitability and may adversely impact our ability to implement our business strategy; our accounting policies and processes are critical to how we report our financial condition and results of operations, and require management to make estimates about matters that are uncertain; changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition; our stock price can be volatile; our disclosure controls and procedures may not prevent or detect all errors or acts of fraud; our financial instruments carried at fair value expose us to certain market risks; our revenues derived from our investment securities may be volatile and subject to a variety of risks; and we may enter into transactions with off-balance sheet affiliates or our subsidiaries.

This MD&A is intended to assist readers in their analysis of the accompanying consolidated financial statements and supplemental financial information. It should be read in conjunction with the Consolidated Financial Statements and Notes. When we refer to SunTrust, the Company, we, our and us in this narrative, we mean SunTrust Banks, Inc. and subsidiaries (consolidated).

We are one of the nation s largest commercial banking organizations and our headquarters are located in Atlanta, Georgia. Our principal banking subsidiary, SunTrust Bank, offers a full line of financial services for consumers and businesses through its branches located primarily in Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. Within our geographic footprint, we operate under six business segments: Retail Banking, Diversified Commercial Banking, Commercial Real Estate, Corporate and Investment Banking, Mortgage and Wealth and Investment Management, with the remainder in Corporate Other and Treasury. In addition to traditional deposit, credit, and trust and investment services offered by SunTrust Bank, our other subsidiaries provide mortgage banking, credit-related insurance, asset management, securities brokerage, and capital market services.

The following analysis of our financial performance for the three and six months ended June 30, 2010 should be read in conjunction with the financial statements, notes to consolidated financial statements and other information contained in this document and our 2009 Annual Report on Form 10-K. Certain reclassifications have been made to prior year financial statements and related information to conform them to the 2010 presentation. In the MD&A, net interest income and the net interest margin and efficiency ratios are presented on an FTE and annualized basis. The FTE basis adjusts for the tax-favored status of net interest income from certain loans and investments. We believe this measure to be the preferred industry measurement of net interest income and it enhances comparability of net interest income arising from taxable and tax-exempt sources. In addition, we present the following metrics excluding goodwill/intangible impairment charges other than MSRs: total noninterest expense, net income/(loss), net income/(loss) available to common shareholders, and net income/(loss) per average diluted common share. We believe the removal of goodwill/intangible impairment charges other than MSRs is useful to investors, because removing the non-cash impairment charge provides a more representative view of normalized operations and the measure allows better comparability with prior periods, as well as with peers in the industry who also provide a similar presentation when applicable. Reconcilements for all non-U.S. GAAP measures are provided below in Table 1, Selected Quarterly Financial Data.

EXECUTIVE OVERVIEW

The economic environment, which showed some initial signs of improvement in the first quarter, demonstrated during the second quarter of 2010 that the economic recovery will likely be slow and protracted due to high unemployment, low consumer confidence, and a soft housing market. The national unemployment rate remained near 10% and unemployment rates within many of our markets continue to exceed 10%. Consumer confidence indicators also declined during the quarter as businesses, hesitant to invest in the face of this fragile economic recovery, continued to exercise restraint in capital spending and workforce increases, and, as a result, claims for unemployment remain at historically elevated levels. The housing market showed some signs of stabilization as home price depreciation appears to be slowing; however; home sales declined in the second quarter with the expiration in April of the federal home buyers tax credits.

Regulatory reform was a focal point in the industry during the second quarter. The financial reform bill that was signed into law shortly after the second quarter ended is likely to result in sweeping changes to the financial industry in how business is conducted and regulated. However, the ultimate impact to us and the financial industry as a whole remains largely to be determined, as the work of translating legislative policies into practices and procedures has yet to begin. Some of the regulations, once written, will likely have little to no impact on our results. Conversely, other items will have a quantifiable affect in the near term, such as the rules restricting overdraft fees and the new regulations regarding interchange fees, and others may have significant long term effects. We are actively evaluating these regulatory and legislative developments and will be in a position to adapt our business at the appropriate time. In addition, the reform bill mandated changes in FDIC assessments and addressed a multitude of other industry supervisory matters. While this legislation dictates a number of regulatory rule changes which have the ability to negatively impact us and others within our industry, it is not determinable at the present time what the absolute impacts will be when the regulations are eventually finalized. In addition to these two key

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regulatory actions, the Federal Reserve also continued to take actions to address the uncertainty in the economy. Specifically, the Federal Reserve has reaffirmed that it will maintain key interest rates at record lows for an extended period of time as long as the economic data supports these low rates. They have also slowed the pace of financial support and even started to implement strategies to suspend certain of their actions previously designed to strengthen liquidity and reduce interest rates as a result of the markets now exhibiting increased health and the ability to operate independently.

Despite lingering economic uncertainties, we are encouraged by the improving operating trends and asset quality indicators that we experienced during the second quarter. Our second quarter financial performance continued the multi-quarter trend of declining provision for credit losses and also contained a modest increase in revenues compared to the first quarter. Both of these factors narrowed our net loss per share and resulted in net income before preferred dividends. Net income before preferred dividends was $12 million in the second quarter of 2010. Specifically, during the second quarter, we reported a net loss available to common shareholders of $56 million, or $0.11 per common share, which compares favorably to the net loss of $0.41 per average common share in the second quarter of 2009 and $0.46 per average common share in the first quarter of 2010. For the six months ended June 30, 2010, we recorded a net loss available to common shareholders of $285 million, or $0.58 per common share, compared to a net loss available to common shareholders of $1.0 billion, or $2.77 per common share, in the first half of 2009. The six month period of 2009 included a $715 million, after tax, non-cash goodwill impairment charge. Our client-focused revenue generation strategies, lower-cost deposit mix, and expense management discipline contributed to improved operating trends as seen in the higher net interest margin, higher core fee income, and stable operating expenses. We believe that the strong foundation we have created, coupled with our client-focused execution, risk mitigation capabilities, and the long-term economic prospects of our markets, position us well for the future. In addition, with solid capital and liquidity, we are operating from a position of strength and are committed to investing in growth businesses, managing expenses prudently, and returning to profitability. While uncertainty remains around the pace and strength of the economic recovery, positive asset quality and operating trends give us reason to be optimistic about our future results and prospects.

During the quarter, we were encouraged by continued improvement in our key asset quality metrics. Provision for credit losses, nonperforming loans, and nonperforming assets all declined over the previous two quarters. The ALLL remains elevated at 2.81% of total loans, up 44 basis points from a year ago, but stable compared to year end. Absent material deterioration in the economy or asset quality metrics, we believe that the ALLL likely peaked in the first quarter of 2010. However, we are maintaining reserve levels for the time being in light of continued economic and real estate value uncertainty. The provision for loan losses decreased 20% compared to the first quarter and 27% compared to the second of 2009. Net charge-offs declined 12% compared to the first quarter of 2010 and 10% compared to the second quarter of 2009. The decline in sequential quarter charge-offs was driven in part by actions taken in the first quarter related to the transfer of a specific group of nonperforming loans to held for sale, as well as incremental charge-offs recognized on severely delinquent loans collateralized by properties in jurisdictions with extended foreclosure periods. We expect charge-offs to remain stable with a potential to decline in the third quarter. Factors that could affect general asset quality and charge-off levels include macro or regional economic volatility and trends within specific sectors, such as commercial real estate. Total nonperforming loans declined 13% from year end and 9% from the first quarter as a result of charge-offs, the migration of loans to other real estate owned, and reduced inflows into nonaccrual. Restructured accruing loans increased 38% from year end levels and 19% from the sequential quarter; however, total TDR growth has slowed compared to prior quarters as a result of a reduced inflow of newly delinquent loans and fewer modifications of more seriously delinquent loans. Of the accruing restructured loans balance at June 30, 2010, 87% are current on principal and interest which indicates that our modification programs are helping clients service their debt. The increase in restructured loans is due to us taking proactive steps to responsibly modify loans in order to mitigate losses related to borrowers experiencing financial difficulty. Early stage delinquencies experienced a slight increase during the quarter as compared to the prior quarter, but the increase was related to increased delinquencies on government guaranteed loans such as student loans and Ginnie Mae mortgages. During the quarter, we increased the reserve for mortgage repurchases, despite the sequential decline in charge-offs, as new request volume increased. Near-term losses and reserve levels will largely be driven by the volume of new repurchase requests, which are difficult to predict. If new requests begin to taper-off during the second half of the year, we expect charge-offs and reserves to likewise decline. However, if new request volumes increase or we do not experience the expected shift in requests more towards newer vintages, then charge-offs and reserves could remain at current levels or increase. See additional discussion of credit and asset quality in the Loans, Allowance for Credit Losses, Charge-offs, Provision for Credit Losses, and Nonperforming Assets sections of this MD&A.

During the second quarter, the decline in average loans moderated. Specifically, average loans declined 1% compared to the first quarter and declined 2% compared to the fourth quarter of 2009. Our effort to reduce exposure to construction lending continued during the quarter, as evidenced by the 20% decline in average quarterly balances versus the previous quarter. While total average loan balances declined modestly during the second quarter, average balances have declined 9% since the second quarter of 2009. The majority of the year-over-year decline in average loans was due to a reduction in commercial loans, which declined 16%. This reduction is a result of lower line of credit utilization among our mid-size and larger corporate clients due to improved access to capital markets and lower working capital needs. In addition, average construction

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loan balances declined 49% compared to the prior year quarter. The decline in the remaining loan categories, other than consumer, is primarily due to weak loan demand as a result of the economic environment, which has caused clients to be focused on capital preservation and allocating excess funds for debt reduction. Despite the recent trends, we remain focused on extending credit to qualified borrowers as businesses and consumers work through the economic downturn. In fact, during the quarter the U.S. Small Business Administration named SunTrust the Export Lender of the Year for 2009 as a result of providing the most export working capital loans to small businesses in 2009. Further, during the first six months of 2010, we extended approximately $32 billion in new loan originations, commitments, and renewals of commercial and consumer loans to our clients.

During the quarter, we carefully monitored the effects caused from the oil spill in the Gulf of Mexico. While the long-term environmental and economic impact of this environmental disaster is not known at this time, we will continue to explore ways to support the communities impacted by this very unfortunate event. Our current financial exposure to clients in the Florida panhandle is relatively small with approximately $1.3 billion in loans outstanding, and our exposure to commercial clients in industries that are particularly susceptible to the impact of the oil spill is substantially smaller. Our entire Gulf Coast exposure is understandably larger, but it is also well diversified. We have loan officers in the markets most significantly affected by the oil spill, and we are taking the appropriate actions to work individually with clients that have been affected. To date, we have not observed our clients within this region demonstrating financial stress.

Our capital and liquidity remained strong during the quarter, as evidenced by the increases in our capital ratios. Our Tier 1 capital ratio was 13.51% at June 30, 2010 which was an increase from 12.96% at December 31, 2009. Our Tier 1 common equity ratio increased to 7.92% compared to 7.67% at December 31, 2009. Our total capital ratio increased to 16.96% from the year end ratio of 16.43%. The total average equity to total average assets ratio was 13.03%, which was an increase compared to 12.86% at year end. Capital levels declined slightly due to our net loss after payment of preferred dividends, but the decline in risk-weighted assets more than offset the decline in capital, reflecting the continued reduction in our overall risk profile. We continue to have substantial available liquidity as the inflows of longer-term financing and lower cost core deposits have largely been retained in cash and invested in high quality government-backed securities. See additional discussion of our capital and liquidity position in the Capital Resources and Liquidity Risk sections of this MD&A.

Total revenue, on an FTE basis, remained relatively flat when compared to the same quarter in the prior year but increased 14% when compared to the first quarter of 2010 due to increases in most core fee income categories, gains on sale of AFS securities, and valuation gains on our public debt and related hedges carried at fair value in the current quarter. Net interest income, on an FTE basis, increased 8%, compared to the second quarter of 2009 and was flat compared to the prior quarter. The increase in net interest income from the prior year quarter is due to lower deposit pricing and improved funding mix as a result of increased core deposits that facilitated a reduction in higher cost deposits and long-term debt. As a result, our net interest margin increased to 3.33% from 2.94% in the second quarter of 2009 and was flat compared to the first quarter. Noninterest income declined 11%, from the second quarter of 2009, most notably due to higher mortgage production income during the second quarter of 2009, as mortgage interest rates were historically low. The second quarter of 2009 also included a recovery of impairment on MSRs and gains realized on our ownership in Visa common stock. During the second quarter of 2010, we recognized a loss in mortgage production income primarily due to an increase in our mortgage repurchase reserve related to the potential repurchase of certain mortgage loans that had previously been sold to third parties. On a sequential quarter basis, noninterest income increased by 36% as a result of increases in most of our core fee income categories as well as due to valuation gains on our public debt and related hedges carried at fair value and gains on sale of AFS securities. We have been placing significant focus on servicing and growing our client base and we believe the increases seen in many core fee income categories over the course of 2010 are evidence of our success. Noninterest expense remained relatively stable in the second quarter of 2010 compared to the second quarter of 2009. Noninterest expense increased 10% from the first quarter primarily due to losses realized on the extinguishment of debt during the second quarter and increases in certain cyclical expenses including other real estate expenses and other discretionary and volume based expenses. Personnel-related expenses in the current quarter declined compared to the first quarter of 2010 and the prior year quarter. See additional discussion of our financial performance in the Consolidated Financial Results section of this MD&A.

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Selected Quarterly Financial Data **Table 1**

(Dollars in millions, except per share data)	Three Months Ended June 30 2010	2009	Six Months Ended June 30 2010	2009
Summary of Operations				
Interest income	**$1,570**	$1,693	**$3,144**	$3,423
Interest expense	**392**	603	**795**	1,271
Net interest income	**1,178**	1,090	**2,349**	2,152
Provision for credit losses[9]	**662**	962	**1,523**	1,956
Net interest income after provision for credit losses	**516**	128	**826**	196
Noninterest income	**952**	1,072	**1,650**	2,193
Noninterest expense	**1,503**	1,528	**2,863**	3,680
Loss before provision/(benefit) for income taxes	**(35)**	(328)	**(387)**	(1,291)
Net income attributable to noncontrolling interest	**3**	4	**5**	7
Provision/(benefit) for income taxes	**(50)**	(149)	**(244)**	(299)
Net income/(loss)	**$12**	(183)	**($148)**	($999)
Net loss available to common shareholders	**($56)**	($164)	**($285)**	($1,040)
Net interest income - FTE	**$1,208**	$1,121	**$2,410**	$2,214
Total revenue - FTE	**2,160**	2,193	**4,060**	4,407
Total revenue - FTE excluding securities (gains)/losses, net [5]	**2,103**	2,218	**4,001**	4,429
Net loss per average common share:				
Diluted[11]	**(0.11)**	(0.41)	**(0.58)**	(2.77)
Diluted excluding goodwill/intangible impairment charges other than MSRs[11]	**(0.11)**	(0.41)	**(0.58)**	(0.86)
Basic	**(0.11)**	(0.41)	**(0.58)**	(2.77)
Dividends paid per common share	**0.01**	0.10	**0.02**	0.20
Book value per common share	**36.19**	36.16		
Tangible book value per common share[7]	**23.58**	23.41		
Market price:				
High	**31.92**	20.86	**31.92**	30.18
Low	**23.12**	10.50	**20.16**	6.00
Close	**23.30**	16.45	**23.30**	16.45
Selected Average Balances				
Total assets	**$171,273**	$176,481	**$171,351**	$177,669
Earning assets	**145,464**	153,177	**146,176**	153,780
Loans	**113,016**	124,124	**113,721**	124,725
Consumer and commercial deposits	**116,460**	113,528	**115,776**	110,538
Brokered and foreign deposits	**2,670**	6,608	**3,049**	