SUNTRUST BANKS INC
Form 10-K
February 23, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

2009 FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-08918

SUNTRUST BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia	**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)

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

Title of each class	Name of exchange on which registered

Common Stock	New York Stock Exchange
Depository Shares, Each Representing 1/4000th Interest in a Share of Perpetual Preferred Stock, Series A	New York Stock Exchange
7.875% Trust Preferred Securities of SunTrust Capital IX	New York Stock Exchange
6.100% Trust Preferred Securities of SunTrust Capital VIII	New York Stock Exchange
5.853% Fixed-to Floating Rate Normal Preferred Purchase Securities of SunTrust Preferred Capital I	New York Stock Exchange
Guarantee of 7.70% Trust Preferred Securities of National Commerce Capital Trust II	New York Stock Exchange

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

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

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

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

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2009 was approximately $6.5 billion, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

At February 8, 2010, 499,350,064 shares of the Registrant s Common Stock, $1.00 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Pursuant to Instruction G of Form 10-K, information in the Registrant s Definitive Proxy Statement for its 2010 Annual Shareholder s Meeting, which it will file with the SEC no later than April 30, 2010 (the Proxy Statement), is incorporated by reference into Items 10-14 of this Report.

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GLOSSARY OF DEFINED TERMS

ABCP Asset-backed commercial paper.

ABS Asset-backed securities.

ALCO Asset/Liability Management Committee.

ALLL Allowance for loan and lease losses.

ANPR Advance Notice of Proposed Rulemaking.

AOCI Accumulated other comprehensive income.

ARMs Adjustable rate mortgages.

ARRA The American Reinvestment and Recovery Act of 2009.

ARS Auction rate securities.

ASR Accelerated share repurchase.

ASC FASB Accounting Standard Codification.

ASU Accounting standards update.

ATE Additional termination event.

Bank SunTrust Bank.

Board The Company s Board of Directors.

CDO Collateralized debt obligation.

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.

Coke The Coca-Cola Company.

Company SunTrust Banks, Inc.

CP Commercial paper.

CPP Capital Purchase Program.

CRA Community Reinvestment Act of 1977.

CRC Corporate Risk Committee.

CRO Chief Risk Officer.

CSA Credit support annex.

DDA Demand deposit account.

DGP Debt Guarantee Program.

DIF Deposit Insurance Fund.

EESA The Emergency Economic Stabilization Act of 2008.

EPS Earnings per share.

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Exchange Act Securities Exchange Act of 1934.

FASB Financial Accounting Standards Board.

FDA Federal Deposit Insurance Act.

FDIC The Federal Deposit Insurance Corporation.

FDICIA The Federal Deposit Insurance Corporation Improvement Act of 1991.

Federal Reserve The Board of Governors of the Federal Reserve System.

FFIEC The Federal Financial Institutions Examination Council.

FHA Federal Housing Administration.

FHLB Federal Home Loan Bank.

FICO Fair Isaac Corporation.

FINRA Financial Industry Regulatory Authority.

Fitch Fitch Ratings Ltd.

FTE Fully taxable-equivalent.

First Mercantile First Mercantile Trust Company.

FNMA Federal National Mortgage Association.

FVO Fair Value Option.

GB&T GB&T Bancshares, Inc.

GenSpring GenSpring Family Offices LLC.

GLB Act Gramm-Leach-Bliley Act.

GNMA Government National Mortgage Association.

IIS Institutional Investment Solutions.

IPO Initial public offering.

IRLCs Interest rate lock commitments.

IRS Internal Revenue Service.

ISDA International Swaps and Derivatives Associations Master Agreement.

Lehman Brothers Lehman Brothers Holdings, Inc.

LHFS Loans held for sale.

LHFI-FV Loans held for investment carried at fair value.

LIBOR London InterBank Offered Rate.

Lighthouse Investment Partners Lighthouse Investment Partners, LLC.

LOCOM Lower of Cost or Market.

LTI Long-term incentive.

LTV Loan to value.

MBS Mortgage-backed securities.

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

MIP Management Incentive Plan.

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MMMF Money market mutual funds.

Moody s Moody s Investors Service.

MSRs Mortgage servicing rights.

MVE Market value of equity.

NAICS North American Industry Classification System.

NCF National Commerce Financial Corporation.

NOL Net operating loss.

NSF Non-sufficient funds.

NYSE New York Stock Exchange.

OCI Other comprehensive income.

OREO Other real estate owned.

OTTI Other-than-temporary impairment.

Parent Company Parent Company of SunTrust Banks, Inc.

Patriot Act The USA Patriot Act of 2001.

PRAC Corporate Product Risk Assessment Committee.

Prime Performance Prime Performance, Inc.

PUP Performance Unit Plan.

PWM Private Wealth Management.

QSPE Qualifying special-purpose entity.

RCCs Replacement Capital Covenants.

REITS Real Estate Investment Trusts.

RidgeWorth RidgeWorth Capital Management, Inc.

ROA Return on average total assets.

ROE Return on average common shareholders equity.

S&P Standard and Poor s.

SCAP Supervisory Capital Assessment Program.

SEC U.S. Securities and Exchange Commission.

Seix Seix Investment Advisors, Inc.

SERP Supplemental Executive Retirement Plan.

SIVs Structured investment vehicles.

SPE Special Purpose Entity.

STIAA SunTrust Institutional Asset Advisors LLC.

STIS SunTrust Investment Services, Inc.

STM SunTrust Mortgage, Inc.

Stock Plan SunTrust Banks, Inc. 2004 Stock Plan.

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STRH SunTrust Robinson Humphrey, Inc.

SunAmerica SunAmerica Mortgage.

SunTrust SunTrust Banks, Inc.

SunTrust Community Capital SunTrust Community Capital, LLC.

TAF Term Auction Facility.

TAGP Transaction Account Guarantee Program.

TARP Troubled Asset Relief Program.

TDR Troubled debt restructuring.

The Agreements Equity forward agreements.

The Program ABCP MMMF Liquidity Facility Program.

Three Pillars Three Pillars Funding, LLC.

TLGP Temporary Liquidity Guarantee Program.

TRS Total return swaps.

Twin Rivers Twin Rivers Insurance Company.

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 Veteran s Administration.

VAR Value at risk.

VEBA Voluntary Employees Beneficiary Association.

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.

ZCI Zevenbergen Capital Investments, LLC.

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PART I

Item 1. BUSINESS

General

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

Additional information relating to our businesses and our subsidiaries is included in the information set forth in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Note 22, Business Segment Reporting, to the Consolidated Financial Statements in Item 8 of this report.

Primary Market Areas

Through its principal subsidiary, SunTrust Bank, the Company provides deposit, credit, and trust and investment services. Additional subsidiaries provide mortgage banking, asset management, securities brokerage, capital market services, and credit-related insurance. SunTrust operates primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia and enjoys strong market positions in these markets. SunTrust operated under four business segments during 2009. These business segments were: Retail and Commercial, Corporate and Investment Banking, Household Lending, and Wealth and Investment Management. In addition, SunTrust provides clients with a selection of technology-based banking channels, including the internet, automated teller machines, and twenty-four hour telebanking. SunTrust s client base encompasses a broad range of individuals and families, businesses, institutions, and governmental agencies.

Acquisition and Disposition Activity

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

During 2009, the Company s Wealth and Investment Management business completed three acquisitions of family office enterprises: Epic Advisors, Inc; a division of CSI Capital Management; and Martin Kelly Capital Management LLC. We completed the sale of our minority interest in Lighthouse Investment Partners, LLC on January 2, 2008, and effective May 1, 2008, we acquired GB&T. On May 30, 2008, we sold our interests in First Mercantile, a retirement plan services subsidiary. Moreover, on September 2, 2008, we sold our fuel card business, TransPlatinum, to Fleet One Holdings LLC. Additional information on these and other acquisitions and dispositions is included in Note 2, Acquisitions/Dispositions, to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Government Supervision and Regulation

As a bank holding company and a financial holding company, the Company is subject to the regulation and supervision of the Federal Reserve and, in limited circumstances described herein, the U.S. Treasury. The Company s principal banking subsidiary, SunTrust Bank, is a Georgia state chartered bank with branches in Georgia, Florida, the District of Columbia, Maryland, Virginia, North Carolina, South Carolina, Tennessee, Alabama, West Virginia, Mississippi, and Arkansas. SunTrust Bank is a member of the Federal Reserve System, and it is regulated by the Federal Reserve, the FDIC and the Georgia Department of Banking and Finance.

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

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

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approval of the Federal Reserve. Moreover, a bank and its affiliates may not, after the acquisition of another bank, control more than 10% of the amount of deposits of insured depository institutions in the United States. In addition, certain states may have limitations on the amount of deposits any bank may hold within that state.

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

The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve risk-based guidelines define a tier-based capital framework. Tier 1 capital includes common shareholders equity, trust preferred securities, minority interests and qualifying preferred stock, less goodwill (net of any qualifying deferred tax liability) and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatorily convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to a certain amount and a portion of the unrealized gain on equity securities. The sum of Tier 1 and Tier 2 capital represents the Company s qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. In addition, the Company, and any bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations. The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets.

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

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

Regulators also must take into consideration: (a) concentrations of credit risk; (b) interest rate risk (when the interest rate sensitivity of an institution s assets does not match the sensitivity of its liabilities or its off-balance-sheet position); and (c) risks from non-traditional activities, as well as an institution s ability to manage those risks, when determining the adequacy of an institution s capital. This evaluation will be made as a part of the institution s regular safety and soundness examination. In addition, regulators may choose to examine other factors in order to evaluate the safety and soundness of financial institutions. For instance, in connection with the Supervisory Capital Assessment Program, our regulators began focusing on Tier 1 common equity, which is the proportion of Tier 1 capital that is common equity. The Tier 1 common equity ratio continues to be a factor which regulators examine in evaluating the safety and soundness of financial institutions.

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In December 2009, the Basel Committee issued two consultative documents proposing reforms to bank capital and liquidity regulation. The Basel Committee s capital proposals would significantly revise the definitions of Tier 1 capital and Tier 2 capital. Among other things, they would: reemphasize that common equity is the predominant component of Tier 1 capital by adding a minimum common equity to risk-weighted assets ratio, with the ratio itself to be determined based on the outcome of an impact study that the Basel Committee is conducting, and requiring that goodwill, general intangibles and certain other items that currently must be deducted from Tier 1 capital instead be deducted from common equity as a component of Tier 1 capital; disallow full value of MSRs from common equity; disqualify innovative capital instruments including U.S.-style trust preferred securities and other instruments that effectively pay cumulative dividends from Tier 1 capital status; strengthen the risk coverage of the capital framework, particularly with respect to counterparty credit risk exposures arising from derivatives, repurchase agreements and securities financing activities; introduce a leverage ratio requirement as an international standard, including all commitments (including liquidity facilities), unconditionally cancellable commitments, direct credit substitutes, and other items fully funded; and implement measures to promote the build-up of capital buffers in good times that can be drawn upon during periods of stress, introducing a countercyclical component designed to address the concern that existing capital requirements are procyclical that is, they encourage reducing capital buffers in good times, when capital could more easily be raised, and increasing capital buffers in times of distress, when access to capital markets may be limited or they may effectively be closed. The capital proposals do not specify a percentage for the new ratio of common equity to risk-weighted assets or changes in the current minimum Tier 1 (4%) and total (8%) risk-based capital requirements. Instead, they state that the minimum percentage requirements for the new ratio of common equity to risk-weighted assets and the other capital ratios including Tier 1 capital to risk-weighted assets, total capital to risk-weighted assets and the new leverage ratio will be included in a fully calibrated, comprehensive set of capital and liquidity proposals to be released by December 31, 2010. Independently in September 2009, the U.S. Treasury issued a policy statement titled Principles for Reforming the U.S. and International Regulatory Capital Framework for Banking Firms setting forth core principles intended to address many of the same substantive items as the Basel Committee capital proposals.

The Basel Committee s liquidity proposals, although similar in many respects to tests historically applied by banking organizations and regulators for management and supervisory purposes, if implemented would for the first time be formulaic and required by regulation. They would impose two measures of liquidity risk exposure, one based on a 30-day time horizon and the other addressing longer term structural liquidity mismatches over a one-year time period. The 30-day time horizon measure would not include certain assets (specifically, Fannie Mae and Freddie Mac securities) that play a major role in current liquidity management, which could have substantial impact.

The Basel Committee indicated that it expects final provisions responsive to the proposals to be implemented by December 31, 2012. Ultimate implementation in individual countries, including the United States, is subject to the discretion of the bank regulators in those countries. The Basel Committee s final proposals may differ from the proposals released in December 2010, and the regulations and guidelines adopted by regulatory authorities having jurisdiction over the Company may differ from the final accord of the Basel Committee. Moreover, although some aspects of the Basel Committee proposals were quite specific (for example, the definition of the components of capital), others were merely conceptual (for example, the description of the leverage test) and others not specifically addressed (for example, the minimum percentages for required capital ratios). We are not able to predict at this time the content of guidelines or regulations that will ultimately be adopted by regulatory agencies having authority over the Company or the impact of changes in capital and liquidity regulation upon us. However, a requirement that the Company and its bank subsidiaries maintain more capital, with common equity as a more predominant component, or manage the configuration of their assets and liabilities in order to comply with formulaic liquidity requirements, could significantly impact our financial condition, operations, capital position and ability to pursue business opportunities.

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

The FDIC maintains the DIF by assessing depository institutions an insurance premium. The amount each institution is assessed is based upon statutory factors that include the balance of insured deposits as well as the degree of risk the institution poses to the insurance fund. The FDIC recently increased the amount of deposits it insures from $100,000 to $250,000. This increase is temporary and will continue through December 31, 2013. The Company s banking subsidiary pays an insurance premium into the DIF based on the quarterly average daily deposit liabilities net of certain exclusions held at the Company s banking subsidiary. The FDIC uses a risk-based premium system that assesses higher rates on those institutions

that pose greater risks to the DIF. The FDIC places each institution in one of four risk categories using a two-step process based first on capital ratios (the capital group assignment) and then on other relevant information (the supervisory group assignment). Subsequently, the rate for each institution within a risk category may be adjusted depending upon different factors that either enhance or reduce the risk the institution poses to the DIF, including the unsecured debt, secured liabilities and brokered deposits related to each institution. Finally, certain risk multipliers may be applied to the adjusted assessment. In 2009, the FDIC increased the amount assessed from financial institutions by increasing its risk-based deposit insurance assessment scale uniformly by a total of seven basis points. The assessment scale for 2009 ranged from twelve basis points of assessable deposits for the strongest institutions to fifty basis points for the weakest. In 2009, the FDIC also adopted a uniform three basis points increase across all risk categories to be effective starting January 1, 2011.

On November 12, 2009, the FDIC voted to approve a rule to require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012. An insured institution s risk-based deposit insurance assessments will continue to be calculated on a quarterly basis, but will be paid from the amount the institution prepaid until the later of the date that amount is exhausted or June 30, 2013, at which point any remaining funds would be returned to the insured institution. Consequently, the Company s prepayment of DIF premiums made on December 29, 2009 resulted in a prepaid asset of $924.8 million.

In November 2008, the FDIC created the TLGP to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts, and certain holding companies via its DGP, and by providing full coverage of noninterest bearing deposit transaction accounts and capped NOW accounts, regardless of dollar amount via its TAGP. As of October 31, 2009, banks are no longer eligible to issue additional debt under the TLGP and the Company has opted not to participate in the TAGP beyond December 31, 2009.

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

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

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

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

In 2009, the Federal Reserve adopted amendments to its Regulation E that will restrict our ability to charge our clients overdraft fees beginning in July of 2010. Pursuant to the adopted regulation, clients must opt-in to an overdraft service in

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order for the banking subsidiary to collect overdraft fees. Overdraft fees have in the past represented a significant amount of noninterest fees collected by the Company s banking subsidiary. In addition, additional legislation is currently being debated in Congress that would further restrict the Company s banking subsidiary from collecting overdraft fees or limit the amount of overdraft fees that that may be collected by the Company s banking subsidiary.

The Company is subject to the rules and regulations promulgated under the EESA by virtue of the Company s sale of preferred stock to the U.S. Treasury under the U.S. Treasury s CPP. Additional information relating to the restrictions on dividends and redemptions is included in the information set forth in Item 7 of this report under the caption, Liquidity Risk. Furthermore, under rules and regulations of EESA to which the Company is subject, no dividends may be declared or paid on the Company s common stock and the Company may not repurchase or redeem any common stock unless dividends due with respect to Senior Preferred Shares have been paid in full. Moreover, the consent of the U.S. Treasury will be required for any increase in the per share dividends on the Company s common stock, beyond the per share dividend declared prior to October 14, 2008 ($0.77 per share per quarter) until the third anniversary of the date of U.S. Treasury s investment; unless prior to the third anniversary, the Senior Preferred Shares are redeemed in whole or the U.S. Treasury has transferred all of its shares to third parties. Under this provision, the Company could reduce its dividend and subsequently restore it to no more than $0.77 per share per quarter at any time. Additionally, if the Company pays a dividend in excess of $0.54 per share per quarter before the tenth anniversary then the anti-dilution provisions of the U.S. Treasury s warrants will reduce its exercise price and increase the number of shares issuable upon exercise of the warrant.

Because of the Company s participation in the CPP, the U.S. Treasury is permitted to determine whether the public disclosure required for the Company with respect to the Company s off-balance sheet transactions, derivative instruments, contingent liabilities and similar sources of exposure are adequate to provide the public sufficient information as to the true financial position of the Company. If the U.S. Treasury were to determine that such disclosure is not adequate for such purpose, the U.S. Treasury will make additional recommendations for additional disclosure requirements to the Federal Reserve, the Company s primary federal regulator.

Because of the Company s participation in the CPP, the Company is subject to certain restrictions on its executive compensation practices, which are discussed in Item 11 of this report.

On October 22, 2009, the Federal Reserve published guidance for structuring incentive compensation arrangements at financial organizations. All financial institutions, not just companies that participated in the CPP, and even financial institutions which have repaid their CPP investments, would be subject to this guidance. The guidance does not set forth any formulas or pay caps, but contains certain principles which companies would be required to follow with respect to, employees and groups of employees that may expose the organization to material amounts of risk. The three primary principles are (i) balanced risk-taking incentives, (ii) compatibility with effective controls and risk management, and (iii) strong corporate governance. The Federal Reserve is conducting a special review of incentive compensation practices at large, complex banking organizations and is working with such organizations to review, analyze and provide input into their incentive compensation arrangements.

On January 14, 2010, the Obama administration announced a proposal to impose a Financial Crisis Responsibility Fee on those financial institutions that benefited extraordinarily from recent actions taken by the U.S. government to stabilize the financial system. If implemented, the Financial Crisis Responsibility Fee will only be applied to firms with over $50 billion in consolidated assets, and, therefore, by its terms would apply to the Company. Such Financial Crisis Responsibility Fee would be collected by the Internal Revenue Service and would be approximately fifteen basis points, or 0.15%, of an amount calculated by subtracting a covered institution s Tier 1 capital and FDIC-assessed deposits (and/or an adjustment for insurance liabilities covered by state guarantee funds) from such institution s total assets.

The Financial Crisis Responsibility Fee, if implemented as proposed by the Obama administration, would go into effect on June 30, 2010 and remain in place for at least ten years. The U.S. Treasury would be asked to report after five years on the effectiveness of the Financial Crisis Responsibility Fee as well as its progress in repaying projected losses to the U.S. government as a result of TARP. If losses to the U.S. government as a result of TARP have not been recouped after ten years, the Financial Crisis Responsibility Fee would remain in place until such losses have been recovered.

The Company s non-banking subsidiaries are regulated and supervised by various other regulatory bodies. For example, STRH is a broker-dealer registered with the SEC and the FINRA. STIS is also a broker-dealer and investment adviser registered with the SEC and a member of the FINRA. RidgeWorth and several of RidgeWorth s subsidiaries are investment advisers registered with the SEC.

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

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The House of Representatives has recently passed the Wall Street Reform and Consumer Protection Act (H.R. 4173). This legislation, if it becomes effective, would, among other things (i) create the Consumer Financial Protection Agency to regulate consumer financial products and services, (ii) create a Financial Stability Council that would identify and impose additional regulatory oversight on large financial firms, (iii) create a new process for the bankruptcy and liquidation of large financial institutions and finance such dissolutions with a Systemic Dissolution Fund that would be funded with assessments on large institutions, (iv) require a shareholder say on pay vote on executive compensation and require financial firms to disclose certain information regarding incentive-based compensation for employees, (v) strengthen the SEC s powers to regulate securities markets, (vi) regulate the over-the-counter derivatives marketplace, and (vii) adopt certain mortgage reforms and anti-predatory lending restrictions. The Senate is currently considering a similar bill, the Homeowner Protection and Wall Street Accountability Act (S-3). If such legislation would be signed into law, the Company may be subject to some or all of the new restrictions and requirements. This new law may also require the Company to change or adapt some of its current policies and procedures.

Competition

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

In the past two years, as a result of recent economic events, there has been an increase in the number of failures and acquisitions of commercial and investment banks, including large commercial and investment banks. This has allowed certain larger financial institutions to acquire a presence in our footprint. Additionally, certain large financial institutions that were formerly engaged primarily in investment banking activities have amended their charters to become regulated commercial banks, thereby increasing the direct competitors to the Company. Consequently, merger activity has increased within the banking industry.

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

Employees

As of December 31, 2009, there were 28,001 full-time equivalent employees within SunTrust. None of the domestic employees within the Company are subject to a collective bargaining agreement. Management considers its employee relations to be good.

Additional Information

See also the following additional information which is incorporated herein by reference: Business Segments (under the captions Business Segments in Item 7, the MD&A, and Business Segment Reporting in Note 22 to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data); Net Interest Income (under the captions Net Interest Income/Margin in the MD&A and Selected Financial Data in Item 6); Securities (under the caption Securities Available for Sale in the MD&A and Note 5 to the Consolidated Financial Statements); Loans and Leases (under the captions Loans , Allowance for Credit Losses , Provision for Credit Losses , and Nonperforming Assets in the MD&A and Loans and Allowance for Credit Losses in Notes 6 and 7, respectively, to the Consolidated Financial Statements); Deposits (under the caption Deposits in the MD&A); Short-Term Borrowings (under the captions Liquidity Risk and Other Short-Term Borrowings and Long-Term Debt in the MD&A and Other Short-Term Borrowings and Contractual Commitments in Note 10 to the Consolidated Financial Statements); Trading Activities and Trading Assets and Liabilities (under the caption Trading Assets and Liabilities in the MD&A and Trading Assets and Liabilities and Fair Value Election and Measurement in Notes 4 and 20, respectively, to the Consolidated Financial Statements); Market Risk Management (under the caption Market Risk Management in the MD&A); Liquidity Risk Management (under the caption Liquidity Risk in the MD&A); and Operational Risk Management (under the caption Operational Risk Management in the MD&A).

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SunTrust s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on the Company s website at www.suntrust.com under the Investor Relations section as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to the SEC. The public may read and copy any materials the Company files with the SEC at the SEC Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC s website address is www.sec.gov. In addition, SunTrust makes available on its website at www.suntrust.com under the heading Corporate Governance its: (i) Code of Ethics; (ii) Corporate Governance Guidelines; and (iii) the charters of SunTrust Board committees, and also intends to disclose any amendments to its Code of Ethics, or waivers of the Code of Ethics on behalf of its Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, on its website. These corporate governance materials are also available free of charge in print to shareholders who request them in writing to: SunTrust Banks, Inc., Attention: Investor Relations, P.O. Box 4418, Mail Code GA-ATL-634, Atlanta, Georgia 30302-4418.

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

Item 1A. RISK FACTORS
Possible Additional Risks

The risks listed here are not the only risks we face. Additional risks that are not presently known, or that we presently deem to be immaterial, also could have a material adverse effect on our financial condition, results of operations, business, and prospects.

Recent Market, Legislative, and Regulatory Events

Difficult market conditions have adversely affected our industry.

Dramatic declines in the housing market over the past three years, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of real estate related loans and resulted in significant write-downs of asset values by financial institutions. These write-downs, initially of ABS but spreading to other securities and loans, have caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition and results of operations. Market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provision for credit losses. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry.

Recent levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than two years. Volatility and disruption have reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

Recently enacted legislation, legislation enacted in the future, or any proposed federal programs subject us to increased regulation and may adversely affect us.

On October 14, 2008, the U.S. Treasury announced a program under the EESA pursuant to which it would make senior preferred stock investments in participating financial institutions (the CPP). On October 14, 2008, the FDIC announced the TLGP under the systemic risk exception to the FDA pursuant to which the FDIC would offer a guarantee of certain financial institution indebtedness in exchange for an insurance premium to be paid to the FDIC by issuing financial institutions.

We have participated in the CPP and issued debt under the TLGP. Because we participate in the CPP, we are subject to increased regulation, and we face additional regulations or changes to regulations to which we are subject as a result of our participation. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities. For example, participation in the CPP limits (without the consent of the U.S. Treasury) our ability to increase our dividend or to repurchase our common stock for so long as any securities issued under such program remain outstanding. In addition, the EESA, contains, among other things, significant restrictions on the payment of executive compensation, which may have an adverse effect on the retention or recruitment of key members of senior management. Also, the cumulative dividend payable under the preferred stock that we issued to the U.S. Treasury pursuant to the CPP increases from 5% to 9% after 5 years. Additionally, we may not deduct interest paid on our preferred stock for income tax purposes.

Similarly, any program established by the FDIC under the systemic risk exception of the FDA may adversely affect us whether we participate or not. Our participation in the TLGP requires we pay additional insurance premiums to the FDIC. Additionally, the FDIC has increased premiums on insured accounts because market developments, including the increase of failures in the banking industry, have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits.

Recently, the Federal Reserve adopted amendments to its Regulation E. These amendments will first apply to us on July 1, 2010. The changes will affect the circumstances when we will be able to charge our clients overdraft fees.

On December 11, 2009, the U.S. House of Representatives passed a bill entitled the Wall Street Reform and Consumer Protection Act (H.R. 4173). The Senate is considering a similar bill entitled the Homeowner Protection and Wall Street Accountability Act (S-3). The legislation contained several changes to the regulatory system could adversely affect our business and the economies of the markets in which we operate. For example, the bill sets forth the establishment of a consumer protection agency which would exercise authority under existing consumer laws, have broad rule writing powers to administer and carry out its purpose and objectives, have the power to exempt certain persons or consumer financial products from its purview, have the power to examine or require reports from certain persons to ensure compliance with such agency s mandates and have primary enforcement action over its mandates. The application of the powers of any consumer protection agency is unclear; however, it has been advocated by its proponents that such an agency would standardize consumer financial products and permit un-standardized products to be offered under very limited circumstances, among other things. Such a limitation on the financial products we may offer may impact our ability to meet all of our clients needs and lead to clients seeking financial solutions and products through nonbanking channels outside the scope of this agency. Additionally, the bill strengthens mortgage regulations, seeks to regulate derivatives markets and give regulators greater power over how bank executives are compensated. Consequently, the increased expense of complying with an additional regulatory agency and regulations may adversely affect profits.

We are not able to predict when or whether regulatory or legislative reforms will be enacted or what its contents will be. Accordingly, we cannot predict the impact of any legislation on our businesses or operations.

We are subject to capital adequacy guidelines and, if we fail to meet these guidelines, our financial condition would be adversely affected.

Under regulatory capital adequacy guidelines and other regulatory requirements, our company and our subsidiary banks and broker-dealers must meet guidelines subject to qualitative judgments by regulators about components, risk weightings and other factors. From time to time, the regulators implement changes to these regulatory capital adequacy guidelines. If we failed to meet these minimum capital guidelines and other regulatory requirements, our financial condition would be materially and adversely affected. In light of proposed changes in the regulatory accords on international banking institutions formulated by the Basel Committee on Banking Supervision and implemented by the Federal Reserve Board, we may be required to satisfy additional, more stringent, capital adequacy standards. We cannot fully predict the final form of, or the effects of, these regulations.

We have not yet received permission to repay TARP funds.

In order to repay the TARP funds we received, we must first receive approval from our primary federal regulator who will then forward our application to the U.S. Treasury. Although we believe we have sufficient liquidity to repay our TARP funds, to date, we have not obtained the necessary governmental approval to repay such funds. Until we repay our TARP funds, we will continue to be subject to the constraints imposed on us by the federal government in connection with such funds.

Emergency measures designed to stabilize the U.S. banking system are beginning to wind down.

Since the middle of 2008, a number of legislation and regulatory actions have been implemented in response to the recent financial crisis. Some of these programs have begun to expire and the impact of the wind down of these programs on the financial sector and on the economic recovery is unknown. A stall in the economic recovery or a continuation or worsening of current financial market conditions could materially and adversely affect our business and results of operations.

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Business Risks

We are subject to credit risk.

When we loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, or the risk of losses if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their contracts. A number of our products expose us to credit risk, including loans, leases and lending commitments, derivatives, trading account assets, insurance arrangements with respect to such products, and assets held for sale. As one of the nation s largest lenders, the credit quality of our portfolio can have a significant impact on our earnings. We estimate and establish reserves for credit risks and credit losses inherent in our credit exposure (including unfunded credit commitments). This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify.

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.

If the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations do not improve, or continue to decline, this could result in, among other things, a deterioration of credit quality or a reduced demand for credit, including a resultant effect on our loan portfolio and ALLL. A significant portion of our residential mortgages and commercial real estate loan portfolios are composed of borrowers in the Southeastern and Mid-Atlantic regions of the United States, in which certain markets have been particularly adversely affected by declines in real estate value, declines in home sale volumes, and declines in new home building. These factors could result in higher delinquencies and greater charge-offs in future periods, which would materially adversely affect our financial condition and results of operations.

Weakness in the real estate market, including the secondary residential mortgage loan markets, has adversely affected us and may continue to adversely affect us.

Significant ongoing disruptions in the secondary market for residential mortgage loans have limited the market for and liquidity of many mortgage loans. The effects of ongoing mortgage market challenges, combined with the ongoing correction in residential real estate market prices and reduced levels of home sales, could result in further price reductions in single family home values, adversely affecting the value of collateral securing mortgage loans that we hold, mortgage loan originations and profits on sales of mortgage loans. Declining real estate prices have caused cyclically higher delinquencies and losses on certain mortgage loans, particularly Alt-A mortgages and home equity lines of credit and mortgage loans sourced from brokers that are outside our branch bank network. These conditions have resulted in losses, write downs and impairment charges in our mortgage and other lines of business. Continued declines in real estate values, home sales volumes, financial stress on borrowers as a result of job losses, interest rate resets on ARMs or other factors could have further adverse effects on borrowers that could result in higher delinquencies and greater charge-offs in future periods, which adversely affect our financial condition or results of operations. Additionally, counterparties to insurance arrangements used to mitigate risk associated with increased foreclosures in the real estate market are stressed by weaknesses in the real estate market and a commensurate increase in the number of claims. Additionally, decreases in real estate values might adversely affect the creditworthiness of state and local governments, and this might result in decreased profitability or credit losses from loans made to such governments. A decline in home values or overall economic weakness could also have an adverse impact upon the value of real estate or other assets which we own upon foreclosing a loan and our ability to realize value on such assets.

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.

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

- A decrease in the demand for loans and other products and services offered by us;
- A decrease in the value of our LHFS or other assets;
- A loss of clients and/or reduced earnings could trigger an impairment of certain intangible assets, such as goodwill;
- An increase in the number of clients and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us. An increase in the number of delinquencies, bankruptcies or defaults could result in a higher

level of nonperforming assets, net charge-offs, provision for credit losses, and valuation adjustments on LHFS.

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.

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

- The yield on earning assets and rates paid on interest-bearing liabilities may change in disproportionate ways;
- The value of certain balance sheet and off-balance sheet financial instruments or the value of equity investments that we hold could decline;
- The value of assets for which we provide processing services would decline; or
- To the extent we access capital markets to raise funds to support our business, such changes could affect the cost of such funds or the ability to raise such funds.

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

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

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.

When we sell mortgage loans, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. Our whole loan sale agreements require us to repurchase or substitute mortgage loans in the event we breach any of these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of borrower fraud or in the event of early payment default of the borrower on a mortgage loan. Likewise, we are required to repurchase or substitute mortgage loans if we breach a representation or warranty in connection with our securitizations. The remedies available to us against the originating broker or correspondent may not be as broad as the remedies available to a purchaser of mortgage loans against us, and we face the further risk that the originating broker or correspondent may not have the financial capacity to perform remedies that otherwise may be available to us. Therefore, if a purchaser enforces its remedies against us, we may not be able to recover our losses from the originating broker or correspondent. We have received an increased number of repurchase and indemnity demands from purchasers as a result of borrower fraud. This increase in repurchase demands, combined with an increase in expected loss severity on repurchased loans due to deteriorated real estate values and liquidity for impaired loans, has resulted in an increase in the amount of accrued losses for repurchases as of December 31, 2009. While we have taken steps to enhance our underwriting policies and procedures, there can be no assurance that these steps will be effective or reduce risk associated with loans sold in the past. If repurchase and indemnity demands increase, our liquidity, results of operations and financial condition will be adversely affected.

We may continue to suffer increased losses in our loan portfolio despite enhancement of our underwriting policies.

We seek to mitigate risks inherent in our loan portfolio by adhering to specific underwriting practices. These practices often include the analysis of a borrower s credit history, financial statements, tax returns and cash flow projections; valuation of collateral based on reports of independent appraisers; and verification of liquid assets. Although we have taken steps to enhance our underwriting policies and procedures, we have still incurred high levels of losses on loans that have met these criteria, and may continue to experience higher than expected losses depending on economic factors and borrower behavior.

Depressed market values for our stock may require us to write down goodwill.

Numerous facts and circumstances are considered when evaluating the carrying value of our goodwill. One of those considerations is the estimated fair value of each reporting unit. The estimated fair values of the individual reporting units are assessed for reasonableness several ways, including by aggregating the individual reporting unit s fair value and analyzing the combined fair value in relation to the total estimated fair value of SunTrust. We analyze the combined fair value of SunTrust by reviewing a variety of indicators, including our market capitalization evaluated over a reasonable period of time. While this comparison provides some relative market information regarding the estimated fair value of the reporting units, it is not determinative and needs to be evaluated in the context of the current economic and political environment. However, significant and/or sustained declines in our market capitalization, especially in relation to our book value, could be an indication of potential impairment of goodwill.

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

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Consumers may decide not to use banks to complete their financial transactions, which could affect net income. Technology and other changes now allow parties to complete financial transactions without banks. For example, consumers can pay bills and transfer funds directly without banks. This process could result in the loss of fee income, as well as the loss of client deposits and the income generated from those deposits.

We have businesses other than banking which subject us to a variety of risks.

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

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

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

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

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

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

Third parties provide key components of our business infrastructure such as banking services, processing, and internet connections and network access. Any disruption in such services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect our ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect our business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. We may not be insured against all types of losses as a result of third party failures and our insurance coverage may be inadequate to cover all losses resulting from system failures or other disruptions. Failures in our business infrastructure could interrupt the operations or increase the costs of doing business.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

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

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

We may also be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses or electrical or telecommunications outages or natural disasters, or events arising from local or regional politics, including terrorist acts. Such disruptions may give rise to losses in service to clients and loss or liability to us. In addition, there is the risk that our controls and procedures as well as business continuity and data security systems prove to be inadequate. The computer systems and network systems we and others use could be vulnerable to unforeseen problems. These problems may arise in both our internally developed systems and the systems of third-party service providers. In addition, our computer systems and network infrastructure present security risks, and could be susceptible to hacking or identity theft. Any such failure could affect our operations and could materially adversely affect our results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to litigation or losses not covered by insurance.

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

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

We are subject to certain litigation, and our expenses related to this litigation may adversely affect our results.

We are subject to certain litigation in the ordinary course of our business. The outcome of these cases is uncertain. However, during the current credit crisis, we have seen both the number of cases and our expenses related to those cases increase. While we do not believe that any single case will have a material adverse effect on us, the cumulative burden of these cases may adversely affect our results.

Industry Risks

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

We are heavily regulated by federal and state agencies. This regulation is to protect depositors, the federal DIF and the banking system as a whole. Congress and state legislatures and federal and state regulatory agencies continually review banking laws, regulations, and policies for possible changes. Changes to statutes, regulations, or regulatory policies, including interpretation or implementation of statutes, regulations, or policies, could affect us adversely, including limiting the types of financial services and products we may offer and/or increasing the ability of nonbanks to offer competing financial services and products. Also, if we do not comply with laws, regulations, or policies, we could receive regulatory sanctions and damage to our reputation.

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

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

Future legislation could harm our competitive position.

Federal, state, and local legislatures increasingly have been considering proposals to substantially change the financial institution regulatory system and to expand or contract the powers of banking institutions, bank holding companies and bank regulatory agencies. Various legislative bodies have also recently been considering altering the existing framework governing creditors rights, including legislation that would result in or allow loan modifications of various sorts. Such legislation may change banking statutes and the operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any regulations, would have on our activities, financial condition, or results of operations.

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

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

We may not pay dividends on your common stock.

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock. Also, our ability to increase our dividend or to make other distributions is restricted due to our participation in the CPP, which limits (without the consent of the U.S. Treasury) our ability to increase our dividend or to repurchase our common stock for so long as any securities issued under such program remain outstanding.

Our ability to receive dividends from our subsidiaries accounts for most of our revenue and could affect our liquidity and ability to pay dividends.

We are a separate and distinct legal entity from our subsidiaries, including SunTrust Bank. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our common stock and interest and principal on our debt. Various federal and/or state laws and regulations limit the amount of dividends that our bank and certain of our nonbank subsidiaries may pay us. Also, our right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors. Limitations on our ability to receive dividends from our subsidiaries could have a material adverse effect on our liquidity and on our ability to pay dividends on common stock. Additionally, if our subsidiaries earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, we may not be able to make dividend payments to our common stockholders.

Significant legal actions could subject us to substantial uninsured liabilities.

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

Company Risks

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.

We offer a variety of secured loans, including commercial lines of credit, commercial term loans, real estate, construction, home equity, consumer and other loans. Many of our loans are secured by real estate (both residential and commercial) in our market area. A major change in the real estate market, such as deterioration in the value of this collateral, or in the local or national economy, could adversely affect our customer s ability to pay these loans, which in turn could adversely impact us. Additionally, increases in unemployment have and may continue to adversely affect the ability of certain clients to pay loans and the financial results of commercial clients in localities with higher unemployment, which may result in loan defaults and foreclosures and which may impair the value of our collateral. Risk of loan defaults and foreclosures are unavoidable in the banking industry, and we try to limit our exposure to this risk by monitoring our extensions of credit carefully. We cannot fully eliminate credit risk, and as a result credit losses may increase in the future.

Deteriorating credit quality, particularly in real estate loans, has adversely impacted us and may continue to adversely impact us.

We have experienced a downturn in credit performance, which became significant starting in the third and fourth quarters of 2007 and continued through 2009. This deterioration has resulted in an increase in our allowance for loan losses starting in 2008 and continuing throughout 2009, which increases were driven primarily by residential and commercial real estate and home equity portfolios. Additional increases in the allowance for loan losses may be necessary in the future. Deterioration in the quality of our credit portfolio can have a material adverse effect on our capital, financial condition, and results of operations.

Our allowance for loan losses may not be adequate to cover our eventual losses.

Like other financial institutions, we maintain an allowance for loan losses to provide for loan defaults and nonperformance. Our allowance for loan losses is based on our historical loss experience, as well as an evaluation of the risks associated with our loan portfolio, including the size and composition of the loan portfolio, current economic conditions and geographic concentrations within the portfolio. The current stress on the United States economy and the local economies in which we do business may be greater or last longer than expected, resulting in, among other things, greater than expected deterioration in credit quality of our loan portfolio, or in the value of collateral securing these loans. Our allowance for loan losses may not be adequate to cover eventual loan losses, and future provisions for loan losses could materially and adversely affect our financial condition and results of operations.

We will realize future losses if the proceeds we receive upon liquidation of nonperforming assets are less than the carrying value of such assets.

Nonperforming assets are recorded on our financial statements at the estimated net realizable value that we expect to receive from holding and ultimately dispensing of the assets. Deteriorating market conditions could result in a realization of future losses if the proceeds we receive upon dispositions 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 managing our consolidated balance sheet, we depend on access to global capital markets to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our clients. Other sources of funding available to us, and upon which we rely as regular components of our liquidity risk management strategy, include inter-bank borrowings, repurchase agreements, and borrowings from the Federal Reserve discount window. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, our depositors or counterparties participating in the capital markets, or a downgrade of our debt rating, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity.

In 2009 and 2010, credit rating agencies downgraded the credit ratings of SunTrust Bank and SunTrust Banks, Inc. 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.

Our credit ratings are an important factor in determining both the available volume and the cost of our wholesale funding. On March 5, 2009, Fitch lowered the credit ratings for SunTrust Banks, Inc. and SunTrust Bank from A+/F-1 to A-/F-1. On April 23, 2009, Moody s downgraded the senior credit ratings for SunTrust Banks, Inc. and SunTrust Bank from A1/P-1 and Aa3/P-1, respectively, to Baa1/P-2 and A2/P-1, respectively. On April 28, 2009, S&P downgraded the credit ratings for SunTrust Banks, Inc. and SunTrust Bank from A/A-1 and A+/A-1, respectively to BBB+/A-2 and A-/A-2, respectively. On February 1, 2010, S&P downgraded SunTrust Banks, Inc s. credit ratings to BBB/A-2 and SunTrust Bank s credit ratings to BBB+/A-2. Our credit ratings remain on Negative outlook with Moody s and Fitch, while S&P maintains a Stable outlook on our ratings. Additional downgrades are possible. Where our bank subsidiaries are providing forms of credit support such as letters of credit, standby lending arrangements or other forms of credit support, a decline in short-term credit ratings may prompt customers of our bank subsidiaries to seek replacement credit support from a higher rated institution. In April 2009, we experienced a downgrade which affected a part of our business which we discuss in the Management s Discussion and Analysis Liquidity Risk section below. We cannot predict whether existing customer relationships or opportunities for future relationships could be further affected by customers who choose to do business with a higher rated institution.

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

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

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

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

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

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

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

Our success depends upon the ability to attract and retain highly motivated, well-qualified personnel. We face significant competition in the recruitment of qualified employees. Pursuant to recently enacted legislation, the U.S. Treasury has instituted certain restrictions on the compensation of certain senior management positions. It is possible that the U.S. Treasury may, as it is permitted to do, impose further requirements on us that may inhibit our ability to hire and retain the most qualified senior personnel. In addition, if we are unable to repay our TARP funds, we will continue to be subject to significant restrictions on the payment of executive compensation and may be at a disadvantage to our competitors who have repaid TARP funds in our ability to recruit and retain the most qualified senior personnel. Our ability to execute the business strategy and provide high quality service may suffer if we are unable to recruit or retain a sufficient number of qualified employees or if the costs of employee compensation or benefits increase substantially.

Further, the Federal Reserve on October 27, 2009 published proposed guidance on sound incentive compensation policies. Through this guidance, the Federal Reserve will regulate incentive compensation at financial institutions through its power to regulate the safety and soundness of the banking system. Such regulation will apply to us even after we repay TARP. Additionally, on January 12, 2010, the Board of Directors of the FDIC published an ANPR on Employee Compensation. The ANPR seeks comment on how, and whether, the FDIC s risk-based deposit insurance assessment system applicable to all insured banks should be amended to account for risks imposed by employee compensation programs. Citing a broad consensus that some compensation structures misalign incentives and induce imprudent risk taking within financial organizations , the FDIC is considering establishing criteria to determine whether a financial institution s employee compensation programs provide incentives for employees to take excessive risks. The FDIC is concerned that such risk-taking increases the institution s risk of failure and thereby could lead to increased losses to the DIF. The ANPR proposal could apply not only to compensation at the insured depository, but also at its parent and nonbank affiliates. Under the approach outlined in the ANPR, whether a financial institution s compensation program either meets or does not meet the criteria would be used to adjust the institution s risk-based assessment rate, thereby acting as an incentive for institutions that meet the criteria and a disincentive for those that do not. According to the ANPR, the criteria that the FDIC is considering are not aimed at limiting the amount that insured depository institutions can pay their employees, but rather are intended to compensate the DIF for risks associated with certain compensation programs.

At this time, we cannot predict the impact of the Federal Reserve s proposed guidance or the FDIC s ANPR.

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

Accounting policies and processes are fundamental to how we record and report the financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and processes so they comply with U.S. GAAP.

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

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

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

Our stock price can be volatile.

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

- variations in our quarterly operating results;
- changes in market valuations of companies in the financial services industry;
- governmental and regulatory legislation or actions;
- issuances of shares of common stock or other securities in the future;
- changes in dividends;
- the addition or departure of key personnel;
- cyclical fluctuations;
- changes in financial estimates or recommendations by securities analysts regarding us or shares of our common stock;
- announcements by us or our competitors of new services or technology, acquisitions, or joint ventures; and
- activity by short sellers and changing government restrictions on such activity.

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

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

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

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

Our financial instruments carried at fair value expose us to certain market risks.

We maintain an available for sale securities portfolio and trading assets which include various types of instruments and maturities. In addition, we elected to record selected fixed-rate debt, mortgage loans, securitization warehouses and other trading assets at fair value. The changes in fair value of the financial instruments elected to be carried at fair value are recognized in earnings. The financial instruments carried at fair value are exposed to market risks related to changes in interest rates, market liquidity, and our market-based credit spreads, as well as to the risk of default by specific borrowers. We manage the market risks associated with these instruments through active hedging arrangements or broader asset/liability management strategies. Changes in the market values of these financial instruments could have a material adverse impact on our financial condition or results of operations. We may classify additional financial assets or financial liabilities at fair value in the future.

Our revenues derived from our investment securities may be volatile and subject to a variety of risks.

We generally maintain investment securities and trading positions in the fixed income, currency, commodity, and equity markets. Unrealized gains and losses associated with our investment portfolio and mark to market gains and losses associated with our trading portfolio are affected by many factors, including interest rate volatility, volatility in capital markets, and other economic factors. Our return on such investments and trading have in the past experienced, and will likely in the future experience, volatility and such volatility may materially adversely affect our financial condition and results of operations. Additionally, accounting regulations may require us to record a charge prior to the actual realization of a loss when market valuations of such securities are impaired and such impairment is considered to be other than temporary.

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We may enter into transactions with off-balance sheet affiliates or our subsidiaries.

We engage in a variety of transactions with off-balance sheet entities with which we are affiliated. While we have no obligation, contractual or otherwise, to do so, under certain limited circumstances, these transactions may involve providing some form of financial support to these entities. Any such actions may cause us to recognize current or future gains or losses. Depending on the nature and magnitude of any transaction we enter into with off-balance sheet entities, accounting rules may require us to consolidate the financial results of these entities with our financial results.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The Company s headquarters is located in Atlanta, Georgia. As of December 31, 2009, SunTrust Bank owned 598 of its 1,683 full-service banking offices and leased the remaining banking offices. (See Note 8, Premises and Equipment, to the Consolidated Financial Statements for further discussion of its properties.)

Item 3. LEGAL PROCEEDINGS

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

Also refer to Note 21, Contingencies , to the Consolidated Financial Statements.

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

There were no matters submitted to a vote of shareholders during the quarter ended December 31, 2009.

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PART II

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

The principal market in which the common stock of the Company is traded is the NYSE. See Item 6 and Table 18 in the MD&A for information on the high and the low sales prices of the SunTrust Banks, Inc. common stock on the NYSE, which is incorporated herein by reference. During the twelve months ended December 31, 2009 we paid a quarterly dividend on common stock of $0.10 per common share for the first two quarters and $0.01 per common share for the third and fourth quarter compared to a quarterly dividend on common stock of $0.77 per common share for the first three quarters and $0.54 per common share in the fourth quarter of 2008. Our common stock is held of record by approximately 37,016 holders as of December 31, 2009. See Table 23 in the MD&A for information on the monthly share repurchases activity, including total common shares repurchased and announced programs, weighted average per share price, and the remaining buy-back authority under the announced programs, which is incorporated herein by reference.

Please also refer to Item 1, Business - Government Supervision and Regulation for a discussion of legal restrictions which affect our ability to pay dividends; Item 1A, Risk Factors, for a discussion of some risks related to our dividend, and Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation Capital Resources, for a discussion of the dividends paid during the year and factors that may affect the future level of dividends.

The information under the caption Equity Compensation Plans in our definitive proxy statement to be filed with the SEC is incorporated by reference into this Item 5.

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our common stock against the cumulative total return of the S&P Composite-500 Stock Index, and the S&P Commercial Bank Industry Index for the five years commencing December 31, 2004 and ending December 31, 2009. The foregoing analysis assumes an initial $100 investment in our stock and each index and the reinvestment of all dividends during the periods presented.

	Cumulative total return for the year ended December 31					
	2004	2005	2006	2007	2008	2009
SunTrust Banks, Inc.	**100.00**	**101.46**	**120.59**	**94.82**	**54.07**	**41.85**
S&P 500	**100.00**	**104.83**	**120.91**	**127.33**	**83.05**	**102.37**
S&P Commercial Bank Index	**100.00**	**98.47**	**113.55**	**82.54**	**49.10**	**46.52**

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Item 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
(Dollars in millions, except per share and other data)	**2009**	2008	2007	2006	2005
Summary of Operations					
Interest income	**$6,709.7**	$8,327.4	$10,035.9	$9,792.0	$7,731.3
Interest expense	**2,244.1**	3,707.7	5,316.4	5,131.6	3,152.3
Net interest income	**4,465.6**	4,619.7	4,719.5	4,660.4	4,579.0
Provision for credit losses [3]	**4,063.9**	2,474.2	664.9	262.5	176.9
Net interest income after provision for credit losses	**401.7**	2,145.5	4,054.6	4,397.9	4,402.1
Noninterest income	**3,710.3**	4,473.5	3,428.7	3,468.4	3,155.0
Noninterest expense	**6,562.4**	5,879.0	5,221.1	4,866.5	4,676.2
Income/(loss) before provision/(benefit) for income taxes	**(2,450.4)**	740.0	2,262.2	2,999.8	2,880.9
Net income attributable to noncontrolling interest	**12.1**	11.5	12.7	13.4	14.5
Provision/(benefit) for income taxes	**(898.8)**	(67.3)	615.5	869.0	879.2
Net income/(loss)	**($1,563.7)**	$795.8	$1,634.0	$2,117.4	$1,987.2
Net income/(loss) available to common shareholders	**($1,733.4)**	$741.0	$1,593.0	$2,097.5	$1,975.5
Net interest income-FTE [1]	**$4,589.0**	$4,737.2	$4,822.2	$4,748.4	$4,654.5
Total revenue-FTE [1]	**8,299.3**	9,210.6	8,250.9	8,216.8	7,809.5
Total revenue-FTE excluding net securities gains/(losses), net[1]	**8,201.2**	8,137.3	8,007.8	8,267.3	7,816.7
Net income/(loss) per average common share [2]					
Diluted	**($3.98)**	$2.12	$4.52	$5.78	$5.44
Diluted excluding goodwill/intangible impairment charges, other than MSRs[1]	**(2.34)**	2.19	4.39	5.77	6.72
Basic	**(3.98)**	2.12	4.56	5.84	5.50
Dividends paid per average common share	**0.22**	2.85	2.92	2.44	2.20
Book value per common share	**35.29**	48.74	50.72	49.12	47.33
Tangible book value per common share[1]	**22.59**	28.69	30.11	28.66	27.16
Market capitalization	**$10,128**	$10,472	$21,772	$29,972	$26,338
Market price:					
High	**30.18**	70.00	94.18	85.64	75.77
Low	**6.00**	19.75	60.02	69.68	65.32
Close	**20.29**	29.54	62.49	84.45	72.76
Selected Average Balances					
Total assets	**$175,442.4**	$175,848.3	$177,795.5	$180,315.1	$168,088.8
Earning assets	**150,908.4**	152,748.6	155,204.4	158,428.7	146,639.8
Loans	**121,040.6**	125,432.7	120,080.6	119,645.2	108,742.0
Consumer and commercial deposits	**113,164.0**	101,332.8	98,020.2	97,175.3	93,355.0
Brokered and foreign deposits	**6,082.2**	14,743.5	21,856.4	26,490.2	17,051.5
Total shareholders equity	**22,286.1**	18,596.3	17,928.4	17,697.7	16,732.9
Average common shares - diluted (thousands)	**435,328**	350,183	352,688	362,802	363,454
Average common shares - basic (thousands)	**435,328**	348,919	349,346	359,413	359,066
As of December 31					
Total assets	**$174,164.7**	$189,138.0	$179,573.9	$182,161.6	$179,712.8
Earning assets	**147,896.2**	156,016.5	154,397.2	159,063.8	156,640.9
Loans	**113,674.8**	126,998.4	122,319.0	121,454.3	114,554.9
Allowance for loan and lease losses	**3,120.0**	2,351.0	1,282.5	1,044.5	1,028.1
Consumer and commercial deposits	**116,303.5**	105,275.7	101,870.0	99,775.9	97,572.4
Brokered and foreign deposits	**5,560.1**	8,052.7	15,972.6	24,245.7	24,480.8
Long-term debt	**17,489.5**	26,812.4	22,956.5	18,992.9	20,779.2
Total shareholders equity	**22,530.9**	22,500.8	18,169.9	17,932.2	17,133.6
Financial Ratios and Other Data					
Return on average total assets	**(0.89)** %	0.45 %	0.92 %	1.17 %	1.18 %
Return on average assets less net unrealized securities gains/(losses) [1]	**(0.96)**	0.05	0.81	1.17	1.17

Return on average common shareholders equity	**(10.07)**	4.20	9.14	11.95	11.81
Return on average realized common shareholders equity[1]	**(11.12)**	0.16	8.52	12.53	12.45
Net interest margin - FTE	**3.04**	3.10	3.11	3.00	3.17
Efficiency ratio - FTE	**79.07**	63.83	63.28	59.23	59.88
Tangible efficiency ratio [1]	**69.35**	62.51	62.11	57.97	58.36
Total average shareholders equity to average assets	**12.70**	10.58	10.08	9.81	9.95
Tangible equity to tangible assets [1]	**9.66**	8.46	6.38	6.10	5.70
Effective tax rate (benefit)	**(36.50)**	(9.23)	27.21	28.97	30.52
Allowance to year-end total loans	**2.76**	1.86	1.05	0.86	0.90
Nonperforming assets to total loans plus OREO and other repossessed assets	**5.33**	3.49	1.35	0.49	0.29
Common dividend payout ratio [4]	**N/A**	135.6	64.5	41.9	40.2
Capital Adequacy					
Tier 1 common equity	**7.67 %**	5.83 %	5.27 %	5.66 %	5.52 %
Tier 1 capital	**12.96**	10.87	6.93	7.72	7.01
Total capital	**16.43**	14.04	10.30	11.11	10.57
Tier 1 leverage	**10.90**	10.45	6.90	7.23	6.65

[1]See Non-GAAP reconcilements in Tables 21 and 22 of the Management s Discussion and Analysis of Financial Condition and Results of Operations.

[2]Prior period amounts have been recalculated in accordance with updated accounting guidance related to earnings per share, that was effective January 1, 2009 and required retrospective application.

[3]Beginning in the fourth quarter of 2009, SunTrust began recording the provision for unfunded commitments within the provision for credit losses in the Consolidated Statements of Income/(Loss). The provision for unfunded commitments for the fourth quarter of 2009 was $57.2 million. 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).

[4]The common dividend payout ratio is not applicable in a period of net loss.

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Item 7. 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 (a) future levels of required mortgage repurchase reserves, revenue, net interest margin, charge-offs, provision expense, credit quality, FDIC and other regulatory expense, loans, LHFS, the investment portfolio, income, job losses, loan loss severities, loan loss frequency, and residential builder nonperforming loans, (b) the expected impact of the amendments to ASC 810-10 related to the consolidation of various VIEs; (c) expected changes in the rate or level of deposit growth, loan growth, charge-offs, loan loss frequencies, and nonperforming loans; and (d) expected future asset quality and the performance of the commercial and industrial and commercial real estate portfolios, are forward-looking statements. Also, statements that do not describe historical or current facts, including statements about future levels of revenues, net interest margin, FDIC and other regulatory expense, and credit quality are forward-looking statements. These statements often include the words believes, expects, anticipates, estimates, intends, plans, target initiatives, potentially, probably, projects, outlook or similar expressions or future conditional verbs such as may, will, should, wo Such statements are based upon 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 I 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: difficult market conditions have adversely affected our industry; recent levels of market volatility are unprecedented; the soundness of other financial institutions could adversely affect us; 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; 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; 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 allowance for loan losses 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; 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 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 narrative will 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). Effective May 1, 2008, we acquired GB&T and the results of operations for GB&T were included with our results beginning on that date. Periods prior to the acquisition date do not reflect the impact of the merger.

In the MD&A, net interest income, net interest margin, and the efficiency ratio are presented on an FTE basis and the quarterly ratios are presented on an annualized basis. The FTE basis adjusts for the tax-favored status of 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. We also present diluted earnings per common share excluding goodwill and intangible impairment charges. We believe the exclusion of the impairment charges is more reflective of normalized operations and allows better comparability with peers throughout the industry. Additionally, we present a return on average realized common shareholders equity, as well as an ROE. We also present a ROA less net realized and unrealized securities gains/losses and an ROA. The return on average realized common shareholders equity and ROA less net realized and unrealized securities gains/losses exclude realized securities gains and losses and the Coke dividend, from the numerator, and net unrealized securities gains from the denominator. We present a tangible efficiency ratio and a tangible equity to tangible assets ratio, which excludes the effect of intangible assets costs. We believe these measures are useful to investors because, by removing the effect of intangible asset costs (the level of which may vary from company to company), it allows investors to more easily compare our efficiency and capital adequacy to other companies in the industry. We also present a tangible book value per common share ratio which excludes the after-tax impact of purchase accounting intangible assets. These measures are utilized by management to assess our financial performance and capital adequacy. We provide reconcilements in Tables 21 and 22 in the MD&A for all non-U.S. GAAP measures. Certain reclassifications may be made to prior period financial statements and related information to conform them to the 2009 presentation.

INTRODUCTION

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 four business segments: Retail and Commercial, Corporate and Investment Banking, Household Lending, 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.

EXECUTIVE OVERVIEW

While many economists have declared the recession to be over or at least abating by the end of 2009, the economic environment during 2009 adversely impacted our financial performance and will likely continue to impact our performance into 2010, particularly related to credit which tends to lag economic cycles. We recognize that the beginning of a recovery is just that, a beginning, and history tells us that, looking over the long-term, it will take time before economic stabilization meaningfully translates into bottom line results for traditional banks. Asset quality, revenues and ultimately earnings improvement will need time to gain traction and the timing will be largely dependent upon the strength and sustainability of the economic recovery, both of which remain uncertain at the end of 2009. Regardless of when economists determine the end of the recession, the economy remains weak, as evidenced by many key economic indicators. Notably, the national unemployment rate rose steadily during the year to finish at 10.0% as of December 31, which is up from a high of 7.4% at the end of 2008. More specifically, the unemployment rate exceeds 10% within many of our markets. Furthermore, it is believed that the national unemployment rate will remain elevated during much of 2010. Additionally, home prices remain depressed and continued to decline throughout the year in some of our more significant markets.

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The Federal Reserve, the FDIC, and U.S. government undertook steps during the year to strengthen the capital of financial institutions, stimulate lending, and inject liquidity into the financial markets. Among the steps taken by the government agencies, the TLGP was extended into late 2009, billions of MBS were purchased in the open market, trillions of debt obligations were issued, and benchmark interest rates were kept at record low levels throughout the year. As 2009 came to a close, the U.S. government and bank regulators were discussing how to reduce their involvement as a financial intermediary in the markets due to the markets having exhibited some signs of stability. Most notably, the government is assessing when to discontinue some of its support programs including its ongoing purchases of mortgage-backed assets. This reduction in support could cause mortgage interest rates to rise which would result in a potential reduction in mortgage originations, decrease in value of mortgage loans and securities, and an overall slowing of the housing market. Concurrently, the financial services industry is entering a new phase in its relationship with regulatory authorities as the regulators debate new regulations and requirements that would affect our business, some in a negative way. See additional discussion of risks associated with potential new regulations in Item 1, Business, under the heading Government Supervision and Regulation and Item 1A., Risk Factors in this 10-K.

During 2009, the federal bank regulatory agencies completed a review, called the SCAP, commonly referred to as the stress test, of the capital needs through the end of 2010 of the nineteen largest U.S. bank holding companies. The Federal Reserve announced the results of the SCAP on May 7, 2009. The Federal Reserve advised us that, based on the SCAP review, we presently have and are projected to continue to have Tier 1 capital well in excess of the amount required to be well capitalized through the forecast period under both the baseline scenario and the more adverse-than-expected scenario (more adverse) as estimated by the U.S. Treasury. The SCAP s more adverse scenario represents a hypothetical scenario that involves a recession that is longer and more severe than consensus expectations and results in higher than expected credit losses, but is not a forecast of expected losses or revenues. The Federal Reserve advised us that based on the more adverse scenario that it required us to adjust the composition of our Tier 1 capital by increasing the Tier 1 common equity portion by $2.2 billion. The common equity increase prescribed by the Federal Reserve is necessary to maintain Tier 1 common equity at 4% of risk weighted assets under the more adverse scenario, as specified by a new regulatory standard that was introduced as part of the stress test. This increase satisfied the regulatory request that we have an increased mix of common equity as a percentage of Tier 1 capital, to serve as a buffer against higher losses than generally expected, and allow us to remain well capitalized and able to lend to creditworthy borrowers should such losses materialize. Our 2009 actual credit losses were significantly less than the projections utilized in the SCAP process.

During the second quarter, in response to the SCAP, we successfully completed our capital plan and initiatives, generating $2.3 billion of capital and exceeding the target of $2.2 billion established by the Federal Reserve. The transactions utilized to raise the capital included the issuance of common stock, the repurchase of certain preferred stock and hybrid debt securities, and the sale of Visa Class B shares. These capital raising transactions increased Tier 1 common equity by $2.1 billion and were the driving factor in the increase in our Tier 1 common equity ratio to 7.67% at December 31, 2009 compared to 5.83% at December 31, 2008. During the second quarter, we completed all required capital initiatives and believe that relative to the more adverse scenario, additional capital will be achieved through lower credit losses than projected by SCAP. As a result of the successful capital plan and initiatives, we have the ability and desire to repay the U.S. government for funds borrowed in the form of preferred stock issued by us under the CPP. However, our repayment of TARP funds is predicated on approval by our primary regulator, the Federal Reserve. See additional discussion of SCAP and the capital plan and initiatives in the Capital Resources section of this MD&A.

Despite the challenging economic environment, we continue to operate from a position of strength and are focused on growing revenue, improving expense efficiency, increasing the profitability of the balance sheet, investing for the future, and prudently managing credit. To this end, we remain acutely focused on clients, improving service quality and front-line execution, controlling expenses, and managing risk. During the year, revenue was soft, loan demand was down, credit costs were higher, and asset quality was weak. We are seeing sustained economic weakness that has reduced demand for loans as clients have focused on capital preservation and debt reduction, while accessing the debt markets in lieu of bank loans. However, we have also experienced positive operating trends in many of our businesses that included strong deposit growth, improved funding mix, significant expansion of net interest margin, positive fee income growth in certain areas, continued strong expense management, and credit trends that improved during the last half of 2009. Specifically, in the last quarter of 2009, we experienced declining net charge-offs and early stage delinquencies, stabilizing nonperforming loans, and a lesser increase in the ALLL. We believe our strong foundation coupled with our client-focused execution, risk mitigation capabilities, and the long-term economic prospects of our markets position us to deliver improving financial performance as the operating environment improves.

The difficult economic environment during 2009 negatively impacted our financial performance as we realized a net loss available to common shareholders of $1.7 billion, or $3.98 per common share. The net loss during the year was primarily a result of goodwill impairment taken during the first quarter and increased provisioning for credit losses during the year. The first quarter non-cash goodwill impairment charge attributable to common shareholders was $714.8 million, after-tax, or $1.64 per common share, while the provision for credit losses increased by $993.6 million, after-tax, or $2.28 per common share.

While 2009 was a year of poor credit performance as most notably evidenced by our higher allowance for loan losses, provision for credit losses, net charge-offs, and nonperforming assets, asset quality trends improved in the final quarter of 2009 when compared to the previous quarter as evidenced by the decline in credit losses and early stage delinquencies and stabilization of nonperforming loans. In addition, our reserve build decreased during each consecutive quarter during the year with the fourth quarter allowance for loan losses having increased by only 3.2% from the prior quarter. However, absolute asset quality issues remain centered in the residential real estate-related portfolios, including residential mortgages, home equity products, and residential construction. In addition, we experienced some weakness in our commercial client base, particularly those in more cyclically sensitive industries, and in our small business portfolio, and we expect that we will continue to see stress in asset quality in the commercial portfolio. The $1.7 billion increase in net charge-offs during the year was primarily related to residential mortgages, large corporate borrowers in economically cyclical industries, and the resolution of loan workouts related to the home builder portfolio. Our nonperforming loans grew by $1.5 billion during 2009, which is a result of the economic environment causing increased client defaults on their loans and extended disposition times on our consumer loans secured by residential real estate. Given the extended timelines to foreclose, especially in Florida, we expect that our nonperforming loan levels will remain elevated throughout 2010. However, during the second half of 2009, the level of increases in nonperforming loans moderated as compared to the increases seen during the first six months of the year. This moderation in nonperforming loans, the first since the credit crisis began in 2007, was mainly due to a reduction in nonaccrual commercial loans as the result of charge-offs recognized during the second half of the year and the transfer of certain commercial loans out of nonaccrual due to improved performance. We have implemented numerous loss mitigation efforts and are working to effectively manage elevated levels of nonperforming loans. While not a primary driver of the improvement, our proactive mortgage loan modification programs have had a positive influence on these delinquency and nonperforming loan trends. We have seen a $1.2 billion increase in accruing restructured loans during 2009, which is due to us taking proactive steps to responsibly modify loans in order to mitigate loss exposure related to borrowers experiencing financial difficulty. We are aggressively pursuing modifications when there is a reasonable chance that the modification will allow the client to continue to remain in their home. Although, when there has been a loss of income such that the client cannot reasonably support even a modified loan, we are strongly encouraging short sales and deed-in-lieu arrangements and relocation to more affordable housing. See additional discussion of credit and asset quality in the Loans , Allowance for Credit Losses , Provision for Credit Losses , and Nonperforming Assets sections of this MD&A.

Despite the net losses in 2009, our capital and liquidity positions are stronger at the end of 2009 compared to prior year as evidenced by the growth during the year in our capital and liquidity ratios and growth in deposits. Our Tier 1 common equity ratio improved to 7.67% from 5.83% at December 31, 2008. In addition, our Tier 1 capital ratio increased to 12.96% which is a 209 basis point increase from 10.87% at December 31, 2008. These improvements were the result of the capital raising transactions during the second quarter of 2009, as well as lower risk weighted assets from a reduction in loans and unfunded commitments. We also have substantial available liquidity as the inflows of high quality 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.

During the year, we experienced a significant increase in consumer and commercial deposits as evidenced by an 11.7% increase in average deposits compared to the prior year. Growth has occurred in all deposit products with money market and DDAs comprising the majority of the increase. This record level of deposits was driven by the industry-wide trend of clients seeking the security of bank deposits; however, we believe our improved products and pricing, enhanced client service, and the Live Solid. Bank Solid. brand advertising specifically assisted us in attracting new clients and expanding existing relationships. Further, through an intense focus on improved execution, we have been successful in improving client satisfaction, acquisition, and retention. Additionally, as a result of the increase in these core deposits, we have been able to reduce our exposure to foreign deposits and higher-cost brokered deposits by $2.5 billion, or 31.0%, since December 31, 2008 as well as higher-cost long-term debt by $9.3 billion, or 34.8%, over this same period. While we witnessed solid growth in core deposits during 2009, it has moderated during the latter part of the year, causing us to believe that it may further moderate going forward as the economy improves. Despite the moderation in total deposit growth, the mix of deposits continues to shift towards lower cost transaction accounts.

During the year, average loans declined $4.4 billion, or 3.5%, and total loans at December 31, 2009 were down 10.5% from prior year. Our aggressive effort to reduce exposure to construction lending, as evidenced by the 44.7% decline in average balances versus the previous year, was a primary driver of the decline in average loans during the year. In addition, we reduced our exposure to residential real estate loans as evidenced by the $3.0 billion, or 9.4%, decrease in average residential real estate loans in 2009. The decline in the remaining loan categories 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 an allocation of excess funds for debt reduction. The trend of declining line of credit utilization among our mid-size and larger corporate clients continued due to improved access to capital markets and lower working capital needs. We remain focused on extending credit to qualified borrowers as businesses and consumers work through the current economic downturn. Despite the reduction in our overall loan portfolio, new loan originations, commitments, and renewals of commercial and consumer loans were approximately $90 billion during 2009, with residential mortgage originations leading the way.

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We increased our securities available for sale holdings during the year, resulting in a 44.6% increase in the year end balance compared to prior year end. This increase was led by the increase in our holdings of U.S. Treasury and agency securities by over $7 billion in light of the increased liquidity from higher deposits and lower loan balances. In addition, agency MBS increased by over $1 billion. This increase was related to sales during the year where we had the opportunity to manage the portfolio s duration by selling bonds at a gain and repositioning the MBS portfolio into securities that we believe have higher relative value. As a result of the securities sales, we realized $98.0 million in net gains during the year.

FTE net interest income was $4.6 billion for the year ended December 31, 2009, compared to $4.7 billion for the year ended December 31, 2008. FTE total revenue was down 9.9% to $8.3 billion for the year ended December 31, 2009 as a result of soft revenue generation in certain areas and substantially lower securities gains compared to the prior year. Net interest margin in 2009 decreased six basis points when compared to the prior year primarily as a result of decreased loan pricing that outpaced the decreased deposit pricing during the year. Total noninterest expense increased by $683.4 million, or 11.6%, in 2009, primarily driven by the $751.2 million non-cash goodwill impairment charge recognized during the year. Provision for credit losses was $4.1 billion for the year ended 2009, an increase of $1.6 billion from the prior year. The provision for loan losses was $769.0 million higher than net charge-offs of $3.2 billion for the year. The ALLL increased $769.0 million, or 32.7%, from December 31, 2008 and was 2.76% of total loans not carried at fair value compared to 1.86% as of December 31, 2008. Net charge-offs to average loans were 2.67% for the year ended 2009 compared to 1.25% for 2008. Nonperforming assets rose during the year to $6.1 billion at year end compared to $4.5 billion at the end of last year. The average shareholders equity to average total assets ratio and the tangible equity to tangible assets ratio both improved from 10.58% and 8.46% at December 31, 2008 to 12.70% and 9.66%, respectively, at December 31, 2009. We recorded $265.8 million in dividends and accretion during 2009 related to preferred stock issued to the U.S. Treasury under the CPP compared to $26.6 million during 2008. See additional discussion of our financial performance in the Consolidated Financial Results section of this MD&A.

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CONSOLIDATED FINANCIAL RESULTS

Table 1 - Consolidated Daily Average Balances, Income/Expense And Average Yields Earned And Rates Paid

(Dollars in millions; yields on taxable-equivalent basis)	2009 Average Balances	2009 Income/ Expense	2009 Yields/ Rates	2008 Average Balances	2008 Income/ Expense	2008 Yields/ Rates	2007 Average Balances	2007 Income/ Expense	2007 Yields/ Rates
Assets									
Loans:[1]									
Real estate 1-4 family	$28,770.3	$1,722.5	5.99 %	$31,758.9	$2,004.8	6.31 %	$31,951.0	$2,036.5	6.37 %
Real estate construction	5,991.0	198.1	3.31	10,828.5	575.8	5.32	13,519.4	1,011.0	7.48
Real estate home equity lines	15,685.1	523.3	3.34	15,204.9	796.9	5.24	14,031.0	1,088.2	7.76
Real estate commercial	15,573.4	639.4	4.11	13,968.9	789.7	5.65	12,803.4	887.5	6.93
Commercial - FTE[2]	36,458.0	1,819.6	4.99	38,131.9	2,089.6	5.48	34,194.4	2,202.6	6.44
Credit card	984.0	73.5	7.47	862.6	34.5	4.00	495.9	17.7	3.57
Consumer - direct	5,101.0	207.1	4.06	4,541.8	254.1	5.60	4,221.0	304.9	7.22
Consumer - indirect	6,594.0	418.0	6.34	7,262.5	459.8	6.33	8,017.5	495.4	6.18
Nonaccrual and restructured	5,883.8	36.2	0.62	2,872.7	25.4	0.89	847.0	17.3	2.05
Total loans	121,040.6	5,637.7	4.66	125,432.7	7,030.6	5.61	120,080.6	8,061.1	6.71
Securities available for sale:									
Taxable	18,960.2	790.0	4.17	12,219.5	731.0	5.98	10,274.1	639.1	6.22
Tax-exempt - FTE[2]	1,002.8	54.7	5.46	1,038.4	63.1	6.07	1,043.8	62.2	5.96
Total securities available for sale - FTE	19,963.0	844.7	4.23	13,257.9	794.1	5.99	11,317.9	701.3	6.20
Funds sold and securities purchased under agreements to resell	793.8	2.2	0.27	1,317.7	25.1	1.91	995.6	48.8	4.91
Loans held for sale	5,228.4	232.8	4.45	5,105.6	289.9	5.68	10,786.7	668.9	6.20
Interest-bearing deposits	25.3	0.2	0.91	25.6	0.8	3.18	24.0	1.3	5.44
Interest earning trading assets	3,857.3	115.4	2.99	7,609.1	304.4	4.00	11,999.6	657.2	5.48
Total earning assets	150,908.4	6,833.0	4.53	152,748.6	8,444.9	5.53	155,204.4	10,138.6	6.53
Allowance for loan and lease losses	(2,705.5)			(1,815.0)			(1,065.7)		
Cash and due from banks	4,843.6			3,093.2			3,456.6		
Other assets	17,354.9			17,270.4			16,700.5		
Noninterest earning trading assets	3,429.1			2,641.6			1,198.9		
Unrealized gains on securities available for sale, net	1,611.9			1,909.5			2,300.8		
Total assets	$175,442.4			$175,848.3			$177,795.5		
Liabilities and Shareholders Equity									
Interest-bearing deposits:									
NOW accounts	$23,600.6	$99.2	0.42 %	$21,080.7	$252.9	1.20 %	$20,042.8	$473.9	2.36 %
Money market accounts	31,863.5	314.8	0.99	26,564.8	520.3	1.96	22,676.7	622.5	2.75
Savings	3,664.2	10.1	0.27	3,770.9	16.3	0.43	4,608.7	55.5	1.20
Consumer time	16,718.1	479.0	2.87	16,770.2	639.1	3.81	16,941.3	764.2	4.51
Other time	13,068.4	382.1	2.92	12,197.2	478.6	3.92	12,073.5	586.3	4.86
Total interest-bearing consumer and commercial deposits	88,914.8	1,285.2	1.45	80,383.8	1,907.2	2.37	76,343.0	2,502.4	3.28
Brokered deposits	5,648.3	154.2	2.69	10,493.2	391.5	3.73	16,091.9	861.2	5.35
Foreign deposits	433.9	0.5	0.12	4,250.3	78.8	1.85	5,764.5	297.2	5.16

Total interest-bearing deposits	**94,997.0**	**1,439.9**	**1.52**	95,127.3	2,377.5	2.50	98,199.4	3,660.8	3.73
Funds purchased	**1,669.6**	**3.3**	**0.19**	2,622.0	51.5	1.96	3,266.2	166.5	5.10
Securities sold under agreements to repurchase	**2,483.4**	**4.5**	**0.18**	4,961.0	79.1	1.59	6,132.5	273.8	4.46
Interest-bearing trading liabilities	**487.8**	**20.2**	**4.14**	785.7	27.1	3.46	430.2	15.6	3.62
Other short-term borrowings	**2,703.6**	**14.7**	**0.54**	3,057.2	55.1	1.80	2,493.0	121.0	4.85
Long-term debt	**20,118.7**	**761.4**	**3.78**	22,892.9	1,117.4	4.88	20,692.9	1,078.7	5.21
Total interest-bearing liabilities	**122,460.1**	**2,244.0**	**1.83**	129,446.1	3,707.7	2.86	131,214.2	5,316.4	4.05
Noninterest-bearing deposits	**24,249.2**			20,949.0			21,677.2		
Other liabilities	**4,387.2**			5,061.4			5,662.7		
Noninterest-bearing trading liabilities	**2,059.8**			1,795.6			1,313.0		
Shareholders equity	**22,286.1**			18,596.2			17,928.4		
Total liabilities and shareholders equity	**$175,442.4**			$175,848.3			$177,795.5		
Interest Rate Spread			**2.70 %**			2.67 %			2.48 %
Net Interest Income - FTE [3]		**$4,589.0**			$4,737.2			$4,822.2	
Net Interest Margin [4]			**3.04 %**			3.10 %			3.11 %

[1]Interest income includes loan fees of $140.6 million, $134.5 million, and $119.8 million for the three years ended December 31, 2009, 2008, and 2007, respectively. Nonaccrual loans are included in average balances and income on such loans, if recognized, is recorded on a cash basis.

[2]Interest income includes the effects of taxable-equivalent adjustments using a federal income tax rate of 35% and, where applicable, state income taxes to increase tax-exempt interest income to a taxable-equivalent basis. The net taxable-equivalent adjustment amounts included in the above table aggregated $123.3 million, $117.5 million, and $102.7 million for the three years ended December 31, respectively.

[3] The Company obtained derivative instruments to manage the Company s interest-sensitivity position that increased net interest income $488.2 million and $180.7 million in the periods ended December 31, 2009 and 2008, respectively and decreased net interest income $25.6 million in the period ended December 31, 2007.

[4]The net interest margin is calculated by dividing net interest income FTE by average total earning assets.

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Table 2 - Analysis of Changes in Net Interest Income [1]

	2009 Compared to 2008 Increase (Decrease) Due to			2008 Compared to 2007 Increase (Decrease) Due to		
(Dollars in millions on a taxable-equivalent basis)	**Volume**	**Rate**	**Net**	Volume	Rate	Net
Interest Income						
Loans:						
Real estate 1-4 family	**($183.4)**	**($98.8)**	**($282.2)**	($12.3)	($19.3)	($31.6)
Real estate construction	**(204.7)**	**(173.1)**	**(377.8)**	(177.6)	(257.6)	(435.2)
Real estate home equity lines	**24.4**	**(298.0)**	**(273.6)**	85.2	(376.5)	(291.3)
Real estate commercial	**83.0**	**(233.2)**	**(150.2)**	75.9	(173.8)	(97.9)
Commercial - FTE[2]	**(88.9)**	**(181.1)**	**(270.0)**	236.9	(349.9)	(113.0)
Credit card	**5.4**	**33.5**	**38.9**	14.5	2.4	16.9
Consumer - direct	**28.7**	**(75.8)**	**(47.1)**	21.8	(72.5)	(50.7)
Consumer - indirect	**(42.4)**	**0.7**	**(41.7)**	(47.5)	11.8	(35.7)
Nonaccrual and restructured	**20.4**	**(9.6)**	**10.8**	22.4	(14.3)	8.1
Securities available for sale:						
Taxable	**323.7**	**(264.7)**	**59.0**	117.3	(25.4)	91.9
Tax-exempt [2]	**(2.1)**	**(6.2)**	**(8.3)**	(0.3)	1.2	0.9
Funds sold and securities purchased under agreements to resell	**(7.3)**	**(15.6)**	**(22.9)**	12.5	(36.2)	(23.7)
Loans held for sale	**6.8**	**(64.0)**	**(57.2)**	(327.0)	(52.1)	(379.1)
Interest-bearing deposits	**-**	**(0.6)**	**(0.6)**	0.1	(0.6)	(0.5)
Interest earning trading assets	**(125.0)**	**(64.0)**	**(189.0)**	(203.0)	(149.8)	(352.8)
Total interest income	**(161.4)**	**(1,450.5)**	**(1,611.9)**	(181.1)	(1,512.6)	(1,693.7)
Interest Expense						
NOW accounts	**27.2**	**(181.0)**	**(153.8)**	23.3	(244.2)	(220.9)
Money market accounts	**89.0**	**(294.5)**	**(205.5)**	95.7	(197.9)	(102.2)
Savings	**(0.4)**	**(5.7)**	**(6.1)**	(8.7)	(30.6)	(39.3)
Consumer time	**(2.0)**	**(158.1)**	**(160.1)**	(7.6)	(117.5)	(125.1)
Other time	**32.3**	**(128.7)**	**(96.4)**	6.0	(113.7)	(107.7)
Brokered deposits	**(150.1)**	**(87.2)**	**(237.3)**	(251.1)	(218.6)	(469.7)
Foreign deposits	**(38.3)**	**(39.9)**	**(78.2)**	(63.5)	(155.0)	(218.5)
Funds purchased	**(13.9)**	**(34.3)**	**(48.2)**	(27.9)	(87.1)	(115.0)
Securities sold under agreements to repurchase	**(26.9)**	**(47.7)**	**(74.6)**	(44.6)	(150.1)	(194.7)
Interest-bearing trading liabilities	**(11.6)**	**4.5**	**(7.1)**	12.3	(0.7)	11.6
Other short-term borrowings	**(5.7)**	**(34.7)**	**(40.4)**	22.8	(88.7)	(65.9)
Long-term debt	**(124.5)**	**(231.5)**	**(356.0)**	109.8	(71.1)	38.7
Total interest expense	**(224.9)**	**(1,238.8)**	**(1,463.7)**	(133.5)	(1,475.2)	(1,608.7)
Net change in net interest income	**$63.5**	**($211.7)**	**($148.2)**	($47.6)	($37.4)	($85.0)

[1]Changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for earning assets and sources of funds on which interest is received or paid. Volume change is calculated as change in volume times the previous rate, while rate change is change in rate times the previous volume. The rate/volume change, change in rate times change in volume, is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total.

[2]Interest income includes the effects of taxable-equivalent adjustments (reduced by the nondeductible portion of interest expense) using a federal income tax rate of 35% and, where applicable, state income taxes to increase tax-exempt interest income to a taxable-equivalent basis.

Net Interest Income/Margin

FTE net interest income was $4,589.0 million during 2009, a decrease of $148.2 million, or 3.1%, from 2008. Net interest margin decreased six basis points from 3.10% in 2008 to 3.04% in 2009, while average earning assets decreased $1.8 billion, or 1.2%. Earning asset yields declined 100 basis points from 5.53% to 4.53%, and the rates paid on interest-bearing liabilities over the same period decreased 103 basis points.

Throughout 2009, we experienced an upward net interest margin trend, from 2.87% in the first quarter to 3.27% in the fourth quarter. The combination of liabilities re-pricing at lower rates and an increase in client deposits, as well as improved deposit mix, enabled a reduction in higher-cost sources of funding while loans and earning assets declined more rapidly, offsetting some of the benefit. Loan and deposit pricing are the primary opportunities to generate additional margin expansion in 2010, while the primary risks relate to the possibility that nonperforming assets will rise and loan demand will remain sluggish. Our current expectation for net interest margin in the near-term is for some compression. A full quarter s impact of holding $5 billion in U.S. Treasury securities and the first quarter consolidation of selected off-balance sheet entities, are expected to have a small negative impact on margin which may be partially offset by improvements in deposit pricing. Additionally, we expect to experience a seasonal decline in deposits.

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Average earning assets decreased $1.8 billion, or 1.2%, from 2008. Average loans decreased $4.4 billion, or 3.5%. The decline is attributable to a $4.8 billion, or 44.7%, reduction in real estate construction loans, a $3.0 billion, or 9.4%, reduction in real estate 1-4 family residential loans, and a $1.7 billion, or 4.4%, reduction in commercial loans. The decreases in real estate construction, 1-4 family residential loans and commercial loans were partially offset by increases in the commercial real estate loan portfolio of $1.6 billion, or 11.5%, as well as a $3.0 billion, or 104.8%, increase in nonperforming and restructured loans. To offset the decline in loans, average securities available for sale increased $6.7 billion, or 50.6%, from 2008 due to a $4.6 billion increase in MBS and a $2.1 billion increase in U.S. Treasury and agency securities.

Yields on average earning assets declined 100 basis points from 2008 to 2009 driven by declines in market interest rates. Our loan portfolio yielded 4.66% for the year 2009, down 95 basis points from 2008. A large percentage of our commercial loans are variable rate indexed to one month LIBOR. In order to manage interest rate risk, we utilized receive fixed/pay floating interest rate swaps to hedge interest income in a declining rate environment. That interest rate risk management strategy along with increased swap-related notional balances ($8.6 billion of additional floating rate commercial loans were swapped to fixed rate) and lower rates in 2009 resulted in swap income increasing from $229.0 million in 2008 to $539.5 million in 2009. While the underlying loans swapped to fixed are classified as both commercial real estate and commercial, all of the swap income is recorded as interest on commercial loans. The classification of all swap income in the commercial loan category, combined with the increased notional value of received fixed swaps and the declining balance of commercial loans, produced a significantly smaller decline in reported commercial loan yields as compared to underlying rate indices. In addition, loan-related interest income was augmented in 2009 by our loan pricing initiatives.

Average interest earning trading assets declined by $3.8 billion, or 49.3%. Despite the decline in trading assets, we continue to use this portfolio as part of our overall asset/liability management; however, the size and nature of trading assets will fluctuate over various economic cycles. Average LHFS were $5.2 billion during 2009, an increase of 2.4% from the prior year. The increase in LHFS occurred as a result of increased mortgage loan production.

Average consumer and commercial deposits increased $11.8 billion, or 11.7%, in 2009 compared to 2008. This growth consisted of increases of $5.3 billion, or 20.0%, in money market accounts, $3.3 billion, or 15.8%, in demand deposits, $2.5 billion, or 12.0%, in NOW accounts, and $819.1 million, or 2.8%, in time deposits. Deposit growth was the result of marketing campaigns, competitive pricing, and clients increased preference for the security of insured deposit products. However, a portion of the deposit growth is related to the industry-wide flight to the safety of insured deposits and reduced client demand for sweep accounts due to the low interest rate environment. The overall growth in consumer and commercial deposits allowed for a reduction in other funding sources, including $4.8 billion of brokered deposits, $3.8 billion of foreign deposits, and $2.8 billion of long-term debt. Overall, average interest-bearing liabilities declined $7.0 billion, or 5.4%. We continue to pursue deposit growth initiatives to increase our presence in specific markets within our footprint. Competition for deposits remains strong, and as a result, deposit pricing pressure remains across our footprint. Despite these challenging market conditions, we have used a combination of regional and product-specific pricing initiatives to balance margin and volume, while still growing our average deposit balances. We continue to believe that we are also benefiting from a number of actions taken to improve marketplace awareness and client service. The Live Solid. Bank Solid. branding campaign continues to be very well received and we believe it is helping drive client acquisition. We also continue to refine pricing tactics to be competitive while maintaining deposit rates that are attractive to our clients. Notwithstanding these deposit generation successes, some of the deposit growth is due to seasonality and the economic environment. Deposit balances are expected to decline modestly in the first quarter related to seasonality, and further over time as the economy improves.

During 2009, the interest rate environment was characterized by lower rates, yet a steeper yield curve versus 2008. More specifically, the Fed funds target rate averaged 0.25%, a decrease of 183 basis points, the Prime rate averaged 3.25%, a decrease of 183 basis points, one-month LIBOR averaged 0.33%, a decrease of 235 basis points, five-year swaps averaged 2.65%, a decrease of 104 basis points, and ten-year swaps averaged 3.44%, a decrease of 80 basis points. Rates paid on deposits, our most significant funding source, tend to track movements in one-month LIBOR, while our fixed rate loan yields tend to track movements in the five-year swap rate. However, due to the competition and customer demands surrounding deposits, deposit pricing has reached an effective floor in some products, as evidenced by the 92 basis point decline in the average rate paid on interest-bearing consumer and commercial deposits versus the 235 basis point decline noted in one-month LIBOR.

Foregone interest income from nonperforming loans reduced net interest margin by 21 basis points for 2009 as average nonaccrual loans increased $2.3 billion, or 82.7% from 2008. See additional discussion of our expectations for future levels of credit quality in the Allowance for Credit Losses , Provision for Credit Losses , and Nonperforming Assets sections of this MD&A. Tables 1 and 2 contain more detailed information concerning average balances, yields earned, and rates paid.

Table 3 - Noninterest Income

	Year Ended December 31		
(Dollars in millions)	**2009**	2008	2007
Service charges on deposit accounts	**$848.4**	$904.1	$822.0
Other charges and fees	**522.7**	510.8	479.1
Trust and investment management income	**486.5**	592.3	685.0
Mortgage production related income	**376.1**	171.4	91.0
Mortgage servicing related income	**329.9**	(211.8)	195.4
Card fees	**323.8**	308.4	280.7
Investment banking income	**272.0**	236.5	214.9
Retail investment services	**217.8**	289.1	278.0
Trading account profits/(losses) and commissions	**(40.7)**	38.2	(361.7)
Gain from ownership in Visa	**112.1**	86.3	-
Gain on sale of businesses	**-**	198.1	32.3
Net gain on sale/leaseback of premises	**-**	37.0	118.8
Other income	**163.6**	239.8	350.1
Net securities gains	**98.0**	1,073.3	243.1
Total noninterest income	**$3,710.2**	$4,473.5	$3,428.7

Noninterest Income

Noninterest income decreased by $763.3 million, or 17.1%, in 2009, compared to 2008, driven largely by transactional items in 2008 that did not recur in 2009 such as gains from the sale and contribution of Coke stock, gains from the sale of certain businesses, and gains from the sale/leaseback of certain corporate real estate properties. In addition, mark to market valuation losses on our public debt and related hedges carried at fair value were recognized in 2009 while mark to market valuation gains were recognized in 2008. The decrease in noninterest income was partially offset by higher mortgage-related income as a result of increased mortgage production in 2009 and an impairment charge recorded on our MSRs carried at LOCOM during 2008 which was partially recovered in 2009. Additionally, in 2008, we recorded valuation losses related to our expected purchase of ARS and mark to market write-downs related to illiquid securities and warehouse loans carried at market that partially offset the overall decline in noninterest income.

Combined mortgage-related income increased $746.4 million compared to 2008. Mortgage servicing related income increased $541.7 million compared to 2008, primarily due to a $199.2 million recovery of impairment on the MSRs carried at LOCOM in 2009 compared to $370.0 million in impairment charges recorded during 2008 on our MSRs portfolio. This increase was partially offset by higher amortization of MSRs due to an increase in prepayments, as well as a decline in the fair value of MSRs.

Mortgage production related income increased $204.7 million, or 119.4%, compared to 2008, primarily due to a $13.7 billion, or 37.6%, increase in production volume that was partially offset by a $346.1 million increase in mortgage repurchase related losses compared to 2008. The increase in production volume during 2009 was due in large part to increased refinancing activity, which we do not expect to remain at this level in the near term. Mortgage repurchase related losses increased from $98.2 million in 2008 to $444.3 million in 2009 as a result of increased repurchase requests from government-sponsored agencies. As discussed in more detail in Note 18, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements, we provide standard representations and warranties when loans are sold to third party investors. If it is later determined that such representations have been breached, the investor will request that we either purchase the nonperforming loan or reimburse the investor for the loss incurred. Although mortgage repurchase reserves are established at the time of sale, actual credit losses have exceeded the original estimates and we are recognizing higher losses. We update our loss estimate by analyzing the population of loans sold by vintage and product in relation to our recent experience and expected repurchase levels and as a result, the reserve for the repurchase of mortgage loans has increased. A shift in the volume of repurchase requests occurred during the course of 2009 from loans originated and sold prior to 2007. During the latter half of 2009, the majority of our repurchase requests pertained to loans originated and sold in 2007. We believe ultimate losses on newer vintages, specifically 2008 and later, may be lower than older vintages. The elimination of Alt-A loan products, tighter credit and underwriting guidelines, and enhanced processes have reduced the risk profile and, therefore, the repurchase risk exposure of loans originated and sold since 2008. In addition, loans sold in recent years have lower original loan-to-values and are subject to less home price depreciation which should reduce loss severities. While mortgage repurchase related losses are expected to remain elevated during 2010, the shift towards loans originated and sold

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in more recent years gives us reason to believe that successful repurchase requests by investors and loss severities will decline. The level of losses and reserves during 2010 are dependent primarily upon the continued shift in request volume to newer vintages and no significant deterioration in the overall asset quality of the previously sold loans as indicated by borrower payment performance.

Net securities gains of $1.1 billion for 2008 included a $732.2 million gain on the sale and contribution of a portion of our investment in Coke common stock in addition to a $413.1 million gain on the sale of MBS held in conjunction with our risk management strategies associated with economically hedging the value of MSRs. These gains were partially offset by the recognition through earnings of $83.8 million in charges related to certain ABS that were determined in 2008 to be other-than-temporarily impaired. For additional information on transactions related to our holdings in Coke common stock, refer to Investment in Common Shares of The Coca-Cola Company within this MD&A. During 2009, we recorded net securities gains of $98.0 million which included a $90.2 million gain on the sale of approximately $9.2 billion of agency MBS. These sales were associated with repositioning the MBS portfolio into securities we believe have higher relative value. Net securities gains also included $20.0 million of credit-related OTTI losses on securities with a fair value of approximately $310.6 million, consisting primarily of purchased and retained private residential MBS.

In May 2009, we sold 3.2 million of our Visa Class B shares and entered into a derivative related to such shares. We recognized a gain of $112.1 million in connection with these transactions. During the first quarter of 2008, Visa completed its IPO, and upon the closing, approximately 2 million of our Class B shares were mandatorily redeemed for $86.3 million, which was recorded as a gain in noninterest income. See Note 18, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements for further discussion of the Visa transaction. Gain on sale of businesses consists of an $89.4 million gain on the sale of our remaining interest in Lighthouse Investment Partners during the first quarter of 2008, an $81.8 million gain on the sale of TransPlatinum, our fuel card and fleet management subsidiary, in the third quarter of 2008, a $29.6 million gain on the sale of First Mercantile, a retirement plan services subsidiary, during the second quarter of 2008, and a $2.7 million loss on the sale of a majority interest in ZCI during the fourth quarter of 2008.

Trust and investment management income decreased $105.8 million, or 17.9%, compared to 2008, primarily due to lower fee income attributable to the decline in the equity markets, lower interest rates, and a decline in income associated with the sale of First Mercantile on May 30, 2008. Retail investment services income decreased $71.3 million, or 24.7%, compared to 2008, due to lower annuity sales and reduced brokerage activity and client asset balances. Service charges on deposit accounts decreased $55.7 million, or 6.2%, compared to 2008, as a result of a reduction in consumer spending and lower non-sufficient fund fees. We expect to comply with regulatory changes made by the Federal Reserve and are monitoring potential legislative proposals which, should they become effective, have the potential to affect our ability to generate certain types of fee income in future periods.

Trading account profits/(losses) and commissions decreased $78.9 million compared to 2008, primarily due to $153.0 million in mark to market losses on our public debt and related hedges carried at fair value during 2009 compared with gains of $431.7 million in 2008. The losses during 2009 were caused by an improvement in our credit spreads. These losses were partially offset by $255.9 million in market valuation losses recorded during 2008 on our investments in certain illiquid ABS compared to small gains in 2009 as our exposure to these investments has been substantially reduced through sales, maturities, and write-downs. Additionally, during 2008, we recorded a $177.7 million loss related to our expected repurchase of certain ARS. Capital markets related trading income increased during 2009, compared to the same periods in 2008, due to improved equity derivatives and bond trading offset by decreased fixed income derivative performance. Investment banking income increased $35.5 million, or 15.0%, compared to 2008, due to improved bond origination fees, loan syndication fees, equity underwriting, and direct financing revenues.

Other income decreased $76.2 million, or 31.8%, compared to 2008. The decline was primarily due to losses recognized on certain private equity investments and leases in 2009 compared to gains in 2008 and a recovery from the resolution of a litigation matter recognized in 2008.

During 2008, we completed sale/leaseback transactions, consisting of 152 branch properties and various individual office buildings. In total, we sold and concurrently leased back $201.9 million in land and buildings with associated accumulated depreciation of $110.3 million. For the year ended December 31, 2008, we recognized $37.0 million of the gain immediately while the remaining $160.3 million in gains were deferred and will be recognized ratably over the expected term of the respective leases, predominantly as an offset to net occupancy expense.

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Table 4 - Noninterest Expense

	Year Ended December 31		
(Dollars in millions)	**2009**	2008	2007
Employee compensation	**$2,257.5**	$2,327.2	$2,329.0
Employee benefits	**542.4**	434.0	441.2
Total personnel expense	**2,799.9**	2,761.2	2,770.2
Amortization/impairment of goodwill/intangible assets	**806.8**	121.3	96.7
Outside processing and software	**579.3**	492.6	410.9
Net occupancy expense	**356.8**	347.3	351.2
Regulatory assessments	**302.2**	54.9	22.4
Credit and collection services	**259.4**	156.4	112.5
Other real estate expense	**243.7**	104.7	15.8
Equipment expense	**171.9**	203.2	206.5
Marketing and customer development	**151.5**	372.2	195.0
Mortgage reinsurance	**114.9**	179.9	0.2
Operating losses	**99.5**	446.2	134.0
Postage and delivery	**83.9**	90.1	93.2
Communications	**67.4**	69.4	79.0
Consulting and legal	**57.5**	58.6	101.2
Other staff expense	**50.8**	70.3	132.5
Operating supplies	**41.0**	44.3	48.7
Net loss on debt extinguishment	**39.4**	11.7	9.8
Visa litigation	**7.0**	(33.5)	76.9
Merger expense	**-**	13.4	-
Other expense	**329.5**	314.8	364.4
Total noninterest expense	**$6,562.4**	$5,879.0	$5,221.1

Noninterest Expense

Noninterest expense increased by $683.4 million, or 11.6%, in 2009 compared to 2008. The increase was primarily due to the $751.2 million non-cash goodwill impairment charge recorded in the first quarter of 2009 compared to a $45.0 million impairment charge related to a specific customer intangible asset recognized in the second quarter of 2008. Excluding the impact of the goodwill and customer intangible impairment charges, noninterest expense decreased by $22.8 million, or 0.4%, in 2009 compared to 2008. This slight decrease in noninterest expense (excluding impairment charges) resulted from a decline in credit-related expenses and marketing and customer development. Offsetting these decreases in 2009 were increases in personnel expense, outside processing and software, regulatory assessments, Visa litigation expense, debt extinguishment costs, and other economically cyclical expenses.

Amortization/impairment of intangible assets increased $685.5 million in 2009. The primary driver of the increase was a non-cash goodwill impairment charge of $751.2 million recorded in the first quarter of 2009 related to the Household Lending, Commercial Real Estate, and Affordable Housing businesses. The impairment resulted from continued deterioration in real estate markets and the macro economy, which placed downward pressure on the fair value of our mortgage and commercial real estate-related businesses, and caused the significant decline in our market capitalization during the first quarter. The impairment charge had no impact on our regulatory capital and tangible equity ratios. In the second quarter of 2008, we recorded an impairment charge of $45.0 million related to a specific customer intangible asset.

Credit-related costs include operating losses, credit and collection services, other real estate expense and mortgage reinsurance expense. These expenses decreased $169.7 million, or 19.1%, from 2008. Operating losses decreased $346.7 million, or 77.7%, compared to 2008 primarily due to a change in classification related to borrower misrepresentation and claim denials. Prior to the first quarter of 2009, borrower misrepresentation and mortgage insurance claim denials were charged to operating losses. Beginning in 2009, we began recording these losses as charge-offs first against the previously established reserves for fraud losses and then against the ALLL, where the estimated reserves related to these loans are now included. See additional discussion related to these losses in the Allowance for Credit Losses section of this MD&A. Included in 2008 was a $206.9 million reserve recorded for borrower misrepresentations and insurance claim denials. Other real estate expense increased $139.0 million, or 132.8%, in 2009 compared to 2008. This increase was due to a $129.1

million increase in valuation related losses on OREO properties and a $40.4 million increase in property expenses, partially offset by net gains of $30.4 million on the sale of properties. Mortgage reinsurance reserve expense, which pertains to our mortgage reinsurance subsidiary, Twin Rivers, decreased from $179.9 million in 2008 to $114.9 million in 2009 as a result of losses reaching or approaching our loss limits within the insurance contracts in 2009. Twin Rivers loss exposure arises from third party mortgage insurers transferring a portion of their first loss exposure when losses by mortgage origination year exceed certain thresholds. Credit and collection services expense increased $103.0 million, or 65.9%, in 2009 compared to 2008 due to increased collection and loss mitigation activity.

Marketing and customer development expense decreased $220.7 million, or 59.3%, in 2009, compared to the same period in 2008. The decrease was due to a reduction in corporate advertising and donations expense as a result of the $183.4 million contribution of Coke stock to the SunTrust Foundation made in the third quarter of 2008 and the related impact of reducing our ongoing contributions. Most of the remaining decrease related to a decline in customer development and promotion expenses.

Personnel expenses in 2009 increased by $38.7 million, or 1.4%, from the same period in 2008. The slight increase in personnel expense is attributable to pension costs increasing from $23.9 million in 2008 to $140.9 million in 2009 resulting from an increase in the pension obligation due to 2009 market valuation assumptions. The increase in pension costs were offset by a decline in salaries expense of $69.7 million from 2008 to 2009 reflecting a reduction of approximately 1,332 full time equivalent employees since December 31, 2008 to 28,001 as of December 31, 2009. Personnel expense was also impacted by an increase in incentive compensation primarily related to improved performance in certain businesses.

Outside processing and software increased $86.7 million, or 17.6%, compared to 2008 primarily due to our contracting with a third party in the third quarter of 2008 to provide certain check and related processing operations.

Regulatory assessments expense grew from $54.9 million in 2008 to $302.2 million in 2009 as a result of higher FDIC insurance premium rates and increased deposit balances, as the FDIC sought to replenish the insurance fund. Also contributing to the increase in 2009 was the FDIC special assessment recorded in the second quarter of 2009. The special assessment was a charge that the FDIC levied on all banks to assist in replenishing their reserves. Our portion of that assessment was $78.2 million. In the fourth quarter of 2009, we prepaid three years of expected FDIC premiums in accordance with a newly-enacted regulatory requirement. The total premium of $925 million will be amortized into expense over the next three years. The assessment will also increase in 2011 as a result of a three basis point increase which is effective January 1, 2011. Other future assessments or taxes may occur on financial institutions as a result of legislative developments and the support of the current administration.

Visa litigation expense increased by $40.5 million in 2009 compared to the same period in 2008. This increase is related to a $53.5 million reversal, during 2008, of a portion of the accrued liability associated with the Visa litigation as a result of the funding by Visa of the litigation escrow account, partly offset by accruals based on the resolution of certain Visa related matters.

Net loss on debt extinguishment increased from $11.7 million in 2008 to $39.4 million in 2009. The increase resulted primarily from early termination fees for FHLB advances repaid during the fourth quarter of 2009 resulting in a $23.5 million loss, net of gains on the early extinguishment of other long-term debt. These advance terminations were part of the initiative we took to take advantage of the strong liquidity position we currently benefit from to repay wholesale funding and improve margin.

Other noninterest expense increased $14.7 million, or 4.7%, in 2009 compared to 2008. The increase was due primarily to write-downs of $46.8 million related to affordable housing properties in 2009 as compared to $19.9 million of related charges in 2008. Also contributing to the increase was a $10.7 million increase in unfunded commitment expenses compared to 2008, primarily related to increased loss exposure to unfunded commitments extended to a few large corporate clients and some migration in risk ratings. Beginning in the fourth quarter of 2009, we began recording expense related to unfunded commitment reserves in the provision for credit losses instead of noninterest expense. The expense which was included in the provision for credit losses during the fourth quarter of 2009 amounted to $57.2 million. Partially offsetting the increase were gains from the current year sale of corporate assets and the successful resolution of specific contingent items in 2009.

Other operating expenses remain well controlled as a result of our ongoing commitment to improving efficiency.

Provision for Income Taxes

The provision for income taxes includes both federal and state income taxes. In 2009, the provision for income taxes was a benefit of $898.8 million, compared to a tax benefit of $67.3 million in 2008. The provision represents a negative 36.5% effective tax rate for 2009 compared to a negative 9.2% effective tax rate for 2008. The 2009 effective tax rate was primarily attributable to the pre-tax loss and further increased by net favorable permanent tax items such as tax-exempt interest income, federal tax credits and the release of unrecognized tax benefits related to the completion of audit examinations by

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several taxing authorities during 2009. The tax benefit was reduced by a goodwill impairment, a significant portion of which was non-tax deductible. The 2008 effective tax rate included a discrete tax benefit related to the release of the deferred tax liability of approximately $65.8 million (net of valuation allowance) in connection with the contribution of 3.6 million shares of Coke common stock to the SunTrust Foundation.

Table 5 - Loan Portfolio by Types of Loans

	As of December 31				
(Dollars in millions)	**2009**	2008	2007	2006	2005
Commercial	**$32,494.1**	$41,039.9	$35,929.4	$34,613.9	$33,764.2
Real estate:					
Residential mortgages	**30,789.8**	32,065.8	32,779.7	33,830.1	29,877.3
Home equity lines	**15,952.5**	16,454.4	14,911.6	14,102.7	13,635.7
Construction	**6,646.8**	9,864.0	13,776.7	13,893.0	11,046.9
Commercial real estate:					
Owner occupied	**8,915.4**	8,758.1	7,948.5	7,709.0	7,398.6
Investor owned	**6,159.0**	6,199.0	4,661.0	4,858.8	5,117.4
Consumer:					
Direct	**5,117.8**	5,139.3	3,963.9	4,160.1	5,060.8
Indirect	**6,531.1**	6,507.6	7,494.1	7,936.0	8,389.5
Credit card	**1,068.3**	970.3	854.1	350.7	264.5
Total loans	**$113,674.8**	$126,998.4	$122,319.0	$121,454.3	$114,554.9
Loans held for sale	**$4,669.8**	$4,032.1	$8,851.7	$11,790.1	$13,695.6

Table 6 - Selected Residential Real Estate Loan Quality Information

(Dollars in millions)	December 31, 2009	30 - 89 Days Delinquent	Nonperforming Loans	Nonaccruing TDRs[1]	Accruing TDRs	Portion of Portfolio in Florida
Residential construction	$3,822.9	1.55 %	34.8 %	0.2 %	0.0 %	27.0 %
Residential mortgages:						
Core	23,913.5	1.98	8.5	2.6	4.5	30.3
Prime second lien	2,904.1	2.46	3.1	1.2	3.3	11.9
Lot	1,086.9	3.00	25.0	3.7	11.7	53.1
Alt-A	897.1	5.22	30.2	14.2	15.0	19.0
Home equity loans	1,988.2	2.47	2.8	0.6	1.7	31.1
Total residential mortgages	30,789.8	2.18	8.8	2.7	4.8	29.1
Home equity lines	15,952.5	1.36	1.8	0.2	0.9	37.5

[1]Nonaccruing TDRs are included in Nonperforming Loans

Table 7 - Funded Exposures by Selected Industries[1]

	As of December 31, 2009		As of December 31, 2008	
(Dollars in millions)	**Loans**	**% of Total Loans**	Loans	% of Total Loans
Real Estate	**$12,756.0**	**11.2** %	$16,853.5	13.3 %
Retailing	**6,060.8**	**5.3**	7,207.8	5.7
Consumer Products & Services	**5,933.7**	**5.2**	6,187.5	4.9
Health Care & Pharmaceuticals	**3,922.9**	**3.5**	4,098.3	3.2
Diversified Financials & Insurance	**3,477.7**	**3.1**	4,033.5	3.2
Diversified Commercial Services & Supplies	**2,867.9**	**2.5**	3,313.2	2.6

Capital Goods	**2,463.8**	**2.2**	3,264.2	2.6
Energy & Utilities	**2,195.1**	**1.9**	3,414.7	2.7
Religious Organizations/Non-Profits	**1,964.3**	**1.7**	2,067.7	1.6
Government	**1,954.9**	**1.7**	2,015.4	1.6
Individuals, Inv. & Trusts	**1,664.8**	**1.5**	1,086.2	0.9
Media & Telecommunication Services	**1,537.4**	**1.4**	2,121.1	1.7
Materials	**1,285.5**	**1.1**	1,722.6	1.4

[1]Industry groupings have been modified from the prior year presentation that was based on the NAICS. The new presentation presents exposure to industries as a result of repayment risk of the loan and allows for better comparability with industry peers who use a similar presentation. As a result of the new presentation, December 31, 2008 balances have been modified from the prior year presentation to reflect industry repayment risk. Groupings are loans in aggregate greater than $1 billion as of December 31.

Loans

Total loans as of December 31, 2009 were $113.7 billion, a decrease of $13.3 billion, or 10.5%, from December 31, 2008. The quarterly decline in total loans was $3.1 billion (December 31, 2008 to March 31, 2009); $1.1 billion (March 31, 2009 to June 30, 2009); $6.3 billion (June 30, 2009 to September 30, 2009); and $2.8 billion (September 30, 2009 to December 31, 2009). The decrease was primarily driven by reduced loan demand in the commercial portfolio, as well as a reduction in our exposure to residential real estate, especially construction related. The portfolio is diversified by product, client, and geography throughout our footprint, and has relatively low exposure to unsecured consumer loan products.

Residential mortgages were $30.8 billion, or 27.1% of the total loan portfolio, as of December 31, 2009, down $1.3 billion, or 4.0%, from December 31, 2008. The residential mortgage portfolio is comprised of core mortgages (prime first liens), prime second lien mortgages, home equity loans, lot loans, and Alt-A first and second mortgages. There are virtually no option (negative amortizing) ARMs or subprime loans in the core portfolio.

The core mortgage portfolio was $23.9 billion, or 21.0% of total loans, as of December 31, 2009, and includes $16.6 billion in jumbo mortgages, of which $13.9 billion are ARMs. The remaining $7.3 billion of non jumbo loans includes $3.5 billion in ARMs and $0.9 billion in agency-eligible fixed rate loans. The agency-eligible fixed rate loans are effectively guaranteed by FNMA through a long-term standby commitment in which FNMA has committed to purchase at par those loans that become delinquent. The core first mortgage portfolio included $12.1 billion in interest-only ARMs; however, the interest-only period is typically ten years, unlike many interest-only products in the market which have short interest-only periods with early reset dates. The weighted average LTV at origination of the core mortgage portfolio was approximately 75%. The core mortgage portfolio includes approximately $1.0 billion of commercial purpose loans secured by residential real estate.

Prime second lien mortgages were $2.9 billion, or 2.6% of total loans, as of December 31, 2009 with $2.7 billion insured through third party pool-level insurance. We consider the insurance to be integral to the loan and include probable insurance proceeds in our analysis of the collectability of the loans. Total claims paid during 2009 and 2008 under the mortgage insurance arrangements were $111.7 million and $43.8 million, respectively. Under the insurance arrangement, we are exposed to cumulative losses by vintage pool from 5% to 8%, as well as cumulative losses exceeding 10%. Due to deterioration in delinquency rates, most of the pools have reached the first tier insurance stop loss limit. As of December 31, 2009, we had fully reserved for our exposure in the 5% to 8% loss layer, and we have also reserved for estimated losses above the 10% stop loss. In addition, we continue to experience claim denials on certain loans due to borrower misrepresentation and loan documentation issues, which may impact the recognition of uninsured losses. See Allowance for Credit Losses section of this MD&A for a discussion of losses related to borrower misrepresentation and denied claims.

Home equity loans comprise $2.0 billion, or 1.7% of total loans, as of December 31, 2009 and have a 76% weighted average combined LTV at origination. Approximately 67% of the home equity loans are in a second lien position. Lot loans were $1.1 billion, or approximately 1.0% of total loans, as of December 31, 2009. Alt-A first lien loans were $0.7 billion, or approximately 0.6% of total loans, as of December 31, 2009. Alt-A second lien loans totaled $0.2 billion. Alt-A firsts and seconds and lot loans have declined to less than 2% of the total loan portfolio.

The home equity line portfolio was $16.0 billion, or 14.0% of total loans, as of December 31, 2009, which is down $501.9 million, or 3.1%, from December 31, 2008. The portfolio has a weighted average combined LTV at origination of approximately 73%. Third party originated home equity lines continued to perform poorly, however, only 10% of home equity line balances were originated through that channel. We have eliminated origination of home equity products through third party channels, eliminated greater than 85% of LTV originations, implemented market specific LTV guidelines in certain declining markets, and have been reducing line commitments in higher risk situations. We continue to enhance our collections and default management processes. From a risk management perspective, there is virtually no line availability remaining in higher risk segments (i.e., lines originated by third parties and lines in Florida exceeding 80% current LTV). Overall, this portfolio displayed stable asset quality metrics; however, the portfolio continues to under perform.

The commercial loan portfolio decreased $8.5 billion, or 20.8%, from December 31, 2008 and comprises 28.6% of total loans at December 31, 2009. The reduction in the commercial portfolio resulted primarily from a continued trend of declining line of credit utilization among our mid-size and larger corporate clients due to lower working capital needs and enhanced access to the capital markets. The pace of decline did slow during the fourth quarter. The portfolio is diversified by industry, geography, client segment, and collateral; and continues to perform reasonably well overall.

The commercial real estate portfolio was $15.1 billion, or 13.3% of total loans, an increase of $117.3 million, or 0.8%, from December 31, 2008. The increase was attributable to the natural migration of loans maturing from the construction real estate loan portfolio into mini-perm financing. This portfolio includes both owner-occupied and income producing collateral, with almost 60% being owner occupied properties. The commercial real estate portfolio, including both owner occupied and investor owned, is performing satisfactorily overall. Of the total commercial real estate portfolio, approximately 81% are

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income properties such as office buildings, warehouses and retail buildings. Given conditions in the commercial real estate market, we anticipate continued stress and credit losses in this portfolio; however, we expect it to perform relatively well given its composition and underwriting.

The construction portfolio was $6.6 billion, or 5.8% of total loans, at December 31, 2009, a decrease of $3.2 billion, or 32.6%, from December 31, 2008. The construction portfolio consists of $0.8 billion of residential construction to perm loans, $1.2 billion of residential construction loans, $1.9 billion of commercial construction loans, $1.8 billion of acquisition and development loans, and $0.9 billion of undeveloped land loans. We have reduced the level of risk in the construction portfolio by aggressively managing our construction exposure. This reduction is evident from the $7.1 billion, or 51.8%, decline in outstanding balances since December 2007. Commercial related construction loans represent 28.5% of the total construction portfolio and credit performance remains acceptable overall. Performance of residential construction related loans remained weak; however, during the fourth quarter 30 days + delinquencies declined. We continue to be proactive in our credit monitoring and management processes to provide early warning for problem loans in the portfolio. For example, we use an expanded liquidity and contingency analysis to provide a thorough view of borrower capacity and their ability to service obligations in a steep market decline. We also have strict limits and exposure caps on specific projects and borrowers for risk diversification. Due to the lack of new construction projects and the completion of many that were previously started, the aggregate amount of interest reserves that we are obligated to fund is down from prior periods.

The indirect consumer portfolio was $6.5 billion, or 5.7% of total loans, at December 31, 2009, up $23.5 million, or 0.4%, from December 31, 2008. The increase is partially attributable to new vehicle sales triggered by the federal government Cash for Clunkers incentive program. This portfolio is experiencing a reduced level of charge-offs compared to 2008 and is benefiting from lower fuel prices, stabilized used car values, and natural turnover into newly underwritten vintages.

The direct consumer portfolio was $5.1 billion, or 4.5% of total loans, at December 31, 2009, down $21.5 million, or 0.4%, from December 31, 2008. Student loans, which are mostly government supported, made up $3.1 billion, or approximately 61% of the direct consumer portfolio. This portfolio also includes loans and lines to individuals for personal or family uses.

The increase in LHFS of $637.7 million, or 15.8%, is due primarily to higher levels of mortgage loan originations.

Table 8 - Allowance for Loan and Lease Losses

(Dollars in millions)			As of December 31		
Allocation by Loan Type	**2009**	2008	2007	2006	2005
Commercial	**$650.0**	$631.2	$422.6	$415.9	$439.6
Real estate	**2,268.0**	1,523.2	664.6	443.1	394.1
Consumer loans	**202.0**	196.6	110.3	95.5	109.4
Unallocated [1]	**-**	-	85.0	90.0	85.0
Total	**$3,120.0**	$2,351.0	$1,282.5	$1,044.5	$1,028.1

			As of December 31		
Year-end Loan Types as a Percent of Total Loans	**2009**	2008	2007	2006	2005
Commercial	**28.6 %**	32.3 %	29.4 %	28.8 %	29.2 %
Real estate	**60.2**	57.8	60.6	61.2	58.7
Consumer loans	**11.2**	9.9	10.0	10.0	12.1
Total	**100.00 %**	100.00 %	100.00 %	100.00 %	100.00 %

[1] Beginning in 2008, the unallocated reserve is reflected in our homogeneous pool estimates.

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Table 9 - Summary of Credit Losses Experience

	Year Ended December 31				
(Dollars in millions)	**2009**	2008	2007	2006	2005
Allowance for Credit Losses					
Balance - beginning of period	**$2,378.5**	$1,290.2	$1,047.0	$1,031.7	$1,050.0
Allowance associated with loans at fair value [1]	**-**	-	(4.1)	-	-
Allowance from acquisitions and other activity - net	**-**	158.7	-	-	-
Provision for loan losses	**4,006.7**	2,474.2	664.9	262.5	176.9
Provision for unfunded commitments [4]	**87.4**	19.8	5.2	(1.1)	3.6
Charge-offs:					
Commercial	**(612.8)**	(218.7)	(133.6)	(178.9)	(107.3)
Real estate:					
Home equity lines	**(714.9)**	(449.6)	(116.2)	(28.8)	(24.5)
Construction	**(507.0)**	(194.5)	(12.2)	(2.3)	(6.0)
Residential mortgages [3]	**(1,235.7)**	(525.1)	(113.1)	(29.6)	(22.8)
Commercial real estate	**(31.6)**	(24.7)	(2.1)	(8.1)	(3.1)
Consumer loans:					
Direct	**(56.9)**	(41.9)	(23.4)	(22.0)	(37.2)
Indirect	**(152.4)**	(192.9)	(106.4)	(82.3)	(109.6)
Credit cards	**(86.0)**	(33.1)	(7.3)	(4.6)	(4.7)
Total charge-offs	**(3,397.3)**	(1,680.5)	(514.3)	(356.6)	(315.2)
Recoveries:					
Commercial	**40.4**	24.1	23.3	28.6	35.1
Real estate:					
Home equity lines	**30.2**	16.4	7.8	6.9	6.2
Construction	**7.6**	2.8	1.2	2.0	0.8
Residential mortgages	**17.8**	7.8	5.5	7.9	8.1
Commercial real estate	**3.8**	1.1	1.9	6.2	2.6
Consumer loans:					
Direct	**8.2**	8.2	9.6	12.1	13.5
Indirect	**49.0**	54.2	41.3	45.4	48.9
Credit cards	**2.6**	1.5	0.9	1.4	1.2
Total recoveries	**159.6**	116.1	91.5	110.5	116.4
Net charge-offs	**(3,237.7)**	(1,564.4)	(422.8)	(246.1)	(198.8)
Balance - end of period	**$3,234.9**	$2,378.5	$1,290.2	$1,047.0	$1,031.7
Components:					
Allowance for loan and lease losses	**$3,120.0**	$2,351.0	$1,282.5	$1,044.5	$1,028.1
Unfunded commitments reserve	**114.9**	27.5	7.7	2.5	3.6
Allowance for credit losses	**$3,234.9**	$2,378.5	$1,290.2	$1,047.0	$1,031.7
Average loans	**$121,040.6**	$125,432.7	$120,080.6	$119,645.2	$108,742.0
Year-end loans outstanding	**113,674.8**	126,998.4	122,319.0	121,454.3	114,554.9
Ratios:					
Allowance to year-end loans[5]	**2.76 %**	1.86 %	1.05 %	0.86 %	0.90 %
Allowance to nonperforming loans[2,5]	**58.9**	61.7	101.9	216.9	378.0
Allowance to net charge-offs[5]	**0.96 x**	1.50 x	3.03 x	4.24 x	5.17 x
Net charge-offs to average loans	**2.67 %**	1.25 %	0.35 %	0.21 %	0.18 %
Provision for loan losses to average loans	**3.31**	1.97	0.55	0.22	0.16
Recoveries to total gross charge-offs	**4.7**	6.9	17.8	31.0	36.9

[1] Amount removed from the ALLL related to our election to record $4.1 billion of residential mortgages at fair value.

[2] During the second quarter of 2008, the Company revised its method of calculating this ratio to include, within the nonperforming loan amount, only loans measured at amortized cost. Previously, this calculation included nonperforming loans measured at fair value or the lower of cost or market. The Company believes this is an improved method of calculation due to the fact that the allowance for loan losses relates solely to the loans measured at amortized cost. Nonperforming loans measured at fair value or the lower of cost or market that have been excluded from the 2007 calculation were $171.5 million, which increased the calculation approximately 12 basis points as of December 31, 2007. Amounts excluded in years prior to 2007 were immaterial and resulted in no basis point change in the respective calculation.

[3] Prior to 2009, borrower misrepresentation fraud and denied insurance claim losses were recorded as operating losses in the Consolidated Statements of Income/(Loss). These credit-related operating losses totaled $160.3 million and $78.4 million during the year ended December 31, 2008 and 2007, respectively. Prior to 2007, credit-related operating losses were immaterial. During 2009, credit-related operating losses charged-off against previously established reserves within other liabilities totaled $194.9 million.

[4] Beginning in the fourth quarter of 2009, SunTrust recorded the provision for unfunded commitments of $57.2 million within the provision for credit losses in the Consolidated Statements of Income/(Loss). Including the provision for unfunded commitments for the fourth quarter of 2009, the provision for credit losses was $4.1 billion for the twelve months ended December 31, 2009. 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).

[5] This ratio is calculated using the allowance for loan and lease losses.

Allowance for Credit Losses

The allowance for credit losses consists of the ALLL as well as the reserve for unfunded commitments.

We continuously monitor the credit quality of our loan portfolio and maintain an ALLL sufficient to absorb current probable and estimable losses inherent in our loan portfolio. We are committed to the timely recognition of problem loans and maintaining an appropriate and adequate ALLL. In addition to the review of credit quality through ongoing credit review processes, we employ a variety of modeling and estimation techniques to measure credit risk and construct an appropriate ALLL. Numerous asset quality measures, both quantitative and qualitative, are considered in estimating the ALLL. Our ALLL Committee has the responsibility of affirming the allowance methodology and assessing significant risk elements in order to determine the appropriate level of allowance for the inherent losses in the loan portfolio at the point in time being reviewed. The multiple factors evaluated include internal risk ratings, net charge-off trends, collateral values and geographic location, borrower FICO scores, delinquency rates, nonperforming and restructured loans, origination channel, product mix, underwriting practices, and economic trends. These credit quality factors are incorporated into various loss estimation models and analytical tools utilized in our ALLL process and/or are qualitatively considered in evaluating the overall reasonableness of the ALLL. The factors that have the greatest quantitative impact on the estimated ALLL tend to be internal risk rating trends, recent net charge-off trends, delinquency rates, and loss severity levels (i.e., collateral values). Other factors such as nonperforming or restructured loans tend to have a more isolated impact on subsets of loans in the loan pools. Also impacting the ALLL is the estimated incurred loss period, which tends to be approximately one year for consumer-related loans and between one and one-quarter to three years for wholesale-related loans. During periods of economic stress, the incurred loss period tends to contract. The ALLL process excludes loans measured at fair value as subsequent mark to market adjustments related to loans measured at fair value include a credit risk component. Starting in third quarter 2009, the ALLL includes results from a recently enhanced residential mortgage loss forecast model. The model utilizes more granular loan specific information, as well as home price index changes at the Metropolitan Statistical Area level to estimate incurred losses and loss severities. The enhanced modeling capabilities, as well as declines in the home price index, resulted in increases to average loss severity estimates related to residential mortgage loans, which partially contributed to the increase in the ALLL.

At December 31, 2009, the ALLL was $3,120.0 million, which represented 2.76% of period-end loans not carried at fair value. This compares with an ALLL of $2,351.0 million, or 1.86% of period-end loans not carried at fair value, as of December 31, 2008. The year-over-year increase of $769.0 million in the ALLL is comprised of quarterly increases of $384.0 million (December 31, 2008 to March 31, 2009); $161.0 million (March 31, 2009 to June 30, 2009); $128.0 million (June 30, 2009 to September 30, 2009); and $96.0 million (September 30, 2009 to December 31, 2009) which reflects a declining trend in ALLL increases as a result of stabilizing leading asset quality indicators. The year-over-year increase in ALLL reflects, among other items, the current economic downturn, decreasing home prices, and higher losses in the residential and commercial real estate-related portions of the loan portfolio. Future changes in the ALLL will depend significantly on credit quality indicators, which are highly influenced by the broader economy. The majority of the increase in the allowance for loan losses pertained to the residential real estate-related portion of the loan portfolio and specific reserves for residential developers. In the first quarter of 2009, we began classifying losses associated with borrower misrepresentation and insurance claim denials in the ALLL. Previously, these fraud-related losses were recorded in operating losses within noninterest expense. These losses are now being recorded in the ALLL since we believe that borrower credit-related issues due to the deteriorating economic environment have become the predominant contributor to the losses. Realized losses on these loans are reflected as charge-offs.

Our ALLL framework has two basic elements: specific allowances for loans individually evaluated for impairment and a component for pools of homogeneous loans not individually evaluated. The first element of the ALLL analysis involves the estimation of allowance specific to individually evaluated impaired loans including accruing and nonaccruing restructured commercial and consumer loans. In this process, specific allowance is established for larger commercial impaired loans based on an analysis of the most probable sources of repayment, including discounted cash flows, liquidation of collateral, or the market value of the loan itself. Restructured consumer loans are also evaluated in this element of the estimate. As of December 31, 2009, the specific allowance related to commercial impaired loans individually evaluated and restructured consumer loans totaled $538.0 million, compared to $201.8 million as of December 31, 2008; $292.2 million of this increase is driven by the loan modification efforts on consumer and residential loans. Specific reserves associated with larger commercial loans individually evaluated increased $44.0 million to $193.0 million at December 31, 2009. This increase is primarily driven by deterioration in loans to residential builders.

The second element of the ALLL, the general allowance for homogeneous loan pools not individually evaluated, is determined by applying allowance factors to pools of loans within the portfolio that have similar risk characteristics. The general allowance factors are determined using a baseline factor that is developed from an analysis of historical net charge-off experience and expected losses. Expected losses are based on estimated probabilities of default and loss given default derived from our internal risk rating process. These baseline factors are developed and applied to the various loan pools. Adjustments may be made to baseline reserves for some of the loan pools based on an assessment of internal and external influences on credit quality not fully reflected in the historical loss or risk-rating data. These influences may include elements such as changes in credit underwriting, concentration risk, macroeconomic conditions, and/or recent observable asset quality trends.

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We continually evaluate our ALLL methodology seeking to refine and enhance this process as appropriate, and it is likely that the methodology will continue to evolve over time. As of December 31, 2009, the general allowance totaled $2,582.0 million. This compares to a general allowance totaling $2,149.2 million as of December 31, 2008. The increase was primarily driven by declining home prices and the associated deterioration in credit quality of the residential mortgage and home equity lines of credit portfolios. Increases to the commercial related reserves were driven by higher expected loss factors.

Our charge-off policy meets or exceeds regulatory minimums. Losses on unsecured consumer loans are recognized at 90 days past due compared to the regulatory loss criteria of 120 days. Secured consumer loans, including residential real estate, are typically charged down to net realizable value at 120 and 180 days delinquent, depending on the collateral type, in compliance with FFIEC guidelines. Commercial loans and real estate loans are typically placed on nonaccrual status when principal or interest is past due for 90 days or more unless the loan is both secured by collateral having value sufficient to discharge the debt in full and the loan is in the legal process of collection. Accordingly, secured loans may be charged down or reserves established to the estimated value of the collateral with previously accrued unpaid interest reversed. Subsequent reserves and/or charge-offs may be required as a result of changes in the market value of collateral or other repayment prospects. Initial reserves and/or charge-off amounts are based on valuation estimates derived from either appraisals, broker price opinions, or other market information. Generally, updated appraisals are received within 90 days of the foreclosure process. However, collateral values are updated and reviewed periodically based on market information from multiple sources.

Net charge-offs during 2009 were $3.2 billion, an increase of $1.7 billion from 2008. Net charge-offs to average loans ratio was 2.67% and 1.25% as of December 31, 2009 and 2008, respectively. The increase in net charge-offs reflects the effects of the housing crisis and related economic downturn. The largest increases were seen in residential mortgage ($700.6 million), commercial ($377.8 million), real estate construction ($307.7 million) and home equity lines ($251.5 million). We do not originate subprime consumer real estate loans; however lower residential real estate values and recessionary economic conditions have affected borrowers of higher credit quality. Construction net charge-offs increased due to the resolution of loan workouts in the residential builder construction portfolio. The increase in commercial net charge-offs was driven by relatively fewer, but larger credits in unrelated, economically cyclical industries as well as small businesses. During the fourth quarter of 2009, net charge-offs declined across most loan categories, except residential construction, which increased as a result of continued workout activities. Overall, our outlook is for elevated net charge-offs in the near term, particularly related to residential mortgages associated with loans migrating to foreclosure, with the possibility that improvement could begin in the second half of 2010 depending on the strength and pace of economic recovery.

The ratio of the ALLL to total nonperforming loans decreased to 58.9% as of December 31, 2009 from 61.7% as of December 31, 2008. The decline in this ratio was due to a $1.5 billion increase in nonperforming loans compared to 2008, driven primarily by increases in residential mortgage and real estate construction nonperforming loans, partially offset by the $769.0 million increase in the ALLL. The increase in nonperforming loans was driven primarily by deteriorating economic conditions and declining home values in most markets that we serve as well as home builders and commercial loans in economically sensitive businesses. We write down residential nonperforming loans to the expected value of the underlying collateral, less estimated selling costs as measured at the time the loan is 180 days past due. Declines, if any, in the collateral value of the nonperforming loans subsequent to the initial charge-off are captured in the ALLL and then recognized as additional charge-offs upon foreclosure. The charge-off is applied against the ALLL; therefore, the relationship between ALLL and nonperforming loans becomes less correlated since the carrying value of such charged-off nonperforming loans has already recognized losses that are estimated to be realized at that point in time. Another factor that impacts the ALLL to nonperforming loans ratio is that most of the nonperforming loans have some amount of net residual value; therefore, while the entire loan is classified as nonperforming, only the amount of estimated losses that has not already been charged-off would be captured in the ALLL. Product mix of nonperforming loans and the related charge-off practices are relevant considerations in the evaluation of ALLL coverage of nonperforming loans.

The reserve for unfunded commitments was $114.9 million and $27.5 million as of December 31, 2009 and December 31, 2008, respectively. Lending commitments such as letters of credit and binding unfunded loan commitments are assessed similarly to funded wholesale loans except utilization assumptions are considered. Larger nonperforming unfunded commitments and letters of credit are individually evaluated for loss content. The $87.4 million increase in the reserve for unfunded commitments reflects the deterioration in the overall economy and credit conditions during the year. We do not anticipate this level of growth to continue during 2010 unless the economic environment deteriorates significantly.

Provision for Credit Losses

The provision for credit losses includes both the provision for loan losses, relating to funded loans, as well as the provision for unfunded commitments. The provision for loan losses is the result of a detailed analysis estimating an appropriate and adequate ALLL. The provision for loan losses during 2009 totaled $4.0 billion, an increase of $1.5 billion, or 61.9%, from 2008. The increase in the provision for loan losses is primarily driven by elevated losses and increases in ALLL due to

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deteriorating asset quality conditions in the residential related and wholesale portfolios. We expect net charge-offs and the provision for loan losses to remain at elevated levels until we experience a sustained improvement in the credit quality of the loan portfolio. The amount of future growth in the ALLL is highly correlated to unemployment levels, changes in home prices within our markets, especially Florida, as well as sustained improvement in our portfolio-specific credit quality indicators. See additional discussion of our expectations for future levels of credit quality in the Allowance for Credit Losses and Nonperforming Assets sections of this MD&A.

Table 10 - Nonperforming Assets

	As of December 31				
(Dollars in millions)	**2009**	2008	2007	2006	2005
Nonperforming Assets					
Nonaccrual/nonperforming loans:					
Commercial	**$484.0**	$322.0	$74.5	$106.8	$70.9
Real estate:					
Construction	**1,484.6**	1,276.8	295.3	38.6	24.4
Residential mortgages	**2,715.9**	1,847.0	841.4	266.0	95.7
Home equity lines	**289.0**	272.6	135.7	13.5	7.6
Commercial real estate	**391.8**	176.6	44.5	55.4	44.6
Consumer loans	**37.3**	45.0	39.0	23.5	28.7
Total nonaccrual/nonperforming loans	**5,402.6**	3,940.0	1,430.4	503.8	271.9
Other real estate owned [1]	**619.6**	500.5	183.7	55.4	30.7
Other repossessed assets	**79.1**	15.9	11.5	6.6	7.2
Total nonperforming assets	**$6,101.3**	$4,456.4	$1,625.6	$565.8	$309.8
Ratios:					
Nonperforming loans to total loans	**4.75** %	3.10 %	1.17 %	0.41 %	0.24 %
Nonperforming assets to total loans plus OREO and other repossessed assets	**5.33**	3.49	1.33	0.47	0.27
Restructured loans (accruing)	**$1,640.9**	$462.6	$29.9	$28.0	$24.4
Accruing loans past due 90 days or more	**1,499.9**	1,032.3	611.0	351.5	371.5

[1] Does not include foreclosed real estate related to loans previously serviced for GNMA reported in other assets and insured by FHA and VA as to principal and interest.

Nonperforming Assets

Nonperforming assets totaled $6.1 billion as of December 31, 2009, an increase of $1.6 billion, or 36.9%, from December 31, 2008. Nonperforming loans as of December 31, 2009 were $5.4 billion, an increase of $1.5 billion, or 37.1%, from December 31, 2008. Of this total increase, nonperforming residential mortgage loans represented $868.9 million, commercial real estate loans represented $215.2 million, real estate construction loans represented $207.8 million, commercial loans represented $162.0 million, and home equity lines represented $16.4 million. We experienced slight declines in total nonperforming assets and total nonperforming loans over the last six months of 2009 as well as a decline in early stage delinquencies. The slight decline in total nonperforming loans was primarily related to commercial and construction loans, partially offset by increases in residential mortgages and commercial real estate loans.

Of the $5.4 billion in nonaccruing loans, approximately 80% is related to residential real estate. Residential mortgages and home equity lines represent 55.6% of total nonaccruals. The increase in nonperforming assets is largely related to the housing correction and related decline in the values of residential real estate. The nonperforming assets are also affected by the time it takes to complete the foreclosure process, especially in judicial jurisdictions. The asset quality of the residential mortgage portfolio showed signs of stabilization and moderating growth in nonperforming loans during the fourth quarter, although on an absolute basis, this portfolio continues to perform poorly. We have noted an increase in the amount of time it takes us to foreclose upon residential real estate collateral in certain states, primarily Florida, which we believe is primarily due to delays in the judicial foreclosure process. We apply rigorous loss mitigation processes to these nonperforming loans to ensure that the asset value is preserved to the greatest extent possible; despite these efforts, it is likely we will realize additional losses on these nonperforming assets in the future.

Nonperforming residential mortgages are primarily collateralized by one-to-four family residential properties. Approximately 84% of the nonperforming loans relate to properties in our footprint; approximately 52% of such nonperforming loans are in Florida. Approximately 75% of the nonperforming residential mortgages have been on nonaccrual status for at least six months. We have reached a point where growth in residential mortgage nonperforming loans has slowed as we are approaching the equilibrium point where the nonperforming loan outflow from foreclosures is offsetting the inflow from new nonperforming loans. Approximately 52% of the nonperforming home equity lines were from lines originated by third parties, lines in Florida with combined LTVs greater than 80%, or lines in other states with combined LTVs greater than 90%. Beginning in 2006, we tightened the underwriting standards applicable to many of the residential loan products offered.

Nonaccrual construction loans were $1.5 billion, an increase of $207.8 million, or 16.3%, from December 31, 2008. Approximately 90% of the nonperforming construction loans are secured by residential real estate; specifically, $261 million

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construction to perm, $429 million residential construction, and $641 million in residential land, acquisition, and development properties. Beginning in September 2007, underwriting standards were tightened for new loan originations in the construction to perm portfolio. At this point, we believe that the residential construction nonperforming loans are at or near their peak. The vast majority of the problem loans in the portfolio have been identified and are in the workout process. As a result, charge-offs will remain elevated, but declining, over the next two to three quarters as we continue workout activities.

Nonaccrual commercial loans were $484.0 million, up $162.0 million, or 50.3%, from December 31, 2008. The increase was driven primarily by loans to a few larger commercial borrowers in economically cyclical industries together with loans to mid-size borrowers. Commercial loan charge-offs, early stage delinquency and nonperforming loans declined in the fourth quarter. We continue to see some stress in more cyclically sensitive industries and in our small business portfolio.

Nonaccrual commercial real estate loans increased by $215.2 million, or 121.9%, to $391.8 million compared to December 31, 2008. The increase occurred in a variety of property types, including office and hotel. The composition of commercial real estate nonaccruals is split almost equally between owner occupied and investor owned loans.

Early stage delinquencies (30-89 days past due) were stable to declining in almost all of our non-residential secured consumer portfolios. The exception was in the consumer direct portfolio, which is largely comprised of federally guaranteed or privately insured student loans, and which drove the increase. Excluding student loans, the early stage delinquency ratio for the consumer direct portfolio was 1.07%. Total early stage delinquencies declined to 1.37% as of December 31, 2009 from 1.52% as of September 30, 2009 and 1.81% as of December 31, 2008.

In order to maximize the collection of loan balances, we evaluate accounts that experience financial difficulties on a case-by-case basis to determine if their terms should be modified. We are aggressively pursuing modifications when there is a reasonable chance that the modification will allow the client to continue servicing the debt. For residential real estate secured loans, if the client demonstrates a loss of income such that the client cannot reasonably support even a modified loan, we strongly encourage short sales and deed-in-lieu arrangements. Accruing loans with modifications that are deemed to be economic concessions resulting from borrower difficulties are reported as TDRs. Nonaccruing loans that are modified and demonstrate a history of repayment performance in accordance with their modified terms are reclassified to accruing restructured typically after six months of repayment performance. Nonaccruing restructured loans were $912.5 million and $268.1 million as of December 31, 2009 and December 31, 2008, respectively.

Accruing restructured loans were $1.6 billion at December 31, 2009, an increase of $1.2 billion, or 254.7%, from December 31, 2008. Of these TDRs, 97% are first and second lien residential mortgages and home equity lines of credit, and not commercial or commercial real estate loans. At December 31, 2009, specific reserves included in the ALLL for all consumer real estate TDRs (accruing and nonaccruing) were $345.0 million. In addition, we have already recorded approximately $140 million in charge-offs on the nonaccruing TDRs and also have $86.0 million in mark to market adjustments on TDRs carried at fair value. These loans are primarily residential related and are being restructured in a variety of ways to help our clients remain in their homes and mitigate potential additional loss to us. The primary restructuring methods offered to our clients are reductions in interest rates and extensions in terms. The increase in loan modifications also impacted the moderation in nonperforming loan growth and early stage delinquencies. Within the accruing TDR portfolio, 85% of loans are current on principal and interest and 70% of the total TDR portfolio is current. Not all restructurings will ultimately result in the complete collection of principal and interest, as modified. We anticipate that some of the restructured loans will default, which could result in incremental losses to us, which has been factored into our overall ALLL estimate. The level of re-defaults will be affected by future economic conditions. Generally, once a consumer loan becomes a TDR, it is probable that the loan will likely continue to be reported as TDR until it ultimately pays off in most circumstances.

Interest income on nonaccrual loans, if recognized, is recorded using the cash basis method of accounting. During 2009 and 2008, this amounted to $36.2 million and $25.4 million, respectively. For 2009 and 2008, estimated interest income of $354.1 million and $233.3 million, respectively, would have been recorded if all such loans had been accruing interest according to their original contractual terms. Interest income on restructured loans that have met their performance criteria and have been returned to accruing status is recognized according to the terms of the restructuring. During 2009, this amounted to $52.2 million. For 2009, estimated interest income of $75.2 million would have been recorded if all loans returned to accruing status had been accruing interest according to their original contractual terms. During 2008, the difference between income under original contractual terms and the modified terms for restructured loans was insignificant.

As of December 31, 2009, accruing loans past due ninety days or more increased by $467.6 million, or 45.3%, from December 31, 2008 to $1.5 billion. Included in this accruing loan population are $978.9 million and $493.7 million of loans at December 31, 2009 and December 31, 2008, respectively, that have been sold to GNMA and are fully insured by the FHA and the VA. When loans are sold to GNMA, we retain an option to repurchase the loans when they become delinquent. As such, we are required to record these loans on our balance sheet when our option becomes exercisable. Also included in the accruing loans past due ninety days or more as of December 31, 2009 and December 31, 2008 were $366.7 million and $367.6 million, respectively, of student loans which were federally guaranteed at various levels between 97% and 100%.

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OREO as of December 31, 2009 was $619.6 million, an increase of $119.1 million, or 23.8%, from December 31, 2008. The growth consists of a $225.7 million increase in construction-related properties primarily driven by residential construction of $147.5 million and commercial properties of $78.2 million, acquired through foreclosure offset by a net decrease of $106.6 million in residential homes. The amount of inflows and outflows has increased over the past several quarters as nonperforming loans migrate through the resolution process. Most of our OREO properties are located in Georgia, Florida, and North Carolina. Residential properties and land comprise 50% and 36%, respectively, of OREO; the remainder relates to residential construction and other properties. Upon foreclosure, these properties were re-evaluated and if necessary, written down to their then current estimated net realizable value (estimated sales price less selling costs); further declines in home prices could result in additional losses on these properties. We are actively managing these foreclosed assets to minimize future losses. See additional discussion of OREO-related costs in the Noninterest Expense section of this MD&A.

SELECTED FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

Certain financial instruments such as trading securities, derivatives, and securities available for sale are required to be carried at fair value. Companies are also permitted to elect to carry specific financial instruments at fair value to avoid some of the complexities of hedge accounting and more closely align the economics of their business with their results of operations without having to explain a mixed attribute accounting model. Based on our balance sheet management strategies and objectives, we have elected to carry certain other financial assets and liabilities at fair value. These instruments include all, or a portion, of the following: debt, residential mortgage loans, brokered deposits, and trading loans.

We record changes in these instruments fair values through earnings and economically hedge and/or trade these assets or liabilities in order to manage the instrument s fair value volatility and economic value. Following is a discussion of all financial assets and financial liabilities that are currently carried at fair value on the Consolidated Balance Sheets at December 31, 2009 and 2008.

Table 11 - Trading Assets and Liabilities

		As of December 31	
(Dollars in millions)	**2009**	2008	2007
Trading Assets			
Debt securities:			
U.S. Treasury and federal agencies	**$1,150.3**	$3,127.6	$4,194.4
U.S. states and political subdivisions	**58.5**	159.1	171.2
Corporate debt securities	**464.7**	585.8	607.0
Commercial paper	**0.6**	399.6	2.4
Residential mortgage-backed securities - agency	**94.2**	58.6	127.5
Residential mortgage-backed securities - private	**13.9**	38.0	600.4
Collateralized debt obligations	**174.9**	261.5	2,245.1
Other debt securities	**25.9**	813.2	149.8
Total debt securities	**1,983.0**	5,443.4	8,097.8
Equity securities	**163.0**	116.8	242.7
Derivative contracts	**2,610.3**	4,701.8	1,977.4
Other	**223.6**	134.3	200.5
Total trading assets	**$4,979.9**	$10,396.3	$10,518.4
Trading Liabilities			
Debt securities:			
U.S. Treasury and federal agencies	**$192.9**	$440.4	$332.7
Corporate and other debt securities	**144.1**	146.8	188.1
Total debt securities	**337.0**	587.2	520.8
Equity securities	**7.8**	13.3	71.9
Derivative contracts	**1,844.1**	2,640.3	1,567.7

Total trading liabilities	**$2,188.9**	$3,240.8	$2,160.4

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Trading Assets and Liabilities

Trading assets decreased $5.4 billion, or 52.1%, since December 31, 2008. The majority of the decrease consisted of a $3.5 billion reduction in trading debt securities, which was primarily driven by the sale in the first quarter of 2009 of approximately $2.0 billion of our agency trading portfolio that consisted of FHLB floating rate notes. The sale of these securities was completed primarily to reduce low yielding securities and improve margin.

CP decreased $399.0 million from $399.6 million at December 31, 2008 to $0.6 million at December 31, 2009. The decrease is primarily due to the discontinuation of the Federal Reserve Bank of Boston s ABCP MMMF Liquidity Facility program that was implemented in 2008 which allowed eligible depository institutions, bank holding companies, and affiliated broker/dealers to purchase certain ABCP from certain MMMF.

Other debt securities decreased $787.3 million during the year ended December 31, 2009. Of this decrease, $603.4 million was the result of the temporary suspension and wind-down of the TRS business. See Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities , to the Consolidated Financial Statements for additional information regarding our TRS business.

Derivative assets and liabilities also decreased in 2009 by $2.1 billion and $0.8 billion, respectively, of which $1.5 billion and $655.1 million, respectively, was driven by the movements in fair values of interest rate based derivatives including $184.1 million in terminated interest rate swaps on FHLB advances that were repaid in the first quarter of 2009. In addition, $249.5 million of the decrease in derivative assets was due to the decline in fair value of our cash flow hedges related to the probable forecasted sale of Coke common shares, which change in fair value also increased the derivative liabilities by $45.9 million. The termination of TRS transactions resulted in the decrease of derivative assets and liabilities during 2009 of $171.0 million and $166.6 million, respectively. The remaining decrease in derivative assets and liabilities was primarily due to the partial termination of cross currency swaps hedging foreign denominated debt and the changes in fair value of those hedge positions still outstanding.

Certain ABS were purchased during the fourth quarter of 2007 from affiliates and certain ARS were purchased primarily in the fourth quarter of 2008 and first quarter of 2009. The securities acquired during the fourth quarter of 2007 included SIVs (that are collateralized by various domestic and foreign assets), residential MBS (including Alt-A and subprime collateral), CDO, and commercial loans, as well as super-senior interests retained from Company-sponsored securitizations. During the year ended December 31, 2009, we recognized approximately $24.2 million in net market valuation gains related to these ABS. Through sales, maturities and write downs, we reduced our exposure to these distressed assets by approximately $3.3 billion since the acquisition in the fourth quarter of 2007, reducing the exposure at December 31, 2009 to approximately $159.3 million. During 2009, we received approximately $6.5 million in sales proceeds and $108.5 million in payments related to securities acquired during the fourth quarter of 2007.

We continue to actively evaluate our holdings of these securities with the objective of opportunistically lowering our exposure to them. In addition, we expect paydowns to continue on many of the residential MBS. All but a small amount of the remaining acquired asset portfolio consists of SIVs undergoing enforcement proceedings and, therefore, any significant reduction in the portfolio will largely depend on the status of those proceedings. During the second quarter of 2009, one of our three remaining SIVs liquidated as a result of the completion of enforcement proceedings; this liquidation resulted in proceeds of $18.6 million and a realized gain of $1.8 million, due to the liquidation value being slightly above our recorded fair value, that was recorded in trading account profits/(losses) and commissions in the Consolidated Statements of Income/(Loss) for the year ended December 31, 2009. During 2009, we received approximately $65.0 million in partial payments on the remaining SIVs undergoing enforcement. While further losses are possible, our experience during 2008 and 2009 reinforces our belief that we have appropriately written these assets down to fair value as of December 31, 2009. The estimated market value of these securities is based on market information, where available, along with significant, unobservable third party data. As a result of the high degree of judgment and estimates used to value these illiquid securities, the market values could vary significantly in future periods. See Difficult to Value Financial Assets and Liabilities included in this MD&A for more information.

The amount of ARS recorded in trading assets at fair value totaled $176.4 million at December 31, 2009 and $133.1 million at December 31, 2008. The majority of these ARS are preferred equity securities, and the remaining securities consist of ABS backed by trust preferred bank debt or student loans.

In September 2008, we purchased, at amortized cost plus accrued interest, a Lehman Brothers security from the RidgeWorth Prime Quality Money Market Fund (the Fund). The Fund received a cash payment for the accrued interest along with a $70 million note that we issued. RidgeWorth, one of our wholly-owned subsidiaries, is the investment adviser to the Fund. The Lehman Brothers security went into default when Lehman Brothers filed for bankruptcy in September 2008. We took this

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action in response to the unprecedented market events during the third quarter and to protect investors in the Fund from losses associated with this specific security. When purchased by the Fund, the Lehman Brothers security was rated A-1/P-1 and was a Tier 1 eligible security. During 2008, we recorded a pre-tax market valuation loss of $63.8 million as a result of the purchase. During 2009, we sold this security, recognizing a gain for the year of $2.8 million. We evaluated this transaction under the applicable accounting guidance and concluded that we were not the primary beneficiary and therefore consolidation of the Fund was not appropriate.

Table 12 Securities Available for Sale

	As of December 31			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies				
2009	**$7,939.9**	**$13.4**	**$39.2**	**$7,914.1**
2008	464.6	21.9	0.3	486.2
2007	383.2	7.2	-	390.4
U. S. states and political subdivisions				
2009	**$927.9**	**$27.8**	**$10.6**	**$945.1**
2008	1,018.9	24.6	6.1	1,037.4
2007	1,052.6	16.2	1.5	1,067.3
Residential mortgage-backed securities - agency				
2009	**$15,704.6**	**$273.2**	**$61.7**	**$15,916.1**
2008	14,424.5	135.8	10.2	14,550.1
2007	9,326.9	71.4	12.1	9,386.2
Residential mortgage-backed securities - private				
2009	**$500.7**	**$6.0**	**$99.4**	**$407.3**
2008	629.2	8.3	115.3	522.2
2007	994.4	0.3	35.6	959.1
Other debt securities				
2009	**$785.7**	**$16.2**	**$4.6**	**$797.3**
2008	302.8	4.5	13.1	294.2
2007	243.2	0.7	1.6	242.3
Common stock of The Coca-Cola Company				
2009	**$0.1**	**$1,709.9**	**$-**	**$1,710.0**
2008	0.1	1,358.0	-	1,358.1
2007	0.1	2,674.3	-	2,674.4
Other equity securities[1]				
2009	**$786.2**	**$0.9**	**$-**	**$787.1**
2008	1,443.1	5.2	-	1,448.3
2007	1,539.2	5.2	-	1,544.4
Total securities available for sale				
2009	**$26,645.1**	**$2,047.4**	**$215.5**	**$28,477.0**
2008	18,283.2	1,558.3	145.0	19,696.5
2007	13,539.6	2,775.3	50.8	16,264.1

[1]Includes $343.3 million and $493.2 million of FHLB of Cincinnati and FHLB of Atlanta stock stated at par value, $360.4 million and $360.9 million of Federal Reserve Bank stock stated at par value and $82.2 million and $588.5 million of mutual fund investments stated at fair value as of December 31, 2009 and December 31, 2008, respectively.

Securities Available for Sale

The securities available for sale portfolio is managed as part of the overall asset and liability management process to optimize income and market performance over an entire interest rate cycle while mitigating risk. The size of the securities portfolio, at fair value, was $28.5 billion as of December 31, 2009, an increase of $8.8 billion, or 44.7%, from December 31, 2008. The carrying value of securities available for sale reflected $1.8 billion in net unrealized gains as of December 31, 2009, comprised of a $1.7 billion unrealized gain from our remaining 30.0 million shares of Coke common stock and $0.1 billion in net unrealized gains on the remainder of the portfolio.

The average yield on securities available for sale on a FTE basis for 2009 declined to 4.23% compared to 5.99% in 2008 primarily as a result of the net purchase of lower-yielding MBS issued by federal agencies in late December of 2008 as well as the net purchase of lower-yielding U.S. Treasury and federal agency debentures throughout 2009, improving the portfolio s quality and liquidity in anticipation of the repayment of TARP upon regulatory approval.

In 2009, we sold approximately $9.2 billion of agency MBS recognizing a $90.2 million gain on those sales. These sales were associated with repositioning the MBS portfolio into securities we believe have higher relative value.

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The portfolio s effective duration increased to 3.0% as of December 31, 2009 from 2.8% as of December 31, 2008. Effective duration is a measure of price sensitivity of a bond portfolio to an immediate change in market interest rates, taking into consideration embedded options. An effective duration of 3.0% suggests an expected price change of 3.0% for a one percent instantaneous change in market interest rates. The credit quality of the securities portfolio remained strong with approximately 95% of the total securities available for sale portfolio rated AAA, the highest possible rating by nationally recognized rating agencies.

During 2009, we recognized $20.0 million of credit-related OTTI within net securities gains in the Consolidated Statements of Income/(Loss) and $92.8 million of non-credit related OTTI within OCI. This total OTTI loss of $112.8 million relates to securities with a fair value of approximately $310.6 million as of December 31, 2009, consisting primarily of purchased and retained private residential MBS. These impaired securities were valued using third party pricing data, including broker indicative bids, or expected cash flow models. See Note 5, Securities Available for Sale, to the Consolidated Financial Statements for further discussion.

The amount of ARS recorded in the available for sale securities portfolio totaled $156.4 million as of December 31, 2009 and $48.2 million as of December 31, 2008. Included in ARS are tax-exempt municipal securities in addition to student loan ABS.

Difficult to Value Financial Assets and Liabilities

The broad credit crisis that was triggered by the 2007 subprime loan melt-down intensified throughout 2008 and, as the broader economy continued to worsen, the credit and liquidity markets became dysfunctional. The second half of 2008 was marked by turmoil in the financial sector, with the failure or government induced acquisitions of several large banks and investment banks, increased unemployment, and further declines in real estate values. Additional liquidity adjustments were made on many securities, and wider spreads caused valuing our level 3 financial instruments to become even more difficult. Initially in 2009, we saw continued volatility with the credit crisis further eroding liquidity and investor confidence; however, we began to experience the return of some stability in certain financial markets throughout the majority of 2009. In spite of some improvement in the market, record high mortgage delinquencies and foreclosures led to further downward pressure on certain private residential mortgage backed products. As a result, loss projections used by investors to estimate cash flows of these products more than doubled during the year, particularly for 2007 vintage private MBS.

Fair value is the estimated price using market-based inputs or assumptions that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Current market conditions have led to diminished, and in some cases, non-existent trading in certain of the financial asset classes that we own. We are required to consider observable inputs, to the extent available, in the fair value estimation process, unless that data results from forced liquidations or distressed sales. When available, we will obtain third party broker quotes or use observable market assumptions, as these levels of evidence are the strongest support for fair value, absent current market activity in that specific security or a similar security. Despite our best efforts to maximize the use of relevant observable inputs, the current market environment has generally diminished the observability of trades and assumptions that have historically been available. As such, the degree to which significant unobservable inputs have been utilized in our valuation procedures has increased over the past two years, largely with respect to certain types of loans and securities. This decrease in observability of market data began in the third quarter of 2007 and continued to persist in certain markets in 2009. However, we have begun to observe increased trading activity in certain markets, such as corporate debt markets (both primary and secondary) and the market for Small Business Administration instruments, which has provided corroborating evidence for our estimates of fair value.

The lack of liquidity, as evidenced by significant decreases in the volume and level of activity in certain markets, creates additional challenges when estimating the fair value of certain financial instruments. Generally, the assets and liabilities most affected by the lack of liquidity are those classified as level 3 in the fair value hierarchy. This lack of liquidity has caused us to evaluate the performance of the underlying collateral and use a discount rate commensurate with the rate a market participant would use to value the instrument in an orderly transaction, but that also acknowledges illiquidity premiums and required investor rates of return that would be demanded under current market conditions. The discount rate considered the capital structure of the instrument, market indices, and the relative yields of instruments for which third party pricing information and/or market activity was available. In certain instances, the interest rate and credit risk components of the valuation indicated a full return of expected principal and interest; however, the lack of liquidity resulted in wide ranges of discounts in valuing level 3 securities. The current illiquid markets are requiring discounts of this degree to drive a market competitive yield, as well as account for the anticipated extended tenor. The discount rates selected derived reasonable prices when compared to (i) observable transactions, when available, (ii) other securities on a relative basis, (iii) the bid/ask spread of non-binding broker indicative bids and/or (iv) our professional judgment. For certain securities, particularly non-investment grade MBS, a reasonable market discount rate could not be determined using those methodologies and, therefore, dollar prices were established based on market intelligence.

Pricing services and broker quotes were obtained when available to assist in estimating the fair value of level 3 instruments. The number of quotes we obtained varied based on the number of brokers following a particular security, but we generally

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attempt to obtain two to four quotes to determine reasonableness and comparability on a relative basis; however, the ability to obtain reasonable and reliable broker quotes or price indications continues to be challenging. We gained an understanding of the information used by third party pricing sources to develop their estimated values. The information obtained from third party pricing sources was evaluated and relied upon based on the degree of market transactions supporting the price indications and the firmness of the broker quotes. In most cases, the current market conditions caused the broker quotes to be indicative and the price indications and broker quotes to be supported by very limited to no recent market activity. In those instances, we weighted the third party information according to our judgment of it being a reasonable indication of the instrument s fair value.

Generally, pricing services values and broker quotes obtained on level 3 instruments were indications of value based on price indications, market intelligence, and proprietary cash flow modeling techniques, but could not otherwise be supported by recent trades due to the illiquidity in the markets. These values were evaluated in relation to other securities, and other broker indications, as well as our independent knowledge of the security s collateral. We believe that we evaluated all available information to estimate the value of level 3 instruments. The continued decline in the amount of third party information available necessitates the further use of internal models when valuing level 3 instruments. All of the techniques used and information obtained in the valuation process provides a range of estimated values, which were evaluated and compared in order to establish an estimated value that, based on management s judgment, represented a reasonable estimate of the instrument s fair value. It was not uncommon for the range of value of these instruments to vary widely; in such cases, we selected an estimated value that we believed was the best indication of value based on the yield a market participant in this current environment would expect.

Beginning in the first quarter of 2008, management established a level 3 valuation working group to evaluate the available information pertaining to certain securities and ultimately develop a consensus estimate of the instrument s fair value. The process involves the gathering of multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other similar securities, market indices, and internal cash flow and pricing matrix estimates. Participation in this working group includes the business or functional area that manages the instrument, market risk, and finance, including the independent price verification function. Pricing estimates are derived on most illiquid instruments weekly and at a minimum monthly, and the working group formally reviews the pricing information at least quarterly. These reviews may include assessing an instrument s classification in the fair value hierarchy based on the significance of the unobservable assumptions used to estimate the fair value.

We used significant unobservable inputs to fair value, on a recurring basis, certain trading assets, securities available for sale, portfolio loans accounted for at fair value, IRLCs, LHFS, MSRs and certain derivatives. The following table discloses assets and liabilities that have been impacted by level 3 fair value determinations.

Table 13

	As of			
(Dollars in millions)	**December 31, 2009**		December 31, 2008	
Trading assets	**$390.1**		$1,391.4	
Securities available for sale	**1,322.1**		1,489.6	
Loans held for sale	**151.5**		487.4	
Loans	**448.7**		270.3	
Other intangible assets [1]	**935.6**		-	
Other assets [2]	**13.5**		73.6	
Total level 3 assets	**$3,261.5**		$3,712.3	
Total assets	**$174,164.7**		$189,138.0	
Total assets measured at fair value	**$37,914.9**		$32,897.2	
Level 3 assets as a percent of total assets	**1.9**	%	2.0	%
Level 3 assets as a percent of total assets measured at fair value	**8.6**		11.3	
Long-term debt	**$-**		$3,496.3	
Trading liabilities	**45.9**		-	
Other liabilities [2, 3]	**48.1**		1.2	
Total level 3 liabilities	**$94.0**		$3,497.5	

Total liabilities	**$151,633.9**		$166,637.2	
Total liabilities measured at fair value	**$7,160.6**		$11,456.5	
Level 3 liabilities as a percent of total liabilities	**0.1**	**%**	2.1	%
Level 3 liabilities as a percent of total liabilities measured at fair value	**1.3**		30.5	

[1] Includes MSRs carried at fair value.

[2] Includes IRLCs.

[3] Includes derivative related to sale of Visa shares during the second quarter of 2009.

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Securities Available for Sale and Trading Assets

Our level 3 securities available for sale totals approximately $1.3 billion at December 31, 2009, including FHLB and Federal Reserve Bank stock, as well as certain municipal bond securities, some of which 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. These nonmarketable securities total approximately $836.9 million at December 31, 2009. Level 3 trading assets total approximately $390.1 million at December 31, 2009. The remaining level 3 securities, both trading assets and available for sale securities, are predominantly private MBS and collateral debt obligations, including interests retained from Company-sponsored securitizations or purchased from third-party securitizations and investments in SIVs. We have also increased our exposure to bank trust preferred ABS, student loan ABS, and municipal securities due to our purchase of certain ARS as a result of failed auctions. For all of the Level 3 securities, little or no market activity exists for either the security or the underlying collateral and therefore the significant assumptions used to value the securities are not market observable. Approximately half of the collateral in the remaining level 3 securities includes direct or repackaged exposure to residential mortgages which is predominantly secured by 2007 vintage prime first lien mortgage loans, however, there is also exposure to prime first and second lien mortgages, as well as subprime first and second lien mortgages that were originated from 2003 through 2007. Level 3 trading liabilities consists of the Coke derivative valued at approximately $45.9 million at December 31, 2009.

ARS purchased since the auction rate market began failing in February 2008 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 our valuations. We classify ARS as securities available for sale or trading securities. As of December 31, 2009, the fair value of ARS purchased is approximately $176.4 million in trading assets and $156.4 million in available for sale securities. ARS include municipal bonds, nonmarketable preferred equity securities, and ABS collateralized by student loans or trust preferred bank obligations. Under a functioning market, ARS could be remarketed with tight interest rate caps to investors targeting short-term investment securities that repriced generally every 7 to 28 days. Unlike other short-term instruments, these ARS do not benefit from backup liquidity lines or letters of credit and, therefore, as auctions began to fail, investors were left with securities that were more akin to longer-term, 20-30 year, illiquid bonds, with the anticipation that auctions will continue to fail in the foreseeable future. The combination of materially increased tenors, capped interest rates and general market illiquidity has had a significant impact on the risk profiles of these securities and has resulted in the use of valuation techniques and models that rely on significant inputs that are largely unobservable.

We saw a reduction in our level 3 portfolios during 2009 due to sales, paydowns, transfers of assets from level 3 to level 2, and/or continued deterioration in values of certain securities, in particular, private MBS. At December 31, 2009, we hold assets in two SIVs that are in receivership and are carried at a fair value of approximately $126.1 million. Our holdings of SIV assets decreased by $61.9 million during 2009, due to settlements or partial paydown of approximately $83.6 million, offset by gains of approximately $21.7 million. The gain resulted primarily from the improvement in the cash positions of the SIVs as well as modest improvements in the value of the underlying assets. Our level 3 portfolio has experienced a significant number and amount of downgrades during this time of economic turmoil. While our level 3 municipal securities and equity securities are of high credit quality, certain vintages of private MBS have suffered from deterioration in credit quality leading to downgrades. At December 31, 2009, our private MBS contained approximately $314 million of 2007 vintage securities available for sale and trading securities and approximately $19 million of 1999-2006 vintage securities available for sale and trading securities that 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. All of these securities that are classified as available for sale are also included as part of our quarterly OTTI evaluation process. See Note 5, Securities Available for Sale, to the Consolidated Financial Statements for details regarding impairment recognized through earnings on private MBS during the year ended December 31, 2009.

Residual and other retained interests classified as securities available for sale or trading securities are valued based on internal models that incorporate assumptions, such as prepayment speeds, estimated credit losses, and discount rates which are generally not observable in the current markets. Generally, we attempt to obtain pricing for our securities from a third party pricing provider or third party brokers who have experience in valuing certain investments. This pricing may be used as either direct support for our valuations or used to validate outputs from our own proprietary models. We evaluate third party pricing to determine the reasonableness of the information relative to changes in market data such as any recent trades we 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, we will use industry standard or proprietary models to estimate fair value, and will consider assumptions such as relevant market indices that correlate to the underlying collateral, prepayment speeds, default rates, loss severity rates, and discount rates.

Due to the continued illiquidity and credit risk of level 3 securities, these market values are highly sensitive to assumption changes and market volatility. In many instances, pricing assumptions for level 3 securities may fall within

an acceptable range of values. In those cases, we attempt to consider all information to determine the most appropriate price within that range. Improvements may be made to our pricing methodologies on an ongoing basis as observable and relevant information becomes available to us. Sales, trading and settlement activity were scarce in 2009 for many of our level 3 securities; however, we maintained consistency in our pricing methodology and processes, and incorporated any relevant changes to the valuation assumptions needed to ensure a supportable fair value for these illiquid securities, based on market conditions at December 31, 2009.

During the year ended December 31, 2009, we recognized through earnings $21.6 million in net losses related to trading assets and securities available for sale classified as level 3. While we believe we have utilized all pertinent market data in establishing an appropriate fair value for our securities, current market conditions result in wide price ranges used to evaluate market value. While it is difficult to accurately predict the ultimate cash value of these securities, we believe the amount that would be ultimately realized if the securities were held to settlement or maturity will generally be greater than the current fair value of the securities classified as level 3. This assessment is based on the current performance of the underlying collateral, which is experiencing elevated losses but generally not to the degree that correlates to current market values, which is pressured downward in this market due to liquidity issues and other broad macroeconomic conditions. It is reasonably likely that this market volatility will continue as a result of a variety of external factors, including but not limited to economic conditions, the sale of assets under government-sponsored programs, the restructuring of SIVs, and third party sales of securities, some of which could be large-scale.

During the year ended December 31, 2009, our level 3 assets were temporarily increased due to the purchase of approximately $1.3 billion of Three Pillars CP which was then transferred out of level 3 to level 2 due to increased market trading levels subsequent to our purchases which ultimately reduced our outstanding amount to zero as of December 31, 2009. We continued to see a reduction in other level 3 trading assets and securities available for sale as the net result of purchases, sales, issuances, settlements, maturities, and paydowns. Included in this net reduction were purchases of level 3 ARS totaling $234.3 million, of which $86.7 million was classified as trading securities and $147.6 million was classified as securities available for sale. No other significant purchases of level 3 trading assets or available for sale securities were added. We also redeemed stock in the FHLB of approximately $150.8 million which is classified as level 3 available for sale securities. A modest amount of available for sale securities were transferred into level 3 consisting of municipal bonds for which no observable activity exists. We also transferred U.S. Treasury and federal agency trading securities out of level 3 consisting of Small Business Administration securities for which the volume and level of observable trading activity had significantly decreased in prior quarters, but for which we began to observe limited increases in such activity during the three months ended March 31, 2009 and significant increases in such activity during the rest of 2009. This level of activity provided us with sufficient market evidence of pricing, such that we did not have to make any significant adjustments to observed pricing, nor was our pricing based on unobservable data. As such, this portfolio was transferred out of level 3.

Most derivative instruments are level 1 or level 2 instruments, except for the IRLCs, the Visa litigation related derivative, discussed below, and The Agreements we entered into related to our investment in Coke common stock, which are level 3 instruments. Because the value of The Agreements is primarily driven by the embedded equity collars on the Coke common 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 Coke common stock. Volatility is a significant assumption and is impacted both by the unusually large size of the trade and the long tenor until settlement. The Agreements carry scheduled terms of approximately six and a half and seven years from the effective date, and as such, the observable and active options market on Coke does not provide for any identical or similar instruments. As a result, we receive 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 our own valuation assessment procedures, we have satisfied ourselves that the market participant is using methodologies and assumptions that other market participants would use in arriving at the fair value of The Agreements. At December 31, 2009, The Agreements were in a liability position to us of approximately $45.9 million.

Loans and Loans Held for Sale

Level 3 loans are primarily non-agency residential mortgage loans held for investment or LHFS for which there is little to no observable trading 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, we were 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, we began employing the same alternative valuation methodologies used to value level 3 residential MBS to fair value the mortgage loans.

During the years ended December 31, 2009 and 2008, we transferred $307.0 million and $656.1 million, respectively, of loans that were previously designated as held for sale to held for investment, as they were determined to be no longer marketable. Of these amounts, $272.1 million during the year ended December 31, 2009, and $83.9 million during the year ended December 31, 2008 were LHFS reported at fair value and will continue to be reported at fair value as loans held for investment.

On May 1, 2008, we acquired 100% of the outstanding common shares of GB&T. We elected to account for $171.6 million of the acquired loans, which were classified as nonaccrual, at fair value. Upon acquisition, the loans had a fair value of $111.1 million. These loans are primarily commercial real estate loans which do not trade in an active secondary market, and as such, are considered level 3 instruments. As these loans are all classified as nonperforming, cash proceeds from the sale of the underlying collateral is the expected source of repayment for the majority of these loans. In order to fair value these loans, we utilized market data, when available, as well as internal assumptions, to derive fair value estimates of the underlying collateral. During the year ended December 31, 2009, we recorded through earnings a gain of $2.4 million on these loans compared to a loss of $4.2 million on these loans during the year ended December 31, 2008. On December 31, 2009, primarily as a result of paydowns, payoffs, and transfers to OREO, the loans had a fair value of $12.2 million.

Other Intangible Assets

We record MSRs at fair value on both a recurring and non-recurring basis. See Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements for discussion of the valuation methodology, underlying assumptions and validation procedures performed.

Other Assets/Liabilities, net

During the second quarter of 2009, in connection with our sale of Visa Class B shares, we 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 is estimated based on our expectations regarding the ultimate resolution of that litigation, which involves a high degree of judgment and subjectivity. As a result, the value of the derivative liability was classified as a level 3 instrument. See Note 18, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements for further discussion.

The fair value methodology and assumptions related to our IRLCs is described in Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements.

Long-Term Debt

We elect to carry a portion of our publicly-issued, fixed rate debt at fair value. The debt consists of a number of different issuances that carry coupon rates ranging from 5.00% to 7.75%, resulting in a weighted average rate of 5.93%, and maturities from May 1, 2010 through April 1, 2020, resulting in a weighted average life of 4.9 years. During the years ended December 31, 2009 and 2008, we recognized net losses of $153.0 million and net gains of $431.7 million, respectively, in noninterest income associated with fair value changes in the debt and related derivatives and trading securities that provide an economic offset to the change in the value of the debt.

Credit spreads widened throughout 2008 and the first quarter of 2009 in connection with the continued deterioration of the broader financial markets and a number of failures in the financial services industry. However, credit spreads tightened throughout the remainder of 2009 after the SCAP results were published and additional capital was raised. Further fluctuations in our credit spreads are likely to occur in the future based on instrument specific and broader market conditions. To mitigate the prospective impact of spread tightening, we completed the repurchase of approximately $386.6 million of our publicly-traded long-term debt during the year ended December 31, 2008. No fair value public debt was repurchased during the year ended December 31, 2009.

To mitigate the impact of fair value changes on our debt due to interest rate movement, we generally enter into interest rate swaps; however, at times, we may also purchase fixed rate agency MBS to achieve this offset in interest rates. There were no agency MBS held as of December 31, 2009 for this purpose.

We have historically used quotes from a third party pricing service as our primary source for valuation and have deemed such quotes as reasonable estimates of fair value by utilizing broker quotes and/or institutional trading data, when available, as corroborating evidence. Secondary trading activity had begun to increase in the first quarter of 2009 and we observed continued increases in the volume and level of activity in the secondary markets through the fourth quarter of 2009. In addition, we observed issuances in the primary markets of similar securities. Because we had a sufficient amount of observable market pricing upon which to base our valuation, we utilized that data as the primary source for valuing the fixed rate debt. Given that observable market data was used, we transferred our fixed rate debt out of level 3 as of the end of the second quarter.

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Overall, the financial impact of the level 3 financial instruments did not have a significant impact on our liquidity or capital. We acquired $3.5 billion of certain ABS from affiliates during the fourth quarter of 2007 using our existing liquidity position, and since purchasing the securities, we have received approximately $2.5 billion in cash consideration from paydowns, settlements, sales, and maturities of these securities. Some fair value assets are pledged for corporate borrowings or other liquidity purposes. Most of these arrangements provide for advances to be made based on the market value and not the principal balance of the assets, and therefore whether or not we have elected fair value accounting treatment does not impact our liquidity. If the fair value of assets posted as collateral declines, we will be required to post more collateral under our borrowing arrangements which could negatively impact our liquidity position on an overall basis. For purposes of computing regulatory capital, mark to market adjustments related to our own creditworthiness for debt accounted for at fair value are excluded from regulatory capital.

INVESTMENT IN COMMON SHARES OF THE COCA-COLA COMPANY

Background

We have owned common shares of Coke since 1919, when one of our predecessor institutions participated in the underwriting of Coke s IPO and received common shares of Coke in lieu of underwriting fees. These shares have grown in value over the past 90 years and have been classified as available for sale securities, with unrealized gains, net of tax, recorded as a component of shareholders equity. Because of the low accounting cost basis of these shares, we have accumulated significant unrealized gains in shareholders equity. As of December 31, 2009, as a result of the transactions undertaken in 2008 discussed herein, we owned 30 million Coke shares with an accounting cost basis of $69,295 and a fair market value of approximately $1.7 billion.

We commenced a comprehensive balance sheet review initiative in early 2007 in an effort to improve liquidity and capital efficiency. As part of this initiative, we began to formally evaluate the capital efficiency of our holdings of Coke common shares, as we were prohibited from including the market value of our investment in Coke common shares in Tier 1 capital in accordance with Federal Reserve capital adequacy rules.

Executed Multi-Step Strategy

As we reported in connection with our financial results for the quarter ended June 30, 2007, we sold 4.5 million Coke common shares, or approximately 9% of our holdings at that time, in an open market sale. At that time, we also announced publicly that we were evaluating various strategies to address our remaining Coke common shares.

In the second and third quarters of 2008, we completed the following three-part strategy with respect to our remaining 43.6 million common shares of Coke: (i) a market sale of 10 million shares, (ii) a charitable contribution of approximately 3.6 million shares to the SunTrust Foundation and (iii) the execution of The Agreements on 30 million shares. Our primary objective in executing these transactions was to optimize the benefits we obtained from our long-term holding of this asset, including the capital treatment by bank regulators.

I. Market Sale

During the second quarter of 2008, we sold 10 million Coke common shares in the market. These sales, which resulted in an increase of approximately $345.0 million to Tier 1 capital, generated approximately $549.0 million in net cash proceeds and an after-tax gain of approximately $345.0 million that was recorded in our financial results for the quarter ended June 30, 2008. This transaction resulted in foregone annual dividend income of approximately $15.0 million, after-tax, and gave rise to a current tax liability with a marginal rate of just over 37%.

II. Contribution to the SunTrust Foundation

In July 2008, we contributed approximately 3.6 million Coke common shares to the SunTrust Foundation, which was reflected as a contribution expense of $183.4 million in our financial results for the quarter ended September 30, 2008. As the gain from this contribution is non-taxable, the only impact to our net income was the release of the deferred tax liability of approximately $65.8 million (net of valuation allowance). This contribution increased Tier 1 capital in the third quarter by approximately $65.8 million. This gain and resultant increase to Tier 1 capital were reflected in our third quarter results, as we had not made any commitments or entered into any other transactions as of June 30, 2008 that would have required us to record this contribution in the second quarter. This contribution will result in foregone annual dividend income of approximately $5 million, after-tax. We expect this contribution to act as an endowment for the SunTrust Foundation to make grants to charities operating within our footprint for years to come and reduce our ongoing charitable contribution expense. This transaction was treated as a discrete item for income tax provision purposes and significantly lowered the effective tax rate for the third quarter of 2008.

III. The Agreements

The final piece of the strategy related to the remaining 30 million Coke common shares and was executed in July 2008. We entered into The Agreements, which were comprised of two variable forward agreements and share forward agreements effective July 15, 2008 with a major, unaffiliated financial institution (the Counterparty) collectively covering our 30 million Coke shares. Under The Agreements, we must deliver to the Counterparty at settlement of the variable forward agreements either a variable number of Coke common shares or a cash payment in lieu of such shares. The Counterparty is obligated to settle The Agreements for no less than approximately $38.67 per share, or approximately $1.16 billion in the aggregate (the Minimum Proceeds). The share forward agreements give us the right, but not the obligation, to sell to the Counterparty, at prevailing market prices at the time of settlement, any of the 30 million Coke common shares that are not delivered to the Counterparty in settlement of the variable forward agreements. The Agreements effectively ensure that we will be able to sell our 30 million Coke common shares at a price no less than approximately $38.67 per share, while permitting us to participate in future appreciation in the value of the Coke common shares up to approximately $66.02 per share and approximately $65.72 per share, under each of the respective Agreements.

During the terms of The Agreements, and until we sell the 30 million Coke common shares, we generally will continue to receive dividends as declared and paid by Coke and will have the right to vote such shares. However, the amounts payable to us under The Agreements will be adjusted if actual dividends are not equal to amounts expected at the inception of the derivative.

Contemporaneously with entering into The Agreements, the Counterparty invested in senior unsecured promissory notes issued by SunTrust Bank and SunTrust Banks, Inc. (collectively, the Notes) in a private placement in an aggregate principal amount equal to the Minimum Proceeds. The Notes carry stated maturities of approximately ten years from the effective date and bear interest at one-month LIBOR plus a fixed spread. The Counterparty pledged the Notes to us and we pledged the 30 million Coke common shares to the Counterparty, securing each entity s respective obligations under The Agreements. The pledged Coke common shares are held by an independent third party custodian and the Counterparty is prohibited under The Agreements from selling, pledging, assigning or otherwise using the pledged Coke common shares in its business.

We generally may not prepay the Notes. The interest rate on the Notes will be reset upon or after the settlement of The Agreements, either through a remarketing process or based upon dealer quotations. In the event of an unsuccessful remarketing of the Notes, we would be required to collateralize the Notes and the maturity of the Notes may accelerate to the first anniversary of the settlement of The Agreements. However, we presently believe that it is substantially certain that the Notes will be successfully remarketed.

The Agreements carry scheduled settlement terms of approximately seven years from the effective date. However, we have the option to terminate The Agreements earlier with the approval of the Federal Reserve. The Agreements may also terminate earlier upon certain events of default, extraordinary events regarding Coke and other typical termination events. Upon such early termination, there could be exit costs or gains, such as certain breakage fees including an interest rate make-whole amount, associated with both The Agreements and the Notes. Such costs or gains may be material but cannot be determined at the present time due to the unlikely occurrence of such events and the number of variables that are unknown. However, the payment of such costs, if any, will not result in us receiving less than the Minimum Proceeds from The Agreements. We expect to sell all of the Coke common shares upon settlement of The Agreements, either under the terms of The Agreements or in another market transaction. See Note 17, Derivative Financial Instruments , to the Consolidated Financial Statements for additional discussion of the transactions.

The Federal Reserve determined that we may include in Tier 1 capital, as of the effective date of The Agreements, an amount equal to the Minimum Proceeds minus the deferred tax liability associated with the ultimate sale of the 30 million Coke common shares. Accordingly, The Agreements resulted in an increase in Tier 1 capital during the third quarter of approximately $728 million.

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DEPOSITS

Table 14 Composition of Average Deposits

(Dollars in millions)	Year Ended December 31 2009	2008	2007	Percent of Total 2009	2008	2007
Noninterest-bearing	**$24,249.2**	$20,949.0	$21,677.2	**20.3 %**	18.0 %	18.1 %
NOW accounts	**23,600.6**	21,080.7	20,042.8	**19.8**	18.2	16.7
Money market accounts	**31,863.5**	26,564.8	22,676.7	**26.7**	22.9	18.9
Savings	**3,664.2**	3,770.9	4,608.7	**3.1**	3.2	3.8
Consumer time	**16,718.1**	16,770.2	16,941.3	**14.0**	14.5	14.2
Other time	**13,068.4**	12,197.2	12,073.5	**11.0**	10.5	10.1
Total consumer and commercial deposits	**113,164.0**	101,332.8	98,020.2	**94.9**	87.3	81.8
Brokered deposits	**5,648.3**	10,493.2	16,091.9	**4.7**	9.0	13.4
Foreign deposits	**433.9**	4,250.3	5,764.5	**0.4**	3.7	4.8
Total deposits	**$119,246.2**	$116,076.3	$119,876.6	**100.0 %**	100.0 %	100.0 %

Average consumer and commercial deposits increased during 2009 by $11.8 billion, or 11.7%, compared to 2008 with the growth concentrated in noninterest bearing DDA, NOW, and money market accounts. The increase was partially offset by declines in savings and consumer time account balances. During 2009, deposits increased and our deposit mix improved as a result of our marketing efforts, pricing discipline with respect to interest-bearing deposits, improving operational execution, as well as an industry-wide flight to the safety of insured deposits.

Consumer and commercial deposit growth is one of our key initiatives, as we focus on deposit gathering opportunities across all lines of business throughout the geographic footprint. All 16 regions within which we operate exhibited deposit growth during 2009. Deposit growth was accomplished through a judicious use of competitive rates in select products and select geographies. Other initiatives to attract deposits included innovative product and features offerings, enhanced programs and initiatives like regional pricing, new and retention-oriented money offers, more customer-targeted offers, and advanced analytics that leverage product offerings with customer segmentation. We continued to leverage the Live Solid. Bank Solid. branding and marketing campaign to improve our visibility in the marketplace. It is designed to speak to what is important to clients in the current environment and to inspire customer loyalty and capitalize on some of the opportunities presented by the new banking landscape. Notwithstanding these deposit generation successes, some of the deposit growth is due to seasonality and the economic environment. Deposit balances are expected to decline modestly in the first quarter related to seasonality, and further over time as the economy improves. Average brokered and foreign deposits decreased by $8.7 billion, or 58.8%, during 2009 compared to 2008. The decrease was due to our ability to grow deposits and, in turn, reduce our reliance upon wholesale funding sources. As of December 31, 2009, securities pledges as collateral for deposits totaled $9.0 billion.

In November 2008, the FDIC created the TLGP to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts, and certain holding companies via its DGP, and by providing full coverage of non-interest bearing deposit transaction accounts and capped NOW accounts, regardless of dollar amount via its TAGP. As of October 31, 2009, banks are no longer eligible to issue additional debt under the TLGP. We have opted not to participate in the TAGP beyond December 31, 2009.

OTHER SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Other short-term borrowings decreased $3.1 billion, or 60.1%, from December 31, 2008 to $2.1 billion at December 31, 2009. During November and December of 2008, we purchased $2.5 billion in three-month funding under the TAF in support of the Federal Reserve s initiative. During the first quarter of 2009, our core deposit growth allowed us to discontinue the use of this source of short-term funding which was the primary cause for the overall decrease during the year.

Long-term debt decreased $9.3 billion, or 34.8%, from December 31, 2008 to $17.5 billion at December 31, 2009. The change in long-term debt was primarily the result of the repayment of $7.4 billion of FHLB advances, $3.4 billion of which were at fair value. Repayment was assisted by the growth during the year of our core deposit portfolio. Additionally, we repurchased approximately $500 million of Parent Company junior subordinated notes and approximately $300 million of Parent Company debt matured during 2009. In the first quarter of 2009, we issued $576.0 million of unsecured senior floating rate notes maturing in 2012 under the terms of the TLGP.

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CAPITAL RESOURCES

Table 15 Capital Ratios

	As of December 31		
(Dollars in millions)	**2009**	2008	2007
Tier 1 capital[1]	**$18,068.8**	$17,613.7	$11,424.9
Total capital	**22,895.2**	22,743.4	16,994.1
Risk-weighted assets	**139,379.5**	162,046.4	164,931.9
Tier 1 capital[1]	**$18,068.8**	$17,613.7	$11,424.9
Less:			
Qualifying trust preferred securities	**2,356.4**	2,847.3	2,133.4
Preferred stock	**4,917.3**	5,221.7	500.0
Allowable minority interest	**103.6**	101.8	105.0
Tier 1 common equity	**$10,691.5**	$9,442.9	$8,686.5
Risk-based ratios:			
Tier 1 common equity	**7.67 %**	5.83 %	5.27 %
Tier 1 capital	**12.96**	10.87	6.93
Total capital	**16.43**	14.04	10.30
Tier 1 leverage ratio	**10.90**	10.45	6.90
Total shareholders equity to assets	**12.94**	11.90	10.12

[1]Tier 1 capital includes trust preferred obligations of $2.4 billion at the end of 2009, $2.8 billion at the end of 2008, and $2.1 billion at the end of 2007. Tier 1 capital also includes qualifying minority interests in consolidated subsidiaries of $103.6 million at the end of 2009, $101.8 million at the end of 2008, and $105.0 million at the end of 2007.

Our primary regulator, the Federal Reserve, measures capital adequacy within a framework that makes capital requirements sensitive to the risk profiles of individual banking companies. The guidelines weigh assets and off-balance sheet risk exposures (risk weighted assets) according to predefined classifications, creating a base from which to compare capital levels. Tier 1 capital primarily includes realized equity and qualified preferred instruments, less purchase accounting intangibles such as goodwill and core deposit intangibles. Total capital consists of Tier 1 capital and Tier 2 capital, which includes qualifying portions of subordinated debt, allowance for loan losses up to a maximum of 1.25% of risk weighted assets, and 45% of the unrealized gain on equity securities.

Both the Company and the Bank are subject to a minimum Tier 1 capital and total capital ratios of 4% and 8%, respectively, of risk weighted assets. To be considered well-capitalized, ratios of 6% and 10%, respectively, are required. Additionally, the Company and the Bank are subject to Tier 1 leverage ratio requirements, which measures Tier 1 capital against average assets. The minimum and well-capitalized ratios are 3% and 5%, respectively.

The Tier 1 common equity, Tier 1 capital, and total capital ratios improved from 5.83%, 10.87%, and 14.04%, respectively, at December 31, 2008 to 7.67%, 12.96%, and 16.43%, respectively, at December 31, 2009. The primary drivers of the increase were the successful completion of our capital plan during the second quarter of 2009 and a $22.7 billion, or 14.0%, reduction in risk-weighted assets. The reduction in risk-weighted assets was due primarily to the $13.3 billion decline in loans held for investment. Also contributing to the reduction was a reduction in unfunded loan commitments and letters of credit during the year.

The Board of Governors of the Federal Reserve System, the Federal Reserve Banks, the FDIC and the Office of the Comptroller of the Currency completed, in May 2009, the SCAP review of the potential capital needs through the end of 2010 of the nineteen largest U.S. bank holding companies. The Federal Reserve advised us that based on the SCAP review, we presently have and are projected to continue to have Tier 1 capital well in excess of the amount required to be well capitalized through the forecast period under both the baseline scenario and the more adverse-than-expected scenario (more adverse) as prepared by the U.S. Treasury. The SCAP s more adverse scenario represented a hypothetical scenario that involves a recession that is longer and more severe than consensus expectations and results in higher than expected credit losses, but is not a forecast of expected losses or revenues. The Federal Reserve advised us in May 2009, based on the more adverse scenario, that we needed to adjust the composition of our Tier 1 capital by increasing the Tier 1 common equity portion by $2.2 billion. The additional common equity was necessary to maintain Tier 1 common equity at 4% of risk weighted assets under the more adverse scenario, as specified by a new regulatory standard that was introduced as part of the stress test. They also intend the additional common equity to serve as a buffer against higher losses than generally expected and to allow such bank holding companies to remain well capitalized and able to lend to creditworthy borrowers should such losses materialize. Our 2009 actual credit losses were significantly less than the projections utilized in the SCAP process.

As a result of the Federal Reserve establishing this capital target, we successfully completed a capital plan during the second quarter of 2009 that adjusted the composition of our Tier 1 capital by increasing the portion that is composed of Tier 1 common equity. The capital plan consisted of various transactions that generated an additional $2.3 billion in Tier 1 common equity; $2.1 billion of which was raised in the second quarter. The transactions utilized to increase our Tier 1 common equity consisted of the issuance of common stock, gains realized upon the purchase of certain of our preferred stock and hybrid debt securities, and the sale of Visa Class B shares. The common stock offering raised $1.8 billion in Tier 1 common equity, the purchase of hybrid debt securities created an addition to Tier 1 common equity of $120.8 million, and the gain in connection with sale of the Visa Class B shares resulted in an addition to Tier 1 common equity of $70.1 million. While increasing our total and Tier 1 capital, the results of the common stock offering also diluted our common share count and related book value per share. The 142 million new shares issued in the common offering significantly contributed to the $13.45 decrease from prior year end, to $35.29, in our book value per common share and the $6.10 decrease from prior year end in our tangible book value per common share to $22.59 at December 31, 2009.

We declared and paid common dividends totaling $82.6 million during the year ended December 31, 2009, or $0.22 per common share, compared to $1.0 billion, or $2.85 per common share, during 2008. In addition, we declared dividends payable during the years ended December 31, 2009 and 2008 of $14.1 million and $22.3 million, respectively, on our Series A preferred stock. Further, during the years ended December 31, 2009 and 2008, we declared dividends payable of $242.7 million and $22.8 million, respectively, to the U.S. Treasury on the Series C and D Preferred Stock issued to the U.S. Treasury. During the year, we reduced the common share dividend to $0.01 per share, per quarter where it remained as of the most recent common share dividend declaration in December 2009. It is not likely that we will increase our dividend until we have returned to profitability and obtained the consent of our applicable regulators as further described below.

In connection with the issuances of the Series A Preferred Stock of SunTrust Banks, Inc., the Fixed to Floating Rate Normal Preferred Purchase Securities of SunTrust Preferred Capital I, the 6.10% Enhanced Trust Preferred Securities of SunTrust Capital VIII, and the 7.875% Trust Preferred securities of SunTrust Capital IX (collectively, the Issued Securities), we entered into RCCs. The RCCs limit our ability to repay, redeem or repurchase the Issued Securities (or certain related securities). We executed each of the RCC in favor of the holders of certain debt securities, who are initially the holders of our 6% Subordinated Notes due 2026. The RCCs are more fully described in Current Reports on Form 8-K filed on September 12, 2006, November 6, 2006, December 6, 2006, and March 4, 2008.

In connection with the issuance of the Series C and D Preferred Stock of SunTrust Banks, Inc. we agreed to certain terms affecting repurchase, redemption, and repayment of the preferred stock and restriction on payment of common stock dividends, among other terms. We are subject to certain restrictions on our ability to increase the dividend as a result of participating in the U.S. Treasury s CPP. Generally, we may not pay a regular quarterly cash dividend more than $0.77 per share of common stock prior to November 14, 2011, unless either (i) we have redeemed the Series C and Series D Preferred Stock, (ii) the U.S. Treasury has transferred the Series C and Series D Preferred Stock to a third party, or (iii) the U.S. Treasury consents to the payment of such dividends in excess of such amount. Additionally, if we increase our quarterly dividend above $0.54 per share prior to the tenth anniversary of our participation in the CPP, then the exercise price and the number of shares to be issued upon exercise of the warrants issued in connection with our participation in the CPP will be proportionately adjusted. The amount of such adjustment will be determined by a formula and depends in part on the extent to which we raise our dividend. The formulas are contained in the warrant agreements. There also exists limits on the ability of the Bank to pay dividends to SunTrust Banks, Inc. (the Parent Company). Substantially all of our retained earnings are undistributed earnings of the Bank, which are restricted by various regulations administered by federal and state bank regulatory authorities. There was no capacity for payment of cash dividends to the Parent Company under these regulations at December 31, 2009.

Included with the issuance of the Series C and D preferred stock was issuance of ten-year warrants to the Treasury to purchase approximately 11.9 million and 6.0 million shares of our common stock at initial exercise prices of $44.15 and $33.70. The preferred stock and related warrants were issued at a total discount of approximately $132 million, which will be accreted into U.S. Treasury preferred dividend expense using the effective yield method over a five year period from each respective issuance date. The terms of the warrants as well as the restrictions related to the issuance of the preferred stock is more fully described in Current Reports on Form 8-K filed on November 17, 2008 and January 2, 2009.

ENTERPRISE RISK MANAGEMENT

In the normal course of business, we are exposed to various risks. To manage the major risks that we face and to provide reasonable assurance that key business objectives will be achieved, we have established an enterprise risk governance process and the SunTrust Enterprise Risk Program. Moreover, we have policies and various risk management processes designed to effectively identify, monitor and manage risk.

We continually refine and enhance our risk management policies, processes and procedures to maintain effective risk management and governance, including identification, measurement, monitoring, control, mitigation and reporting of all material risks. Over the last several years, we have enhanced risk measurement applications and systems capabilities that provide management information on whether we are being appropriately compensated for the risk profile we have adopted. We balance our strategic goals, including revenue and profitability objectives, with the risks associated with achieving our goals. Effective risk management is an important element supporting our business decision making.

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Corporate Risk Management s focus is on synthesizing, assessing, reporting and mitigating the full set of risks at the enterprise level, and providing senior management with a holistic picture of the organization s risk profile. We have implemented an enterprise risk management framework that has improved our ability to manage our aggregate risk profile. At the core of the framework is our risk vision and risk mission.

Risk Vision: To deliver sophisticated risk management capabilities that are consistent with those of top-tier financial institutions and that support the needs of SunTrust business units.

Risk Mission: To measure, monitor and manage risk throughout SunTrust to ensure that risk at the transaction, portfolio and institution levels is viewed consistently in order to optimize risk-adjusted return decision making.

The Board of Directors is wholly responsible for oversight of our corporate risk governance process. The Risk Committee of the Board assists the Board of Directors in executing this responsibility.

The CRO reports to the Chief Executive Officer and is responsible for the oversight of the Corporate Risk Management organization as well as the risk governance processes. The CRO provides overall leadership, vision and direction for our enterprise risk management framework. In addition, the CRO provides regular risk assessments to the Risk Committee of the Board and to the full Board of Directors, and provides other information to Executive Management and the Board, as requested.

The risk governance framework incorporates a variety of senior management risk-related committees. These committees are responsible for ensuring effective risk measurement and management in their respective areas of authority. These committees include: CRC, ALCO, PRAC, and the SunTrust Enterprise Risk Program Steering Committee. The CRC is chaired by the CRO and supports the CRO in measuring and managing our aggregate risk profile. The CRC consists of various senior executives and meets on a monthly basis.

Organizationally, we measure and oversee risk according to the three traditional risk disciplines of credit risk, market risk (including liquidity risk) and operational risk (including compliance risk). Credit risk programs are overseen by the Chief Wholesale Credit Officer and the Chief Retail Credit Officer. Market risk programs are overseen by the Chief Market Risk Officer. Operational risk programs are overseen by the Chief Operational Risk Officer. The three risk disciplines are overseen on a consolidated basis under our enterprise risk management framework, which also takes into consideration legal and reputation risk factors.

The SunTrust Enterprise Risk Program continues to ensure that the approach and plans for risk management are aligned to the vision and mission of Corporate Risk Management. In addition, the SunTrust Enterprise Risk Program s goal is to ensure our future compliance with the Basel II Capital Accord. Key objectives of the SunTrust Enterprise Risk Program include incorporating risk management principles that encompass our values and standards and that are designed to guide risk-taking activity, maximizing performance through the balance of risk and reward and leveraging initiatives driven by regulatory requirements to deliver capabilities to better measure and manage risk.

Credit Risk Management

Credit risk refers to the potential for economic loss arising from the failure of clients to meet their contractual agreements on all credit instruments, including on-balance sheet exposures from loans and leases, investment securities, contingent exposures from unfunded commitments, letters of credit, credit derivatives, and counterparty risk under derivative products. As credit risk is an essential component of many of the products and services we provide to our clients, the ability to accurately measure and manage credit risk is integral to maintain both the long-run profitability of our lines of business and our capital adequacy.

The Credit Risk Management group manages and monitors extensions of credit risk through initial underwriting processes and periodic reviews which then maintain underwriting standards in accordance with credit policies and procedures. The Corporate Risk Review unit conducts independent risk reviews to ensure active compliance with all policies and procedures. Credit Risk Management periodically reviews our lines of business to monitor asset quality trends and the appropriateness of credit policies. In addition, total borrower exposure limits are established and concentration risk is monitored. Credit risk is partially mitigated through purchase of credit loss protection via third party insurance and use of credit derivatives such as credit default swaps.

Borrower/counterparty (obligor) risk and facility risk are evaluated using our risk rating methodology, which has been implemented in all lines of business. We use various risk models in the estimation of expected and unexpected losses. These models incorporate both internal and external default and loss experience. To the extent possible, we collect internal data to ensure the validity, reliability, and accuracy of our risk models used in default and loss estimation.

We have made a commitment to maintain and enhance comprehensive credit systems in order to meet business requirements and comply with evolving regulatory standards. As part of a continuous improvement process, Credit Risk Management evaluates potential enhancements to our risk measurement and management tools, implementing them as appropriate along with amended credit policies and procedures.

Operational Risk Management

We face ongoing and emerging risks and regulations related to the activities that surround the delivery of banking and financial products. Coupled with external influences such as market conditions, fraudulent activities, disasters, security risks, country risk, and legal risk, the potential for operational and reputational loss has increased significantly.

We believe that effective management of operational risk defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events plays a major role in both the level and the stability of the profitability of the institution. Our Operational Risk Management function oversees an enterprise-wide framework intended to identify, assess, control, quantify, monitor, and report on operational risks company wide. These efforts support our goals in seeking to minimize operational losses and strengthen our performance by optimizing operational capital allocation.

Operational Risk Management is overseen by our Chief Operational Risk Officer, who reports directly to the CRO. The corporate governance structure also includes a risk manager and support staff embedded within each line of business and corporate function. These risk managers also report indirectly to the Chief Operational Risk Officer and are responsible for execution of the Operational Risk Management program within their areas.

Market Risk Management

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices, and other relevant market rates or prices. Interest rate risk, defined as the exposure of net interest income and MVE to adverse movements in interest rates, is our primary market risk, and mainly arises from the structure of the balance sheet. We are also exposed to market risk in our trading activities, Coke common stock, MSRs, loan warehouse and pipeline, and debt carried at fair value. The ALCO meets regularly and is responsible for reviewing our open positions and establishing policies to monitor and limit exposure to market risk. The policies established by ALCO are reviewed and approved by our Board.

Market Risk from Non-Trading Activities

The primary goal of interest rate risk management is to control exposure to interest rate risk, both within policy limits approved by the Board and within narrower guidelines established by ALCO. These limits and guidelines reflect our tolerance for interest rate risk over both short-term and long-term horizons.

The major sources of our non-trading interest rate risk are timing differences in the maturity and repricing characteristics of assets and liabilities, changes in the shape of the yield curve, and the potential exercise of explicit or embedded options. We measure these risks and their impact by identifying and quantifying exposures through the use of sophisticated simulation and valuation models.

One of the primary methods that we use to quantify and manage interest rate risk is simulation analysis, which is used to model net interest income from assets, liabilities, and derivative positions under various interest rate scenarios and balance sheet structures. This analysis measures the sensitivity of net interest income over a two year time horizon. Key assumptions in the simulation analysis (and in the valuation analysis discussed below) relate to the behavior of interest rates and spreads, the changes in product balances and the behavior of loan and deposit clients in different rate environments. This analysis incorporates several assumptions, the most material of which relate to the repricing characteristics and balance fluctuations of deposits with indeterminate or non-contractual maturities.

As the future path of interest rates cannot be known in advance, we use simulation analysis to project net interest income under various interest rate scenarios including implied forward and deliberately extreme and perhaps unlikely scenarios. The analyses may include rapid and gradual ramping of interest rates, rate shocks, basis risk analysis, and yield curve twists. Each analysis incorporates what management believes to be the most appropriate assumptions about client behavior in an interest rate scenario. Specific strategies are also analyzed to determine their impact on net interest income levels and sensitivities.

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The sensitivity analysis included below is measured as a percentage change in net interest income due to an instantaneous 100 basis point move in benchmark interest rates. Estimated changes set forth below are dependent upon material assumptions such as those previously discussed. The net interest income profile reflects a fairly neutral interest rate sensitivity position with respect to an instantaneous 100 basis point change in rates.

Economic Perspective

Rate Change (Basis Points)	Estimated % Change in Net Interest Income Over 12 Months	
	December 31, 2009	December 31, 2008
+100	**0.0%**	3.5%
-100	**0.1%**	(0.1%)

The recognition of interest rate sensitivity from an economic perspective (above) is different from a financial reporting perspective (below) due to certain interest rate swaps that are used as economic hedges for fixed rate debt. The above profile includes the recognition of the net interest payments from these swaps, while the profile below does not include the net interest payments. The swaps are accounted for as trading assets and therefore, the benefit to income due to a decline in short term interest rates will be recognized as a gain in the fair value of the swaps and will be recorded as an increase in trading account profits/(losses) and commissions from a financial reporting perspective.

Financial Reporting Perspective

Rate Change (Basis Points)	Estimated % Change in Net Interest Income Over 12 Months	
	December 31, 2009	December 31, 2008
+100	**0.5%**	4.2%
-100	**(0.3%)**	(1.3%)

The difference from December 31, 2008 to December 31, 2009 seen above in both the economic and financial reporting perspectives related to a 100 basis point shock is primarily due to the significant decline in our higher cost fixed rate funding and brokered deposits year over year as well as a reduction in floating rate assets.

We also perform valuation analysis, which is used for discerning levels of risk present in the balance sheet and derivative positions that might not be taken into account in the net interest income simulation analysis. Whereas net interest income simulation highlights exposures over a relatively short time horizon, valuation analysis incorporates all cash flows over the estimated remaining life of all balance sheet and derivative positions. The valuation of the balance sheet, at a point in time, is defined as the discounted present value of asset cash flows and derivative cash flows minus the discounted value of liability cash flows, the net of which is referred to as MVE. The sensitivity of MVE to changes in the level of interest rates is a measure of the longer-term repricing risk and options risk embedded in the balance sheet. Similar to the net interest income simulation, MVE uses instantaneous changes in rates. MVE values only the current balance sheet and does not incorporate the growth assumptions that are used in the net interest income simulation model. As with the net interest income simulation model, assumptions about the timing and variability of balance sheet cash flows are critical in the MVE analysis. Particularly important are the assumptions driving prepayments and the expected changes in balances and pricing of the indeterminate deposit portfolios.

As of December 31, 2009, the MVE profile indicates modest changes with respect to an instantaneous 100 basis point change in rates.

Rate Shock (Basis Points)	Estimated % Change in MVE	
	December 31, 2009	December 31, 2008
+100	**(4.2%)**	(4.2%)

-100	**2.3%**	1.8%

While an instantaneous and severe shift in interest rates is used in this analysis to provide an estimate of exposure under an extremely adverse scenario, we believe that a gradual shift in interest rates would have a much more modest impact. Since MVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in MVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current fiscal year). Further, MVE does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could mitigate the adverse impact of changes in interest rates. The net interest income simulation and valuation analyses do not include actions that management may undertake to manage this risk in response to anticipated changes in interest rates.

Trading Activities

Trading instruments are used as part of our overall balance sheet management strategies and to support client requirements through our broker/dealer subsidiary. Product offerings to clients include debt securities, loans traded in the secondary market, equity securities, derivatives and foreign exchange contracts, and similar financial instruments. Other trading activities include acting as a market maker in certain debt and equity securities and related derivatives. Typically, we maintain a securities inventory to facilitate client transactions. Also in the normal course of business, we assume a limited degree of market risk in hedging strategies.

We have developed policies and procedures to manage market risk associated with trading, capital markets and foreign exchange activities using a VAR approach that determines total exposure arising from interest rate risk, equity risk, foreign exchange risk, spread risk, and volatility risk. For trading portfolios, VAR measures the estimated maximum loss from a trading position, given a specified confidence level and time horizon. VAR exposures and actual results are monitored daily for each trading portfolio. Our VAR calculation measures the potential losses using a 99% confidence level with a one day holding period. This means that, on average, losses are expected to exceed VAR two or three times per year. We had zero backtest exceptions to our overall VAR during the last twelve months. The following table displays high, low, and average VAR for the years ended December 31, 2009 and 2008.

(Dollars in millions)	**2009**	2008
Average VAR	**$20.7**	$28.5
High VAR	**$27.6**	$42.3
Low VAR	**$14.8**	$16.5

The lower average VAR during the year ended December 31, 2009 compared to the year ended December 31, 2008 is primarily due to sales, paydowns and maturities of acquired illiquid assets. Trading assets net of trading liabilities averaged $4.7 billion and $7.7 billion for the years ended December 31, 2009 and 2008, respectively. Trading assets net of trading liabilities were $2.8 billion and $7.2 billion at December 31, 2009 and 2008, respectively. Declines in average and ending trading assets net of trading liabilities is primarily due to balance sheet management activities and the reduction in acquired illiquid assets.

Liquidity Risk

Liquidity risk is the risk of being unable to meet obligations as they come due at a reasonable funding cost. We mitigate this risk by attempting to structure our balance sheet prudently and by maintaining diverse borrowing resources to fund potential cash needs. For example, we structure our balance sheet so that we fund less liquid assets, such as loans, with stable funding sources, such as retail deposits, long-term debt, wholesale deposits, and capital. We assess liquidity needs arising from asset growth, maturing obligations, and deposit withdrawals, considering operations in both the normal course of business and times of unusual events. In addition, we consider our off-balance sheet arrangements and commitments that may impact liquidity in certain business environments.

Our ALCO measures liquidity risks, sets policies to manage these risks, and reviews adherence to those policies at its monthly meetings. For example, we manage the use of short-term unsecured borrowings as well as total wholesale funding through policies established and reviewed by ALCO. In addition, the Risk Committee of our Board sets liquidity limits and reviews current and forecasted liquidity positions at each of its regularly scheduled meetings.

We have contingency funding plans that assess liquidity needs that may arise from certain stress events such as credit rating downgrades, rapid asset growth, and financial market disruptions. Our contingency plans also provide for continuous monitoring of net borrowed funds dependence and available sources of contingent liquidity. These sources of contingent liquidity include capacity to borrow at the Federal Reserve discount window and from the FHLB system and the ability to sell, pledge or borrow against unencumbered securities in the Bank s investment portfolio. As of December 31, 2009, the potential liquidity from these three sources totaled $31.6 billion an amount we believe exceeds any contingent liquidity needs.

Uses of Funds. Our primary uses of funds include the extension of loans and credit, the purchase of investment securities, working capital, and debt and capital service. In addition, contingent uses of funds may arise from events such as financial market disruptions or credit rating downgrades. Factors that affect our credit ratings include, but are not limited to, the credit risk profile of our assets, the adequacy of our loan loss reserves, earnings, the liquidity profile of both the Bank and the Parent Company, the economic environment, particularly related to our markets, and the adequacy of our capital base.

The Bank and the Parent Company experienced credit rating downgrades from Moody s, S&P, and Fitch during the first half of 2009. As of December 31, 2009, the senior, long-term debt ratings for the Bank were A2, A- and A- from Moody s, S&P and Fitch, respectively. The comparable senior, long-term debt ratings for the Parent Company as of December 31, 2009 were Baa1, BBB+ and A-. The Bank s corresponding short-term ratings were P-1, A-2, and F1 (Moody s, S&P and Fitch), while the Parent Company s short-term ratings were P-2, A-2 and F1, respectively.

S&P s April downgrade of the Bank s short-term credit rating from A-1 to A-2 materially impacted some of our business activities. The activities most affected were two off-balance sheet businesses: our ABCP conduit, Three Pillars, and our VRDO remarketing operation, both of which depend upon the support of investors who primarily purchase obligations rated A-1 or equivalent. The Bank and the Parent Company have purchased certain amounts of Three Pillars overnight CP at estimated market rates, on a discretionary and non-contractual basis (See Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities , in the Consolidated Financial Statements for additional information). We did not own any of the outstanding Three Pillars CP as of December 31, 2009.

We conduct remarketing of municipal securities known as VRDOs. The terms of the VRDOs allow investors to put or tender the securities for repayment prior to maturity. The Bank backs most of these securities with letters of credit that provide liquidity in the event of this early repayment. After the S&P downgrade in April, a substantial portion of our VRDO investors tendered their bonds for repayment, which required the Bank to provide liquidity by funding the letters of credit backing the tendered VRDOs. The Bank s contingency funding plans anticipated this potential use of liquidity, and the Bank secured ample liquidity for the VRDO program as the funded loans came on to our balance sheet. As the year came to a close, this use of Bank liquidity declined as investor demand for remarketed VRDOs increased and VRDO clients were able to find alternative sources of funding.

The Bank and the Parent Company borrow in the money markets using instruments such as Fed funds, Eurodollars, or CP. Lenders in these unsecured instruments extend credit lines to borrowers based in large part upon the borrower s credit ratings from the three large nationally recognized statistical ratings organizations. After the S&P downgrade in April, the Bank experienced a decrease in its available credit lines which reduced its depth of access and slightly increased its cost of borrowing in these instruments. The Bank s conservative liquidity profile and prudent liquidity management greatly mitigated the impact of the downgrade on its daily money markets funding activities and costs. During the fourth quarter, the Parent Company had no CP outstanding and the Bank was a net lender into short-term money markets.

On February 1, 2010, S&P downgraded our senior, long-term debt Bank and Parent Company ratings from A- and BBB+, respectively, to BBB+ and BBB, respectively. Our short-term ratings remained unchanged at A-2. S&P cited expectations of continued stress in and high exposure to residential mortgages, especially in Florida, as the primary factor in its decision to downgrade our long-term ratings. However, concurrent with the downgrade, S&P changed the outlook on our credit ratings to stable noting our strong franchise, good liquidity and funding profile, and commercial loan portfolio performance that was in line with their expectations. Our business activities have not been materially impacted as a result of this recent downgrade by S&P.

Sources of Funds. Our primary sources of funds include a large, stable retail deposit base. Core deposits, primarily gathered from our retail branch network, are our largest and most cost-effective source of funding. During 2009, the Bank experienced strong core deposit growth. Core deposits totaled $116.3 billion as of December 31, 2009, up from $105.3 billion as of December 31, 2008. The Bank used core deposit growth to replace short-term wholesale funding, contributing to the Bank s strong liquidity position.

We also maintain access to a diversified base of wholesale funding sources. These uncommitted sources include Fed funds purchased from other banks, securities sold under agreements to repurchase, negotiable certificates of deposit, offshore deposits, FHLB advances, global bank notes, and CP. Aggregate wholesale funding totaled $28.2 billion as of December 31, 2009 reduced from $44.0 billion as of December 31, 2008. Net short-term unsecured borrowings, which includes wholesale domestic and foreign deposits and Fed funds purchased, totaled $8.9 billion as of December 31, 2009, down from $14.2 billion as of December 31, 2008.

An additional source of wholesale liquidity is our access to the capital markets. The Parent Company maintains an SEC shelf registration statement from which it may issue senior or subordinated notes, and various capital securities such as common or preferred stock. The current shelf allows the Parent Company to issue up to $3 billion of such securities. The Bank maintains a Global Bank Note program under which it may issue senior or subordinated debt with various terms. As of December 31, 2009, the Bank had capacity to issue $30.9 billion of notes under the Global Bank Note program. Borrowings under these programs are designed to appeal primarily to domestic and international institutional investors. Institutional investor demand for these securities is dependent upon numerous factors, including but not limited to our credit ratings and investor perception of financial market conditions and the health of the banking sector. Our capacity under these programs refers to authorization granted by our Board, and does not refer to a commitment to purchase by any investor.

Parent Company Liquidity. We measure Parent Company liquidity by comparing sources of liquidity from short-term assets, such as unencumbered and other investment securities and cash, relative to short-term liabilities, which include overnight sweep funds, seasoned long-term debt, and CP. As of December 31, 2009, the Parent Company had $2.6 billion in such sources compared to short-term debt of $1.6 billion. As of December 31, 2009, the Parent Company also had approximately $5 billion in U.S. Treasury securities that were purchased in the fourth quarter of 2009 in anticipation of repayment of TARP. We also manage the Parent Company s liquidity by structuring its maturity schedule to minimize the amount of debt maturing within a short period of time. Approximately $300 million of Parent Company debt matured in October 2009 and $300 million is scheduled to mature during 2010. Much of the Parent Company s liabilities are long-term in nature, coming from the proceeds of our capital securities and long-term senior and subordinated notes.

The primary uses of Parent Company liquidity include debt service, dividends on capital instruments, the periodic purchase of investment securities, and loans to our subsidiaries. We believe the Parent Company holds ample cash to satisfy these working capital needs. We fund corporate dividends primarily with dividends from our banking subsidiary. We are subject to both state and federal banking regulations that limit our ability to pay common stock dividends in certain circumstances. In the context of the recent economic recession and credit market turmoil, we reduced our quarterly common stock dividend. Effective for the quarterly dividend paid in September 2009, the common stock dividend was $0.01 per share. It is not likely that we will increase our quarterly dividend until we have returned to profitability and obtained the consent from our applicable regulators.

Recent Market and Regulatory Developments. Financial market conditions remained under a state of stress during much of 2009. As a result, the federal banking regulatory agencies reviewed the nineteen largest U.S. banks pursuant to the SCAP, which is discussed in greater detail in the Capital Resources section of this MD&A.

Pursuant to the SCAP results, we executed several transactions as part of a formalized capital plan approved by the Federal Reserve that increased Tier 1 common equity by $2.3 billion and incidentally raised liquidity at both the Parent Company and the Bank. The transactions included the sale of $1.8 billion of common stock, a $750 million cash tender for certain hybrid debt securities, and the sale of various corporate assets. The sale of additional shares of common stock, through both at-the-market and marketed offerings, provided substantial additional long-term liquidity to the Parent Company. The purchase of hybrid debt securities used approximately $525.0 million of Parent Company liquidity since these hybrid securities were obligations of the Parent Company. The net effect of these capital actions was to increase Parent Company liquidity by approximately $1.3 billion. Moreover, the aforementioned asset sales also generated $0.1 billion of liquidity at the Bank.

Other Liquidity Considerations. As detailed in Table 16, we had an aggregate potential obligation of $72.1 billion to our clients in unused lines of credit at December 31, 2009. Commitments to extend credit are arrangements to lend to clients who have complied with predetermined contractual obligations. We also had $9.0 billion in letters of credit as of December 31, 2009, most of which are standby letters of credit, which require that we provide funding if certain future events occur. Our lines and letters of credit have declined since December 31, 2008 due to our decision to reduce exposure to certain higher risk areas, as well as due to clients decision not to renew their lines and letters of credit as a result of their decreased need for these facilities as they pay down their debt and reduce their need for working capital. Approximately $5.5 billion of these letters as of December 31, 2009 supported VRDOs, as previously discussed. In addition, at December 31, 2009, lines of credit totaling approximately $3.8 billion supported CP issued by Three Pillars to investors not affiliated with us or Three Pillars. No amounts are currently outstanding related to Three Pillars lines of credit. For more information about Three Pillars, see Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements.

In the third quarter of 2009, the FDIC, in response to the need to replenish DIF balances that declined as a result of recent bank failures, announced details of a plan to restore DIF balances. The restoration plan, as subsequently approved, required all FDIC insured banks to prepay their risk-based assessments for the years 2010, 2011, and 2012. The assessments, usually due quarterly, were instead required to be estimated for the three future years and paid prior to December 31, 2009. In conjunction with the adoption of this rule, the FDIC also approved a three-basis point increase in assessment rates effective on January 1, 2011. Our estimate of three future years of assessments under this restoration plan was $924.8 million with the estimated assessment for 2010 calculated at current rates. We paid that assessment to the FDIC on December 29, 2009 and concurrently recorded a prepaid asset in that amount within other assets in the Consolidated Balance Sheets. We anticipate funding any differences between our prepayment and actual amounts due each quarter using our existing available liquidity.

Certain provisions of long-term debt agreements and the lines of credit prevent us from creating liens on, disposing of, or issuing (except to related parties) voting stock of subsidiaries. Further, there are restrictions on mergers, consolidations, certain leases, sales or transfers of assets, and minimum shareholders equity ratios. As of December 31, 2009, we were and expect to remain in compliance with all covenants and provisions of these debt agreements.

As of December 31, 2009, our cumulative UTBs amounted to $160.6 million. Interest related to UTBs was $39.3 million as of December 31, 2009. These UTBs represent the difference between tax positions taken or expected to be taken in our tax

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returns and the benefits recognized and measured in accordance with the relevant accounting guidance for income taxes. The UTBs are based on various tax positions in several jurisdictions and, if taxes related to these positions are ultimately paid, the payments would be made from our normal, operating cash flows, likely over multiple years.

Table 16 Unfunded Lending Commitments

(Dollars in millions)	**December 31 2009**	December 31 2008
Unused lines of credit		
Commercial	**$35,027.6**	$37,167.1
Mortgage commitments[1]	**12,227.1**	17,010.4
Home equity lines	**15,207.9**	18,293.8
Commercial real estate	**1,922.4**	3,652.0
Commercial paper conduit	**3,787.1**	6,060.3
Credit card	**3,945.7**	4,167.8
Total unused lines of credit	**$72,117.8**	$86,351.4
Letters of credit		
Financial standby	**$8,778.6**	$13,622.8
Performance standby	**139.7**	220.2
Commercial	**82.7**	99.0
Total letters of credit	**$9,001.0**	$13,942.0

[1]Includes $3.3 billion and $7.2 billion in IRLCs accounted for as derivatives as of December 31, 2009 and December 31, 2008, respectively.

Other Market Risk

Other sources of market risk include the risk associated with holding residential and commercial mortgage loans prior to selling them into the secondary market, commitments to clients to make mortgage loans that will be sold to the secondary market, and our investment in MSRs. We manage the risks associated with the residential and commercial mortgage loans classified as held for sale (i.e., the warehouse) and our IRLCs on residential loans intended for sale. The warehouses and IRLCs consist primarily of fixed and adjustable rate single family residential and commercial real estate loans. The risk associated with the warehouses and IRLCs is the potential change in interest rates between the time the customer locks in the rate on the anticipated loan and the time the loan is sold on the secondary market, which is typically 60-150 days.

We manage interest rate risk predominantly with interest rate swaps, futures, and forward sale agreements, where the changes in value of the instruments substantially offset the changes in value of the warehouse and the IRLCs. The IRLCs on residential mortgage loans intended for sale are classified as free standing derivative financial instruments and are not designated as hedge accounting relationships.

MSRs are the present value of future net cash flows that are expected to be received from the mortgage servicing portfolio. The value of MSRs is highly dependent upon the assumed prepayment speed of the mortgage servicing portfolio which is driven by the level of certain key interest rates, primarily the 30-year current coupon par mortgage rate known as the par mortgage rate. Future expected net cash flows from servicing a loan in the mortgage servicing portfolio would not be realized if the loan pays off earlier than anticipated. Given the current economic environment, the level of prepayments has slowed.

We historically have not actively hedged MSRs, but have managed the market risk through our overall asset/liability management process with consideration to the natural counter-cyclicality of servicing and production that occurs as interest rates rise and fall over time with the economic cycle as well as with securities available for sale. However, as of January 1, 2009, we designated the 2008 MSRs vintage and all future MSRs production at fair value. In addition, as of January 1, 2010, we designated at fair value the remaining MSR portfolio being carried at LOCOM. Upon designating the remaining MSRs at fair value, we recognized a cumulative effect adjustment increase in retained earnings, net of taxes, of $88.5 million. The decision to designate the portfolio at fair value, key economic assumptions, and the sensitivity of the current fair value of the MSRs as of December 31, 2009 and 2008 is discussed in greater detail in Note 11, Certain Transfers of Financial Assets, Mortgage Servicing

Rights and Variable Interest Entities , to the Consolidated Financial Statements.

Relative to the fair value portion of our retained MSRs, we designated $187.8 million at January 1, 2009 and added $681.8 million of new production during 2009. We recorded an increase in fair value of $65.9 million for the year ended December 31, 2009, including decay resulting from the realization of expected monthly net servicing cash flows. The MSRs being carried at fair value total $935.6 million as of December 31, 2009 and are managed within established risk limits

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and are monitored as part of various governance processes. We recorded losses in the Consolidated Statements of Income/(Loss) related to fair value MSRs of $21.9 million for year ended December 31, 2009, inclusive of the mark to market adjustments on the related hedges.

Relative to the LOCOM portion of our retained MSRs, an impairment recovery gain was recorded in the Consolidated Statements of Income/(Loss) of $199.2 million during 2009. As of December 31, 2009, we held $603.8 million of LOCOM MSRs with a fair value of $748.5 million. As discussed above, this class of MSRs was designated at fair value as of January 1, 2010.

We also have market risk from capital stock we hold in the FHLB of Atlanta and Cincinnati and from capital stock we hold in the Federal Reserve Bank. In order to be an FHLB member, we are required to purchase capital stock in the FHLB. In exchange, members take advantage of competitively priced advances as a wholesale funding source and access grants and low-cost loans for affordable housing and community-development projects, amongst other benefits. As of December 31, 2009, we held a total of $343.3 million of capital stock in the FHLB. During 2009, we reduced our capital stock holdings in the FHLB by $149.9 million. In order to become a member of the Federal Reserve System, regulations require that we hold a certain amount of capital stock as a percentage of the Bank s capital. During 2009, we held $360.4 million of Federal Reserve Bank capital stock.

For a detailed overview regarding actions taken to address the risk from changes in equity prices associated with our investment in Coke common stock, see Investment in Common Shares of the Coca-Cola Company, in this MD&A. We also hold, as of December 31, 2009, a total of approximately $207.7 million of private equity investments that include direct investments and limited partnerships. We hold these investments as long-term investments and make additional contributions based on our contractual commitments but have decided to limit investments into new private equity investments.

Impairment charges could occur if deteriorating conditions in the market persist, including, but not limited to, goodwill and other intangibles impairment charges and increased charges with respect to OREO.

OFF-BALANCE SHEET ARRANGEMENTS

See discussion of off-balance sheet arrangements in Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities and Note 18, Reinsurance Arrangements and Guarantees , to the Consolidated Financial Statements.

CONTRACTUAL COMMITMENTS

In the normal course of business, we enter into certain contractual obligations, including obligations to make future payments on debt and lease arrangements, contractual commitments for capital expenditures, and service contracts. Table 17 summarizes our significant contractual obligations at December 31, 2009, except for pension and other postretirement benefit plans, included in Note 16, Employee Benefit Plans, to the Consolidated Financial Statements.

Table 17 Contractual Commitments

	As of December 31, 2009				
(Dollars in millions)	**1 year or less**	**1-3 years**	**3-5 years**	**After 5 years**	**Total**
Time deposit maturities[1]	$23,686	$4,940	$2,744	$79	$31,449
Short-term borrowings[1]	5,365	-	-	-	5,365
Long-term debt[1]	2,141	7,530	657	7,147	17,475
Operating lease obligations	208	372	322	664	1,566
Capital lease obligations[1]	1	3	2	9	15
Purchase obligations[2]	153	239	228	529	1,149
Total	$31,554	$13,084	$3,953	$8,428	$57,019

[1]Amounts do not include accrued interest.

[2]Includes contracts with a minimum annual payment of $5 million.

As of December 31, 2009, our cumulative UTBs amounted to $160.6 million. Interest related to UTBs was $39.3 million as of December 31, 2009. We are under continuous examination by various tax authorities. We are unable to make a reasonable estimate of the periods of cash settlement because it is not possible to reasonably predict, with respect to periods for which the statutes of limitations are open, the amount of tax and interest (if any) that might be assessed by a tax authority or the timing of an assessment or payment. It is also not possible to reasonably predict whether or not the applicable statutes of limitations might expire without us being examined by any particular tax authority.

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CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in detail in Note 1, Significant Accounting Policies, to the Consolidated Financial Statements and are integral to understanding MD&A. We have identified certain accounting policies as being critical because (1) they require our judgment about matters that are highly uncertain and (2) different estimates that could be reasonably applied would result in materially different assessments with respect to ascertaining the valuation of assets, liabilities, commitments, and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or reducing a liability. Our accounting and reporting policies are in accordance with U.S. GAAP, and they conform to general practices within the financial services industry. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a description of our current critical accounting policies.

Allowance for Loan and Lease Losses

The ALLL represents our estimate of probable losses inherent in the existing loan portfolio. The ALLL is increased by the provision for credit losses and reduced by loans charged off, net of recoveries. The ALLL is determined based on our review and evaluation of larger loans that meet our definition of impairment and the current risk characteristics of pools of homogeneous loans (i.e., loans having similar characteristics) within the loan portfolio and our assessment of internal and external influences on credit quality that are not fully reflected in the historical loss or risk-rating data.

Larger nonaccrual loans and certain consumer, commercial, and commercial real estate loans whose terms have been modified in a TDR, are individually evaluated to determine the amount of specific allowance required using the most probable source of repayment, including the present value of the loan s expected future cash flows, the fair value of the underlying collateral less costs of disposition, or the loan s estimated market value. In these measurements, we use assumptions and methodologies that are relevant to estimating the level of impaired and unrealized losses in the portfolio. To the extent that the data supporting such assumptions has limitations, our judgment and experience play a key role in enhancing the specific ALLL estimates. Key judgments used in determining the allowance for credit losses include internal risk ratings, market and collateral values, discount rates, loss rates, and our view of current economic conditions.

General allowances are established for loans and leases grouped into pools that have similar characteristics, including smaller balance homogeneous loans. The ALLL Committee estimates probable losses by evaluating quantitative and qualitative factors, including net charge-off trends, 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.

Our financial results are affected by the changes in and the absolute level of the ALLL. This process involves our analysis of complex internal and external variables, and it requires that we exercise judgment to estimate an appropriate ALLL. As a result of the uncertainty associated with this subjectivity, we cannot assure the precision of the amount reserved, should we experience sizeable loan or lease losses in any particular period. For example, changes in the financial condition of individual borrowers, economic conditions, or the condition of various markets in which collateral may be sold could require us to significantly decrease or increase the level of the ALLL. Such an adjustment could materially affect net income as a result of the change in provision for credit losses. During 2008 and 2009, we experienced increases in delinquencies and net charge-offs in residential real estate loans due to the deterioration of the housing market. The ALLL considered these market conditions in deriving the estimated ALLL; however, given the continued economic difficulties, the ultimate amount of loss could vary from that estimate. For additional discussion of the ALLL see the Provision for Credit Losses , Allowance for Loan and Lease Losses , and Nonperforming Assets sections in this MD&A.

Estimates of Fair Value

Certain of our assets and liabilities are measured at fair value on a recurring basis. The extent to which we use fair value on a recurring basis was significantly expanded upon the election to begin to carry certain financial assets and liabilities at fair value beginning in 2007. Examples of recurring uses of fair value include derivative instruments, available for sale and trading securities, certain held for investment and held for sale loans, certain issuances of long-term debt, certain classes of the MSR asset, and residual interests from Company-sponsored securitizations. We also measure certain assets at fair value on a non-recurring basis either when such assets are carried at the LOCOM, to evaluate assets for impairment, or for disclosure purposes. Examples of these non-recurring uses of fair value include certain LHFS and MSRs accounted for at the LOCOM, OREO, goodwill, intangible assets, nonmarketable equity securities, and long-lived assets. Depending on the nature of the asset or liability, we use various valuation techniques and assumptions when estimating fair value.

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Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Estimating fair value requires that we make a number of significant judgments. Where observable market prices for identical assets or liabilities are not available, we identify what we believe to be similar assets or liabilities. If observable market prices are unavailable or impracticable to obtain for any such similar assets or liabilities, then fair value is estimated using modeling techniques, such as discounted cash flow analyses. These modeling techniques incorporate our assessments regarding assumptions that market participants would use in pricing the asset or the liability, including market-based assumptions, such as interest rates, as well as assumptions about the risks inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, market liquidity, and the risk of nonperformance. In certain cases, our assessments with respect to assumptions that market participants would make may be inherently difficult to determine and the use of different assumptions could result in material changes to these fair value measurements. Various processes and controls have been adopted to determine that appropriate methodologies, techniques and assumptions are used in the development of fair value estimates. These processes include independent price verification, model validation, and corroborating prices from third-parties when possible. The use of significant, unobservable inputs in our models is described in Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements.

In certain instances, we use discount rates in our determination of the fair value of certain assets and liabilities such as retirement and other postretirement benefit obligations, MSRs, and certain financial instruments. Discount rates used are those considered to be commensurate with the risks involved. A change in these discount rates could increase or decrease the values of those assets and liabilities. The fair value of MSRs is based on discounted cash flow analyses. We provide disclosure of the key economic assumptions used to measure MSRs and residual interests and a sensitivity analysis to adverse changes to these assumptions in Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements. A detailed discussion of key variables, including the discount rate, used in the determination of retirement and other postretirement obligations is contained in the Pension Accounting section below.

In estimating the fair values for investment securities and most derivative financial instruments, we believe that observable market prices are the best evidence of exit price. If such market prices are not available on the exact securities that we own, fair values are based on the market prices of similar instruments, third-party broker quotes or are estimated using industry-standard or proprietary models whose inputs may be unobservable. The distressed market conditions associated with this economic recession have impacted our ability to obtain market pricing data for certain of our investments. Even when market pricing has been available, the reduced trading activity resulting from current market conditions has challenged the observability of these quotations. When fair values are estimated based on internal models, we will consider relevant market indices that correlate to the underlying collateral, along with assumptions such as liquidity discounts, interest rates, prepayment speeds, default rates, loss severity rates, and discount rates.

The fair values of loans held for investment recorded at fair value and LHFS are based on observable current market prices in the secondary loan market in which loans trade, as either whole loans or as ABS. When securities prices are obtained in the secondary loan market, we will translate these prices into whole loan prices by incorporating adjustments for estimated credit enhancement costs, loan servicing fees, and various other transformation costs, when material. The fair value of a loan is impacted by the nature of the asset and the market liquidity. When estimating fair value for loans that do not trade in an active market, we will make assumptions about prepayment speeds, default rates, loss severity rates, and liquidity discounts. Absent comparable current market data, we believe that the fair value derived from these various approaches is a reasonable approximation of the prices that we would receive upon sale of the loans.

The fair values of OREO and other repossessed assets are typically determined based on recent appraisals by third parties and other market information, less estimated selling costs. Estimates of fair value are also required when performing an impairment analysis of goodwill, intangible assets and long-lived assets. For long-lived assets, including intangible assets subject to amortization, an impairment loss is recognized if the carrying amount of the asset is not recoverable and exceeds its fair value. In determining the fair value, management uses models which require assumptions about growth rates, the life of the asset, and/or the market value of the assets. We test long-lived assets for impairment whenever events or changes in circumstances indicate that our carrying amount may not be recoverable.

Goodwill

In 2008, our reporting units were comprised of Retail, Commercial, Commercial Real Estate, Mortgage, Corporate and Investment Banking, Wealth and Investment Management, and Affordable Housing. We changed our business segments in 2009. Among other changes, we combined the Consumer Lending business unit with the Mortgage reporting unit and renamed the combined unit as Household Lending; previously Consumer Lending was included in the Retail reporting unit. See Note 22, Business Segment Reporting to the Consolidated Financial Statements for a discussion regarding the changes to our reportable segments.

We review the goodwill of each reporting unit for impairment on an annual basis, or more often, if events or circumstances indicate that it is more likely than not that the fair value of the reporting unit is below the carrying value of its equity. The goodwill impairment analysis estimates the fair value of equity using discounted cash flow analyses which require assumptions, as well as guideline company and guideline transaction information, where available. The inputs and assumptions specific to each reporting unit are incorporated in the valuations including projections of future cash flows, discount rates, the fair value of tangible and intangible assets and liabilities, and applicable valuation multiples based on the guideline information. We assess the reasonableness of the estimated fair value of the reporting units by giving consideration to our market capitalization over a reasonable period of time; however, due to the significant and unprecedented volatility in market capitalization of the financial institution s sector, supplemental information is applied based on observable multiples from guideline transactions, adjusting to reflect our specific factors, as well as current market conditions. Based on our latest annual impairment analysis of goodwill, we believe that the fair value for all reporting units is substantially in excess of the respective reporting unit s carrying value, with the exception of Corporate and Investment Banking which had a fair value that exceeded carrying value by 6%.

Valuation Techniques

In determining the fair value of our reporting units, we primarily use discounted cash flow analyses, which require assumptions about short and long-term net cash flow growth rates for each reporting unit, as well as discount rates. In addition, we apply guideline company and guideline transaction information, where available, to aid in the valuation of certain reporting units. The guideline information is based on publicly available information. A valuation multiple is selected based on a financial benchmarking analysis that compares the reporting unit s benchmark result with the guideline information. In addition to these financial considerations, qualitative factors such as asset quality, growth opportunities, and overall risk are considered in the ultimate selection of the multiple used to estimate a value on a minority basis. A control premium of 30% is applied to the minority basis value to arrive at the reporting unit s estimated fair value on a controlling basis.

The values separately derived from each valuation technique (i.e., discounted cash flow, guideline company, guideline transaction, and asset accumulation) are used to develop an overall estimate of a reporting unit s fair value. The discounted cash flow approach is generally weighted 70% and the market based approaches are generally weighted 30%. The weightings may be adjusted based on the degree of relevant market based information. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the selection and weightings that are most representative of fair value.

Growth Assumptions

Multi-year financial forecasts are developed for each reporting unit by considering several key business drivers such as new business initiatives, client service and retention standards, market share changes, anticipated loan and deposit growth, forward interest rates, historical performance, and industry and economic trends, among other considerations. The long-term growth rate used in determining the terminal value of each reporting unit was estimated at 4% in 2009 based on management s assessment of the minimum expected terminal growth rate of each reporting unit, as well as broader economic considerations such as gross domestic product and inflation.

Discount Rate Assumptions

Discount rates are estimated based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and in some cases, unsystematic risk and size premium adjustments specific to a particular reporting unit. The

sum of the reporting units cash flow projections are used to calculate an overall implied internal rate of return. The implied internal rate of return serves as a baseline for estimating the specific discount rate for each reporting unit. The discount rates are also calibrated based on the assessment of the risks related to the projected cash flows of each reporting unit. In 2009, the discount rates ranged from 13% to 27% as a result of the economic environment causing market dislocation and lower valuation multiples.

Estimated Fair Value and Sensitivities

The estimated fair value of each reporting unit is derived from the valuation techniques described above. The estimated fair value of each reporting unit is analyzed in relation to numerous market and historical factors, including current economic and market conditions, recent, historical, and implied stock price volatility, marketplace dynamics such as level of short selling, company-specific growth opportunities, and an implied control premium. The implied control premium is determined by comparing the aggregate fair value of the reporting units to our market capitalization, measured over a reasonable period of time. We assess the reasonableness of the implied control premium in relation to the market and historical factors previously mentioned, as well as recognizing that the size of the implied control premium is not, independently, a determinative measure to assess the estimated fair values of the reporting units.

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Economic and market conditions can vary significantly which may cause increased volatility in a company s stock price, resulting in a temporary decline in market capitalization. In those circumstances, current market capitalization may not be an accurate indication of a market participant s estimate of entity-specific value measured over a reasonable period of time. We believe that this volatility may be tied to market sentiment pertaining to the overall banking sector and concerns regarding dilution of common shareholders, rather than the result of company-specific adjustments to cash flows, guideline multiples, or asset values which would have influenced the fair value of reporting units. As a result, the use of market capitalization has become a less relevant measure to assess the reasonableness of the aggregate value of the reporting units. Therefore, we supplement the market capitalization information with other observable market information that provided benchmark valuation multiples from transactions over the last year and a half. These multiples allow us to estimate an aggregate purchase value and implied premium based on current market conditions and the estimated net asset fair value for SunTrust.

The estimated fair value of the reporting unit is highly sensitive to changes in these estimates and assumptions; therefore, in some instances changes in these assumptions could impact whether the fair value of a reporting unit is greater than its carrying value. We perform sensitivity analyses around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values. Ultimately, future potential changes in these assumptions may impact the estimated fair value of a reporting unit and cause the fair value of the reporting unit to be below its carrying value. Additionally, a reporting unit s carrying value of equity could change based on market conditions and the risk profile of those reporting units.

In those situations where the carrying value of equity exceeds the estimated fair value, an additional goodwill impairment evaluation is performed which involves calculating the implied fair value of the reporting unit s goodwill. The implied fair value of goodwill is determined in the same manner as goodwill is recognized in a business combination. The fair value of the reporting unit s assets and liabilities, including previously unrecognized intangible assets, is individually determined. Significant judgment and estimates are involved in estimating the fair value of the assets and liabilities of the reporting unit. The excess fair value of the reporting unit over the fair value of the reporting unit s net assets is the implied goodwill.

The value of the implied goodwill is highly sensitive to the estimated fair value of the reporting unit s net assets. The fair value of the reporting unit s net assets is estimated using a variety of valuation techniques including the following:

- recent data observed in the market, including similar assets
- cash flow modeling based on projected cash flows and market discount rates
- market indices
- estimated net realizable value of the underlying collateral
- price indications from independent third parties

Observable market information is utilized to the extent available and relevant. The estimated fair values reflect management s assumptions regarding how a market participant would value the net assets and includes appropriate credit, liquidity, and market risk premiums that are indicative of the current environment.

If the implied fair value of the goodwill for the reporting unit exceeds the carrying value of the goodwill for the respective reporting unit, no goodwill impairment is recorded. If the carrying amount of a reporting unit s goodwill exceeds the implied goodwill, an impairment loss is recognized in an amount equal to the excess. Changes in the estimated fair value of the individual assets and liabilities may result in a different amount of implied goodwill, and ultimately the amount of goodwill impairment, if any. Sensitivity analysis is performed to assess the potential ranges of implied goodwill.

The size of the implied goodwill is significantly affected by the estimated fair value of loans. The estimated fair value of a loan portfolio is based on an exit price, and the assumptions used are intended to approximate those that a market participant would use in valuing the loans in an orderly transaction, including a market liquidity discount. The significant market risk premium that is a consequence of distressed market conditions is a significant contributor to valuation discounts associated with loans. Future changes in the fair value of a reporting unit s net assets could result in future goodwill impairment. For example, to the extent that market liquidity returns and the fair value of the individual assets of a reporting unit increases at a faster rate than the fair value of the reporting unit as a whole, that may cause the implied goodwill of a reporting unit to be lower than the carrying value of goodwill, resulting in goodwill impairment.

Income Taxes

We are subject to the income tax laws of the various jurisdictions where we conduct business and estimate income tax expense based on amounts expected to be owed to these various tax jurisdictions. The estimated income tax expense/(benefit) is reported in the Consolidated Statements of Income/(Loss). The evaluation pertaining to the tax expense and related tax asset and liability balances involves a high degree of judgment and subjectivity around the ultimate measurement and resolution of these matters.

Accrued taxes represent the net estimated amount due to or to be received from tax jurisdictions either currently or in the future and are reported in other liabilities on the Consolidated Balance Sheets. We assess the appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent and other pertinent information and maintain tax accruals consistent with our evaluation. Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations by the tax authorities and newly enacted statutory, judicial and regulatory guidance that could impact the relative merits of tax positions. These changes, when they occur, impact accrued taxes and can materially affect our operating results. We regularly evaluate our uncertain tax positions and estimate the appropriate level of UTBs related to each of these positions.

During the fourth quarter, we moved from a net deferred tax liability to a net deferred tax asset of $1.7 million. We regularly evaluate the realizability of deferred tax asset positions. In determining whether a valuation allowance is necessary, we consider the level of taxable income in prior years to the extent that carrybacks are permitted under current tax laws, as well as estimates of future pre-tax and taxable income and tax planning strategies that would, if necessary, be implemented. We currently maintain a valuation allowance for certain state NOLs generated by our subsidiaries. We expect to realize our remaining deferred tax assets over the allowable carryback and/or carryforward periods. Therefore, no valuation allowance is deemed necessary against our federal or remaining state deferred tax assets as of December 31, 2009. However, if an unanticipated event occurred that materially changed pre-tax and taxable income in future periods, an increase in the valuation allowance may become necessary. For additional information, refer to Note 15, Income Taxes, to the Consolidated Financial Statements.

Pension Accounting

Several variables affect the annual variability of cost for our retirement programs. The main variables are: (1) size and characteristics of the employee population, (2) discount rate, (3) expected long-term rate of return on plan assets, (4) recognition of actual asset returns, (5) other actuarial assumptions and (6) healthcare cost. Below is a brief description of these variables and the effect they have on our pension costs.

Size and Characteristics of the Employee Population

Pension cost is directly related to the number of employees covered by the plans, and other factors including salary, age, years of employment, and benefit terms. Effective January 1, 2008, retirement plan participants who were employed as of December 31, 2007 ceased to accrue additional benefits under the existing pension benefit formula and their accrued benefits were frozen. Beginning January 1, 2008, participants who had fewer than 20 years of service and future participants accrue future pension benefits under a cash balance formula that provides compensation and interest credits to a Personal Pension Account. Participants with 20 or more years of service as of December 31, 2007 were given the opportunity to choose between continuing a traditional pension benefit accrual under a reduced formula or participating in the new Personal Pension Account.

Discount Rate

The discount rate is used to determine the present value of future benefit obligations. The discount rate for each plan is determined by matching the expected cash flows of each plan to a yield curve based on long-term, high quality fixed income debt instruments available as of the measurement date, December 31, 2009. The discount rate for each plan is reset annually or upon occurrence of a triggering event on the measurement date to reflect current market conditions.

If we were to assume a 0.25% increase/decrease in the discount rate for all retirement and other postretirement plans, and keep all other assumptions constant, the benefit cost would decrease/ increase by approximately $9.3 million.

Expected Long-term Rate of Return on Plan Assets

Based on historical experience, market projections, and the target asset allocation set forth in the investment policy for the Retirement Plans, the pre-tax expected rate of return on plan assets was 8.25% for 2008 and 8.0% for 2009. This expected rate of return is dependent upon the asset allocation decisions made with respect to plan assets.

Annual differences, if any, between expected and actual returns are included in the unrecognized net actuarial gain or loss amount. We generally amortize any unrecognized net actuarial gain or loss in excess of a 10% corridor in net periodic pension expense over the average future service of active employees, which is approximately seven years, or average future lifetime for plans with no active participants that are frozen. See Note 16, Employee Benefit Plans, to the Consolidated Financial Statements for details on changes in the pension benefit obligation and the fair value of plan assets.

If we were to assume a 0.25% increase/decrease in the expected long-term rate of return for the retirement and other postretirement plans, holding all other actuarial assumptions constant, the benefit cost would decrease/increase by approximately $6.1 million.

Recognition of Actual Asset Returns

Accounting guidance allows for the use of an asset value that smoothes investment gains and losses over a period up to five years. However, we have elected to use a preferable method in determining pension cost. This method uses the actual market value of the plan assets. Therefore, we will experience more variability in the annual pension cost, as the asset values will be more volatile than companies who elected to smooth their investment experience.

Other Actuarial Assumptions

To estimate the projected benefit obligation, actuarial assumptions are required about factors such as mortality rate, turnover rate, retirement rate, disability rate, and the rate of compensation increases. These factors do not tend to change significantly over time, so the range of assumptions, and their impact on pension cost, is generally limited. We annually review the assumptions used based on historical and expected future experience. The interest crediting rate applied to each Personal Pension Account was an annual effective rate of 6.64% from January 1, 2009 through June 30, 2009 and 3.0% from July 1, 2009 through December 31, 2009.

Healthcare Cost

Assumed healthcare cost trend rates also have an impact on the amounts reported for the other postretirement benefit plans. Due to changing medical inflation, it is important to understand the effect of a one percent change in assumed healthcare cost trend rates. If we were to assume a one percent increase in healthcare cost trend rates, the effect on the other postretirement benefit obligation and total interest and service cost would be a $12.9 million and $0.7 million increase, respectively. If we were to assume a one percent decrease in healthcare trend rates, the effect on the other postretirement benefit obligation and total interest and service cost would be a $11.3 million and $0.6 million decrease, respectively.

To estimate the projected benefit obligation as of December 31, 2009, we projected forward the benefit obligations from January 1, 2009 to December 31, 2009, adjusting for benefit payments, expected growth in the benefit obligations, changes in key assumptions and plan provisions, and any significant changes in the plan demographics that occurred during the year, including (where appropriate) subsidized early retirements, salary changes different from expectations, entrance of new participants, changes in per capita claims cost, Medicare Part D subsidy, and retiree contributions.

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Table 18 Selected Quarterly Financial Data

	Three Months Ended							
	2009				2008			
(Dollars in millions, except per share and other data)	**December 31**	**September 30**	**June 30**	**March 31**	December 31	September 30	June 30	March 31
Summary of Operations								
Interest income	**$1,629.6**	**$1,657.5**	**$1,693.3**	**$1,729.3**	$1,985.4	$2,017.3	$2,066.4	$2,258.3
Interest expense	**453.1**	**520.0**	**603.6**	**667.2**	808.5	871.1	909.7	1,118.5
Net interest income	**1,176.5**	**1,137.5**	**1,089.7**	**1,062.1**	1,176.9	1,146.2	1,156.7	1,139.8
Provision for credit losses [4]	**973.7**	**1,133.9**	**962.2**	**994.1**	962.5	503.7	448.0	560.0
Net interest income after provision for credit losses	**202.8**	**3.6**	**127.5**	**68.0**	214.4	642.5	708.7	579.8
Noninterest income [1]	**742.3**	**775.0**	**1,071.7**	**1,121.2**	717.7	1,285.2	1,413.0	1,057.5
Noninterest expense	**1,453.6**	**1,428.9**	**1,528.0**	**2,152.0**	1,586.2	1,665.3	1,375.3	1,252.2
Income/(loss) before provision/(benefit) for income taxes	**(508.5)**	**(650.3)**	**(328.8)**	**(962.8)**	(654.1)	262.4	746.4	385.1
Net income attributable to noncontrolling interest	**2.6**	**2.7**	**3.6**	**3.2**	2.5	2.8	3.2	2.9
Provision/(benefit) for income taxes	**(263.0)**	**(336.1)**	**(148.9)**	**(150.8)**	(309.0)	(52.8)	202.8	91.6
Net income/(loss)	**(248.1)**	**(316.9)**	**(183.5)**	**(815.2)**	(347.6)	312.4	540.4	290.6
Net income/(loss) available to common shareholders	**($316.4)**	**($377.1)**	**($164.4)**	**($875.4)**	($374.9)	$304.4	$530.0	$281.6
Net interest income-FTE [2]	**$1,206.8**	**$1,168.2**	**$1,121.1**	**$1,093.0**	$1,208.7	$1,175.7	$1,185.0	$1,167.8
Total revenue-FTE [2]	**1,949.1**	**1,943.2**	**2,192.8**	**2,214.2**	1,926.4	2,460.9	2,598.0	2,225.3
Total revenue-FTE excluding net securities gains/(losses), net [2]	**1,876.2**	**1,896.5**	**2,217.7**	**2,210.8**	1,515.3	2,287.9	2,048.2	2,285.9
Net income/(loss) per average common share: [3]								
Diluted	**($0.64)**	**($0.76)**	**($0.41)**	**($2.49)**	($1.07)	$0.87	$1.52	$0.81
Diluted excluding goodwill/intangible impairment charges other than MSRs [2]	**(0.64)**	**(0.76)**	**(0.41)**	**(0.46)**	(1.07)	0.87	1.59	0.81
Basic	**(0.64)**	**(0.76)**	**(0.41)**	**(2.49)**	(1.07)	0.87	1.52	0.81
Dividends paid per average common share	**0.01**	**0.01**	**0.10**	**0.10**	0.54	0.77	0.77	0.77

Book value per common share	**35.29**	**36.06**	**36.16**	**46.03**	48.74	49.64	49.56	51.59
Tangible book value per common share [2]	**22.59**	**23.35**	**23.41**	**28.15**	28.69	29.18	29.04	31.13
Market capitalization	**$10,128**	**$11,256**	**$8,205**	**$4,188**	$10,472	$15,925	$12,805	$19,290
Market Price:								
High	**24.09**	**24.43**	**20.86**	**30.18**	57.75	64.00	60.80	70.00
Low	**18.45**	**14.50**	**10.50**	**6.00**	19.75	25.60	32.34	52.94
Close	**20.29**	**22.55**	**16.45**	**11.74**	29.54	44.99	36.22	55.14
Selected Average Balances								
Total assets	**$174,040.5**	**$172,463.2**	**$176,480.5**	**$178,871.3**	$177,047.3	$173,888.5	$175,548.8	$176,916.9
Earning assets	**146,587.2**	**149,579.4**	**153,177.2**	**154,390.0**	153,187.9	152,319.8	152,483.0	153,003.6
Loans	**115,036.1**	**119,796.2**	**124,123.4**	**125,333.5**	127,607.9	125,642.0	125,191.9	123,263.0
Consumer and commercial deposits	**117,008.5**	**114,486.4**	**113,527.5**	**107,514.9**	102,238.4	100,199.8	101,727.0	101,168.4
Brokered and foreign deposits	**5,145.0**	**5,192.9**	**6,608.4**	**7,417.3**	12,648.7	15,799.8	15,068.3	15,468.6
Total shareholders equity	**22,380.7**	**22,467.9**	**21,925.7**	**22,367.9**	19,891.0	18,097.4	18,209.3	18,178.7
Average common shares outstanding (000s)								
Diluted	**494,332**	**494,169**	**399,242**	**351,352**	350,439	350,970	349,783	348,072
Basic	**494,332**	**494,169**	**399,242**	**351,352**	350,439	349,916	348,714	346,581
Financial Ratios and Other Data (Annualized)								
Return on average total assets	**(0.57)** %	**(0.73)** %	**(0.42)** %	**(1.85)** %	(0.78) %	0.71 %	1.24 %	0.66 %
Return on average assets less net unrealized securities gains/(losses) [2]	**(0.70)**	**(0.83)**	**(0.41)**	**(1.89)**	(1.39)	0.45	0.42	0.72
Return on average common shareholders equity	**(7.19)**	**(8.52)**	**(3.95)**	**(20.71)**	(8.47)	6.88	12.04	6.41
Return on average realized common shareholders equity [2]	**(8.81)**	**(9.70)**	**(4.02)**	**(22.08)**	(15.33)	4.45	4.32	7.58
Net interest margin-FTE	**3.27**	**3.10**	**2.94**	**2.87**	3.14	3.07	3.13	3.07
Efficiency ratio-FTE	**74.58**	**73.53**	**69.68**	**97.22**	82.34	67.67	52.94	56.27
Tangible efficiency ratio [2]	**73.96**	**72.82**	**69.05**	**62.97**	81.44	66.92	50.45	55.34
Total average shareholders equity to average assets	**12.86**	**13.03**	**12.42**	**12.51**	11.23	10.41	10.37	10.28
Tangible equity to tangible assets [2]	**9.66**	**9.96**	**9.75**	**8.85**	8.46	6.47	6.34	6.63
Effective tax rate (benefit)	**(51.46)**	**(51.46)**	**(44.81)**	**(15.61)**	(47.06)	(20.32)	27.29	23.98
Allowance to period-end loans	**2.76**	**2.61**	**2.37**	**2.21**	1.86	1.54	1.46	1.25
Nonperforming assets to total loans plus OREO and other repossessed assets	**5.33**	**5.20**	**4.99**	**4.21**	3.49	2.90	2.32	1.85
Common dividend payout ratio[5]	**N/A**	**N/A**	**N/A**	**N/A**	N/A	89.4	51.3	95.5
Capital Adequacy								

Tier 1 common equity	**7.67 %**	**7.49 %**	**7.34 %**	**5.83 %**	5.83 %	6.02 %	5.41 %	5.18 %
Tier 1 capital	**12.96**	**12.58**	**12.23**	**11.02**	10.87	8.15	7.47	7.23
Total capital	**16.43**	**15.92**	**15.31**	**14.15**	14.04	11.16	10.85	10.97
Tier 1 leverage	**10.90**	**11.08**	**11.02**	**10.14**	10.45	7.98	7.54	7.22
[1]Includes net securities gains/(losses)	**$72.8**	**$46.7**	**($24.9)**	**$3.4**	$411.1	$173.0	$549.8	($60.6)

[2]See Non-GAAP reconcilements in Table 22 of the MD&A.

[3]Prior period amounts have been recalculated in accordance with updated accounting guidance related to earnings per share, that was effective January 1, 2009 and required retrospective application .

[4]Beginning in the fourth quarter of 2009, SunTrust began recording the provision for unfunded commitments within the provision for credit losses in the Consolidated Statements of Income/(Loss). The provision for unfunded commitments for the fourth quarter of 2009 was $57.2 million. 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).

[5]The common dividend payout ratio is not calculable in a period of net loss.

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FOURTH QUARTER 2009 RESULTS

We reported a net loss available to common shareholders of $316.4 million for the fourth quarter of 2009, a decrease of $58.5 million, or 15.6%, compared to the same period of the prior year. The net loss per average common share was $0.64 for the fourth quarter of 2009 compared to a net loss of $1.07 per common share for the fourth quarter of 2008. The fourth quarter of 2009 results were adversely impacted by credit-related charges and cyclical expenses that reflected recessionary pressures as evidenced by soft revenue and weak loan demand from consumer and commercial borrowers. However, compared to recent quarterly trends, the provision for credit losses declined, deposit mix continued to improve while core deposit volumes grew, net interest margin increased, and certain of our businesses experienced revenue growth.

For the fourth quarter of 2009, FTE net interest income was $1,206.8 million, essentially flat compared to the fourth quarter of 2008 due to a decline in average earning assets which resulted from a reduction in client demand for credit, offset by improvement in the net interest margin. Margin expansion was due to lower rates paid for funds as client deposits increased, the mix of deposits improved, and higher cost sources of funding were reduced. Net interest margin grew from 3.14% in the fourth quarter of 2008 to 3.27% for the same period of 2009.

For the fourth quarter of 2009, the provision for credit losses was $973.7 million and included $57.2 million in provision for unfunded commitments. In the fourth quarter of 2009, we elected to change our financial statement presentation to include the provision for unfunded commitments in the provision for credit losses. Previously, the unfunded commitment provision was included in noninterest expense. The provision for loan losses was $46.0 million below the provision for loan losses recorded in the fourth quarter of 2008. On an overall basis, the provision for credit losses increased only slightly as the impact of increased charge-offs was largely offset by lower increases to the ALLL.

Total noninterest income was $742.3 million for the fourth quarter of 2009, an increase of $24.6 million, or 3.4%, from the fourth quarter of 2008. This increase was primarily driven by lower market-related losses on illiquid securities and other instruments carried at fair value, including our public debt. These lower losses in the fourth quarter of 2009 were largely offset by higher estimated losses related to the potential repurchase of mortgage loans resulting in lower mortgage production income. The fourth quarter of 2009 results include $220.2 million in estimated losses related to the potential repurchase of mortgage loans that were previously sold to third parties compared to $60.4 million recognized in the fourth quarter of 2008. Although mortgage production related income declined $40.2 million, the decline was partially offset by lower market valuation losses and a 17% increase in loan production during the fourth quarter of 2009. Mortgage servicing income increased $382.8 million compared to the fourth quarter of 2008, as a result of the $370.0 million temporary impairment recognized in the fourth quarter of 2008 related to MSRs that were carried at the LOCOM compared to a recovery of $10.5 million recognized during the current quarter. During the fourth quarter of 2009, we recorded $72.8 million of net gains from the sale of available for sale securities compared to $411.1 million of net gains from the sale of available for sale securities in the fourth quarter of 2008 that were realized in conjunction with risk management strategies associated with hedging the value of MSRs. Trading account profits/(losses) and commissions increased $30.7 million compared to the fourth quarter of 2008 as market-related valuation losses on illiquid securities and other instruments carried at fair value improved. Valuation losses on our public debt and related hedges carried at fair value were $38.1 million, a reduction of $6.2 million compared to the fourth quarter of 2008. Trust and investment management income increased $8.2 million, or 6.5%, on increased performance based fees; however, retail investment income decreased $15.9 million, or 22.7%, due to lower transaction volume.

Total noninterest expense was $1,453.6 million during the fourth quarter of 2009, a decrease of $132.6 million, or 8.4%, compared to the fourth quarter of 2008. The decrease was a result of credit-related expenses declining significantly and controllable expenses continuing to be tightly managed. Operating losses declined $210.2 million, or 89.0%, as fraud-related credit losses were recorded in the provision for credit losses beginning in the first quarter of 2009. Mortgage reinsurance losses declined $89.7 million, or 89.7%, as we reached the limits of our exposure to reinsurance losses (see Note 18, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements). Other credit-related expenses including collection and credit costs and other real estate expense increased $58.6 million due to property valuation losses and increased loss mitigation efforts. FDIC and regulatory expense increased $40.0 million, or 195.4%, in conjunction with the replenishment of the FDIC s insurance fund through increased premiums. Personnel expenses increased $56.1 million, or 8.8%, due to higher pension costs and increased incentives related to improved financial performance in certain lines of business. The fourth quarter of 2009 also included $23.5 million in net losses related to early termination fees for FHLB advances repaid during the quarter, net of gains on the early extinguishment of other long-term debt. These advance terminations were part of the initiative we took to take advantage of the strong liquidity position we currently benefit from to repay wholesale funding and improve margin.

The income tax benefit for the fourth quarter of 2009 was $263.0 million compared to the income tax benefit of $309.0 million for the fourth quarter of 2008. The decrease in the income tax benefit was primarily attributable to the lower level of pre-tax losses in fourth quarter of 2009 compared to the same period in 2008.

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BUSINESS SEGMENTS

See Note 22, Business Segment Reporting, to the Consolidated Financial Statements for discussion of our segment structure, basis of presentation and internal management reporting methodologies.

The following table for our reportable business segments compares net income/(loss) for the twelve months ended December 31, 2009 to the same period in 2008 and 2007:

Table 19 Net Income/(Loss) by Segment

	Twelve Months Ended December 31		
(Dollars in millions)	**2009**	2008	2007
Retail and Commercial	**($481.3)**	$505.0	$959.0
Corporate and Investment Banking	**144.6**	188.4	58.3
Household Lending	**(1,370.9)**	(737.5)	(13.0)
Wealth and Investment Management	**67.9**	174.4	87.1
Corporate Other and Treasury	**403.5**	860.5	250.6
Reconciling Items	**(327.5)**	(195.0)	292.0

The following table for our reportable business segments compares average loans and average deposits for the year ended December 31, 2009 to the same period in 2008 and 2007:

Table 20 Average Loans and Deposits by Segment

	Twelve Months Ended December 31					
	Average Loans			Average Consumer and Commercial Deposits		
(Dollars in millions)	**2009**	2008	2007	**2009**	2008	2007
Retail and Commercial	**$48,993**	$50,651	$51,274	**$91,290**	$82,339	$81,889
Corporate and Investment Banking	**20,921**	21,619	16,682	**7,008**	6,551	3,503
Household Lending	**42,738**	44,733	43,790	**3,161**	2,268	2,168
Wealth and Investment Management	**8,198**	8,174	7,965	**11,030**	9,506	9,781
Corporate Other and Treasury	**203**	274	404	**744**	759	702

BUSINESS SEGMENT RESULTS

Twelve Months Ended December 31, 2009 vs. 2008

Retail and Commercial Banking

Retail and Commercial Banking reported a net loss of $481.3 million for the twelve months ended December 31, 2009, compared to net income of $505.0 million in the same period 2008. The decrease in net income was primarily the result of increases in credit-related losses including higher provision for credit losses, higher credit-related noninterest expense, and impairment of goodwill related to the Commercial Real Estate and Affordable Housing businesses, and lower net interest income.

Net interest income was $2.4 billion, a $210.7 million, or 8.1% decline from the same period in 2008. Average loan balances declined $1.7 billion, or 3.3%, with decreases in commercial real estate and residential mortgage loans partially offset by increases in equity lines, tax-exempt loans, and nonaccrual loans. Lower loan volume and decreased spreads primarily due to a change in mix and an increase in nonaccrual loans resulted in an $89.5 million, or 8.6%, decrease in loan-related net interest income. Average consumer and commercial deposit balances increased $9.0 billion, or 10.9%, primarily in higher yielding interest-bearing deposits as the economic environment has influenced customer product preference. NOW and money market accounts increased a combined $6.4 billion, or 16.9%, while certificates of deposit and IRA accounts increased $1.2 billion, or 4.4%. Low cost demand deposit and savings accounts combined increased $1.4 billion, or 7.6%. While DDA, NOW, and MMA balances increased throughout 2009, certificates of deposit declined in the latter half of 2009 due in part to pricing of these accounts. Despite the year over year deposit growth, deposit-related net interest income declined by $104.1 million, or 5.6%, as a result of the change in deposit mix, as well as the lower interest rate environment which drove a decrease in the relative value of demand deposits.

Provision for credit losses was $1.2 billion, a $585.4 million increase over the same period in 2008. The provision was predominantly driven by an increase in provision for real estate construction loans and home equity lines reflecting the deterioration in the residential real estate market. Provision for commercial loans also increased, mostly due to net charge-offs on smaller commercial clients.

Total noninterest income was $1.4 billion, a decrease of $29.3 million, or 2.1%, from the same period in 2008. The decrease was primarily due to a $54.3 million, or 6.8%, decrease in service charges on deposits driven by lower consumer and commercial NSF fees. The decrease in service charges was partially offset by a $37.2 million, or 11.8%, increase in ATM and card fees primarily due to an increase in accounts and transactions.

Total noninterest expense was $3.3 billion, up $562.6 million, or 20.6%, over the same period in 2008. FDIC insurance expense increased $135.7 million primarily due to increased premium rates. Credit-related expense increased $123.9 million including operating losses, collections services, and other real estate. Also, the first quarter of 2009 included a non-cash charge of $299.2 million related to the impairment of goodwill associated with the Commercial Real Estate and Affordable Housing businesses. The economic downturn has negatively impacted commercial real estate asset values and expected earnings; however, we remain committed to the clients, products, and services of these businesses and believe that the longer term growth prospects of these businesses are strong.

Corporate and Investment Banking

Corporate and Investment Banking s net income for the twelve months ended December 31, 2009 was $144.6 million, a decrease of $43.8 million, or 23.3%, compared to the same period in 2008. The decline was driven by a $242.9 million increase in provision for credit losses which was mostly offset by strong growth in capital markets revenue and net interest income.

Net interest income was $389.3 million, an increase of $49.7 million, or 14.7%, from the prior year primarily due to an increase in loan portfolio spreads. Average loan balances decreased $698.2 million, or 3.2%, while the loan-related net interest income increased $69.1 million, or 31.6%, due to increased portfolio spreads. Loan balances have decreased 9.8% compared to the third quarter of 2009 as higher revolver utilization by large corporate clients experienced early in the year has declined as borrower s needs diminish and as access to capital markets funding has improved. Net interest income on investments decreased $21.0 million primarily due to decreased volume. Total average customer deposits increased $457.4 million, or 7.0%, mainly due to a $552.0 million increase in demand deposits offset by a $94.8 million decrease in time deposits. Customer deposit-related net interest income increased $1.5 million or 1.8%, due to increased average balances partially offset by spread compression related to a decrease in the relative value of demand deposits.

Provision for credit losses was $298.2 million, as net charge-offs increased $242.9 million from the prior year driven by a small number of large corporate borrowers operating in economically sensitive industries.

Total noninterest income was $700.1 million, an increase of $138.3 million, or 24.6%, over the prior year. Capital markets related noninterest income increased $161.6 million, or 51.3%, primarily due to performance in equity derivatives, debt and equity originations, fixed income sales and trading, and syndications. The strong performance in capital markets was partially offset by higher write-downs on private equity investments, equipment write downs on terminated leases and market volatility on credit hedges related to the corporate loan book.

Total noninterest expense was $559.7 million, an increase of $18.8 million, or 3.5%. The increase was primarily due to higher operating losses, revenue based incentive compensation, and pension expense. Offsetting these higher expenses were lower salaries and other staff expenses, as well as lower outside processing and miscellaneous expenses.

Household Lending

Household Lending reported a net loss of $1.4 billion for the year ended December 31, 2009 compared with a net loss of $737.5 million in 2008. The $633.4 million increase in net loss was driven by higher credit costs and goodwill impairment resulting from deterioration in residential real estate market conditions. Partially offsetting these costs were higher production and servicing income.

Net interest income was $780.2 million for the year ended December 31, 2009, up $53.3 million, or 7.3%, primarily due to higher net interest income on LHFS, credit cards, and student loans offset by lower consumer mortgage net interest income and increased levels of nonaccrual loans. Additionally, the loan-related net interest income decline was influenced by the decline in higher yielding second lien loans and lower yields on prime first lien mortgages. Average loans declined $2.0 billion, or 4.5%, while the resulting net interest income declined $39.3 million, or 7.2%. Consumer mortgages and construction to perm loans declined $3.6 billion, or 11.8%, contributing $76.2 million to the decline in loan-related net interest income. Additionally, nonaccrual loans increased $1.0 billion, resulting in a net interest income reduction of $38.4 million. Partially offsetting these declines was a $0.8 billion, or 24.2%, increase in student loans and bank card loans, which increased net interest income $80.3 million. LHFS increased $0.2 billion and contributed $70.9 million to the increase in net interest income due to improved funding costs resulting from lower short-term rates. Customer deposit-related net interest income also increased $12.8 million principally due to higher volume.

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Provision for credit losses was $1.7 billion, an increase of $790.3 million, or 88.5%, principally due to higher consumer mortgage and home equity line charge-offs.

Total noninterest income was $727.7 million, a $246.4 million, or 51.2%, increase driven by higher mortgage production and servicing income. Total mortgage production income increased $190.2 million, or 105.4%, principally due to income from higher loan production volume at improved margins partially offset by higher reserves for repurchased loans. Total mortgage loan production for the year ended December 31, 2009 was $50.1 billion, up 37.6% from $36.4 billion the prior year. Total servicing income increased $519.6 million primarily due to a $199.2 million recovery in 2009 on MSRs carried at the LOCOM compared to a $370.0 million impairment charge in 2008. The 2008 MSR impairment was offset by net securities gains of $410.7 million in the fourth quarter of 2008 from the sale of available for sale securities that were held in conjunction with our risk management strategies associated with economically hedging the value of MSRs. At December 31, 2009 total mortgage loans serviced were $178.9 billion, up $16.9 billion, or 10.4%, from $162.0 billion at December 31, 2008.

Total noninterest expense was $1.8 billion, an increase of $254.1 million, or 16.6%. The increase was primarily due to a $451.9 million non-cash goodwill impairment charge recorded in first quarter of 2009. Credit-related expense including other real estate, credit service, and collection costs also increased $125.4 million, or 61.0%. The increases were partially offset by a $373.7 million decrease in operating losses primarily due to a change in classification related to borrower misrepresentation and claim denials. Beginning in 2009, these losses were recorded as charge-offs against the allowance for loan losses and were included in the overall allowance for loan losses. Additionally, personnel expense was up $115.8 million principally due to higher commission expense resulting from higher loan production.

Wealth and Investment Management

Wealth and Investment Management s net income for the twelve months ended December 31, 2009 was $67.9 million, a decrease of $106.5 million compared to the same period in 2008. The decrease in net income was primarily due to the gains from the sales of First Mercantile and Lighthouse Investment Partners in 2008 and the resulting reduction in noninterest income partially offset by lower noninterest expense in 2009. Net income in 2008 included a $63.8 million market valuation loss on an acquired security primarily in the third quarter and a $45.0 million impairment charge on a client-based intangible asset in the second quarter.

Net interest income was $304.0 million, a decrease of $21.1 million, or 6.5%, as higher average loan and deposit balances were more than offset by spread compression. Average loans increased slightly while net interest income on loans declined $6.3 million, or 4.6%, due to compressed spreads. Average deposits increased $1.5 billion, or 16.0%, while deposit-related net interest income decreased $13.3 million, or 6.6%, due to a change in mix, a decrease in the relative value of demand deposits, and spread compression in NOW and money market accounts.

Provision for credit losses were $79.2 million, an increase of $52.3 million primarily due to higher consumer and commercial loan net charge-offs.

Total noninterest income was $748.6 million, a $200.6 million, or 21.1%, decrease primarily due to an $89.4 million gain on sale of a minority interest in Lighthouse Investment Partners in the first quarter of 2008, $50.1 million net decline due to the sale of First Mercantile in the second quarter of 2008, and lower trust income and retail investment income. Trust income decreased $102.9 million, or 17.5%, primarily due to lower market valuations on managed equity assets, investment advisory fee waivers on managed liquidity funds, migration of money market fund assets into deposits, and the sale of First Mercantile. Retail investment income declined $71.3 million, or 25.5%, due to lower annuity sales and market driven declines in assets in managed accounts. Partially offsetting those declines, trading gains and losses increased $78.4 million primarily due to a $63.8 million market valuation loss on a security purchased from our RidgeWorth subsidiary recorded in the third quarter of 2008.

As of December 31, 2009, assets under management were approximately $119.5 billion compared to $113.1 billion as of December 31, 2008. Assets under management include individually managed assets, the RidgeWorth Funds, managed institutional assets, and participant-directed retirement accounts. SunTrust s total assets under advisement were approximately $205.4 billion, which includes $119.5 billion in assets under management, $46.0 billion in non-managed trust assets, $31.8 billion in retail brokerage assets, and $8.1 billion in non-managed corporate trust assets.

Total noninterest expense was $863.1 million, down $106.8 million, or 11.0%, primarily due to the sale of First Mercantile in 2008 and a $45.0 million impairment charge on a client based intangible incurred in the second quarter of 2008. Employee compensation declined $63.2 million, or 13.4%, resulting from reduced headcount and lower incentive payments. Discretionary expenses including other staff, advertising, and customer development declined $12.3 million, or 36.4%. Other expense also declined $21.6 million primarily due to the sale of First Mercantile and reduced clearing costs related to retail investment income. These decreases were partially offset by higher operating losses, other real estate expense, indirect support cost, and FDIC expense.

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Corporate Other and Treasury

Corporate Other and Treasury s net income for the twelve months ended December 31, 2009 was $403.5 million, a decrease of $457.0 million, or 53.1%, from the same period in 2008. The decrease was mainly due to a reduction in securities gains due to the sale and contribution of Coke stock in 2008, the FDIC insurance special assessment recognized in 2009, partially offset by an increase in net interest income on receive-fixed interest rate swaps.

Net interest income was $433.6 million, a $268.4 million increase compared to the same period in 2008, mainly due to a $310.5 million increase in income on receive-fixed interest rate swaps employed as part of an overall interest rate risk management strategy. Total average assets increased $6.9 billion, or 35.2%, mainly due to additions to the investment portfolio, primarily lower risk U.S. agency MBS. Total average deposits decreased $8.8 billion, or 61.2%, mainly due to a decrease in brokered and foreign deposits, as we reduced our reliance on wholesale funding sources.

Total noninterest income was $202.2 million, a $901.1 million decrease primarily due to a decrease in net securities gains. Securities gains decreased $544.9 million primarily due to a $732.2 million gain on the sale and contribution of Coke stock in 2008. The decrease was offset by a $129.6 million gain, net of credit-related OTTI of $10.1 million in 2009, and $55.6 million in market value losses in 2008 primarily related to certain ABS that were classified as available for sale and estimated to be other-than-temporarily impaired, triggering accounting recognition of the unrealized loss in earnings. Trading gains decreased $227.8 million due to lower gains on our public debt and related hedges carried at fair value as our credit spreads improved during 2009. Additionally, 2009 included a $112.1 million gain on Visa Class B shares, compared to the same period in 2008 which included a $81.8 million gain from the sale of a fuel card and fleet management subsidiary, an $86.3 million gain on our holdings of Visa in connection with its IPO, a $37.0 million gain on sale/leaseback of real estate properties, and $21.1 million of merchant card fee income generated by Transplatinum in 2008.

Total noninterest expense decreased $28.1 million compared to the same period in 2008. The decrease was mainly due to the recognition of $183.4 million in expense related to the contribution of Coke shares to the SunTrust charitable foundation in the third quarter of 2008. The decrease was partially offset by a $78.9 million increase in FDIC insurance expense primarily due to the special assessment recorded in the second quarter of 2009. While the special assessment was recorded in the Other line of business, the increase in base FDIC premium expenses was recognized within the lines of business. Also 2009 included a $7.0 million accrual for Visa litigation compared to a $33.5 million reversal of a portion of the Visa litigation in 2008.

Twelve Months Ended December 31, 2008 vs. 2007

Retail and Commercial

Retail and Commercial net income for the twelve months ended December 31, 2008 was $505.0 million, a decrease of $454.0 million, or 47.3%, compared to the same period in 2007. This decrease was primarily the result of higher provision for credit losses due to home equity line, real estate construction, and commercial loan net charge-offs, lower net interest income, and higher credit-related noninterest expense, partially offset by strong growth in service charges on deposits.

Net interest income decreased $346.1 million, or 11.8%, primarily driven by a continued shift in deposit mix and decreased spreads, as deposit competition and the interest rate environment encouraged clients to migrate into higher yielding interest-bearing deposits. Average consumer and commercial deposit balances increased $0.4 billion, or 0.6%. Despite deposit growth, deposit-related net interest income declined by $223.1 million, or 10.7%, driven by the change in mix as well as the decrease in the rate environment which drove a decrease in the relative value of demand deposits. NOW and money market accounts increased a combined $2.3 billion, or 6.4%, while combined certificates of deposit and IRA accounts were flat compared to the prior year. Low cost demand deposit and savings accounts combined decreased $1.8 billion, or 8.9%. Average loan balances declined $0.6 billion, or 1.2%, as growth in commercial loans, equity lines, and loans acquired in conjunction with the GB&T transaction were offset by an approximate $1.8 billion decline in average loan balances related to the migration of middle market clients from Retail and Commercial to CIB. Net interest income from loans decreased $101.5 million, or 8.9%, due to the migration of middle market clients from Retail and Commercial to CIB, lower spreads, and the adverse impact of nonperforming loans.

Provision for credit losses increased $425.4 million over the same period in 2007. The provision increase was most pronounced in home equity lines reflecting deterioration in the residential real estate market, while provision for credit losses on real estate construction and commercial loans, primarily to commercial clients with annual revenues of less than $5 million, also increased.

Total noninterest income increased $81.5 million, or 6.2%, over the same period in 2007. This increase was driven primarily by a $68.9 million, or 9.4%, increase in service charges on both consumer and business deposit accounts, primarily due to growth in the number of accounts, higher

NSF rates, and an increase in occurrences of NSF fees. Interchange fees increased $14.0 million, or 8.1%, and ATM revenue increased $9.9 million, or 8.4%.

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Total noninterest expense increased $33.3 million, or 1.2%, from the same period in 2007. The transfer of middle market to CIB decreased expenses approximately $24.9 million. In addition, the continuing positive impact of expense savings initiatives, lower amortization of intangibles and impairments, was offset by higher credit-related expenses including operating losses due to fraud, other real estate, and collections, as well as continued investments in the branch distribution network.

Corporate and Investment Banking

Corporate and Investment Banking s net income for the twelve months ended December 31, 2008 was $188.4 million, an increase of $130.1 million, or 223.2%, compared to the same period in 2007. Lower market valuation trading losses in structured products were partially offset by an increase in provision for credit losses, lower merchant banking gains, and higher incentive-based compensation.

Net interest income was $339.5 million for the twelve months ended December 31, 2008, an increase of $95.6 million, or 39.2%, from prior year. Average loan balances increased $4.9 billion, or 29.6%, while the corresponding net interest income increased $62.8 million, or 40.2%. The migration of middle market clients from Retail and Commercial to CIB accounted for approximately $1.8 billion of the increase in average loan balances and increased net interest income $25.8 million. The remainder of CIB s average loans increased $3.1 billion, or 19.5%, driven by increased corporate banking loans and lease financing. The corresponding net interest income increased $37.0 million, or 25.5%, due to higher commercial loans and improved spreads. Total average consumer and commercial deposits increased $3.0 billion, or 87.0%, primarily in higher cost interest-bearing deposits. Deposit-related net interest income increased $18.9 million, or 28.6%, driven by the lower credit for funds on demand deposits partially offset by the increased volumes in higher cost deposit products.

Provision for credit losses was $55.3 million, an increase of $17.5 million, or 46.5%, over the prior year, resulting from increased charge-offs of middle market clients partially offset by lower charge-offs in corporate banking.

Noninterest income increased $179.8 million, or 47.1%, primarily due to lower market valuation trading losses in structured products. In addition, increases in direct finance, loan syndications, credit-related fees, and fixed income sales and trading were partially offset by a reduction in merchant banking gains and lower revenues in structured leasing and derivatives.

Noninterest expense increased $45.3 million, or 9.1%, partially due to the transfer of the middle market business from Retail and Commercial to CIB which accounted for approximately $24.9 million of the increase. For the remainder of CIB, noninterest expense increased $20.4 million, or 4.2%, primarily due to higher incentive-based compensation offset by consulting and certain other staff expenses.

Household Lending

Household Lending reported a net loss for the twelve months ended December 31, 2008 of $737.5 million, compared to a net loss of $13.0 million in 2007, an increase of $724.5 million, principally due to higher credit-related costs.

Net interest income declined $16.0 million, or 2.2%. Average loans increased $0.9 billion, or 2.2%, while the resulting net interest income declined $33.8 million, or 5.8%. Nonaccrual loans accounted for $47.7 million of the net interest income decline as average nonaccrual loans increased $1.1 billion. Accruing loans declined $0.2 billion, or 0.5%, while net interest income increased $13.9 million, or 2.3%. The increase in net interest income on accruing loans was influenced by higher income from consumer loans that was partially offset by lower income resulting from a change in mortgage loan product mix as declines in construction-perm and Alt-A balances were replaced with lower yielding prime first lien mortgages. Average LHFS declined $5.5 billion while the resulting net interest income increased $28.6 million primarily due to widening spreads. Average investment securities were up $0.8 billion while net interest income increased $20.7 million. Funding of other real estate and MSRs reduced net interest income $18.2 million. Average consumer and commercial deposits increased $0.1 billion, or 4.7%, although net interest income on deposits and other liabilities decreased $17.2 million primarily due to lower short-term interest rates.

Provision for credit losses increased $681.1 million to $893.1 million primarily due to higher residential mortgage, home equity and residential construction net charge-offs.

Total noninterest income increased $82.3 million, or 20.6%, primarily due to reduced net valuation losses, increased production fee income, and securities gains in excess of MSRs impairment, partially offset by higher repurchase reserves and lower gains from the sale of MSRs. Total production income increased $83.2 million, or 85.5%, driven by reduced valuation losses associated with secondary market loans and the recognition of loan origination fees resulting from our election to record certain mortgage loans at fair value beginning in May 2007. The increase in loan production income was partially offset by increased reserves for the repurchase of loans. Mortgage loan production of $36.4 billion was down $21.9 billion, or 37.6%. Mortgage servicing related income declined $426.3 million from $193.6 million in 2007, to a net loss of $232.7 million in 2008. The decline was driven by $370.0 million in impairment of MSRs that were carried at the LOCOM, as well

as lower gains from the sale of MSRs. The MSRs impairment was offset by $410.7 million of net gains from the sale of available for sale securities that were held in conjunction with our risk management strategies associated with economically hedging the value of MSRs.

Total noninterest expense increased $549.4 million, or 56.0%, driven by increased credit-related expenses. Operating losses were up $311.7 million driven by fraud losses primarily related to borrower misrepresentation and insurance claim denials. Reserves for mortgage reinsurance losses increased $179.8 million while other real estate expense and collection services expense increased $110.8 million. Additionally, the recognition of loan origination costs resulting from our election to record certain mortgage loans at fair value beginning in May 2007 increased noninterest expense compared with the prior year, offsetting significant reductions in staff and commissions expense related to lower loan production.

Wealth and Investment Management

Wealth and Investment Management s net income for the twelve months ended December 31, 2008 was $174.4 million, an increase of $87.3 million compared to same period in 2007. The following transactions represented $141.7 million of the year-over-year increase:

- $39.4 million decrease due to the after-tax impact of the market valuation loss on Lehman bonds in the third quarter of 2008.
- $18.4 million increase due to the after-tax gain on the sale of First Mercantile in the second quarter of 2008.
- $27.9 million decrease due to the after-tax impairment charge on a client-based intangible asset incurred in the second quarter of 2008.
- $55.4 million increase due to the after-tax gain on sale of a minority interest in Lighthouse Investment Partners in the first quarter of 2008.
- $155.3 million increase due to the after-tax impact of the market valuation losses in the fourth quarter of 2007 on purchased securities.
- $20.1 million decrease due to the after-tax gain resulting from the sale upon merger of Lighthouse Partners into Lighthouse Investment Partners in the first quarter of 2007.

Net interest income decreased $30.1 million, or 8.5%, primarily due to a decline in deposit-related net interest income. Average consumer and commercial deposits declined $0.3 billion, or 2.8%, while net interest income on deposits declined $24.6 million, or 10.9%, due to the decrease in average balance, as well as a lower credit for funds on demand deposits. Average loans increased $0.2 billion, or 2.6%, driven by growth in commercial loans in the professional specialty lending units while net interest income dropped $4.6 million due to a $5.6 million decrease in consumer lending related net interest income.

Provision for credit losses increased $18.4 million driven by higher home equity, personal credit line, and consumer mortgage net charge-offs.

Total noninterest income increased $136.2 million, or 16.8%, compared to the twelve months ended December 31, 2007 driven by a decrease in market valuation losses. Additionally, gains on the sale of non-strategic businesses were offset by the corresponding loss of revenue and lower market valuations on managed equity assets. A $250.5 million increase due to a market valuation loss in the fourth quarter of 2007 related to securities purchased from our RidgeWorth subsidiary was partially offset by a $63.8 million market valuation loss on Lehman bonds in 2008. A $29.6 million gain on sale of First Mercantile in 2008, and $24.1 million of incremental noninterest income from the sale of our Lighthouse Partners investment also increased income. Retail investment income increased $6.8 million, or 2.5%, due to higher annuity sales and higher recurring managed account fees. Trust income decreased $91.1 million, or 13.4%, primarily due to the aforementioned sales of Lighthouse Partners and First Mercantile, which resulted in a $49.1 million decline in trust income as well as lower market valuations on managed equity assets.

As of December 31, 2008, assets under management were approximately $113.1 billion compared to $142.8 billion as of December 31, 2007. Assets under management include individually managed assets, the RidgeWorth Funds, managed institutional assets, and participant-directed retirement accounts. Our total assets under advisement were approximately $194.5 billion, which includes $113.1 billion in assets under management, $45.7 billion in non-managed trust assets, $31.2 billion in retail brokerage assets, and $4.5 billion in non-managed corporate trust assets.

Total noninterest expense decreased $47.2 million, or 4.6%. This decline includes a $45.0 million impairment charge on a client based intangible incurred in the second quarter of 2008. Noninterest expense before intangible amortization declined $85.4 million, or 8.6%, driven by lower staff, discretionary, and indirect expenses, as well as lower structural expenses resulting from the sales of Lighthouse Partners and First Mercantile.

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Corporate Other and Treasury

Corporate Other and Treasury s net income for the twelve months ended December 31, 2008 was $860.5 million, an increase of $610.0 million from the same period in 2007.

Net interest income increased $313.9 million over the same period in 2007 mainly due to increased gains on interest rate swaps employed as part of an overall interest rate risk management strategy. Total average assets decreased $4.1 billion, or 17.1%, mainly due to the reduction in the size of the investment portfolio in 2007 as part of our overall balance sheet management strategy. Total average deposits decreased $7.9 billion, or 35.5%, mainly due to a decrease in brokered and foreign deposits as we reduced our reliance on wholesale funding sources.

Total noninterest income increased $555.4 million compared to the same period in 2007 mainly due to increased gains on securities and the sale of non-strategic businesses. Securities gains increased $431.4 million primarily due to the sale of Coke common stock, partially offset by market value losses related to certain ABS that were estimated to be other-than-temporarily impaired. Trading gains and losses increased $40.2 million as gains on our long-term debt carried at fair value were partially offset by losses on certain illiquid assets. Gains on our public debt carried at fair value, net of related hedges in 2008, were $431.7 million as compared to $140.9 million during 2007. The increase was also due to an $86.3 million gain on our holdings of Visa in connection with its IPO and an $81.8 million gain on sale of TransPlatinum were offset by an $81.8 million decrease in gains on the sale/leaseback of real estate properties.

Total noninterest expense increased $67.7 million from the same period in 2007. The increase in expense was mainly due to a $183.4 million contribution of Coke common stock to our charitable foundation recognized in marketing and customer development expense. The increase was offset by a $33.5 million reversal of a portion of the Visa litigation expense.

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Table 21 Reconcilement of Non-U.S. GAAP Measures Annual

	Year Ended December 31				
(Dollars in millions, except per share and other data)	**2009**	2008	2007	2006	2005
Net income/(loss)	**($1,563.7)**	$795.8	$1,634.0	$2,117.4	$1,987.2
Securities gains/(losses), net of tax	**60.8**	665.4	150.7	(31.3)	(4.4)
Net income/(loss) excluding net securities gains(losses), net of tax	**(1,624.5)**	130.4	1,483.3	2,148.7	1,991.6
Coke stock dividend, net of tax	**(43.8)**	(49.8)	(54.2)	(53.3)	(48.1)
Net income/(loss) excluding net securities gains/(losses) and the Coke stock dividend, net of tax	**(1,668.3)**	80.6	1,429.1	2,095.4	1,943.5
Preferred dividends, Series A	**(14.1)**	(22.3)	(30.3)	(7.7)	-
U.S. Treasury preferred dividends and accretion of discount	**(265.8)**	(26.6)	-	-	-
Distributed and undistributed earnings allocated to unvested shares	**15.9**	(6.0)	-	-	-
Gain on purchase of Series A preferred stock	**94.3**	-	-	-	-
Net income/(loss) available to common shareholders excluding net securities gains/(losses) and the Coke stock dividend, net of tax	**($1,838.0)**	$25.7	$1,398.8	$2,087.7	$1,943.5
Net income/(loss) available to common shareholders	**($1,733.4)**	$741.0	$1,593.0	$2,097.5	$1,975.5
Goodwill/intangible impairment charges other than MSRs attributable to common shareholders, after tax	**(714.8)**	(27.0)	-	-	-
Net income/(loss) available to common shareholders excluding goodwill/intangible impairment charges other than MSRs, after tax[8]	**($1,018.6)**	$768.0	$1,593.0	$2,097.5	$1,975.5
Efficiency ratio[1]	**79.07 %**	63.83 %	63.28 %	59.23 %	59.88 %
Impact of excluding amortization/impairment of goodwill/intangible assets other than MSRs	**(9.72)**	(1.32)	(1.17)	(1.26)	(1.52)
Tangible efficiency ratio[2]	**69.35 %**	62.51 %	62.11 %	57.97 %	58.36 %
Total average assets	**$175,442.4**	$175,848.3	$177,795.5	$180,315.1	$168,088.8
Average net unrealized securities gains	**1,611.9**	1,909.5	2,300.8	1,620.5	1,949.4
Average assets less net unrealized securities gains	**$173,830.5**	$173,938.8	$175,494.7	$178,694.6	$166,139.4
Total average common shareholders equity	**$17,218.6**	$17,646.1	$17,428.4	$17,545.6	$16,732.9
Average accumulated other comprehensive income	**(692.1)**	(1,220.9)	(1,143.3)	(976.0)	(1,220.5)
Total average realized common shareholders equity	**$16,526.5**	$16,425.2	$16,285.1	$16,569.6	$15,512.4
Return on average total assets	**(0.89) %**	0.45 %	0.92 %	1.17 %	1.18 %
Impact of excluding net realized and unrealized securities gains/(losses) and the Coke stock dividend	**(0.07)**	(0.40)	(0.11)	-	(0.01)
Return on average total assets less net unrealized securities gains/(losses) [3]	**(0.96) %**	0.05 %	0.81 %	1.17 %	1.17 %
Return on average common shareholders equity	**(10.07) %**	4.20 %	9.14 %	11.95 %	11.81 %
Impact of excluding net realized and unrealized securities gains/(losses) and the Coke stock dividend	**(1.05)**	(4.04)	(0.62)	0.58	0.64
Return on average realized common shareholders equity[4]	**(11.12) %**	0.16 %	8.52 %	12.53 %	12.45 %

Total shareholders equity	**$22,530.9**	$22,500.8	$18,169.9	$17,932.2	$17,133.6
Goodwill, net of deferred taxes	**(6,204.4)**	(6,941.1)	(6,921.5)	(6,889.8)	(6,835.1)
Other intangible assets including MSRs, net of deferred taxes	**(1,671.1)**	(978.2)	(1,308.6)	(1,182.0)	(1,123.0)
MSRs	**1,539.4**	810.5	1,049.4	810.5	657.6
Tangible equity	**16,194.8**	15,392.0	10,989.2	10,670.9	9,833.1
Preferred stock	**(4,917.3)**	(5,221.7)	(500.0)	(500.0)	-
Tangible common equity	**$11,277.5**	$10,170.3	$10,489.2	$10,170.9	$9,833.1
Total assets	**$174,164.7**	$189,138.0	$179,573.9	$182,161.6	$179,712.8
Goodwill	**(6,319.1)**	(7,043.5)	(6,921.5)	(6,889.8)	(6,835.1)
Other intangible assets including MSRs	**(1,711.3)**	(1,035.4)	(1,363.0)	(1,182.0)	(1,123.0)
MSRs	**1,539.4**	810.5	1,049.4	810.5	657.6
Tangible assets	**$167,673.7**	$181,869.6	$172,338.8	$174,900.3	$172,412.3
Tangible equity to tangible assets[5]	**9.66 %**	8.46 %	6.38 %	6.10 %	5.70 %
Tangible book value per common share[6]	**$22.59**	$28.69	$30.11	$28.66	$27.16
Net interest income	**$4,465.7**	$4,619.6	$4,719.5	$4,660.4	$4,579.0
Taxable-equivalent adjustment	**123.3**	117.5	102.7	88.0	75.5
Net interest income - FTE	**4,589.0**	4,737.1	4,822.2	4,748.4	4,654.5
Noninterest income	**3,710.3**	4,473.5	3,428.7	3,468.4	3,155.0
Total revenue - FTE	**8,299.3**	9,210.6	8,250.9	8,216.8	7,809.5
Securities gains/(losses), net	**98.0**	1,073.3	243.1	(50.5)	(7.2)
Total revenue - FTE excluding net securities gains/(losses), net[7]	**$8,201.3**	$8,137.3	$8,007.8	$8,267.3	$7,816.7

[1]Computed by dividing noninterest expense by total revenue - FTE. The efficiency ratios are presented on an FTE 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.

[2]We present a tangible efficiency ratio which excludes the amortization/impairment of intangible assets other than MSRs. We believe this measure is useful to investors because, by removing the effect of these intangible asset costs (the level of which may vary from company to company), it allows investors to more easily compare our efficiency to other companies in the industry. This measure is utilized by us to assess our efficiency and that of our lines of business.

[3]Computed by dividing net income/(loss), excluding tax effected net securities gains/(losses) and the Coke stock dividend, by average assets less net unrealized gains on securities. We use this information internally to gauge our actual performance in the industry. We believe that the return on average assets less the net unrealized securities gains is more indicative of the our return on assets because it more accurately reflects the return on the assets that are related to our core businesses which are primarily client relationship and client transaction driven.

[4]Computed by dividing net income/(loss) available to common shareholders, excluding tax effected net securities gains/(losses) and the Coke stock dividend, by average realized common shareholders equity. We believe that the return on average realized common shareholders equity is more indicative of our return on equity because the excluded equity relates primarily to the holding of a specific security.

[5]We present a tangible equity to tangible assets ratio that excludes the after-tax impact of purchase accounting intangible assets. We believe this measure is useful to investors because, by removing the effect of intangible assets that result from merger and acquisition activity (the level of which may vary from company to company), it allows investors to more easily compare our capital adequacy to other companies in the industry. This measure is used by us to analyze capital adequacy.

[6]We present a tangible book value per common share that excludes the after-tax impact of purchase accounting intangible assets and also excludes preferred stock from tangible equity. We believe this measure is useful to investors because, by removing the effect of intangible assets that result from merger and acquisition activity as well as preferred stock (the level of which may vary from company to company), it allows investors to more easily compare our book value on common stock to other companies in the industry. This measure is also used by management to analyze capital adequacy.

[7]We present total revenue- FTE excluding realized securities gains/(losses), net. We believe noninterest income without net securities gains/(losses) is more indicative of our performance because it isolates income that is primarily client relationship and client transaction driven and is more indicative of normalized operations.

[8]We present net income/(loss) available to common shareholders that excludes the impairment charge on goodwill. We believe this measure is useful to investors, because removing the non-cash impairment charge provides a more representative view of normalized operations and the measure also allows better comparability with peers in the industry who also provide a similar presentation when applicable. In addition, management uses this measure internally to analyze performance.

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Table 22 Reconcilement of Non-U.S. GAAP Measures Quarterly

	Three Months Ended							
	2009				2008			
(Dollars in millions, except per share and other data)	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Net income/(loss)	($248.1)	($316.9)	($183.5)	($815.2)	($347.6)	$312.4	$540.4	$290.6
Securities gains/(losses), net of tax	45.2	29.0	(15.4)	2.1	254.9	107.3	345.9	(37.5)
Net income/(loss) excluding net securities gains/(losses), net of tax	(293.3)	(345.9)	(168.1)	(817.3)	(602.5)	205.1	194.5	328.1
Coke stock dividend, net of tax	(10.9)	(10.9)	(10.9)	(10.9)	(10.1)	(10.1)	(14.7)	(14.7)
Net income/(loss) excluding net securities gains/(losses) and Coke stock dividend, net of tax	(304.2)	(356.8)	(179.0)	(828.2)	(612.6)	195.0	179.8	313.4
Preferred dividends, Series A	(1.8)	(1.8)	(5.6)	(5.0)	(5.1)	(5.1)	(5.1)	(7.0)
U.S. Treasury preferred dividends and accretion of discount	(66.5)	(66.4)	(66.5)	(66.3)	(26.6)	-	-	-
Dividends and undistributed earnings allocated to unvested shares	-	3.1	1.8	11.1	4.3	(2.9)	(5.3)	(2.0)
Gain on purchase of Series A preferred stock	-	4.9	89.4	-	-	-	-	-
Net income/(loss) available to common shareholders excluding net securities gains/(losses) and the Coke stock dividend, net of tax	($372.5)	($417.0)	($159.9)	($888.4)	($640.0)	$187.0	$169.4	$304.4
Net income/(loss) available to common shareholders	($316.4)	($377.1)	($164.4)	($875.4)	($374.9)	$304.4	$530.0	$281.6
Goodwill/intangible impairment charges other than MSRs attributable to common shareholders, after tax	-	-	-	(714.8)	-	-	(27.0)	-
Net income/(loss) available to common shareholders excluding goodwill/intangible impairment charges other than MSRs, after tax[8]	($316.4)	($377.1)	($164.4)	($160.6)	($374.9)	$304.4	$557.0	$281.6
Efficiency ratio[1]	74.58 %	73.53 %	69.68 %	97.22 %	82.34 %	67.67 %	52.94 %	56.27 %
Impact of excluding amortization/impairment	(0.62)	(0.71)	(0.63)	(34.25)	(0.90)	(0.75)	(2.49)	(0.93)

of goodwill/intangible assets other than MSRs								
Tangible efficiency ratio[2]	**73.96** %	**72.82** %	**69.05** %	**62.97** %	81.44 %	66.92 %	50.45 %	55.34 %
Total average assets	**$174,040.5**	**$172,463.2**	**$176,480.5**	**$178,871.3**	$177,047.3	$173,888.5	$175,548.8	$176,916.9
Average net unrealized securities gains	**1,985.7**	**1,607.3**	**1,506.5**	**1,341.2**	1,371.6	1,526.4	2,296.0	2,454.0
Average assets less net unrealized securities gains	**$172,054.8**	**$170,855.9**	**$174,974.0**	**$177,530.1**	$175,675.7	$172,362.1	$173,252.8	$174,462.9
Total average common shareholders equity	**$17,467.0**	**$17,556.4**	**$16,699.7**	**$17,144.2**	$17,600.1	$17,597.4	$17,709.3	$17,678.7
Average accumulated other comprehensive income	**(698.3)**	**(504.0)**	**(745.2)**	**(824.3)**	(997.0)	(871.4)	(1,488.3)	(1,533.4)
Total average realized common shareholders equity	**$16,768.7**	**$17,052.4**	**$15,954.5**	**$16,319.9**	$16,603.1	$16,726.0	$16,221.0	$16,145.3
Return on average total assets	**(0.57)** %	**(0.73)** %	**(0.42)** %	**(1.85)** %	(0.78) %	0.71 %	1.24 %	0.66 %
Impact of excluding net realized and unrealized securities gains/(losses) and the Coke stock dividend	**(0.13)**	**(0.10)**	**0.01**	**(0.04)**	(0.61)	(0.26)	(0.82)	0.06
Return on average total assets less net unrealized securities gains/(losses)[3]	**(0.70)** %	**(0.83)** %	**(0.41)** %	**(1.89)** %	(1.39) %	0.45 %	0.42 %	0.72 %
Return on average common shareholders equity	**(7.19)** %	**(8.52)** %	**(3.95)** %	**(20.71)** %	(8.47) %	6.88 %	12.04 %	6.41 %
Impact of excluding net realized and unrealized securities gains/(losses) and the Coke stock dividend	**(1.62)**	**(1.18)**	**(0.07)**	**(1.37)**	(6.86)	(2.43)	(7.72)	1.17
Return on average realized common shareholders equity[4]	**(8.81)** %	**(9.70)** %	**(4.02)** %	**(22.08)** %	(15.33) %	4.45 %	4.32 %	7.58 %
Total shareholders equity	**$22,530.9**	**$22,908.3**	**$22,953.2**	**$21,645.6**	$22,500.8	$18,069.4	$18,023.1	$18,548.6
Goodwill, net of deferred taxes	**(6,204.4)**	**(6,204.9)**	**(6,213.2)**	**(6,224.6)**	(6,941.1)	(7,062.8)	(7,056.0)	(6,923.0)
Other intangible assets including MSRs, net of deferred taxes	**(1,671.1)**	**(1,559.8)**	**(1,468.3)**	**(1,049.1)**	(978.2)	(1,328.1)	(1,395.0)	(1,379.5)
MSRs	**1,539.4**	**1,422.7**	**1,322.3**	**894.8**	810.5	1,150.0	1,193.5	1,143.4
Tangible equity	**16,194.8**	**16,566.3**	**16,594.0**	**15,266.7**	15,392.0	10,828.5	10,765.6	11,389.5
Preferred stock	**(4,917.3)**	**(4,911.4)**	**(4,918.9)**	**(5,227.4)**	(5,221.7)	(500.0)	(500.0)	(500.0)
Tangible common equity	**$11,277.5**	**$11,654.9**	**$11,675.1**	**$10,039.3**	$10,170.3	$10,328.5	$10,265.6	$10,889.5
Total assets	**$174,164.7**	**$172,717.7**	**$176,735.0**	**$179,116.4**	$189,138.0	$174,776.8	$177,232.7	$178,986.9
Goodwill	**(6,319.1)**	**(6,314.4)**	**(6,314.4)**	**(6,309.4)**	(7,043.5)	(7,062.8)	(7,056.0)	(6,923.0)
Other intangible assets including MSRs	**(1,711.3)**	**(1,604.1)**	**(1,517.5)**	**(1,103.4)**	(1,035.4)	(1,390.0)	(1,442.1)	(1,430.2)

MSRs	**1,539.4**	**1,422.7**	**1,322.3**	**894.8**	810.5	1,150.0	1,193.5	1,143.4
Tangible assets	**$167,673.7**	**$166,221.9**	**$170,225.4**	**$172,598.4**	$181,869.6	$167,474.0	$169,928.1	$171,777.1
Tangible equity to tangible assets[5]	**9.66** %	**9.96** %	**9.75** %	**8.85** %	8.46 %	6.47 %	6.34 %	6.63 %
Tangible book value per common share[6]	**$22.59**	**$23.35**	**$23.41**	**$28.15**	$28.69	$29.18	$29.04	$31.13
Net interest income	**$1,176.5**	**$1,137.5**	**$1,089.7**	**$1,062.1**	$1,176.8	$1,146.2	$1,156.7	$1,139.9
Taxable-equivalent adjustment	**30.3**	**30.7**	**31.4**	**30.9**	31.8	29.5	28.3	27.9
Net interest income - FTE	**1,206.8**	**1,168.2**	**1,121.1**	**1,093.0**	1,208.6	1,175.7	1,185.0	1,167.8
Noninterest income	**742.3**	**775.0**	**1,071.7**	**1,121.2**	717.8	1,285.2	1,413.0	1,057.5
Total revenue - FTE	**1,949.1**	**1,943.2**	**2,192.8**	**2,214.2**	1,926.4	2,460.9	2,598.0	2,225.3
Securities gains/(losses), net	**72.9**	**46.7**	**(24.9)**	**3.4**	411.1	173.0	549.8	(60.6)
Total revenue - FTE excluding net securities gains/(losses), net[7]	**$1,876.2**	**$1,896.5**	**$2,217.7**	**$2,210.8**	$1,515.3	$2,287.9	$2,048.2	$2,285.9

[1]Computed by dividing noninterest expense by total revenue - FTE. The efficiency ratios are presented on an FTE 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.

[2]We present a tangible efficiency ratio which excludes the amortization/impairment of intangible assets other than MSRs. We believe this measure is useful to investors because, by removing the effect of these intangible asset costs (the level of which may vary from company to company), it allows investors to more easily compare our efficiency to other companies in the industry. This measure is utilized by us to assess our efficiency and that of our lines of business.

[3]Computed by dividing annualized net income/(loss), excluding tax effected net securities gains/(losses) and the Coke stock dividend, by average assets less net unrealized gains on securities. We use this information internally to gauge our actual performance in the industry. We believe that the return on average assets less the net unrealized securities gains is more indicative of the our return on assets because it more accurately reflects the return on the assets that are related to our core businesses which are primarily client relationship and client transaction driven.

[4]Computed by dividing annualized net income/(loss) available to common shareholders, excluding tax effected net securities gains/(losses) and the Coke stock dividend, by average realized common shareholders equity. We believe that the return on average realized common shareholders equity is more indicative of our return on equity because the excluded equity relates primarily to the holding of a specific security.

[5]We present a tangible equity to tangible assets ratio that excludes the after-tax impact of purchase accounting intangible assets. We believe this measure is useful to investors because, by removing the effect of intangible assets that result from merger and acquisition activity (the level of which may vary from company to company), it allows investors to more easily compare our capital adequacy to other companies in the industry. This measure is used by us to analyze capital adequacy.

[6]We present a tangible book value per common share that excludes the after-tax impact of purchase accounting intangible assets and also excludes preferred stock from tangible equity. We believe this measure is useful to investors because, by removing the effect of intangible assets that result from merger and acquisition activity as well as preferred stock (the level of which may vary from company to company), it allows investors to more easily compare our book value on common stock to other companies in the industry. This measure is also used by management to analyze capital adequacy.

[7]We present total revenue- FTE excluding realized securities gains/(losses), net. We believe noninterest income without net securities gains/(losses) is more indicative of our performance because it isolates income that is primarily client relationship and client transaction driven and is more indicative of normalized operations.

[8]We present net income/(loss) available to common shareholders that excludes the impairment charge on goodwill. We believe this measure is useful to investors, because removing the non-cash impairment charge provides a more representative view of normalized operations and the measure also allows better comparability with peers in the industry who also provide a similar presentation when applicable. In addition, management uses this measure internally to analyze performance.

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Table 23 Share Repurchases in 2009

	Common Stock				Series A Preferred Stock Depositary Shares[1]			
	Total number of shares purchased[2]	Average price paid per share	Number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs[3]	Total number of shares purchased	Average price paid per share	Number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 1-31	-	-	-	30,000,000	-	-	-	-
February 1-28	-	-	-	30,000,000	-	-	-	-
March 1-31	-	-	-	30,000,000	-	-	-	-
Total first quarter 2009	-	-	-		-	-	-	-
April 1-30	-	-	-	30,000,000	-	-	-	-
May 1-31	-	-	-	30,000,000	-	-	-	-
June 1-30	-	-	-	30,000,000	12,569,104	17.50	12,569,104	10,000,000 [4]
Total second quarter 2009	-	-	-		12,569,104	17.50	12,569,104	10,000,000
July 1-31	-	-	-	30,000,000	530,470	15.39	530,470	9,469,530 [4]
August 1-31	-	-	-	30,000,000	-	-	-	-
September 1-30	-	-	-	30,000,000	-	-	-	-
Total third quarter 2009	-	-	-		530,470	15.39	530,470	9,469,530
October 1-31	-	-	-	30,000,000	-	-	-	-
November 1-30	-	-	-	30,000,000	-	-	-	-
December 1-31	-	-	-	30,000,000	-	-	-	-
Total fourth quarter 2009	-	-	-		-	-	-	-
Total year-to-date 2009	-	-	-		13,099,574	17.41	13,099,574	9,469,530

[1]On September 12, 2006, SunTrust issued and registered under Section 12(b) of the Exchange Act 20 million Depositary Shares, each representing a 1/4,000th interest in a share of Perpetual Preferred Stock, Series A. On June 30, 2009, the Company repurchased a portion of its Series A preferred stock as part of a publicly announced tender offer dated June 1, 2009. The tender offer represented an acceleration of the Company s previously announced capital plan framework to increase its Tier 1 common equity in response to the Federal Reserve s Supervisory Capital Assessment Program. The Company repurchased $314.2 million face amount of preferred stock at $17.50 per share ($25 par value), which equates to 12,569,104 Depositary Shares. On July 28, 2009, the Company repurchased an additional $13.3 million face amount of preferred stock at $15.39 per share ($25 par value), which equates to 530,470 Depositary Shares. As of December 31, 2009, 6,900,426 Depositary Shares remain outstanding.

[2]Includes shares repurchased pursuant to SunTrust s employee stock option plans, pursuant to which participants may pay the exercise price upon exercise of SunTrust stock options by surrendering shares of SunTrust common stock which the participant already owns. SunTrust considers shares so surrendered by participants in SunTrust s employee stock option plans to be repurchased pursuant to the authority and terms of the applicable stock option plan rather than pursuant to publicly announced share repurchase programs. For the twelve months ended December 31, 2009, zero shares of SunTrust common stock were surrendered by participants in SunTrust s employee stock option plans.

[3]On August 14, 2007, the Board of Directors authorized the Company to repurchase up to 30 million shares of common stock and specified that such authorization replaced (terminated) existing unused authorizations.

[4]The Company may repurchase up to $250 million face amount of various tranches of its hybrid capital securities, including its Series A Preferred Stock. The amount disclosed reflects the maximum number of Series A Preferred Shares which the Company may repurchase under this authority assuming it is used solely to repurchase Series A Preferred Stock.

Table 24 Funds Purchased and Securities Sold Under Agreements to Repurchase[1]

	As of December 31			Daily Average			Maximum Outstanding at Any
(Dollars in millions)	Balance	Rate		Balance	Rate		Month-end
2009	**$3,303.1**	**0.13**	**%**	**$4,153.0**	**0.19**	**%**	**$6,313.6**
2008	4,313.4	0.22		7,583.1	1.72		11,820.4
2007	9,179.5	3.69		9,398.7	4.68		13,285.1

[1]Consists of federal funds purchased and securities sold under agreements to repurchase that mature overnight or at a fixed maturity generally not exceeding three months. Rates on overnight funds reflect current market rates. Rates on fixed maturity borrowings are set at the time of borrowings.

Table 25 Maturity of Consumer Time and Other Time Deposits in Amounts of $100,000 or More

	At December 31, 2009				
(Dollars in millions)	Consumer Time	Brokered Time	Foreign Time	Other Time	Total
Months to maturity:					
3 or less	$2,954.6	$2,006.6	$1,328.6	$104.9	$6,394.7
Over 3 through 6	2,115.4	20.5	-	-	2,135.9
Over 6 through 12	3,583.4	49.9	-	-	3,633.3
Over 12	2,351.9	2,154.5	-	-	4,506.4
Total	$11,005.3	$4,231.5	$1,328.6	$104.9	$16,670.3

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Table 26 Maturity Distribution of Securities Available for Sale

	As of December 31, 2009				
(Dollars in millions)	1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Total
Distribution of Maturities:					
Amortized Cost					
U.S. Treasury and federal agencies	$249.9	$7,563.3	$121.8	$5.0	$7,940.0
U.S. states and political subdivisions	141.7	487.4	136.5	162.3	927.9
Residential mortgage-backed securities - agency[1]	172.2	11,396.8	1,160.9	2,974.7	15,704.6
Residential mortgage-backed securities - private	28.8	127.0	344.8	-	500.6
Other debt securities	74.5	524.6	152.8	33.8	785.7
Total debt securities	$667.1	$20,099.1	$1,916.8	$3,175.8	$25,858.8
Fair Value					
U.S. Treasury and federal agencies	$251.1	$7,537.0	$121.0	$5.0	$7,914.1
U.S. states and political subdivisions	144.3	507.2	140.1	153.5	945.1
Residential mortgage-backed securities - agency[1]	177.3	11,592.6	1,220.8	2,925.4	15,916.1
Residential mortgage-backed securities - private	26.6	108.8	271.8	-	407.2
Other debt securities	77.5	530.4	159.1	30.4	797.4
Total debt securities	$676.8	$20,276.0	$1,912.8	$3,114.3	$25,979.9
Weighted average yield (FTE):					
U.S. Treasury and federal agencies	3.06 %	1.43 %	4.85 %	4.44 %	1.53 %
U.S. states and political subdivisions	6.37	6.30	6.11	3.86	5.85
Residential mortgage-backed securities - agency[1]	4.12	4.11	5.58	4.39	4.27
Residential mortgage-backed securities - private	3.54	8.24	6.92	-	7.06
Other debt securities	0.98	2.66	5.76	1.08	3.04
Total debt securities	3.82 %	3.14 %	5.83 %	4.35 %	3.50 %

[1]Distribution of maturities is based on the expected average life of the assets.

Table 27 Loan Maturity

	As of December 31, 2009 Remaining Maturities of Selected Loans			
(Dollars in millions)	Total	Within 1 Year	1-5 Years	After 5 Years
Loan Maturity				
Commercial and commercial real estate [1]	**$42,447.0**	**$17,330.1**	**$21,738.0**	**$3,378.9**
Real estate - construction	**6,646.8**	**5,039.7**	**1,441.0**	**166.1**
Total	**$49,093.8**	**$22,369.8**	**$23,179.0**	**$3,545.0**
Interest Rate Sensitivity				
Selected loans with:				
Predetermined interest rates			**$5,518.0**	**$1,510.8**
Floating or adjustable interest rates			**17,661.0**	**2,034.2**

Total	**$23,179.0**	**$3,545.0**

[1]Excludes $5,121.5 million in lease financing.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Market Risk Management in the MD&A which is incorporated herein by reference.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of SunTrust Banks, Inc.

We have audited the accompanying consolidated balance sheets of SunTrust Banks, Inc. and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of income/(loss), shareholders equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SunTrust Banks, Inc. and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), SunTrust Banks, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2010 expressed an unqualified opinion thereon.

Atlanta, Georgia

February 23, 2010

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of SunTrust Banks, Inc.

We have audited SunTrust Banks, Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). SunTrust Banks, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, SunTrust Banks, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of SunTrust Banks, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income/(loss), shareholders equity, and cash flows for each of the three years in the period ended December 31, 2009 and our report dated February 23, 2010 expressed an unqualified opinion thereon.

Atlanta, Georgia

February 23, 2010

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SUNTRUST BANKS, INC.

Consolidated Statements of Income/(Loss)

	For the Year Ended December 31		
(Dollars and shares in thousands, except per share data)	**2009**	2008	2007
Interest Income			
Interest and fees on loans	**$5,530,162**	$6,933,657	$7,979,281
Interest and fees on loans held for sale	**232,775**	289,920	668,939
Interest and dividends on securities available for sale			
Taxable interest	**716,684**	628,006	516,289
Tax-exempt interest	**39,730**	44,088	43,158
Dividends[1]	**73,257**	103,005	122,779
Interest on funds sold and securities purchased under agreements to resell	**2,204**	25,112	48,835
Interest on deposits in other banks	**231**	812	1,305
Trading account interest	**114,704**	302,782	655,334
Total interest income	**6,709,747**	8,327,382	10,035,920
Interest Expense			
Interest on deposits	**1,439,942**	2,377,473	3,660,766
Interest on funds purchased and securities sold under agreements to repurchase	**7,827**	130,563	440,260
Interest on trading liabilities	**20,206**	27,160	15,586
Interest on other short-term borrowings	**14,678**	55,102	121,011
Interest on long-term debt	**761,404**	1,117,428	1,078,753
Total interest expense	**2,244,057**	3,707,726	5,316,376
Net interest income	**4,465,690**	4,619,656	4,719,544
Provision for credit losses	**4,063,914**	2,474,215	664,922
Net interest income after provision for credit losses	**401,776**	2,145,441	4,054,622
Noninterest Income			
Service charges on deposit accounts	**848,354**	904,127	822,031
Other charges and fees	**522,749**	510,794	479,074
Trust and investment management income	**486,523**	592,324	685,034
Mortgage production related income	**376,097**	171,368	90,983
Mortgage servicing related income	**329,908**	(211,829)	195,436
Card fees	**323,842**	308,374	280,706
Investment banking income	**271,999**	236,533	214,885
Retail investment services	**217,803**	289,093	278,042
Trading account profits/(losses) and commissions	**(40,738)**	38,169	(361,711)
Gain from ownership in Visa	**112,102**	86,305	-
Net gain on sale of businesses	**-**	198,140	32,340
Net gain on sale/leaseback of premises	**-**	37,039	118,840
Other noninterest income	**163,620**	239,726	349,907
Net securities gains[2]	**98,019**	1,073,300	243,117
Total noninterest income	**3,710,278**	4,473,463	3,428,684
Noninterest Expense			
Employee compensation	**2,257,532**	2,327,228	2,329,034
Employee benefits	**542,390**	434,036	441,154
Amortization/impairment of goodwill/intangible assets	**806,834**	121,260	96,680
Outside processing and software	**579,277**	492,611	410,945
Net occupancy expense	**356,791**	347,289	351,238
Regulatory assessments	**302,147**	54,876	22,425

Credit and collection services	**259,406**	156,445	112,547
Other real estate expense	**243,727**	104,684	15,797
Equipment expense	**171,887**	203,209	206,498
Marketing and customer development	**151,538**	372,235	195,043
Operating losses	**99,527**	446,178	134,028
Mortgage reinsurance	**114,905**	179,927	174
Net loss on debt extinguishment	**39,356**	11,723	9,800
Visa litigation	**7,000**	(33,469)	76,930
Other noninterest expense	**630,091**	660,791	818,760
Total noninterest expense	**6,562,408**	5,879,023	5,221,053
Income/(loss) before provision/(benefit) for income taxes	**(2,450,354)**	739,881	2,262,253
Provision/(benefit) for income taxes	**(898,783)**	(67,271)	615,514
Net income/(loss) including income attributable to noncontrolling interest	**(1,551,571)**	807,152	1,646,739
Net income attributable to noncontrolling interest	**12,112**	11,378	12,724
Net income/(loss)	**($1,563,683)**	$795,774	$1,634,015
Net income/(loss) available to common shareholders	**($1,733,377)**	$740,982	$1,592,954
Net income/(loss) per average common share			
Diluted	**($3.98)**	$2.12	$4.52
Basic	**(3.98)**	2.12	4.56
Dividends declared per common share	**0.22**	2.85	2.92
Average common shares - diluted[3]	**435,328**	350,183	352,688
Average common shares - basic	**435,328**	348,919	349,346
[1]Includes dividends on common stock of The Coca-Cola Company	**$49,200**	$55,920	$60,915

[2]Includes other-than-temporary impairment losses of $20.0 million for the year ended December 31, 2009, consisting of $112.8 million of total unrealized losses, net of $92.8 million of non-credit related unrealized losses recorded in other comprehensive income, before taxes.

[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.

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SUNTRUST BANKS, INC.

Consolidated Balance Sheets

(Dollars in thousands)	As of December 31 2009	December 31 2008
Assets		
Cash and due from banks	**$6,456,406**	$5,622,789
Interest-bearing deposits in other banks	**24,109**	23,999
Funds sold and securities purchased under agreements to resell	**516,656**	990,614
Cash and cash equivalents	**6,997,171**	6,637,402
Trading assets	**4,979,938**	10,396,269
Securities available for sale[1]	**28,477,042**	19,696,537
Loans held for sale (loans at fair value: $2,923,375 as of December 31, 2009; $2,424,432 as of December 31, 2008)	**4,669,823**	4,032,128
Loans (loans at fair value: $448,720 as of December 31, 2009; $270,342 as of December 31, 2008)	**113,674,844**	126,998,443
Allowance for loan and lease losses	**(3,120,000)**	(2,350,996)
Net loans	**110,554,844**	124,647,447
Premises and equipment	**1,551,794**	1,547,892
Goodwill	**6,319,078**	7,043,503
Other intangible assets (MSRs at fair value: $935,561 as of December 31, 2009; $0 as of December 31, 2008)	**1,711,299**	1,035,427
Customers acceptance liability	**6,264**	5,294
Other real estate owned	**619,621**	500,481
Unsettled sales of securities available for sale	**-**	6,386,795
Other assets	**8,277,861**	7,208,786
Total assets	**$174,164,735**	$189,137,961
Liabilities and Shareholders Equity		
Noninterest-bearing consumer and commercial deposits	**$24,244,041**	$21,522,021
Interest-bearing consumer and commercial deposits	**92,059,411**	83,753,686
Total consumer and commercial deposits	**116,303,452**	105,275,707
Brokered deposits (CDs at fair value: $1,260,505 as of December 31, 2009; $587,486 as of December 31, 2008)	**4,231,530**	7,667,167
Foreign deposits	**1,328,584**	385,510
Total deposits	**121,863,566**	113,328,384
Funds purchased	**1,432,581**	1,120,079
Securities sold under agreements to repurchase	**1,870,510**	3,193,311
Other short-term borrowings (debt at fair value: $0 as of December 31, 2009; $399,611 as of December 31, 2008)	**2,062,277**	5,166,360
Long-term debt (debt at fair value: $3,585,892 as of December 31, 2009; $7,155,684 as of December 31, 2008)	**17,489,516**	26,812,381
Acceptances outstanding	**6,264**	5,294
Trading liabilities	**2,188,923**	3,240,784
Unsettled purchases of securities available for sale	**-**	8,898,279
Other liabilities	**4,720,243**	4,872,284
Total liabilities	**151,633,880**	166,637,156
Preferred stock	**4,917,312**	5,221,703
Common stock, $1.00 par value	**514,667**	372,799
Additional paid in capital	**8,521,042**	6,904,644
Retained earnings	**8,562,807**	10,388,984
Treasury stock, at cost, and other	**(1,055,136)**	(1,368,450)
Accumulated other comprehensive income	**1,070,163**	981,125
Total shareholders equity	**22,530,855**	22,500,805

Total liabilities and shareholders equity	**$174,164,735**	$189,137,961
Common shares outstanding	**499,156,858**	354,515,013
Common shares authorized	**750,000,000**	750,000,000
Preferred shares outstanding	**50,225**	53,500
Preferred shares authorized	**50,000,000**	50,000,000
Treasury shares of common stock	**15,509,737**	18,284,356
[1]Includes net unrealized gains on securities available for sale	**$1,831,948**	$1,413,330

See Notes to Consolidated Financial Statements.

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SUNTRUST BANKS, INC.

Consolidated Statements of Shareholders Equity

(Dollars and shares in thousands, except per share data)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock and Other[1]	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2007	$500,000	354,903	$370,578	$6,627,196	$10,541,152	($1,032,720)	$925,949	$17,932,155
Net income	-	-	-	-	1,634,015	-	-	1,634,015
Other comprehensive income:								
Change in unrealized gains (losses) on securities, net of tax	-	-	-	-	-	-	243,986	243,986
Change in unrealized gains (losses) on derivatives, net of tax	-	-	-	-	-	-	139,732	139,732
Change related to employee benefit plans	-	-	-	-	-	-	70,401	70,401
Total comprehensive income								2,088,134
Change in noncontrolling interest	-	-	-	-	-	(1,125)	-	(1,125)
Common stock dividends, $2.92 per share	-	-	-	-	(1,026,594)	-	-	(1,026,594)
Series A preferred stock dividends, $6,055 per share	-	-	-	-	(30,275)	-	-	(30,275)
Exercise of stock options and stock compensation expense	-	2,794	-	(1,471)	-	211,460	-	209,989
Acquisition of treasury stock	-	(10,758)	-	71,267	-	(924,652)	-	(853,385)
Restricted stock activity	-	682	-	8,197	(3,535)	(10,507)	-	(5,845)
Amortization of restricted stock compensation	-	-	-	-	-	34,820	-	34,820
Issuance of stock for employee benefit plans	-	785	-	2,046	-	60,594	-	62,640
Adoption of fair value election	-	-	-	-	(388,604)	-	147,374	(241,230)
Adoption of fair value measurement	-	-	-	-	(10,943)	-	-	(10,943)
Adoption of uncertain tax position guidance	-	-	-	-	(41,844)	-	-	(41,844)
Adoption of leveraged lease cash flows guidance	-	-	-	-	(26,273)	-	-	(26,273)
Pension plan changes and resulting remeasurement	-	-	-	-	-	-	79,707	79,707
Other activity	-	5	-	58	(459)	412	-	11
Balance, December 31, 2007	$500,000	348,411	$370,578	$6,707,293	$10,646,640	($1,661,718)	$1,607,149	$18,169,942
Net income	-	-	-	-	795,774	-	-	795,774
Other comprehensive income:								
Change in unrealized gains (losses) on securities, net of tax	-	-	-	-	-	-	(806,586)	(806,586)
Change in unrealized gains (losses) on derivatives, net of tax	-	-	-	-	-	-	688,487	688,487

Change related to employee benefit plans	-	-	-	-	-	-	(507,925)	(507,925)
Total comprehensive income								169,750
Change in noncontrolling interest	-	-	-	-	-	(4,728)	-	(4,728)
Issuance of common stock for GB&T acquisition	-	2,221	2,221	152,292	-	-	-	154,513
Common stock dividends, $2.85 per share	-	-	-	-	(1,004,146)	-	-	(1,004,146)
Series A preferred stock dividends, $4,451 per share	-	-	-	-	(22,255)	-	-	(22,255)
Issuance of U.S. Treasury preferred stock	4,717,971	-	-	132,029	-	-	-	4,850,000
Accretion of discount associated with U.S. Treasury preferred stock	3,732	-	-	-	(3,732)	-	-	-
U.S. Treasury preferred stock dividends, $471 per share	-	-	-	-	(22,847)	-	-	(22,847)
Exercise of stock options and stock compensation expense	-	495	-	16,160	-	39,766	-	55,926
Restricted stock activity	-	1,693	-	(46,797)	(450)	46,712	-	(535)
Amortization of restricted stock compensation	-	-	-	-	-	76,656	-	76,656
Issuance of stock for employee benefit plans	-	1,695	-	(56,834)	-	134,862	-	78,028
Other activity	-	-	-	501	-	-	-	501
Balance, December 31, 2008	$5,221,703	354,515	$372,799	$6,904,644	$10,388,984	($1,368,450)	$981,125	$22,500,805
Net loss	**-**	**-**	**-**	**-**	**(1,563,683)**	**-**	**-**	**(1,563,683)**
Other comprehensive income:								
Change in unrealized gains (losses) on securities, net of taxes	**-**	**-**	**-**	**-**	**-**	**-**	**280,336**	**280,336**
Change in unrealized gains (losses) on derivatives, net of taxes	**-**	**-**	**-**	**-**	**-**	**-**	**(434,795)**	**(434,795)**
Change related to employee benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**251,212**	**251,212**
Total comprehensive loss								**(1,466,930)**
Change in noncontrolling interest	**-**	**-**	**-**	**-**	**-**	**(4,500)**	**-**	**(4,500)**
Common stock dividends, $0.22 per share	**-**	**-**	**-**	**-**	**(82,619)**	**-**	**-**	**(82,619)**
Series A preferred stock dividends, $4,056 per share	**-**	**-**	**-**	**-**	**(14,143)**	**-**	**-**	**(14,143)**
U.S. Treasury preferred stock dividends, $5,004 per share	**-**	**-**	**-**	**-**	**(242,688)**	**-**	**-**	**(242,688)**
Accretion of discount associated with U.S. Treasury preferred stock	**23,098**	**-**	**-**	**-**	**(23,098)**	**-**	**-**	**-**
Issuance of common stock in connection with SCAP capital plan	**-**	**141,868**	**141,868**	**1,687,867**	**-**	**-**	**-**	**1,829,735**
Extinguishment of forward stock purchase contract	**-**	**-**	**-**	**173,653**	**-**	**-**	**-**	**173,653**
Repurchase of preferred stock	**(327,489)**	**-**	**-**	**5,047**	**94,318**	**-**	**-**	**(228,124)**

Exercise of stock options and stock compensation expense	**-**	**-**	**-**	**11,406**	**-**	**-**	**-**	**11,406**
Restricted stock activity	**-**	**1,812**	**-**	**(206,305)**	**-**	**176,603**	**-**	**(29,702)**
Amortization of restricted stock compensation	**-**	**-**	**-**	**-**	**-**	**66,420**	**-**	**66,420**
Issuance of stock for employee benefit plans and other	**-**	**962**	**-**	**(55,270)**	**(1,979)**	**74,791**	**-**	**17,542**
Adoption of OTTI guidance [2]	**-**	**-**	**-**	**-**	**7,715**	**-**	**(7,715)**	**-**
Balance, December 31, 2009	**$4,917,312**	**499,157**	**$514,667**	**$8,521,042**	**$8,562,807**	**($1,055,136)**	**$1,070,163**	**$22,530,855**

1 Balance at December 31, 2009 includes ($1,104,171) for treasury stock, ($59,161) for compensation element of restricted stock, $108,196 for noncontrolling interest.
Balance at December 31, 2008 includes ($1,367,752) for treasury stock, ($113,394) for compensation element of restricted stock, $112,696 for noncontrolling interest.
Balance at December 31, 2007 includes ($1,688,521) for treasury stock, ($90,622) for compensation element of restricted stock, $117,425 for noncontrolling interest.

2 Effective April 1, 2009, the Company adopted the update to ASC 320-10, which provided the guidance in determining the impact of other-than-temporary impairment. Amounts shown are net-of-tax. See Note 1, Significant Accounting Policies and Note 5, Securities Available For Sale to the Consolidated Financial Statements for additional information on adoption of this accounting guidance.

See Notes to Consolidated Financial Statements.

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SUNTRUST BANKS, INC.

Consolidated Statements of Cash Flows

(Dollars in thousands)	For the Year Ended December 31 2009	2008	2007
Cash Flows from Operating Activities:			
Net income/(loss) including income attributable to noncontrolling interest	**($1,551,571)**	$807,152	$1,646,739
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Net gain on sale of businesses	**-**	(198,140)	(32,340)
Visa litigation	**7,000**	(33,469)	76,930
Expense recognized on contribution of common stock of Coke	**-**	183,418	-
Gain from ownership in Visa	**(112,102)**	(86,305)	-
Depreciation, amortization and accretion	**966,093**	824,263	802,342
Impairment of goodwill/intangibles	**751,156**	415,000	-
Recovery of MSRs impairment	**(199,159)**	-	-
Origination of MSRs	**(681,813)**	(485,597)	(639,158)
Provisions for credit losses and foreclosed property	**4,270,340**	2,551,574	683,114
Deferred income tax benefit	**(894,974)**	(221,235)	(147,758)
Amortization of restricted stock compensation	**66,420**	76,656	34,820
Stock option compensation	**11,406**	20,185	24,275
Excess tax benefits from stock-based compensation	**(387)**	(4,580)	(11,259)
Net loss on extinguishment of debt	**39,356**	11,723	9,800
Net securities gains	**(98,019)**	(1,073,300)	(243,117)
Net gain on sale/leaseback of premises	**-**	(37,039)	(118,840)
Net gain on sale of assets	**(65,648)**	(60,311)	(30,569)
Net (increase)/decrease in loans held for sale	**(965,249)**	4,191,838	2,479,428
Contributions to retirement plans	**(25,666)**	(386,535)	(11,185)
Net (increase)/decrease in other assets	**1,522,117**	(2,694,422)	(1,993,001)
Net (decrease)/increase in other liabilities	**2,864**	(184,601)	1,200,614
Net cash provided by operating activities	**3,042,164**	3,616,275	3,730,835
Cash Flows from Investing Activities:			
Proceeds from maturities, calls and paydowns of securities available for sale	**3,406,941**	1,292,065	1,073,340
Proceeds from sales of securities available for sale	**19,487,740**	5,737,627	1,199,231
Purchases of securities available for sale	**(33,793,498)**	(8,170,824)	(7,640,289)
Proceeds from maturities, calls and paydowns of trading securities	**148,283**	4,329,198	11,896,617
Proceeds from sales of trading securities	**2,113,466**	3,046,185	19,240,250
Purchases of trading securities	**(85,965)**	(3,687,561)	(22,717,152)
Net decrease/(increase) in loans	**8,609,239**	(5,807,828)	(7,158,570)
Proceeds from sales of loans held for investment	**755,855**	881,410	5,721,662
Proceeds from sale of MSRs	**-**	148,387	270,215
Capital expenditures	**(212,186)**	(221,602)	(186,431)
Net cash and cash equivalents received for sale of businesses	**-**	301,604	-
Net cash paid and cash equivalents acquired in acquisitions	**(6,711)**	(23,931)	(32,200)
Proceeds from sale/redemption of Visa shares	**112,102**	86,305	-
Contingent consideration payouts related to acquisitions	**(18,043)**	(2,830)	(50,689)
Proceeds from the sale/leaseback of premises	**-**	288,851	764,368
Proceeds from the sale of other assets	**566,451**	318,910	145,871
Net cash provided by/(used) in investing activities	**1,083,674**	(1,484,034)	2,526,223
Cash Flows from Financing Activities:			
Net increase in consumer and commercial deposits	**10,582,750**	1,767,908	2,100,134
Net decrease in foreign and brokered deposits	**(2,497,023)**	(7,917,898)	(8,273,116)
Assumption of deposits, net	**448,858**	160,517	-
Net decrease in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	**(4,114,382)**	(2,796,359)	(1,679,833)
Proceeds from the issuance of long-term debt	**574,560**	7,834,388	5,197,020

Repayment of long-term debt	**(10,034,157)**	(4,024,675)	(1,553,412)
Proceeds from the issuance of preferred stock	**-**	4,850,000	-
Proceeds from the exercise of stock options	**-**	25,569	186,000
Acquisition of treasury stock	**-**	-	(853,385)
Excess tax benefits from stock-based compensation	**387**	4,580	11,259
Proceeds from the issuance of common stock	**1,829,735**	-	-
Repurchase of preferred stock	**(228,124)**	-	-
Common and preferred dividends paid	**(328,673)**	(1,041,470)	(1,056,869)
Net cash used in financing activities	**(3,766,069)**	(1,137,440)	(5,922,202)
Net increase in cash and cash equivalents	**359,769**	994,801	334,856
Cash and cash equivalents at beginning of period	**6,637,402**	5,642,601	5,307,745
Cash and cash equivalents at end of period	**$6,997,171**	$6,637,402	$5,642,601
Supplemental Disclosures:			
Interest paid	**$2,366,891**	$3,868,034	$5,277,639
Income taxes paid	**44,723**	341,396	724,351
Income taxes refunded	**(106,020)**	(4,275)	(13,859)
Securities transferred from available for sale to trading	**-**	-	15,143,109
Loans transferred from loans to loans held for sale	**124,879**	-	4,054,246
Loans transferred from loans held for sale to loans	**306,966**	656,134	837,401
Loans transferred from loans to other real estate owned	**811,659**	754,091	-
Issuance of common stock for acquisition of GB&T	**-**	154,513	-
Noncash gain on contribution of common stock of Coke	**-**	183,418	-
Unsettled purchases of securities available for sale as of year-end	**-**	8,898,279	-
Unsettled sales of securities available for sale as of year-end	**-**	6,386,795	-
Amortization of deferred gain on sale/leaseback of premises	**59,044**	55,616	5,301
U.S. Treasury preferred dividend accrued but unpaid	**10,777**	7,778	-
Accretion on U.S. Treasury preferred stock	**23,098**	3,732	-
Extinguishment of forward stock purchase contract	**173,653**	-	-
Gain on repurchase of Series A preferred stock	**94,318**	-	-

See Notes to Consolidated Financial Statements.

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SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements

Note 1 Significant Accounting Policies

General

SunTrust, one of the nation s largest commercial banking organizations, is a financial services holding company with its headquarters in Atlanta, Georgia. SunTrust s 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 its geographic footprint, the Company operated under four business segments during 2009. These business segments are: Retail & Commercial, Wealth and Investment Management, Corporate and Investment Banking, and Household Lending. In addition to traditional deposit, credit, and trust and investment services offered by SunTrust Bank, other SunTrust subsidiaries provide mortgage banking, credit-related insurance, asset management, securities brokerage, and capital markets services.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries, and VIEs where the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. Results of operations of companies purchased are included from the date of acquisition. Results of operations associated with companies or net assets sold are included through the date of disposition. The Company reports any noncontrolling interests in its subsidiaries (i.e. minority interest) in the equity section of the Consolidated Balance Sheets and separately presents the income or loss attributable to the noncontrolling interest of a consolidated subsidiary in its Consolidated Statements of Income/(Loss). Assets and liabilities of purchased companies are stated at estimated fair values at the date of acquisition. Investments in companies which are not VIEs, or where SunTrust is not the primary beneficiary in a VIE, that the Company owns a voting interest of 20% to 50%, and for which it has the ability to exercise significant influence over operating and financing decisions, are accounted for using the equity method of accounting. These investments are included in other assets, and the Company s proportionate share of income or loss is included in other noninterest income in the Consolidated Statements of Income/(Loss).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks, federal funds sold, and securities purchased under agreements to resell. Cash and cash equivalents have maturities of three months or less, and accordingly, the carrying amount of these instruments is deemed to be a reasonable estimate of fair value.

Securities and Trading Activities

Securities are classified at trade date as trading or available for sale securities. Trading account assets and liabilities are carried at fair value with changes in fair value recognized within noninterest income. Realized and unrealized gains and losses are determined using the specific identification method and are recognized as a component of noninterest income in the Consolidated Statements of Income/(Loss). Securities available for sale are used as part of the overall asset and liability management process to optimize income and market performance over an entire interest rate cycle. Interest income and dividends on securities are recognized in interest income on an accrual basis. Premiums and discounts on debt securities are amortized as an adjustment to yield over the estimated life of the security. Securities available for sale are carried at fair value with unrealized gains and losses, net of any tax effect, included in AOCI as a component of shareholders equity.

The Company reviews available for sale securities for impairment on a quarterly basis. A security is considered to be impaired if the fair value of a debt security is less than its amortized cost basis at the measurement date. The Company determines whether a decline in fair value below the amortized cost basis is other-than-temporary. Prior to April 1, 2009, debt securities that the Company had the intent and ability to hold to recovery and for which it was probable that the Company would receive all cash flows were considered not to be other-than-temporarily impaired. Available for sale debt securities which had OTTI were written down to fair value as a realized loss in the Consolidated Statements of Income/(Loss).

SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

After April 1, 2009, the Company changed its policy based on an update to the guidance on determining OTTI. Based on the updated guidance, the Company determines whether it has the intent to sell the debt security or whether it is more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis. If either condition is met, the Company will recognize a full impairment and write the debt security down to fair value. For all other debt securities for which the Company does not expect to recover the entire amortized cost basis of the security and do not meet either condition, an OTTI loss is considered to have occurred, and the Company records the credit loss portion of impairment in earnings and the temporary impairment related to all other factors in OCI.

The Company also holds beneficial interests in securitized financial assets (other than those of high credit quality or sufficiently collateralized to ensure the possibility of credit loss is remote). The Company determines whether OTTI exists by evaluating whether there had been an adverse change in the present value of estimated cash flows from the present value of cash flows previously projected. For additional information on the Company s securities activities, refer to Note 5, Securities Available for Sale, to the Consolidated Financial Statements.

Nonmarketable equity securities include venture capital equity and certain mezzanine securities that are not publicly traded as well as equity investments acquired for various purposes. These securities are accounted for under the cost or equity method and are included in other assets. The Company reviews nonmarketable securities accounted for under the cost method on a quarterly basis and reduces the asset value when declines in value are considered to be other-than-temporary. Equity method investments are recorded at cost, adjusted to reflect the Company s portion of income, loss or dividends of the investee. Realized income, realized losses and estimated other-than-temporary unrealized losses on cost and equity method investments are recognized in noninterest income in the Consolidated Statements of Income/(Loss).

Loans Held for Sale

The Company s LHFS includes certain residential mortgage loans, commercial loans, and student loans. LHFS are recorded at either the lower of cost or fair value, or fair value if elected. Origination fees and costs for LHFS recorded at the lower of cost or fair value are capitalized in the basis of the loan and are included in the calculation of realized gains and losses upon sale. Origination fees and costs are recognized in earnings at the time of origination for LHFS that are recorded at fair value. Fair value is derived from observable current market prices, when available, and includes loan servicing value. When observable market prices are not available, the Company will use judgment and estimate fair value using internal models, in which the Company uses its best estimates of assumptions it believes would be used by market participants in estimating fair value. Adjustments to reflect unrealized gains and losses resulting from changes in fair value and realized gains and losses upon ultimate sale of the loans are classified as noninterest income in the Consolidated Statements of Income/(Loss).

The Company may transfer certain residential mortgage loans, commercial loans, and student loans to a held for sale classification at the lower of cost or fair value. At the time of transfer, any credit losses are recorded as a reduction in the allowance for loan losses. Subsequent credit losses as well as incremental interest rate or liquidity related valuation adjustments are recorded as a component of noninterest income in the Consolidated Statements of Income/(Loss). The Company may also transfer loans from held for sale to held for investment. At the time of transfer, any difference between the carrying amount of the loan and its outstanding principal balance is recognized as an adjustment to yield using the interest method, unless the loan was elected upon origination to be accounted for at fair value. If a held for sale loan is transferred to held for investment for which fair value accounting was elected, it will continue to be accounted for at fair value in the held for investment portfolio. For additional information on the Company s LHFS activities, refer to Note 6, Loans, to the Consolidated Financial Statements.

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

SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

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 Company has granted a concession to the borrower, which would not otherwise be considered due to the borrower experiencing financial difficulty. If a loan is in nonaccrual status before it is determined to be a TDR, then the loan remains in nonaccrual status. TDR loans in nonaccrual status may be returned to accrual status if there has been at least a six month sustained period of repayment performance by the borrower. When the Company modifies the terms of an existing loan that is not considered a TDR, the Company accounts for the loan modification as a new loan if the terms of the new loan resulting from a loan refinancing or restructuring are at least as favorable to the Company as the terms for comparable loans to other customers with similar risk characteristics who are not undergoing a refinancing or restructuring and the modifications are more than minor.

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 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. For additional information on the Company s loans activities, refer to Note 6, Loans, to the Consolidated Financial Statements.

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 established 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. Secured consumer loans, including residential real estate, are typically charged-off between 120 and 180 days, depending on the collateral type, in compliance with the FFIEC guidelines. Accordingly, secured loans may be charged-down to the estimated value of the collateral with previously accrued unpaid interest reversed. Subsequent charge-offs may be required as a result of changes in the market value of collateral or other repayment prospects.

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. See Note 7, Allowance for Credit Losses, to the Consolidated Financial Statements for further discussion of the change in classification.

SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is calculated primarily using the straight-line method over the assets estimated useful lives. Leasehold improvements are amortized using the straight-line method over the shorter of the improvements estimated useful lives or the lease term, depending on whether the lease meets the transfer of ownership or bargain-purchase option criterion. Certain leases are capitalized as assets for financial reporting purposes. Such capitalized assets are amortized, using the straight-line method, over the assets estimated useful lives or the lease terms, depending on the criteria that gave rise to the capitalization of the assets. Construction and software in process primarily includes in-process branch expansion, branch renovation, and software development projects. Upon completion, branch related projects are maintained in premises and equipment while completed software projects are reclassified to other assets. Maintenance and repairs are charged to expense, and improvements are capitalized. For additional information on the Company s premises and equipment activities, refer to Note 8, Premises and Equipment, to the Consolidated Financial Statements.

Goodwill and Other Intangible Assets

Goodwill represents the excess purchase price over the fair value of identifiable net assets of acquired companies. Goodwill is assigned to reporting units, which are operating segments or one level below an operating segment, as of the acquisition date. Goodwill is assigned to the Company s reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and instead is tested for impairment, at least annually, at the reporting unit level. The goodwill impairment test is performed in two steps. The first step is used to identify potential impairment and the second step, if required, measures the amount of impairment by comparing the carrying amount of goodwill to its implied fair value. If the implied fair value of the goodwill exceeds the carrying amount, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess.

Identified intangible assets that have a designated finite life are amortized over their useful lives and are evaluated for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. For additional information on the Company s activities related to goodwill and other intangibles, refer to Note 9, Goodwill and Other Intangible Assets, to the Consolidated Financial Statements.

MSRs

The Company recognizes as assets the rights to service mortgage loans based on the estimated fair value of the MSRs when loans are sold and the associated servicing rights are retained.

As of December 31, 2009, the Company maintained two classes of MSRs. Beginning January 1, 2009, MSRs related to loans originated and sold after January 1, 2008 are accounted for at fair value. MSRs related to loans sold before January 1, 2008 were accounted for at amortized cost, net of any allowance for impairment losses. Effective January 1, 2010, the Company elected to record the MSRs carried at the LOCOM at fair value. See Note 9, Goodwill and Other Intangible Assets, to the Consolidated Financial Statements for further discussion regarding this election. Historically, the Company has not directly hedged its MSRs accounted for at amortized cost, but has managed the economic risk through the Company s overall asset/liability management process with consideration to the natural counter-cyclicality of servicing and mortgage production. Effective January 1, 2009, when the Company created the class of MSRs accounted for at fair value, the Company began to actively hedge this class of MSRs.

The fair values of MSRs are determined by projecting net servicing cash flows, which are then discounted to estimate the 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.

Amortized MSRs are carried at the LOCOM value. MSRs are amortized over the period of the estimated future net servicing cash flows. The projected future cash flows are derived from the same model and assumptions used to estimate the fair value of MSRs. For purposes of measuring impairment, MSRs accounted for at amortized cost are stratified based on interest rate and type of related loan. When fair value is less than amortized cost for an individual stratum and the impairment is believed to be temporary, the impairment is recorded to a valuation allowance through mortgage servicing income in the Consolidated Statements of Income/(Loss). The carrying value of MSRs is maintained on the Consolidated Balance Sheets in other

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SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

intangible assets. Servicing fees are recognized as they are earned and are reported net of amortization expense and any impairments in mortgage servicing related income in the Consolidated Statements of Income/(Loss). For additional information on the Company s servicing fees, refer to Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of the loan balance or the asset s fair value at the date of foreclosure, less estimated costs to sell, establishing a new cost basis. Any difference between this initial cost basis and the carrying value of the loan is charged to the ALLL at the date of transfer into OREO. We estimate market values primarily based on appraisals and other market information. Subsequent changes in value of the assets are reported as adjustments to the asset s carrying amount. Subsequent to foreclosure, changes in value along with gains or losses from the disposition on these assets are reported in noninterest expense in the Consolidated Statements of Income/(Loss).

Loan Sales and Securitizations

The Company sells and at times may securitize loans and other financial assets. When the Company securitizes assets, it may hold a portion of the securities issued, including senior interests, subordinated and other residual interests, interest-only strips, and principal-only strips, all of which are considered retained interests in the transferred assets. When the Company retains securitized interests, the cost basis of the securitized financial assets are allocated between the sold and retained interests based on their relative fair values; the gain or loss on sale is then calculated based on the difference between proceeds received, which includes cash proceeds and the fair value of MSRs, if any, and the cost basis allocated to the sold interests. The interests in securitized assets held by the Company are typically classified as either securities available for sale or trading assets. These interests are subsequently carried at fair value, which is based on independent, third-party market prices, market prices for similar assets, or discounted cash flow analyses. If market prices are not available, fair value is calculated using management s best estimates of key assumptions, including credit losses, loan repayment speeds and discount rates commensurate with the risks involved. Unrealized gains and losses on retained interests classified as available for sale are shown, net of any tax effect, in AOCI as a component of shareholders equity. Realized gains and losses on available for sale or trading securities and unrealized gains and losses on trading securities are recorded in noninterest income in the Consolidated Statements of Income/(Loss). For additional information on the Company s securitization activities, refer to Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements.

Income Taxes

The provision/(benefit) for income taxes is based on income and expense reported for financial statement purposes after adjustment for permanent differences such as tax-exempt income and tax credits. Deferred income tax assets and liabilities result from temporary differences between assets and liabilities measured for financial reporting purposes and for income tax return purposes. These assets and liabilities are measured using the enacted tax rates and laws that are currently in effect. Subsequent changes in the tax laws require adjustment to these assets and liabilities with the cumulative effect included in income from continuing operations for the period in which the change was enacted. A valuation allowance is recognized for a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In computing the income tax provision/(benefit), the Company evaluates the technical merits of its income tax positions based on current legislative, judicial and regulatory guidance. The Company classifies interest and penalties related to its tax positions as a component of income tax expense/(benefit). For additional information on the Company s activities related to income taxes, refer to Note 15, Income Taxes, to the Consolidated Financial Statements.

Earnings per Share

Basic EPS are computed by dividing net income/(loss) available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted EPS are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each period, plus common share equivalents calculated for stock options and restricted stock outstanding using the treasury stock method. In periods of net loss, diluted EPS is calculated in the same manner as basic EPS.

The Company has issued certain restricted stock awards, which are unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents. These restricted shares are considered participating securities.

SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

Accordingly, the Company calculated net income available to common shareholders pursuant to the two-class method, whereby net income is allocated between common shareholders and participating securities. In periods of net loss, no allocation is made to participating securities as they are not contractually required to fund net losses.

Net income available to common shareholders represents net income/(loss) after preferred stock dividends, accretion of the discount on preferred stock issuances, income impact of any repurchases of preferred stock, and dividends and allocation of undistributed earnings to the participating securities. For additional information on the Company s EPS, refer to Note 13, Earnings Per Share, to the Consolidated Financial Statements.

Guarantees

The Company recognizes a liability at the inception of a guarantee, in an amount equal to the estimated fair value of the obligation. A guarantee is defined as a contract that contingently requires a company to pay a guaranteed party upon changes in an underlying asset, liability or equity security of the guaranteed party, or upon failure of a third-party to perform under a specified agreement. The Company considers the following arrangements to be guarantees: certain asset purchase agreements, standby letters of credit and financial guarantees, certain indemnification agreements included within third-party contractual arrangements and certain derivative contracts. For additional information on the Company s guarantor obligations, refer to Note 18, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements.

Derivative Financial Instruments

The Company records all contracts that satisfy the definition of a derivative, at fair value in the Consolidated Balance Sheets. The Company enters into various derivatives in a dealer capacity to facilitate client transactions and as a risk management tool. Derivatives entered into in a dealer capacity and those that either do not qualify for, or for which the Company has elected not to apply, hedge accounting are accounted for as freestanding derivatives. In addition to freestanding derivative instruments, the Company evaluates contracts such as brokered deposits and short-term debt to determine whether any embedded derivatives exist and whether any of those embedded derivatives are required to be bifurcated and separately accounted for as freestanding. If embedded derivatives are not bifurcated, then the entire contract is valued at fair value. In addition, as a normal part of its operations, the Company enters into certain IRLCs on mortgage loans that are accounted for as freestanding derivatives. Changes in the fair value of freestanding derivatives are recorded in noninterest income.

Where derivatives have been used in client transactions, the Company generally manages the risk associated with these contracts 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 risks. The Company accounts for some of these derivatives as hedging instruments based on hedge accounting provisions. The Company prepares written hedge documentation for all derivatives which are designated as (1) a hedge of the fair value of a recognized asset or liability (fair value hedge) or (2) a hedge of a forecasted transaction, such as, the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). The written hedge documentation includes identification of, among other items, the risk management objective, hedging instrument, hedged item and methodologies for assessing and measuring hedge effectiveness and ineffectiveness, along with support for management s assertion that the hedge will be highly effective. Methodologies related to hedge effectiveness and ineffectiveness are consistent between similar types of hedge transactions and have included (i) statistical regression analysis of changes in the cash flows of the actual derivative and a perfectly effective hypothetical derivative, (ii) statistical regression analysis of changes in the fair values of the actual derivative and the hedged item and (iii) comparison of the critical terms of the hedged item and the hedging derivative. For designated hedging relationships, the Company performs retrospective and prospective effectiveness testing using quantitative methods and generally does not assume perfect effectiveness through the matching of critical terms. Changes in the fair value of a derivative that is highly effective and that has been designated and qualifies as a fair value hedge are recorded in current period earnings, along with the changes in the fair value of the hedged item that are attributable to the hedged risk. Changes in the fair value of a derivative that is highly effective and that has been designated and qualifies as a cash flow hedge are initially recorded in AOCI and reclassified to earnings in the same period that the hedged item impacts earnings; and any ineffective portion is recorded in current period earnings. Assessments of hedge effectiveness and measurements of hedge ineffectiveness are performed at least quarterly for ongoing effectiveness. Hedge accounting ceases on transactions that are no longer deemed effective, or for which the derivative has been terminated or de-designated. For discontinued fair value hedges where the hedged item remains outstanding, the hedged item would cease to be remeasured at fair value attributable to changes in the hedged risk and any existing basis adjustment would be recognized as a yield adjustment over the remaining life of the hedged item. For discontinued cash flow hedges where the hedged transaction remains probable to occur as originally designated, the unrealized gains and losses recorded in AOCI would be reclassified to earnings in the period when the previously designated hedged cash flows occur. If the previously designated transaction were no longer probable of occurring, any unrealized gains and losses in AOCI would be immediately reclassified to earnings.

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SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

The Company has elected not to offset fair value amounts related to collateral arrangements recognized for derivative instruments under master netting arrangements. For additional information on the Company s derivative activities, refer to Note 17, Derivative Financial Instruments, to the Consolidated Financial Statements.

Stock-Based Compensation

The Company sponsors stock plans under which incentive and nonqualified stock options and restricted stock may be granted periodically to certain employees. The Company accounts for stock-based compensation under the fair value recognition provisions whereby the fair value of the award at grant date is expensed over the award s vesting period. Additionally, the Company estimates the number of awards for which it is probable that service will be rendered and adjusts compensation cost accordingly. Estimated forfeitures are subsequently adjusted to reflect actual forfeitures. The required disclosures related to the Company s stock-based employee compensation plan are included in Note 16, Employee Benefit Plans, to the Consolidated Financial Statements.

Employee Benefits

Employee benefits expense includes the net periodic benefit costs associated with the pension, supplemental retirement, and other postretirement benefit plans, as well as contributions under the defined contribution plan, the amortization of restricted stock, stock option awards, and costs of other employee benefits.

Foreign Currency Transactions

Foreign denominated assets and liabilities resulting from foreign currency transactions are valued using period end foreign exchange rates and the associated interest income or expense is determined using approximate weighted average exchange rates for the period. The Company may elect to enter into foreign currency derivatives to mitigate its exposure to changes in foreign exchange rates. The derivative contracts are accounted for at fair value. Gains and losses resulting from such valuations are included as noninterest income in the Consolidated Statements of Income/(Loss).

Fair Value

Certain assets and liabilities are measured at fair value on a recurring basis. Examples of these include derivative instruments, available for sale and trading securities, certain loans held for investment and LHFS, certain issuances of long-term debt, certain classes of the MSR asset, and certain residual interests from Company-sponsored sales and securitizations. Fair value is used on a non-recurring basis as a measurement basis either when assets are evaluated for impairment, the basis of accounting is the LOCOM or for disclosure purposes. Examples of these non-recurring uses of fair value include certain LHFS and MSRs accounted for at the LOCOM, OREO, goodwill, intangible assets, nonmarketable equity securities, and long-lived assets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value.

The Company applied the following fair value hierarchy:

Level 1 Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments or futures contracts.

Level 2 Assets and liabilities valued based on observable market data for similar instruments.

Level 3 Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Company looks to market observable data for similar assets and liabilities. Nevertheless, the Company uses alternative valuation techniques to derive a fair value measurement for those assets and liabilities that are either not actively traded in observable markets or for which market observable inputs are not available. For additional information on the Company s valuation of its assets and liabilities held at fair value, refer to Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements.

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SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In June 2009, the FASB issued an update to ASC 105-10, Generally Accepted Accounting Principles . This standard establishes the ASC as the source of authoritative U.S. GAAP recognized by the FASB for nongovernmental entities. The ASC is effective for interim and annual periods ending after September 15, 2009. The ASC is a reorganization of existing U.S. GAAP and does not change existing U.S. GAAP. The Company adopted this standard during the third quarter of 2009. The adoption had no impact on the Company s financial position, results of operations, and EPS.

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 are 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 will (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 has analyzed the impacts of these amendments on all QSPEs and VIE structures with which it is involved. Based on this analysis, the Company expects to consolidate its multi-seller conduit, Three Pillars, and a CLO entity. The Company will consolidate 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, will be 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 will have 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) will generally reflect a reduction in noninterest income and an increase in net interest income and noninterest expense due to the consolidations. For additional information on the Company s VIE structures, refer to Note 11, 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 were incremental total assets and total liabilities of approximately $2 billion, respectively, and an insignificant 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 will subsequently account for these assets and liabilities on an accrual basis. Upon adoption, the Company consolidated the assets and liabilities of the CLO based on their estimated fair values and made an irrevocable election to carry all of the financial assets and financial liabilities of the CLO at fair value. The pro forma impact on certain of the Company s regulatory capital ratios as a result of consolidating Three Pillars and the CLO is not significant.

The Company does not currently believe that it is the primary beneficiary of any other significant off-balance sheet entities with which it is involved; however, the accounting guidance requires an entity to reassess whether it is the primary beneficiary at least quarterly. The Company does not currently expect to consolidate additional VIEs in future periods.

In January 2010, the FASB voted to finalize an ASU that would defer the amendments to ASC 810-10 for certain investment entities that have the attributes of entities subject to the Investment Company Guide and for MMMF that 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. Certain of the Company s wholly-owned subsidiaries provide investment advisor services for various private placement and publicly registered investment funds. The Company expects that the deferral will apply to all of these funds.

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SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

Note 2 - Acquisitions/Dispositions

During the three year period ended December 31, 2009, SunTrust consummated the following acquisitions and dispositions:

(in millions)	Date	Cash or other consideration (paid)/received	Goodwill	Other Intangibles	Gain/ (Loss)	Comments
2009						
Acquisition of assets of Martin Kelly Capital Management	12/22/09	($1.9)	$0.9	$1.0	$-	Goodwill and intangibles recorded are tax-deductible.
Acquisition of certain assets of CSI Capital Management	11/30/09	(2.8)	1.1	1.7	-	Goodwill and intangibles recorded are tax-deductible.
Acquisition of assets of Epic Advisors, Inc. [2]	4/1/09	(2.0)	5.0	0.6	-	Goodwill and intangibles recorded are tax-deductible.
2008						
Acquisition of assets of Cymric Family Office Services [2]	12/31/08	(2.9)	1.4	1.4	-	Goodwill and intangibles recorded are tax-deductible.
Sale of majority interest in ZCI	10/1/08	7.9	(15.4)	0.9	(2.7)	Goodwill and intangibles recorded are tax-deductible.
Purchase of remaining interest in ZCI	9/30/08	(22.6)	20.7	-	-	Goodwill recorded is tax-deductible.
Sale of TransPlatinum Service Corp.	9/2/08	100.0	(10.5)	-	81.8	
Sale of First Mercantile Trust Company	5/30/08	59.1	(11.7)	(3.0)	29.6	
Acquisition of GB&T [1]	5/1/08	(154.6)	143.5	29.5	-	Goodwill and intangibles recorded are non tax-deductible.
Sale of 24.9% interest in Lighthouse Investment Partners	1/2/08	155.0	-	(6.0)	89.4	SunTrust will continue to earn a revenue share based upon client referrals to the funds.
2007						
Acquisition of Inlign Wealth Management, LLC[2]	12/31/07	(13.0)	7.3	4.1	-	Goodwill and intangibles recorded are non tax-deductible.
Acquisition of TBK Investments, Inc.[2]	8/31/07	(19.2)	10.6	6.5	-	Goodwill and intangibles recorded are non tax-deductible.
Lighthouse Partners, LLC, a wholly owned subsidiary of GenSpring Holdings, Inc., which is a wholly owned subsidiary of SunTrust, was merged with and into Lighthouse Investment Partners	3/30/07	-	(48.5)	24.1	32.3	SunTrust received a 24.9% interest in Lighthouse Investment Partners
GenSpring Holdings, Inc. (formerly AMA Holdings, Inc.) called minority member owned interests in GenSpring Family Offices, LLC (formerly Asset Management Advisors, LLC)	Various	(12.4)	10.2	2.2	-	

[1]On May 1, 2008, SunTrust acquired GB&T, a North Georgia-based financial institution serving commercial and retail customers, for $154.6 million, including cash paid for fractional shares, via the merger of GB&T with and into SunTrust. In connection therewith, GB&T shareholders received 0.1562 shares of the Company s common stock for each share of GB&T s common stock, resulting in the issuance of approximately 2.2 million shares of SunTrust common stock. As a result of the acquisition, SunTrust acquired approximately $1.4 billion of loans, primarily commercial real estate loans, and assumed approximately $1.4 billion of deposit liabilities. SunTrust elected to account for $171.6 million of the acquired loans at fair value. The remaining loans are accounted for at amortized cost and had a carryover reserve for loan and lease losses of $158.7 million. The acquisition was accounted for under the purchase method of accounting with the results of operations for GB&T included in SunTrust s results beginning May 1, 2008.

[2]Acquisition by GenSpring Family Offices, LLC a majority owned subsidiary of SunTrust.

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SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

Note 3 - Funds Sold and Securities Purchased Under Agreements to Resell

Funds sold and securities purchased under agreements to resell at December 31 were as follows:

(Dollars in thousands)	**2009**	2008
Federal funds	**$54,450**	$134,000
Resell agreements	**462,206**	856,614
Total funds sold and securities purchased under agreements to resell	**$516,656**	$990,614

Securities purchased under agreements to resell are collateralized by U.S. government or agency securities and are carried at the amounts at which securities will be subsequently resold. The Company takes possession of all securities under agreements to resell and performs the appropriate margin evaluation on the acquisition date based on market volatility, as necessary. The Company requires collateral between 100% and 110% of the underlying securities. The total market value of the collateral held was $464.2 million and $866.7 million at December 31, 2009 and 2008, of which $110.1 million and $246.3 million was repledged, respectively.

Note 4 - Trading Assets and Liabilities

The fair values of the components of trading assets and liabilities at December 31 were as follows:

(Dollars in thousands)	**2009**	2008
Trading Assets		
Debt securities:		
U.S. Treasury and federal agencies	**$1,150,323**	$3,127,635
U.S. states and political subdivisions	**58,520**	159,135
Corporate debt securities	**464,684**	585,809
Commercial paper	**639**	399,611
Residential mortgage-backed securities - agency	**94,164**	58,565
Residential mortgage-backed securities - private	**13,889**	37,970
Collateralized debt obligations	**174,886**	261,528
Other debt securities	**25,886**	813,176
Total debt securities	**1,982,991**	5,443,429
Equity securities	**163,053**	116,788
Derivative contracts[1]	**2,610,288**	4,701,783
Other	**223,606**	134,269
Total trading assets	**$4,979,938**	$10,396,269
Trading Liabilities		
Debt securities:		
U.S. Treasury and federal agencies	**$192,893**	$440,408
Corporate and other debt securities	**144,142**	146,805

Total debt securities	**337,035**	587,213
Equity securities	**7,841**	13,263
Derivative contracts[1]	**1,844,047**	2,640,308
Total trading liabilities	**$2,188,923**	$3,240,784

[1]Excludes IRLCs and derivative financial instruments entered into by the Household Lending line of business to hedge its interest rate risk. The fair value of these derivatives is included in other assets and liabilities.

See Note 21, Contingencies, to the Consolidated Financial Statements for information concerning ARS added to trading assets in 2008 as well as the current position in those assets at December 31, 2009.

Trading instruments are used as part of the Company s overall balance sheet management strategies and to support client requirements through its broker/dealer subsidiary. The Company utilized trading instruments for balance sheet management purposes and manages the potential market volatility of these instruments with appropriate duration and/or hedging strategies. The size, volume and nature of the trading instruments can vary based on economic and Company specific asset or liability conditions. Product offerings to clients include debt securities, loans traded in the secondary market, equity securities, derivative and foreign exchange contracts, and similar financial instruments. Other trading activities include acting as a market maker in certain debt and equity securities and related derivatives. The Company has policies and procedures to manage market risk associated with these client trading activities, and will assume a limited degree of market risk by managing the size and nature of its exposure.

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SUNTRUST BANKS, INC.

Notes to Consolidated Financial Statements (Continued)

Note 5 - Securities Available for Sale

Securities available for sale at December 31 were as follows:

	2009			
(Dollars in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. Treasury and federal agencies	**$7,939,917**	**$13,423**	**$39,229**	**$7,914,111**
U.S. states and political subdivisions	**927,887**	**27,799**	**10,629**	**945,057**
Residential mortgage-backed securities - agency	**15,704,594**	**273,207**	**61,724**	**15,916,077**
Residential mortgage-backed securities - private	**500,651**	**6,002**	**99,425**	**407,228**
Other debt securities	**785,728**	**16,253**	**4,578**	**797,403**
Common stock of The Coca-Cola Company	**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**

	2008			
(Dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and federal agencies	$464,566	$21,889	$302	$486,153
U.S. states and political subdivisions	1,018,906	24,621	6,098	1,037,429
Residential mortgage-backed securities - agency	14,424,531	135,803	10,230	14,550,104
Residential mortgage-backed securities - private	629,174	8,304	115,327	522,151
Other debt securities	302,800	4,444	13,059	294,185
Common stock of The Coca-Cola Company	69	1,358,031	-	1,358,100
Other equity securities[1]	1,443,161	5,254	-	1,448,415
Total securities available for sale	$18,283,207	$1,558,346	$145,016	$19,696,537

[1]Includes $343.3 million and $493.2 million of FHLB of Cincinnati and FHLB of Atlanta stock stated at par value, $360.4 million and $360.9 million of Federal Reserve Bank stock stated at par value and $82.2 million and $588.5 million of mutual fund investments stated at fair value as of December 31, 2009 and December 31, 2008, respectively.

The increase in U.S. Treasury and federal agency securities was due to the net purchase of lower-yielding U.S. Treasury and federal agency securities throughout 2009, which improved the quality and liquidity of the portfolio in anticipation of the repayment of TARP upon regulatory approval.

In 2009, we sold approximately $9.2 billion of agency MBS recognizing a $90.2 million gain on those sales. These sales were associated with repositioning the MBS portfolio into securities we believe have higher relative value.

See Note 21, Contingencies , to the Consolidated Financial Statements for information concerning ARS classified as securities available for sale.

Securities available for sale that were pledged to secure public deposits, trusts, and other funds had fair values of $9.0 billion and $6.2 billion as December 31, 2009 and 2008, respectively.

The amortized cost and fair value of investments in debt securities at December 31, 2009 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					
Residential mortgage-backed securities - agency	$172,218	$11,396,795	$1,160,850	$2,974,731	$15,704,594
All other debt securities	494,881	8,702,265	755,996	201,041	10,154,183
Total debt securities	$667,099	$20,099,060	$1,916,846	$3,175,772	$25,858,777
Fair Value					
Residential mortgage-backed securities - agency	$177,313	$11,592,575	$1,220,845	$2,925,344	$15,916,077
All other debt securities	499,473	8,683,395	691,947	188,984	10,063,799
Total debt securities	$676,786	$20,275,970	$1,912,792	$3,114,328	$25,979,876

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Notes to Consolidated Financial Statements (Continued)

Gross realized gains and losses and OTTI on securities available for sale during the periods were as follows:

	Years Ended December 31		
(Dollars in thousands)	**2009**	2008	2007
Gross realized gains	**$152,075**	$1,158,348	$251,076
Gross realized losses	**(34,056)**	(1,297)	(7,959)
OTTI	**(20,000)**	(83,751)	-
Net securities gains	**$98,019**	$1,073,300	$243,117

Securities with unrealized losses at December 31 were as follows:

	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**
U.S. Treasury and federal agencies	**$6,424,579**	**$39,224**	**$263**	**$5**	**$6,424,842**	**$39,229**
U.S. states and political subdivisions	**125,524**	**5,711**	**64,516**	**4,918**	**190,040**	**10,629**
Residential mortgage-backed securities - agency	**5,418,226**	**61,724**	**-**	**-**	**5,418,226**	**61,724**
Residential mortgage-backed securities - private	**14,668**	**4,283**	**327,996**	**95,142**	**342,664**	**99,425**
Other debt securities	**30,704**	**1,207**	**30,416**	**3,371**	**61,120**	**4,578**
Total securities with unrealized losses	**$12,013,701**	**$112,149**	**$423,191**	**$103,436**	**$12,436,892**	**$215,585**

	2008					
	Less than twelve months		Twelve months or longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and federal agencies	$43,584	$302	$23	$-	$43,607	$302
U.S. states and political subdivisions	169,693	4,980	14,879	1,118	184,572	6,098
Residential mortgage-backed securities - agency	3,354,319	10,223	472	7	3,354,791	10,230
Residential mortgage-backed securities - private	450,653	98,696	40,269	16,631	490,922	115,327
Other debt securities	143,666	6,901	28,944	6,158	172,610	13,059
Total securities with unrealized losses	$4,161,915	$121,102	$84,587	$23,914	$4,246,502	$145,016

On December 31, 2009, the Company held certain investment securities having unrealized loss positions. The Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before their anticipated recovery. The

Company has reviewed its portfolio for OTTI in accordance with the accounting policies outlined in Note 1, Significant Accounting Policies, to the Consolidated Financial Statements. Market changes in interest rates and credit spreads will result in temporary unrealized losses as the market price of securities fluctuates. The turmoil and illiquidity in the financial markets during 2008 and 2009 have increased market yields on securities as a result of credit spreads widening. This shift in market yields resulted in unrealized losses on certain securities within the Company s portfolio.

The Company adopted the updated accounting guidance for determining OTTI on securities on April 1, 2009 and in conjunction therewith analyzed the securities for which it had previously recognized OTTI and recognized a cumulative effect adjustment representing the non-credit component of OTTI of $7.7 million, net of tax. The Company had previously recorded the non-credit component as impairment through earnings and therefore this amount was reclassified from retained earnings to AOCI. The beginning balance of $7.6 million, pre-tax, as of the effective date, represents the credit loss component which remained in retained earnings related to the securities for which a cumulative effect adjustment was recorded.

The Company records OTTI through earnings based on the credit impairment estimates derived from the cash flow analyses. The remaining unrealized loss recorded in AOCI is reflective of the current illiquidity and risk premiums reflected in the market. The unrealized loss of $99.4 million in private residential MBS as of December 31, 2009 includes purchased and retained interests from securitizations that are evaluated quarterly for OTTI using cash flow models. The unrealized loss of $61.7 million in agency residential MBS as well as the unrealized loss of $39.2 million in U.S. Treasury and federal agency securities is primarily related to the increase in interest rates near the end of 2009. As of December 31, 2009, approximately 95% of the total securities available for sale portfolio are rated AAA, the highest possible rating by nationally recognized rating agencies.

While all securities are reviewed for OTTI, the securities impacted by credit impairment were primarily private residential MBS with a fair value of approximately $310.6 million as of December 31, 2009. For these securities, impairment is determined through the use of cash flow models that estimate cash flows on the underlying mortgages, using security specific

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Notes to Consolidated Financial Statements (Continued)

collateral and the transaction structure. The cash flow models incorporate the remaining cash flows which are adjusted for future expected credit losses. 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 we have reviewed for OTTI, credit information is available and modeled at the loan level detail 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. During the year ended December 31, 2009, all but an insignificant amount of credit-related OTTI recognized in earnings on private residential MBS have underlying collateral of loans originated in 2006 and 2007, the majority of which were originated by the Company and therefore have geographic concentrations in the Company s primary footprint. The following table presents a summary of the significant inputs used in determining the measurement of credit losses recognized in earnings for private residential MBS for the year ended December 31, 2009:

	Year Ended December 31, 2009
Current default rate	2 - 17%
Prepayment rate	6 - 21%
Loss severity	35 - 52%

For the year ended December 31, 2009, the Company recorded OTTI losses on available for sale securities as follows:

	Year Ended December 31 2009		
(Dollars in thousands)	Residential Mortgage-Backed Securities - Private	Corporate Bonds	Other Securities
Total other than temporary impairment losses	**$111,969**	**$639**	**$212**
Portion of losses recognized in other comprehensive income (before taxes)	**92,820**	**-**	**-**
Net impairment losses recognized in earnings	**$19,149**	**$639**	**$212**

The following is a rollforward of credit losses recognized in earnings for the nine months ended December 31, 2009 related to securities for which some portion of the impairment was recorded in OCI.

(Dollars in thousands)	Nine Months Ended December 31, 2009[1]
Balance, as of April 1, 2009, effective date	**$7,646**
Additions:	
OTTI credit losses on securities not previously impaired	**17,672**
Reductions:	
Credit impaired securities sold, matured, or written off	**(3,716)**

Balance, as of December 31, 2009	**$21,602**

[1]During the nine month period from the effective date to December 31, 2009, the Company recognized $2.3 million 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.

During 2008, the Company recorded $83.8 million in OTTI, which included the non-credit component of impairment, within securities gains/(losses), primarily related to $269.4 million in private residential MBS and residual interests in mortgage securitizations in which the default rates and loss severities of the underlying collateral, including subprime and Alt-A loans, increased significantly during the year. Impairment was recorded on securities for which there had been an adverse change in estimated cash flows for purposes of determining fair value. These securities were valued using either third party pricing data, including broker indicative bids, or expected cash flow models. There were no similar charges recorded in 2007.

In June 2008, the Company sold 10 million shares of its holdings in Coke. The sale of these shares generated $548.8 million in net cash proceeds and before-tax gains, and an after-tax gain of approximately $345 million that was recorded in the Company s financial results. In addition, these sales resulted in an increase of approximately $345 million to Tier 1 capital.

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Notes to Consolidated Financial Statements (Continued)

In July 2008, the Company contributed 3.6 million shares of its holdings in Coke to a charitable foundation. The contribution resulted in a $183.4 million non-taxable gain that was recorded in the Company s financial results. In addition, the contribution increased Tier 1 capital by approximately $65.8 million and will reduce ongoing charitable contribution expense.

The Company holds stock in the FHLB of Atlanta and FHLB of Cincinnati totaling $343.3 million and $493.2 million as of December 31, 2009 and December 31, 2008, respectively. The Company accounts for the stock based on the industry guidance in ASC 325-942, which requires the investment be carried at cost and be evaluated for impairment based on the ultimate recoverability of the par value. The Company evaluated its holdings in FHLB stock at December 31, 2009 and believes its holdings in the stock are ultimately recoverable at par. In addition, the Company does not have operational or liquidity needs that would require a redemption of the stock in the foreseeable future and therefore determined that the stock was not other-than-temporarily impaired. In February 2009, the Company repaid all of the FHLB advances outstanding and closed out its exposures on the interest rate swaps. Approximately $150.8 million of FHLB stock was redeemed in conjunction with the repayment of the advances.

Note 6 - Loans

The composition of the Company s loan portfolio at December 31 is shown in the following table:

(Dollars in millions)	**2009**	2008
Commercial	**$32,494.1**	$41,039.9
Real estate:		
Residential mortgages	**30,789.8**	32,065.8
Home equity lines	**15,952.5**	16,454.4
Construction	**6,646.8**	9,864.0
Commercial real estate:		
Owner occupied	**8,915.4**	8,758.1
Investor owned	**6,159.0**	6,199.0
Consumer:		
Direct	**5,117.8**	5,139.3
Indirect	**6,531.1**	6,507.6
Credit card	**1,068.3**	970.3
Total loans	**$113,674.8**	$126,998.4

Total nonaccrual loans at December 31, 2009 and 2008 were $5,402.6 million and $3,940.0 million, respectively. At December 31, 2009, and 2008, accruing loans past due 90 days or more were $1,499.9 million and $1,032.3 million, respectively.

Loans individually evaluated for impairment and restructured loans (accruing and nonaccruing) at December 31, 2009, and 2008 were $3,752.5 million and $1,595.8 million, respectively, and the related ALLL was $538.0 million and $201.8 million, respectively. At December 31, 2009 and 2008, certain impaired loans requiring an allowance for loan losses were $3,485.9 million and $1,522.3 million, respectively. The average recorded investment in loans individually evaluated for impairment and restructured loans for the years ended December 31, 2009, 2008, and 2007 was $2,954.9 million, $1,021.7 million, and $130.4 million, respectively.

During 2009, 2008, and 2007, interest income recognized on nonaccrual loans (excluding consumer and mortgage which are smaller balance pools of homogeneous loans) and accruing restructured loans totaled $63.9 million, $23.1 million, and $8.6 million, respectively. Of the total interest income recognized, cash basis interest income was $11.7 million, $11.2 million, and $8.6 million for 2009, 2008, and 2007, respectively. At December 31, 2009, the Company had an insignificant amount of commitments to lend additional funds to debtors owing receivables whose terms have been modified in a TDR.

During 2009 and 2008, the Company transferred $307.0 million and $656.1 million, respectively, in LHFS to loans held for investment. The loans transferred included loans carried at fair value, which continue to be reported at fair value while classified as held for investment, as well as loans transferred at the LOCOM which had associated write-downs of $9.1 million and $35.4 million during 2009 and 2008, respectively. At December 31, 2009 and 2008, $47.2 billion and $33.6 billion, respectively, of loans were pledged as collateral for borrowings.

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Notes to Consolidated Financial Statements (Continued)

Note 7 - Allowance for Credit Losses

Activity in the allowance for credit losses for the year ended December 31 is summarized in the table below:

(Dollars in thousands)	**2009**	2008	2007
Balance at beginning of year	**$2,378,507**	$1,290,205	$1,047,067
Allowance associated with loans at fair value [1]	**-**	-	(4,100)
Allowance from GB&T acquisition	**-**	158,705	-
Provision for loan losses	**4,006,714**	2,474,215	664,922
Provision for unfunded commitments[2]	**87,389**	19,810	5,155
Loan charge-offs	**(3,397,313)**	(1,680,552)	(514,348)
Loan recoveries	**159,603**	116,124	91,509
Balance at end of year	**$3,234,900**	$2,378,507	$1,290,205
Components:			
Allowance for loan and lease losses	**$3,120,000**	$2,350,996	$1,282,504
Unfunded commitments reserve[3]	**114,900**	27,511	7,701
Allowance for credit losses	**$3,234,900**	$2,378,507	$1,290,205

[1]Amount removed from the allowance for loan and lease losses related to the Company s election to record $4.1 billion of residential mortgages at fair value.

[2]Beginning in the fourth quarter of 2009, the Company recorded the provision for unfunded commitments of $57.2 million within the provision for credit losses in the Consolidated Statements of Income/(Loss). Including the provision for unfunded commitments for the fourth quarter of 2009, the provision for credit losses was $4.1 billion for the year ended December 31, 2009. 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 8 - Premises and Equipment

Premises and equipment at December 31 were as follows:

(Dollars in thousands)	Useful Life	**2009**	2008
Land	Indefinite	**$340,983**	$347,229
Buildings and improvements	2 - 40 years	**974,228**	946,962
Leasehold improvements	1 - 30 years	**534,862**	509,736
Furniture and equipment	1 - 20 years	**1,311,641**	1,376,403
Construction in progress		**170,126**	164,968
		3,331,840	3,345,298
Less accumulated depreciation and amortization		**1,780,046**	1,797,406

Total premises and equipment	**$1,551,794**	$1,547,892

During 2007, the Company completed multiple sale/leaseback transactions, consisting of over 300 of the Company s branch properties and various individual office buildings. In total, the Company sold and concurrently leased back $545.9 million in land and buildings with associated accumulated depreciation of $285.7 million. Net proceeds were $764.4 million, resulting in a gain, net of transaction costs, of $504.2 million. For the year ended December 31, 2007, the Company recognized $118.8 million of the gain immediately. The remaining $385.4 million in gains were deferred and are being recognized ratably over the expected term of the respective leases, predominantly 10 years, as an offset to net occupancy expense.

During 2008, the Company completed sale/leaseback transactions, consisting of 152 branch properties and various individual office buildings. In total, the Company sold and concurrently leased back $201.9 million in land and buildings with associated accumulated depreciation of $110.3 million. Net proceeds were $288.9 million, resulting in a gross gain, net of transaction costs, of $197.3 million. For the year ended December 31, 2008, the Company recognized $37.0 million of the gain immediately. The remaining $160.3 million in gains were deferred and are being recognized ratably over the expected term of the respective leases, predominantly 10 years, as an offset to net occupancy expense.

The carrying amounts of premises and equipment subject to mortgage indebtedness (included in long-term debt) were not significant at December 31, 2009 and 2008.

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Notes to Consolidated Financial Statements (Continued)

Various Company facilities are leased under both capital and noncancelable operating leases with initial remaining terms in excess of one year. Minimum payments, by year and in aggregate, as of December 31, 2009 were as follows:

(Dollars in thousands)	Operating Leases	Capital Leases
2010	$208,124	$2,488
2011	193,246	2,536
2012	178,568	1,903
2013	166,661	1,947
2014	155,571	1,994
Thereafter	663,627	10,789
Total minimum lease payments	$1,565,797	21,657
Amounts representing interest		6,663
Present value of net minimum lease payments		$14,994

Net premises and equipment included $8.4 million and $9.4 million at December 31, 2009 and 2008, respectively, related to capital leases. Aggregate rent expense (principally for offices), including contingent rent expense and sublease income, totaled $171.3 million, $171.3 million, and $137.8 million for 2009, 2008, and 2007, respectively. Depreciation/amortization expense for the years ended December 31, 2009, 2008, and 2007 totaled $181.6 million, $195.8 million, and $216.2 million, respectively.

Note 9 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, 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.

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. 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 as of March 31, 2009. However, the implied fair value of goodwill applicable to the Household Lending, 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 $751.2 million was recorded, which was the entire amount of goodwill carried by each of those reporting units. $677.4 million of the goodwill impairment charge was non-deductible for tax purposes. The goodwill impairment charge was a direct result of continued deterioration in the real estate markets and macro economic conditions that put downward pressure on the fair value of these businesses. 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 current economic downturn, which resulted in depressed earnings in these businesses and the significant decline in the Company s market capitalization during the first quarter.

During the second quarter of 2009, the Company performed an updated evaluation of the Corporate and Investment Banking goodwill, which involved estimating the fair value of the reporting unit and the implied fair value of goodwill. The implied fair value of goodwill exceeded the carrying value of goodwill, thus no goodwill impairment was recorded as of June 30, 2009.

The Company completed its 2009 annual impairment review of goodwill as of September 30, 2009. The review utilized discounted cash flow analysis, as well as guideline company and guideline transaction information, where available, to estimate the fair value of each reporting unit. The estimates, specific to each reporting unit, that were incorporated in the valuations included projections of future cash flows, discount rates, and applicable valuation multiples based on the guideline information. The assumptions considered the current market conditions in developing short and long-term growth expectations and discount rates. The estimated fair value of each reporting unit as of September 30, 2009 exceeded its respective carrying value; therefore, the Company determined there was no impairment of goodwill. The improvement in the estimated fair value of the Corporate and Investment Banking reporting unit was due to increased observable market values.

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Notes to Consolidated Financial Statements (Continued)

The changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2009 and 2008 are as follows:

(Dollars in thousands)	Retail	Commercial	Retail & Commercial	Wholesale	Corporate and Investment Banking	Household Lending	Mortgage	Wealth and Investment Management	Corporate Other and Treasury	Total
Balance, January 1, 2008	$4,893,970	$1,272,483	$-	$-	$147,454	$-	$275,840	$331,746	$-	$6,921,49
Intersegment transfers	(4,893,970)	(1,272,483)	5,780,742	522,667	(147,454)	-	-	-	10,498	
NCF purchase adjustments	-	-	(11,782)	(119)	-	-	(416)	1,502	-	(10,81
Sale of First Mercantile Trust Company	-	-	-	-	-	-	-	(11,734)	-	(11,73
Acquisition of GB&T	-	-	143,030	-	-	-	-	-	-	143,03
Sale of TransPlatinum Service Corp.	-	-	-	-	-	-				