

SUNTRUST BANKS INC
Form 10-K
February 20, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

2007 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, 2007

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	(I.R.S. Employer
of incorporation or organization)	Identification No.)
303 Peachtree Street, N.E., Atlanta, Georgia 30308	
(Address of principal executive offices) (Zip Code)	
(404) 588-7711	
(Registrant s telephone number, including area code)	

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

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Title of each class

Name of exchange on which provided

Common Stock	New York Stock Exchange
Depository Shares, Each Representing 1/4000 th Interest in a Share of Perpetual Preferred Stock, Series A	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 No

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

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

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 the 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 small reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2007 was approximately \$29.6 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 13, 2008, 348,742,997 shares of the Registrant's Common Stock, \$1.00 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III information is incorporated herein by reference, pursuant to Instruction G of Form 10-K, to SunTrust's Definitive Proxy Statement for its 2008 Annual Shareholder's Meeting, which will be filed with the Commission no later than April 30, 2008 (the "Proxy Statement"). Certain Part I and Part II information required by Form 10-K is incorporated by reference to the SunTrust Annual Report to Shareholders, but the Annual Report to Shareholders for the year ended December 31, 2007 shall not be deemed filed with the Securities and Exchange Commission.

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PART I

Item 1. BUSINESS
General

SunTrust Banks, Inc. (SunTrust or 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 customers. 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 (the MD&A), and Note 22, Business Segment Reporting, to the Consolidated Financial Statements in Item 8 of this report.

Primary Market Areas

Through its flagship 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 enjoys strong market positions in some of the highest-growth markets in the United States and operates primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. Within the geographic footprint, SunTrust strategically operated under five business segments during 2007. These business segments were: Retail, Commercial, Corporate and Investment Banking (CIB), Mortgage, and Wealth and Investment Management. In addition, SunTrust provides clients with a selection of technology-based banking channels, including the Internet, automated teller machines, PC and twenty-four hour telebanking. SunTrust s client base encompasses a broad range of individuals and families, high net-worth clients, businesses, and institutions.

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.

On March 31, 2005, SunTrust sold the Receivables Capital Management factoring division and, in December of 2005, sold Carswell of Carolina, Inc., a full service insurance agency. In 2006, SunTrust sold its Bond Trustee business and acquired 11 Florida Wal-Mart banking branches. In 2007, GenSpring Family Offices, LLC, a wholly owned subsidiary of SunTrust Banks, Inc., acquired Inlign Wealth Management Investments, Inc. and TBK Investments, Inc. We also completed the sale of our minority interest in Lighthouse Investment Partners, LLC on January 2, 2008 and expect to complete the acquisition of GB&T Bancshares, Inc. during the second quarter of 2008. 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 Board of Governors of the Federal Reserve System (the Federal Reserve). SunTrust Bank is a Georgia state bank which has branches in Georgia, Florida, Tennessee, Alabama, Virginia, West Virginia, Maryland, North Carolina, South Carolina, the District of Columbia, Mississippi and Arkansas. SunTrust Bank is a member of the Federal Reserve System, and is regulated by the Federal Reserve, the Federal Deposit Insurance Corporation (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 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

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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 approval of the Federal Reserve.

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 and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatory 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. The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (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

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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, the Company, and any bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations.

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 Federal Deposit Insurance Act (the FDI Act) 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.

FDIC regulations require that management report annually on its responsibility for preparing its institution's financial statements, and 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 Gramm-Leach-Bliley Act (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 Community Reinvestment Act of 1977 (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 USA Patriot Act of 2001 (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 customers. The United States Department of the 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.

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The FDIC merged the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to form the Deposit Insurance Fund (DIF) on March 31, 2006 in accordance with the Federal Deposit Insurance Reform Act of 2005. 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 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).

The Company's non-banking subsidiaries are regulated and supervised by various regulatory bodies. For example, SunTrust Robinson Humphrey, Inc. is a broker-dealer and investment adviser registered with the Securities and Exchange Commission (SEC), and the Financial Industry Regulatory Authority, Inc. (FINRA). SunTrust Investment Services, Inc. is also a broker-dealer and investment adviser registered with the SEC and a member of the FINRA. Trusco Capital Management, Inc. (Trusco) is an investment adviser 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.

Competition

SunTrust operates in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes, and 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 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 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 and/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.

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, 2007, there were 32,323 full-time equivalent employees within SunTrust. None of the domestic employees within the Company is 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 caption Business Segments in Item 7, the MD&A and in Note 22 to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data (the Notes)); 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 of the Notes); Outstanding Loans and Leases (under the caption Loans in the MD&A and Note 6 of the Notes); Deposits (under the caption Deposits in the MD&A); Short-Term Borrowings (under the caption Liquidity Risk in the MD&A and Note 10 Other Short-Term Borrowings and Contractual Commitments of the Notes); Trading Activities in the MD&A and Trading Assets (under the caption Trading Assets in the MD&A and Notes 4 and 20 of the Notes); 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); 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 Securities Exchange Act of 1934 (the Exchange Act) are available 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 also may 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 Chief 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

The risks contained in this report are not the only risks faced by us. 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. This Report also contains forward-looking statements that may not be realized as a result of certain factors, including, but not limited to, the risks described herein and in our other public filings with the SEC. Please refer to the section in this Report entitled "Cautionary Statement Regarding Forward-Looking Statements" for additional information regarding forward-looking statements.

Business Risks

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 declines, or continues 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 allowance for loan and lease losses. 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 sale of mortgage loans. Declining real estate prices and higher interest rates have caused 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 trends could continue. These conditions have resulted in losses, write downs and impairment charges in our mortgage and other lines of business, especially in the third and fourth quarters of 2007. Continued declines in real estate values, home sales volumes and financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans or other factors could have further adverse effects on borrowers that result in higher delinquencies and greater charge-offs in future periods, which adversely affect our financial condition or results of operations. 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.

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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.

A sustained weakness or 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 loans held for sale or other assets secured by consumer or commercial real estate;
- An increase or decrease in the usage of unfunded commitments;
- 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 loan losses, and valuation adjustments on loans held for sale.

Changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, costs 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 movement and the performance of the financial markets. In addition to the impact on 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 on-balance sheet and off-balance sheet financial instruments or the value of equity investments that we hold, in particular, holdings in common stock of The Coca-Cola Company, which as of December 31, 2007 were valued at approximately \$2.7 billion;
- The value of assets for which we provide processing services; or
- To the extent we access capital markets to raise funds to support the 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 also can materially decrease the value of financial assets we hold, such as debt securities and mortgage servicing rights (MSRs). Its policies also can 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. Recently, we have received an increased number of repurchase and indemnity demands from purchasers as a result of borrower fraud and early borrower payment defaults. While we have taken steps to enhance our underwriting policies and procedures, there can be no assurance that these steps will be effective nor impact 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.

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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 the Company's funding costs.

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 subjects the Company 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 customers' 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 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 the Company's credit ratings, which are important to its access to 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.

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

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diminished ability of us to operate one or more of our businesses, potential liability to clients, 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 customers 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. 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.

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 deposit insurance fund 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. For more information, refer to Item 1, Business, of this Form 10-K.

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 nonbanking financial institutions to provide services previously limited to commercial banks has intensified competition. Because nonbanking 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 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. 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.

Congress occasionally considers proposals to substantially change the financial institution regulatory system and to expand or contract the powers of banking institutions and bank holding companies. 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,

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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.

The Parent Company's ability to receive dividends from its subsidiaries accounts for most of its revenue and could affect its liquidity and ability to pay dividends.

The Parent Company is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the Parent Company's common stock and interest and principal on its debt. Various federal and/or state laws and regulations limit the amount of dividends that our bank and certain of its nonbank subsidiaries may pay to the Parent Company. Also, the Parent Company's 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 the Parent Company's ability to receive dividends from its subsidiaries could have a material adverse effect on the Parent Company's liquidity and ability to pay dividends on common stock. For more information, refer to the "Liquidity Risk" section in the MD&A and Note 14, "Capital," to the Consolidated Financial Statements.

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 residential real estate 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 impact us. 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 occur 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, particularly in the third and fourth quarters of 2007, and we expect credit conditions and the performance of our loan portfolio to continue to deteriorate in the near term. This deterioration has resulted in an increase in our loan loss reserves throughout 2007, which increases were driven primarily by residential real estate and home equity portfolios. Additional increases in loan loss reserves 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.

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 customers. 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.

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

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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 Community Reinvestment Act, 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 President 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 the 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. 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.

Our accounting policies and methods 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 methods 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 methods so they comply with Generally Accepted Accounting Principles in the United States (US 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, 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 section in the MD&A and Note 1, Accounting Policies, to the Consolidated Financial Statements in this report for more information.

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 Financial Accounting Standards Board (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

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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;
- fluctuations in stock market prices and volumes;
- issuances of shares of common stock or other securities in the future;
- the addition or departure of key personnel;
- seasonal fluctuations;
- changes in financial estimates or recommendations by securities analysts regarding SunTrust or shares of our common stock; and
- announcements by us or our competitors of new services or technology, acquisitions, or joint ventures.

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 SunTrust in reports we file or submit under the Exchange Act is 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 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 the Company to certain market risks.

We maintain an available for sale securities portfolio and trading assets which include various types of instruments and maturities. Compared to December 31, 2006, in 2007, we increased the size of trading assets in conjunction with the Company's adoption of the Statement of Financial Accounting Standards (SFAS) No. 157 and SFAS No. 159. In addition, the Company 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 pursuant to the provisions of SFAS No. 159 are recognized in earnings. The financial instruments carried at fair value are exposed to market risks related to changes in interest rates and the Company's market-based credit spreads, as well as to the risk of default by specific borrowers. The Company manages 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 portfolios 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 our credit position, 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.

We may enter into transactions with off-balance sheet entities affiliated with SunTrust or its 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.

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Depending on the nature and magnitude of any transactions 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.

We are subject to market risk associated with our asset management and commercial paper conduit businesses.

During 2007, we recorded approximately \$525 million in market valuation losses related to securities that we purchased from certain money market funds managed by our subsidiary Trusco Capital Management, Inc. as well as Three Pillars Funding, LLC (Three Pillars), a multi-seller commercial paper conduit sponsored by us. At the time of purchase, these securities were predominantly AAA or AA-rated, residential mortgage-backed securities, structured investment vehicle (SIVs) securities, and corporate and consumer collateralized debt obligations. We cannot assure you that we will not sustain additional losses in the future related to these securities or the purchase of similar securities. The value of such securities may be effected by, among other things, a lack of liquidity in the market for these securities, deterioration in the credit quality of the underlying collateral, risks associated with the financial guarantees insuring the securities, and/or the fact that the respective investment vehicle enters restructuring proceedings. Such occurrences may materially adversely affect our financial condition, capital adequacy and results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The Company's headquarters is located in Atlanta, Georgia. As of December 31, 2007, SunTrust Bank owned 703 of its 1,682 full-service banking offices and leased the remaining banking offices. (See Note 8, Premises and Equipment, to the Consolidated Financial Statements).

Item 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to numerous claims and lawsuits arising in the course of their normal business activities, some of which involve claims for substantial amounts. 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.

Please also refer to our discussion in Note 18, Reinsurance Arrangements and Guarantees, to the Consolidated Financial Statements of certain litigation related accruals which we made during the quarter ended December 31, 2007 related to our ownership interest in Visa, Inc.

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, 2007.

Table of Contents**PART II****Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The principal market in which the common stock of the Company is traded is the New York Stock Exchange (NYSE). See Item 6 and Table 17 in the MD&A for information on the high and the low closing sales prices of the SunTrust Banks, Inc. common stock (Common Stock) on the NYSE, which is incorporated herein by reference. During the twelve months ended December 31, 2007 and 2006, we paid a quarterly dividend of \$0.73 and \$0.61 per share of common stock, respectively. Our Common Stock is held by approximately 36,702 Registered Shareholders as of December 31, 2007. 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.

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on SunTrust 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, 2002 and ending December 31, 2007.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among SunTrust Banks, Inc., The S&P 500 Index

And The S & P Commercial Bank Industry Index

* \$100 invested on 12/31/02 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.
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www.researchdatagroup.com/S&P.htm

	12/02	12/03	12/04	12/05	12/06	12/07
SunTrust Banks, Inc.	\$100.00	\$129.36	\$137.58	\$139.65	\$167.32	\$128.39
S&P 500	100.00	128.68	142.69	149.70	173.34	182.87
S & P Commercial Bank Industry	100.00	128.56	140.40	142.00	165.06	126.59

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(Dollars in millions, except per share and other data)	Twelve Months Ended December 31					
	2007	2006	2005	2004	2003	2002
Summary of Operations						
Interest, fees, and dividend income	\$10,035.9	\$9,792.0	\$7,731.3	\$5,218.4	\$4,768.8	\$5,135.2
Interest expense	5,316.4	5,131.6	3,152.3	1,533.2	1,448.5	1,891.5
Net interest income	4,719.5	4,660.4	4,579.0	3,685.2	3,320.3	3,243.7
Provision for loan losses	664.9	262.5	176.9	135.6	313.6	469.8
Net interest income after provision for loan losses	4,054.6	4,397.9	4,402.1	3,549.6	3,006.7	2,773.9
Noninterest income	3,428.7	3,468.4	3,155.0	2,604.4	2,303.0	2,268.8
Noninterest expense	5,233.8	4,879.9	4,690.7	3,897.0	3,400.6	3,219.4
Income before provision for income taxes	2,249.5	2,986.4	2,866.4	2,257.0	1,909.1	1,823.3
Provision for income taxes	615.5	869.0	879.2	684.1	576.8	491.5
Net income	1,634.0	2,117.4	1,987.2	1,572.9	1,332.3	1,331.8
Preferred stock dividends	30.3	7.7	-	-	-	-
Net income available to common shareholders	\$1,603.7	\$2,109.7	\$1,987.2	\$1,572.9	\$1,332.3	\$1,331.8
Net interest income-FTE ¹	\$4,822.2	\$4,748.4	\$4,654.5	\$3,743.6	\$3,365.3	\$3,283.2
Total revenue-FTE ¹	8,250.9	8,216.8	7,809.5	6,348.0	5,668.3	5,552.0
Net income per average common share						
Diluted	\$4.55	\$5.82	\$5.47	\$5.19	\$4.73	\$4.66
Diluted, excluding merger expense	4.55	5.82	5.64	5.25	4.73	4.80
Basic	4.59	5.87	5.53	5.25	4.79	4.71
Dividends paid per average common share	2.92	2.44	2.20	2.00	1.80	1.72
Selected Average Balances						
Total assets	\$177,795.5	\$180,315.1	\$168,088.8	\$133,754.3	\$122,325.4	\$108,516.1
Earning assets	155,204.4	158,428.7	146,639.8	117,968.8	108,094.9	95,569.7
Loans	120,080.6	119,645.2	108,742.0	86,214.5	76,137.9	71,270.4
Consumer and commercial deposits	98,020.2	97,175.3	93,355.0	77,091.5	69,443.7	65,429.6
Brokered and foreign deposits	21,856.4	26,490.2	17,051.5	10,041.4	10,595.3	5,727.6
Total shareholders' equity	17,808.0	17,546.7	16,526.3	11,469.5	9,083.0	8,725.7
As of December 31						
Total assets	\$179,573.9	\$182,161.6	\$179,712.8	\$158,869.8	\$125,250.5	\$117,322.5
Earning assets	154,397.2	159,063.8	156,640.9	137,813.4	111,266.5	103,696.6
Loans	122,319.0	121,454.3	114,554.9	101,426.2	80,732.3	73,167.9
Allowance for loan and lease losses	1,282.5	1,044.5	1,028.1	1,050.0	941.9	930.1
Consumer and commercial deposits	101,870.0	99,775.9	97,572.4	92,109.7	72,924.6	70,226.8
Brokered and foreign deposits	15,972.6	24,245.7	24,480.8	11,251.6	8,264.9	9,479.8
Long-term debt	22,956.5	18,992.9	20,779.2	22,127.2	15,313.9	11,879.8
Total shareholders' equity	18,052.5	17,813.6	16,887.4	15,986.9	9,731.2	8,769.5
Financial Ratios and Other Data						
Return on average total assets	0.92%	1.17%	1.18%	1.18%	1.09%	1.23%
Return on average total assets less net realized and unrealized securities gains and the Coca-Cola Company dividend ¹	0.81	1.17	1.17	1.19	1.01	1.10
Return on average common shareholders' equity	9.27	12.13	12.02	13.71	14.67	15.26
Return on average realized common shareholders' equity	8.65	12.72	12.70	15.65	15.98	16.67
Net interest margin-FTE	3.11	3.00	3.17	3.17	3.11	3.44
Efficiency ratio-FTE	63.43	59.39	60.06	61.39	59.99	57.99
Efficiency ratio, excluding merger expense ¹	63.43	59.39	58.80	60.94	59.99	57.70
Tangible efficiency ratio ¹	62.26	58.13	58.54	60.17	58.86	56.93
Effective tax rate	27.36	29.10	30.67	30.31	30.21	26.96
Allowance to year-end total loans	1.05	0.86	0.90	1.04	1.17	1.27

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Nonperforming assets to total loans plus OREO and other repossessed assets	1.35	0.49	0.29	0.40	0.47	0.74
Common dividend payout ratio	64.0	41.7	40.0	38.4	37.9	36.8
Full-service banking offices	1,682	1,701	1,657	1,676	1,183	1,184
ATMs	2,507	2,569	2,782	2,804	2,225	2,286
Full-time equivalent employees	32,323	33,599	33,406	33,156	27,578	27,622
Tier 1 capital ratio	6.93%	7.72%	7.01%	7.16%	7.85%	7.47%
Total capital ratio	10.30	11.11	10.57	10.36	11.75	11.62
Tier 1 leverage ratio	6.90	7.23	6.65	6.64	7.37	7.30
Total average shareholders' equity to total average assets	10.02	9.73	9.83	8.58	7.43	8.04
Tangible equity to tangible assets ¹	6.28	6.03	5.56	5.68	6.82	6.52
Book value per common share	\$50.38	\$48.78	\$46.65	\$44.30	\$34.52	\$31.04
Market price:						
High	94.18	85.64	75.77	76.65	71.73	70.20
Low	60.02	69.68	65.32	61.27	51.44	51.48
Close	62.49	84.45	72.76	73.88	71.50	56.92
Market capitalization	21,772	29,972	26,338	26,659	20,157	16,080
Average common shares outstanding (000s)						
Diluted	352,688	362,802	363,454	303,309	281,434	286,052
Basic	349,346	359,413	359,066	299,375	278,295	282,495

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

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Cautionary Statement Regarding Forward-Looking Statements

The information included or incorporated by reference in this Form 10-K may contain forward-looking statements. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words believes, expects, anticipates, estimates, intends, plans, targets, initiatives, potentially, probably, projects, outlook or similar expressions or future conditional verbs such as may, will, should, would, and could.

Forward looking statements involve significant risks and uncertainties. Investors are cautioned against placing undue reliance on our forward-looking statements. Actual results may differ materially from those set forth in the forward-looking statements. Such statements are based upon the current beliefs and expectations of the management of SunTrust and on information currently available to management. Such statements speak as of the date hereof, and SunTrust does not assume any obligation to update the statements included or incorporated by reference or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events. The forward looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Factors that might cause our future financial performance to vary from that described in our forward-looking statements include risks discussed in this MD&A and in other periodic reports that we file with the SEC. In addition, the discussion contained in Item 1A. Risk Factors, sets forth certain risks and uncertainties that we believe could cause actual future results to differ materially from expected results. However, other factors besides those listed below or discussed in our reports to the SEC also could adversely affect our results, and the reader should not consider this list of factors to be a complete set of all potential risks or uncertainties.

This narrative will assist readers in their analysis of the accompanying consolidated financial statements and supplemental financial information of the Company. 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 October 1, 2004, National Commerce Financial Corporation (NCF) merged with SunTrust. The results of operations for NCF were included with our results beginning October 1, 2004. Periods prior to the acquisition date do not reflect the impact of the merger.

In Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), net interest income, net interest margin and the efficiency ratio are presented on a fully taxable-equivalent (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 merger expense and an efficiency ratio excluding merger expense that exclude merger charges related to the NCF acquisition. We believe the exclusion of the merger charges, which represent incremental costs to integrate NCF's operations, is more reflective of normalized operations. Additionally, we present a return on average realized common shareholders' equity, as well as a return on average common shareholders' equity (ROE). We also present a return on average assets less net unrealized securities gains/losses and a return on average total assets (ROA). The return on average realized common shareholders' equity and return on average assets less net unrealized securities gains/losses exclude realized securities gains and losses and the Coca-Cola Company 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 cost of and the other effects of intangible assets resulting from merger and acquisition (M&A) activity. We believe these measures are useful to investors because, by removing the effect of intangible asset costs from merger and acquisition activity (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. The measures are utilized by management to assess our efficiency, and that of our lines of business, as well as our capital adequacy. We provide reconcilements in Tables 21 and 22 in the MD&A for all non-US GAAP measures. Certain reclassifications may be made to prior period financial statements and related information to conform them to the 2007 presentation.

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INTRODUCTION

Our headquarters are located in Atlanta, Georgia, and we operate primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. Within the geographic footprint, we operated under five business segments during 2007. These business segments were: Retail, Commercial, Corporate and Investment Banking, Wealth and Investment Management, and Mortgage.

EXECUTIVE SUMMARY

In 2007, the financial services industry was significantly affected by turmoil in the financial markets created by a downturn in the consumer credit cycle, and specifically the residential housing market. The deterioration in the credit markets created market volatility and illiquidity, resulting in significant declines in the market values of a broad range of investment products and loans. We were not immune to the impacts of these market dynamics as our results clearly indicate through the increased provision for loan losses and net market valuation declines of various financial instruments carried at market value. In the second half of 2007, we recorded approximately \$700 million in net market valuation losses on financial instruments carried at fair value. The majority of the market valuation loss was related to securities that were purchased from certain money market funds, as well as a multi-seller commercial paper conduit that we sponsor.

Despite this challenging operating environment, which also included intense deposit competition and a prolonged flat to inverted yield curve, we made considerable progress in our shareholder value-oriented initiatives. In the first and second quarters of 2007, we conducted additional balance sheet restructuring activities related primarily to our mortgage and corporate loans and investment securities. These actions were a continuation of the balance sheet management initiatives that began in 2006. These actions were designed to more efficiently utilize our balance sheet and resulted in an improvement in net interest margin, reduced credit exposure, and increased liquidity. These actions resulted in a significant reduction in the size of the balance sheet, change in the mix of available for sale securities, and an increase in the size and active management of trading assets.

We also implemented the Excellence in Execution Efficiency and Productivity Program (E²) aimed at lowering our cost structure to drive higher financial performance and enhancing long term efficiency. We have realized \$215.2 million in savings as a result of our E² program and are well positioned going into 2008 to continue to more efficiently utilize resources while enhancing the overall customer service experience for our clients. For the year ended December 31, 2007, we recognized approximately \$45 million in severance expense related to this program, which was recorded in other staff expense. We anticipate the run-rate of total cost savings of approximately \$530 million will be achieved during 2009 through initiatives identified in corporate real estate, supplier management, off-shoring, and process/organizational reviews. These estimated cost savings do not include the cost of incremental investments or the benefit of non-recurring gains associated with the E² initiatives.

For the year ended December 31, 2007, we reported net income available to common shareholders of \$1,603.7 million, or \$4.55 per diluted common share. For the fourth quarter of 2007, we reported net income available to common shareholders of \$3.3 million, or \$0.01 per diluted common share.

The following is a summary of our 2007 financial performance:

Total revenue-FTE increased \$34.1 million, or 0.4%, compared to 2006. Total revenue included approximately \$712.6 million in net market valuation related losses, which were offset by growth in net interest income, the \$234.8 million gain on sale of The Coca-Cola Company stock, fee-related noninterest income, and other gains, including real estate related gains from various sale/leaseback transactions executed during 2007.

Net interest income-FTE increased \$73.8 million, or 1.6%, and the net interest margin increased 11 basis points to 3.11% compared to 2006. The increase in net interest income and net interest margin was due to our balance sheet management initiatives that were implemented in 2006 and 2007.

The average earning asset yield increased 29 basis points compared to 2006 while the average interest bearing liability cost increased 17 basis points, resulting in a 12 basis point increase in interest rate spread. Total average earning assets decreased \$3.2 billion, or 2.0%, to \$155.2 billion during 2007, while total average customer deposits increased 844.9 million, or 0.9%, to \$98.0 billion during 2007. Additionally, there was a shift in the mix of deposits to higher cost products, with certificates of deposits increasing, while

other deposit products, specifically demand deposit accounts (DDA), money market, and savings, declined.

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Noninterest income decreased \$39.7 million, or 1.1%, compared to 2006. The decrease was driven by \$527.7 million of mark to market valuation losses related to the purchase of securities from (1) an institutional private placement fund that we managed, (2) Three Pillars Funding, LLC, a multi-seller commercial paper conduit that we sponsor and (3) certain money market funds that we manage. The acquired securities were predominantly AAA or AA-rated at the time originally purchased by these entities. In the fourth quarter of 2007, while certain securities were not downgraded, these securities experienced an increase in the loss severity of the underlying collateral, which included Alt-A and subprime mortgages, resulting in a decline in market value of these securities. The decrease in noninterest income was further impacted by market value declines in the mortgage loan warehouse and securitization and trading assets. The impact of these valuation adjustments was substantially offset by the gain recognized on the sale of shares of The Coca-Cola Company, the gain recognized on sale/leaseback transactions related to premises, and the market valuation gain on our public debt and related hedges carried at fair value.

Noninterest expense increased \$353.9 million, or 7.3%, compared to 2006. The increase was primarily driven by an increase in fraud losses, growth in compensation expense attributable to the election in 2007 to record certain newly- originated mortgage loans held for sale at fair value, litigation expense related to our ownership in Visa, Inc. (Visa), and severance expense incurred in association with E².

Provision for loan losses increased \$402.4 million, or 153.3%, compared to 2006. The provision for loan losses exceeded net charge-offs for the year by \$242.1 million, primarily related to higher delinquencies and increased charge-offs associated with residential real estate and home equity portfolios.

Net charge-offs as a percentage of average loans was 0.35% for 2007, up 14 basis points from 2006. The increase in net charge-offs was primarily related to residential real estate-related loans. Nonperforming assets increased \$1,061.7 million, compared to December 31, 2006, due primarily to the overall downturn in the housing market.

CONSOLIDATED RESULTS***Adoption of Fair Value Accounting Standards***

During the first quarter of 2007, we evaluated the provisions of the recently issued fair value accounting standards, Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurement, and SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities . SFAS No. 157 clarifies how to measure fair value when such measurement is otherwise required by US GAAP, and SFAS No. 159 provides companies with the option to elect to carry specific financial assets and financial liabilities at fair value. The provisions of SFAS No. 157 establish clearer and more consistent criteria for measuring fair value. The primary objective of SFAS No. 159 is to expand the use of fair value in US GAAP, with the focus on eligible financial assets and financial liabilities. As a means to expand the use of fair value, SFAS No. 159 allows companies to avoid some of the complexities of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 149, and more closely align the economics of their business with their results of operations without having to apply a mixed attribute accounting model for certain financial instruments under a hedging relationship. Based on our evaluation of these standards in relation to our balance sheet management strategies and objectives, we early adopted these fair value standards as of January 1, 2007. The following is a synopsis of our thought process regarding how to apply SFAS No. 159 to our business:

The prolonged and unprecedented inversion in the yield curve and continued shift in deposit mix to higher cost products during the first quarter of 2007 resulted in further compression in net interest income and further exacerbated the need for us to alter the size and composition of our balance sheet (i.e., smaller loan and securities portfolio and larger trading portfolio).

Recording financial assets and liabilities at fair value aligns with the active management of our balance sheet in relation to varying market conditions.

The accounting provisions of SFAS No. 159 permit companies to record existing and future financial assets and financial liabilities at fair value and recognize changes in fair value through earnings, allowing for more active hedging and/or trading of those assets

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and liabilities. SFAS No. 159 clarified a company's ability to transfer existing financial assets to trading assets without impacting the classification of future acquisitions of financial assets.

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Upon electing to record certain financial assets and financial liabilities at fair value and simultaneously hedging the changes in fair value, we were able to mitigate a significant amount of potential earnings volatility from changes in fair value.

The financial assets or financial liabilities we elected to record at fair value were entire classes of similar assets or liabilities that we decided to actively hedge and/or trade. We continue to evaluate new originations of eligible financial instruments to determine if we should elect to record these financial assets or liabilities at fair value. We expect to make further fair value elections in the future when such elections align with our balance sheet management strategies.

We chose to sell entire classes of assets transferred to fair value, as we determined that it was no longer desirable to hold these assets on our balance sheet. In addition, we reduced wholesale funding (namely Fed funds and other overnight borrowings) and acquired securities that were significantly different than the securities we sold, resulting in a significantly different balance sheet composition that will improve our financial performance and reduce our earnings volatility especially pertaining to net interest income.

We evaluated the expanded use of fair value both at an entity-wide level, as well as at the asset class level. At adoption, our election to record at fair value several classes of financial assets and financial liabilities demonstrated the comprehensive nature of our balance sheet management strategies, and our intent to use fair value as a measurement attribute on a go-forward basis. Furthermore, we expanded the use of fair value in each of these classes of financial assets and financial liabilities by electing fair value for new purchases and/or issuances of securities, loans, and debt during 2007.

The following discussion elaborates on our rationale for electing to record certain financial assets and financial liabilities at fair value, as well as provides relevant balance sheet and earnings information for those assets and liabilities carried at fair value. See Note 20, Fair Value, to the Consolidated Financial Statements for more information.

The economic environment since early 2006 has created financial challenges for financial institutions, specifically constraining the ability to grow net interest income. The flat to inverted yield curve has persisted for an unprecedented length of time compressing the interest spread on earning assets. In addition, the general market environment has constrained customer deposit growth, as customers shifted deposits into alternative investments and/or higher rate deposit products, accentuating the pressure on net interest margin. Average earning assets increased 8.0% in 2006 compared to 2005 and the average yield increased 92 basis points, while average customer deposits increased 4.1% in 2006 and the average rate on interest bearing customer deposits increased 106 basis points. The increase in deposits was entirely in higher cost time deposits, increasing 34.4%, while all other deposit products decreased 4.1%. Of particular note, average demand deposits declined 4.1% compared to 2005. The incremental earning asset growth not supported by customer deposits resulted in a 55.4% increase in wholesale deposits, with an average rate in 2006 of approximately 5%, which was more than 150 basis points higher than the average rate in 2005. All of the above dynamics resulted in a 17 basis point decline in our net interest margin during 2006.

In order to respond to the reduction in net interest margin, we began employing specific asset/liability management strategies beginning in the second quarter of 2006 that focused on moderating balance sheet growth. These strategies involved moderately downsizing our loan and securities portfolios, focusing on lower yielding assets and reducing reliance on higher rate wholesale deposits. We executed several specific transactions in 2006 that included the sale or securitization of \$1.8 billion of residential real estate loans and \$2.1 billion of student loans. We elected to warehouse, and subsequently sell, residential real estate loans in the secondary market that in the past had been placed in portfolio. Additionally, we sold \$4.4 billion of shorter-term securities, primarily mortgage-backed and agency securities, with a 3.6% average yield and reinvested approximately \$2.4 billion in longer-term securities with a 5.6% average yield. This combination of transactions caused a \$2.0 billion reduction in the securities portfolio in the third and fourth quarters of 2006. Finally, we executed \$1.5 billion in notional amount of receive-fixed interest rate swaps, which were designated as cash flow hedges under SFAS No. 133 on commercial loans, to extend the duration of the balance sheet and improve the overall earning asset yield.

We also restructured aspects of our capital in the third and fourth quarters of 2006, reducing our cost of capital while strengthening our Tier 1 capital position. These capital restructuring initiatives contributed to our well capitalized status, as Tier 1 capital increased to 7.72%, as of December 31, 2006, up 71 basis points from the prior year end.

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The persistent challenging economic environment, exacerbated by an uncertain outlook for meaningful improvement, intensified in 2007 resulting in additional pressure on net interest income. While the yield curve steepened some in December 2006 and January 2007, the yield curve was again strongly inverted by the end of February 2007. Consequently, we determined that it was appropriate to reduce the size of our balance sheet through a structured asset sale of approximately \$2 billion of lower yielding, large corporate loans and also executed an additional \$1.1 billion notional of receive-fixed interest rate swaps on floating rate commercial loans. More significantly, we conducted a comprehensive review of our securities and loan portfolios, whereby we analyzed a variety of the portfolios' characteristics, including absolute size, overall liquidity, customer collateral needs, credit and interest rate exposure, security type, and Tier 1 capital consumption. As a result, we determined that it would be appropriate to significantly reduce the overall size of our securities and loan portfolios, as well as to modify our asset/liability strategies to (1) reduce balance sheet utilization and related wholesale funding, (2) reduce risk weighted assets for Tier 1 capital purposes, (3) reduce interest rate risk, (4) significantly reduce credit risk, (5) minimize redundancy between the securities portfolio and the mortgage loan portfolio, (6) increase the overall portfolio yield, (7) increase the use of derivatives to manage duration and (8) significantly reduce the size of the available for sale securities portfolio and significantly increase the size of the trading securities portfolio.

As discussed in Note 1, Accounting Policies, to the Consolidated Financial Statements, we early adopted the fair value accounting standards SFAS No. 157 and SFAS No. 159. Shortly after the issuance of SFAS No. 157 in September 2006, we began identifying positions that would be impacted by the provisions of SFAS No. 157. In connection with the evaluation of SFAS No. 157, we also evaluated the draft provisions of SFAS No. 159. Generally, we support the elective use of fair value of financial instruments, as evidenced by our early adoption in 2006 of SFAS No. 155. In certain circumstances, fair value enables a company to more accurately align its financial performance with the market value of actively traded or hedged assets or liabilities. Fair value enables a company to mitigate the non-economic earnings volatility caused from financial assets and financial liabilities being carried at different bases of accounting, as well as to more accurately portray the active and dynamic management of a company's balance sheet. The objectives of the new fair value standards align closely with our recent balance sheet management strategies.

Subsequent to the final issuance of SFAS No. 159 on February 15, 2007, we re-evaluated the provisions of SFAS No. 159 and the potential impacts of SFAS No. 157. In addition to the impact of SFAS No. 159 alleviating the burdens of fair value hedge accounting on certain elements of our debt and loans held for sale, we also evaluated other potential impacts of the final provisions of SFAS No. 159 related to our recently formulated asset/liability strategies that specifically related to the investment and loan portfolios. The ability to record at fair value certain financial assets and liabilities resulted in us accelerating the deployment of the various asset/liability strategies that we had been evaluating during the first quarter. After an analysis of the potential impacts of these standards and discussions with our Board of Directors (the Board), we decided in late March to early adopt both SFAS No. 157 and SFAS No. 159. The aggregate impact to the first quarter due to early adopting these standards, including the related economic hedges, was a \$60.8 million benefit to pre-tax income. The annual financial impact from adopting these standards was considered by the Compensation Committee of the Board in connection with the ordinary annual year-end review of our performance.

The most significant financial impacts of adopting the provisions of SFAS No. 157 related to valuing mortgage loans held for sale and the recording of the valuation of mortgage loan commitments (related to loans intended to be held for sale) that are derivatives under the provisions of SFAS No. 133, as amended by SFAS No. 149. Under SFAS No. 157, the fair value of a closed loan includes the embedded cash flows that are ultimately realized as servicing value either through retention of the servicing asset or through the sale of a loan on a servicing released basis. The valuation of loan commitments includes assumptions related to the likelihood that a commitment will ultimately result in a closed loan. These pull-through rates are based on our historical data, which is a significant unobservable assumption. Prior accounting requirements under EITF 02-03, Accounting for Contracts Involved in Energy Trading and Risk Management Activities, precluded the recognition of any day one gains and losses if fair value was not based on market observable data. Rather, these deferred gains and losses were recognized when the rate lock expired or when the underlying loan was ultimately sold. The change in valuation methodology under SFAS No. 157 accelerates the recognition of these day one gains and losses. During the first quarter, we recognized a \$38.0 million reduction to mortgage production related income due to the acceleration of these day one losses previously deferred. As a result of adopting SFAS No. 157, we recorded a \$10.9 million reduction to opening retained earnings.

In conjunction with adopting SFAS No. 159, we elected to record specific financial assets and financial liabilities at fair value. These instruments include all, or a portion, of the following: debt, available for sale debt securities, adjustable rate residential mortgage portfolio loans, securitization warehouses and trading loans. As a result of recording these financial

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assets and liabilities at fair value as of January 1, 2007, in accordance with SFAS No. 157 and SFAS No. 159, we recorded in earnings in the first quarter of 2007 changes in these instruments' fair values, as well as changes in fair value of any associated derivatives which would have otherwise been carried at fair value through earnings. Due to the unique retroactive application of the transition provisions, we have provided the following table that reflects the impact to opening retained earnings and first quarter earnings as a result of electing to carry these financial assets and financial liabilities at fair value and adopting the new fair value measurement requirements:

(Dollars in thousands)	For the three months ended March 31, 2007			
	January 1, 2007 Retained Earnings	Net Interest Income	Increase/(Decrease) Trading Account Profits and Commissions	Mortgage Production Related Income
Fixed rate debt	(\$197,165)	\$-	(\$19,150)	\$-
Related hedges	-	21,965	13,062	-
Total	(197,165)	21,965	(6,088)	-
Investment securities	(147,374)	-	71,855	-
Related hedges	-	-	14,812	-
Total	(147,374)	-	86,667	-
Mortgage loans	(44,197)	-	-	(5,971)
Related hedges	-	-	1,063	-
Total	(44,197)	-	1,063	(5,971)
Securitization and trading assets	132	-	(619)	1,846
Mortgage loan commitments¹	(10,943)	-	-	(38,038)
	(\$399,547)	\$21,965	\$81,023	(\$42,163)

¹ These amounts relate to the early adoption of SFAS No. 157.

Upon electing to carry these assets and liabilities at fair value, we began to economically hedge and/or trade these assets or liabilities in order to manage the instrument's fair value volatility and economic value. The following is a description of each asset and liability class for which fair value has been elected, including the specific reasons for electing fair value and the strategies for managing the assets and liabilities on a fair value basis. In association with adoption of the fair value standards, we recorded a reduction of \$399.5 million in retained earnings on January 1, 2007.

Fixed Rate Debt

The debt that we elected to carry at fair value was all of our fixed rate debt that had previously been designated in qualifying fair value hedges using receive fixed/pay floating interest rate swaps, pursuant to the provisions of SFAS No. 133. This population specifically included \$3.5 billion of fixed-rate Federal Home Loan Bank (FHLB) advances and \$3.3 billion of publicly-issued debt. We elected to record this debt at fair value in order to align the accounting for the debt with the accounting for the derivative without having to account for the debt under hedge

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accounting, thus avoiding the complex and time consuming fair value hedge accounting requirements of SFAS No. 133. The reduction to opening retained earnings from recording the debt at fair value was \$197.2 million. This move to fair value introduced potential earnings volatility due to changes in our credit spread that were not required to be valued under the SFAS No. 133 hedge designation. We estimated credit spreads above LIBOR rates, based on trading levels of our debt in the market as of each reporting date. Based on this methodology, we recognized a gain of approximately \$157.5 million during 2007 due to changes in our credit spread. All of the debt, along with the interest rate swaps previously designated as hedges under SFAS No. 133, continues to remain outstanding.

During the year ended December 31, 2007, we consummated two fixed rate debt issuances. On September 10, 2007, we issued \$500 million of Senior Notes, which carried a fixed coupon rate of 6.00% and had a term of 10 years. We did not enter into any hedges on this debt at issuance and, therefore, did not elect to carry the debt at fair value. On November 5, 2007, we issued \$500 million of Senior Notes, which carried a fixed coupon rate of 5.25% and had a term of 5 years. We did enter into hedges in connection with this debt issuance and as a result elected to carry this debt at fair value.

Table of Contents**Available for Sale and Trading Securities**

The available for sale debt securities that were transferred to trading were substantially all of the debt securities within specific asset classes, whether the securities were valued at an unrealized loss or unrealized gain. We elected to reclassify approximately \$15.4 billion of securities to trading at January 1, 2007, as well as an additional \$600 million of purchases of similar assets that occurred during the first quarter of 2007. The reduction to opening retained earnings related to reclassifying the \$15.4 billion of securities to trading was \$147.4 million. This net unrealized loss was already reflected in accumulated other comprehensive income and, therefore, upon reclassification to retained earnings, there was no net impact to total shareholders' equity. Our securities portfolio is generally of high credit quality, such that the opening retained earnings adjustment was not significantly impacted by the credit risk embedded in the assets, but rather due to interest rates.

We elected to move these available for sale securities to trading securities in order to initially seed the trading securities portfolio that we intended to actively manage in connection with the overall management of our balance sheet. The transfer of securities to trading enabled us to more actively trade a more significant portion of our investment portfolio and reduce the overall size of the available for sale portfolio. In determining the assets to be sold, we considered economic factors, such as yield, collateral, interest terms, capital efficiency, and duration, in relation to our balance sheet strategies. In evaluating our total available for sale portfolio of approximately \$23 billion at January 1, 2007, we determined that approximately \$3 billion of securities were not available or were not practicable to be fair valued and reclassified to trading under SFAS No. 159, as these securities had matured or been called during the quarter, were subject to business restrictions, were privately placed or had nominal principal amounts. Approximately \$5 billion of securities aligned with our recent balance sheet strategy, due to the nature of the assets (such as 30-year fixed rate mortgage backed securities (MBS), 10/1 adjustable rate mortgages (ARMs), floating rate asset backed securities (ABS) and municipal bonds); therefore, the securities continued to be classified as available for sale. These securities yielded over 5.6%, had a duration over 4.0%, and were in a \$6.7 million net unrealized gain position as of January 1, 2007. The remaining \$15.4 billion of securities, which included hybrid ARMs, commercial MBS, collateralized mortgage obligations (CMO) and MBS (excluding those classes of MBS that remained classified as securities available for sale), yielded approximately 4.5% and had a duration under 3.0%. The approximate \$600 million of securities that were purchased in the first quarter and originally classified as available for sale were similar to the securities reclassified to trading on January 1, 2007 upon adoption of SFAS No. 159; accordingly, we reclassified these securities to trading pursuant to the provisions of SFAS No. 159.

During the first quarter of 2007, in connection with our decision to early adopt SFAS No. 159, we purchased approximately \$1.7 billion of treasury bills, which were classified as trading securities, and approximately \$3.2 billion of 30-year fixed rate MBS, which were classified as securities available for sale. We entered into approximately \$13.5 billion notional of interest rate derivatives to mitigate the fair value volatility of the available for sale securities that had been reclassified to trading. Finally, as part of our asset/liability strategies, we executed an additional \$7.5 billion notional receive-fixed interest rate swaps that were designated as cash flow hedges under SFAS No. 133 on floating rate commercial loans.

During the second quarter of 2007, we sold substantially all of the \$16.0 billion in securities transferred to trading at prices that, in the aggregate and including the hedging gains and losses, approximated the fair value of the securities at March 31, 2007, and terminated the interest rate derivatives we had entered into as hedges of the fair value. We replaced a portion of these securities with an additional \$5.4 billion of treasury bills classified as trading and \$1.8 billion of 30-year fixed rate MBS classified as available for sale. In addition, we reduced wholesale overnight funding by approximately \$4 billion. The 30-year fixed-rate MBS were a similar asset type to the securities that remained classified as available for sale but were substantially different from the securities reclassified to trading as part of our adoption. These securities yielded over 5.5% and had a duration of approximately 5.7%.

Subsequent to the transactions executed at the end of the first quarter and early second quarter, we continued to maintain an active trading portfolio, as well as refine our trading securities strategies. As trading securities matured or sold, we purchased additional trading securities that included longer dated agency debentures, commercial paper, ABS, corporate bonds, etc. During the year ended December 31, 2007, we purchased approximately \$23 billion of trading securities for balance sheet management purposes. In addition, during 2007, we entered into \$4.6 billion of FHLB letters of credit that we elected to record at fair value and used these letters of credit to satisfy customer collateral and deposit requirements.

Table of Contents**Mortgage Loans Held for Sale**

In connection with the early adoption of SFAS No. 159, we evaluated the composition of the mortgage loan portfolio including certain business restrictions on loans that are held by real estate investment trusts (REITs). As part of our overall balance sheet management strategies during the second quarter of 2006, we decided to no longer retain in our portfolio new originations of prime quality, mid-term adjustable rate, highly commoditized, conforming agency and nonagency conforming residential mortgage portfolio loans in order to moderate the growth of earning assets, but had not undertaken plans to sell or securitize any of these loans held in the loan portfolio. In connection with our recently formulated asset/liability management strategies, we evaluated the composition of the mortgage loan portfolio, particularly in light of our plans to no longer hold the above mentioned mortgage loans in our portfolio, as well as our expectation to begin to record at fair value substantially all newly-originated mortgage loans held for sale in the second quarter of 2007. Based on this evaluation, we elected to carry \$4.1 billion of these types of loans held in the loan portfolio at fair value as of January 1, 2007 and transferred these loans to held for sale at the end of the first quarter. The loans that we elected to move to fair value were not owned by a REIT and had a weighted average coupon rate of approximately 4.9%. These loans were all performing loans and virtually none had been past due 30 days or more over the prior 12 month period. The reduction to opening retained earnings related to these loans was \$44.2 million, which was net of a \$4.1 million reduction in the allowance for loan losses related to these loans. In connection with recording these loans at fair value, we initiated hedging activities to mitigate the earnings volatility from changes in the loans fair value. During the twelve months ended December 31, 2007, we sold or securitized \$3.4 billion of the \$4.1 billion of mortgage loans transferred to loans held for sale that, in the aggregate and including the hedging gains and losses, approximated the fair value of the mortgage loans at March 31, 2007, and terminated the interest rate derivatives we had entered into as hedges of the fair value. As of December 31, 2007, \$0.5 billion of the \$4.1 billion in initially fair valued mortgage loans remained outstanding.

In the second quarter of 2007, we began recording at fair value certain newly-originated mortgage loans held for sale based upon defined product criteria. We chose to fair value these mortgage loans held for sale in order to eliminate the complexities and inherent difficulties of achieving hedge accounting and to better align reported results with the underlying economic changes in value of the loans and related hedge instruments. During 2007, we elected to record at fair value \$27.4 billion of mortgage loans and classified these loans as held for sale. As of December 31, 2007, there were \$5.9 billion of newly-originated mortgage loans at fair value held for sale. This election impacts the timing and recognition of origination fees and costs, as well as servicing value. Specifically, origination fees and costs, which had been appropriately deferred under SFAS No. 91 and recognized as part of the gain/loss on sale of the loan, are now recognized in earnings at the time of origination. For the year ended December 31, 2007, approximately \$79 million in loan origination fees were recognized in noninterest income and approximately \$78 million in loan origination costs were recognized in noninterest expense due to this fair value election. The servicing value, which had been recorded at the time the loan was sold as a mortgage servicing right, is now included in the fair value of the loan and recognized at origination of the loan. We began using derivatives to economically hedge changes in servicing value as a result of including the servicing value in the fair value of the loan. The estimated impact from recognizing servicing value, net of related hedging costs, as part of the fair value of the loan is captured in mortgage production income.

Our mortgage loans held for sale are carried at either the lower of cost or market or fair value. Under either accounting basis, the value of these loans is susceptible to declines in market value. Recent market events have affected the value and liquidity of mortgage loans, but to varying degrees depending on the nature and credit quality of the mortgage loans. The carrying value of our residential mortgage loans held for sale was \$7.4 billion as of December 31, 2007, including approximately \$153.2 million of Alt-A mortgage loans and no subprime mortgages. During the second half of 2007, investors concerns regarding the credit performance of subprime mortgages spread to other mortgage products, severely impacting the liquidity and market value of non-agency mortgage loans in the secondary market. As a result, we recorded approximately \$165.4 million in pre-tax charges related primarily to losses on loan sales and declines in the market value of loans held for sale, including related hedges during the year. The loans held for sale and related derivatives were valued based on observable market data of similar assets, where available, as well as current performance data of the underlying loans. In instances when significant valuation assumptions were not readily observable in the market, instruments were valued based on the best available data in order to approximate fair value. These market values are susceptible to volatility due to the effect of the credit related issues impacting the mortgage loan market, as well as the absence of market liquidity. The value of these assets could be adversely impacted by further declines in market prices. Management limits the size and our overall exposure to these assets, as well as actively monitors the estimated market and economic value of these assets and determines the most advantageous approach to managing these assets.

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Securitization and Trading Loans

As part of our securitization and trading activities, we often warehouse assets prior to sale or securitization, retain interests in securitizations, and maintain a portfolio of loans that we trade in the secondary market. At January 1, 2007, we transferred to trading assets approximately \$600 million of loans, substantially all of which were purchased from the market for the purpose of sales into securitizations, which were previously classified as loans held for sale. Pursuant to the provisions of SFAS No. 159, we elected to carry warehoused and trading loans at fair value in order to reflect the active management of these positions and, in certain cases, to align the economics of these instruments with the hedges that we typically execute on certain of these loans. We also elected to reclassify our residual interests to trading assets, consistent with other residual positions we own. As of December 31, 2007, approximately \$107 million of the \$600 million of trading loans transferred into trading assets as of January 1, 2007 remained outstanding, and additional loans were purchased and recorded at fair value as part of our normal loan securitization and trading activities.

The assets securing these residual interests are primarily residential loans, commercial loans, corporate loans, and government sponsored student loans. The total value of our securitization warehouses that we have elected to carry at fair value, excluding certain mortgage loan warehouses, was approximately \$44.8 million as of December 31, 2007. The assets held in the warehouses at December 31, 2007 include commercial loans. These warehouses were mark to market as of December 31, 2007 and reflect our best estimate of fair value taking into consideration the markets into which these assets will be securitized and/or sold and the credit quality of the assets held in the warehouse. The size of our securitization warehouse has decreased significantly during 2007 as a result of valuation write-downs, as well as our decision in the fourth quarter to exit certain aspects of the securitization business.

Table of Contents**Table 1 Analysis of Changes in Net Interest Income**

(Dollars in millions on a taxable-equivalent basis)	2007 Compared to 2006			2006 Compared to 2005		
	Increase (Decrease) Due to Volume	Rate	Net	Increase (Decrease) Due to Volume	Rate	Net
Interest Income						
Loans:						
Real estate 1-4 family	(\$97.2)	\$111.1	\$13.9	\$382.6	\$180.5	\$563.1
Real estate construction	88.4	(1.2)	87.2	188.4	136.5	324.9
Real estate home equity lines	35.5	20.4	55.9	77.3	214.6	291.9
Real estate commercial	-	20.9	20.9	57.6	117.5	175.1
Commercial - FTE ²	22.4	92.8	115.2	51.8	346.8	398.6
Credit card	8.4	(9.8)	(1.4)	5.5	(1.2)	4.3
Consumer direct	(17.1)	8.4	(8.7)	(80.0)	57.3	(22.7)
Consumer indirect	(21.1)	38.9	17.8	(25.1)	26.1	1.0
Nonaccrual and restructured	10.9	(10.2)	0.7	4.4	(1.0)	3.4
Securities available for sale:						
Taxable	(761.9)	254.2	(507.7)	(98.3)	108.1	9.8
Tax-exempt ²	5.3	1.1	6.4	5.0	(0.9)	4.1
Funds sold and securities purchased under agreements to resell	(8.1)	(0.1)	(8.2)	(8.6)	22.4	13.8
Loans held for sale	(19.0)	(40.1)	(59.1)	166.3	76.0	242.3
Interest-bearing deposits	(3.2)	1.2	(2.0)	2.5	-	2.5
Interest earning trading assets	546.3	(18.6)	527.7	23.7	37.4	61.1
Total interest income	(210.4)	469.0	258.6	753.1	1,320.1	2,073.2
Interest Expense						
NOW accounts	56.6	109.5	166.1	-	139.0	139.0
Money market accounts	(49.5)	37.5	(12.0)	(19.2)	214.8	195.6
Savings	(10.3)	(13.3)	(23.6)	(9.6)	31.6	22.0
Consumer time	54.4	95.2	149.6	101.0	158.8	259.8
Other time	42.4	51.0	93.4	147.3	106.8	254.1
Brokered deposits	(69.7)	50.4	(19.3)	321.9	204.2	526.1
Foreign deposits	(170.4)	12.3	(158.1)	84.6	150.6	235.2
Funds purchased	(60.0)	3.6	(56.4)	20.3	74.1	94.4
Securities sold under agreements to repurchase	(42.2)	(4.1)	(46.3)	19.9	116.6	136.5
Interest-bearing trading liabilities	1.0	(0.9)	0.1	(0.8)	4.4	3.6
Other short-term borrowings	47.9	(1.4)	46.5	(43.0)	34.3	(8.7)
Long-term debt	112.2	(67.4)	44.8	(143.9)	265.6	121.7
Total interest expense	(87.6)	272.4	184.8	478.5	1,500.8	1,979.3
Net change in net interest income	(\$122.8)	\$196.6	\$73.8	\$274.6	(\$180.7)	\$93.9

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.

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Table 2 Consolidated Daily Average Balances, Income/Expense And Average Yields Earned And Rates Paid

	2007			2006			2005		
(Dollars in millions; yields on taxable-equivalent basis)	Average Balances	Income/Expense	Yields/Rates	Average Balances	Income/Expense	Yields/Rates	Average Balances	Income/Expense	Yields/Rates
Assets									
Loans: ¹									
Real estate 1-4 family	\$31,951.0	\$2,036.5	6.37%	\$33,523.5	\$2,022.6	6.03%	\$26,972.2	\$1,459.4	5.41%
Real estate construction	13,519.4	1,011.0	7.48	12,333.9	923.8	7.49	9,621.6	598.9	6.22
Real estate home equity lines	14,031.0	1,088.2	7.76	13,565.2	1,032.3	7.61	12,361.1	740.4	5.99
Real estate commercial	12,803.4	887.5	6.93	12,803.7	866.6	6.77	11,865.6	691.4	5.83
Commercial - FTE ²	34,194.4	2,202.6	6.44	33,836.1	2,087.4	6.17	32,852.2	1,688.7	5.14
Credit card	495.9	17.7	3.57	315.3	19.1	6.09	226.7	14.9	6.58
Consumer - direct	4,221.0	304.9	7.22	4,460.8	313.6	7.03	5,690.7	336.3	5.91
Consumer - indirect	8,017.5	495.4	6.18	8,376.6	477.6	5.70	8,833.4	476.7	5.40
Nonaccrual and restructured	847.0	17.3	2.05	430.1	16.6	3.85	318.5	13.2	4.14
Total loans	120,080.6	8,061.1	6.71	119,645.2	7,759.6	6.49	108,742.0	6,019.9	5.54
Securities available for sale:									
Taxable	10,274.1	639.1	6.22	23,430.9	1,146.8	4.89	25,557.9	1,137.0	4.45
Tax-exempt ²	1,043.8	62.2	5.96	954.5	55.8	5.85	868.7	51.7	5.95
Total securities available for sale	11,317.9	701.3	6.20	24,385.4	1,202.6	4.93	26,426.6	1,188.7	4.50
Funds sold and securities under agreements to resell	995.6	48.8	4.91	1,158.6	57.0	4.92	1,404.8	43.2	3.08
Loans held for sale	10,786.7	668.9	6.20	11,082.8	728.0	6.57	8,447.8	485.7	5.75
Interest-bearing deposits	24.0	1.3	5.44	93.4	3.3	3.59	25.0	0.9	3.47
Interest earning trading assets	11,999.6	657.2	5.48	2,063.3	129.5	6.28	1,593.6	68.4	4.29
Total earning assets	155,204.4	10,138.6	6.53	158,428.7	9,880.0	6.24	146,639.8	7,806.8	5.32
Allowance for loan and lease losses	(1,065.7)			(1,061.3)			(1,041.8)		
Cash and due from banks	3,456.6			3,834.8			4,313.4		
Other assets	16,700.5			16,534.9			15,432.5		
Noninterest earning trading assets	1,198.9			957.5			795.5		
Unrealized net gains on securities available for sale	2,300.8			1,620.5			1,949.4		
Total assets	\$177,795.5			\$180,315.1			\$168,088.8		
Liabilities and Shareholders Equity									
Interest-bearing deposits:									
NOW accounts	\$20,042.8	\$473.9	2.36%	\$17,214.4	\$307.8	1.79%	\$17,213.7	\$168.9	0.98%
Money market accounts	22,676.7	622.5	2.75	24,507.9	634.5	2.59	25,589.2	438.9	1.72
Savings	4,608.7	55.5	1.20	5,371.1	79.1	1.47	6,320.0	57.1	0.90
Consumer time	16,941.3	764.2	4.51	15,622.7	614.6	3.93	12,526.4	354.8	2.83
Other time	12,073.5	586.3	4.86	11,146.9	492.9	4.42	7,390.7	238.7	3.23
Total interest-bearing consumer and commercial deposits	76,343.0	2,502.4	3.28	73,863.0	2,128.9	2.88	69,040.0	1,258.4	1.82
Brokered deposits	16,091.9	861.2	5.35	17,425.7	880.5	5.05	10,182.2	354.5	3.48
Foreign deposits	5,764.5	297.2	5.16	9,064.5	455.3	5.02	6,869.3	220.1	3.20
Total interest-bearing deposits	98,199.4	3,660.8	3.73	100,353.2	3,464.7	3.45	86,091.5	1,833.0	2.13
Federal funds purchased	3,266.2	166.5	5.10	4,439.5	222.9	5.02	3,888.3	128.5	3.31
Securities sold under agreements to repurchase	6,132.5	273.8	4.46	7,087.0	320.1	4.52	6,443.0	183.7	2.85
Interest-bearing trading liabilities	430.2	15.6	3.62	404.9	15.5	3.84	431.6	11.8	2.75
Other short-term borrowings	2,493.0	121.0	4.85	1,507.1	74.5	4.93	2,595.0	83.1	3.20

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Long-term debt	20,692.9	1,078.7	5.21	18,600.7	1,033.9	5.56	21,713.9	912.2	4.20
Total interest-bearing liabilities	131,214.2	5,316.4	4.05	132,392.4	5,131.6	3.88	121,163.3	3,152.3	2.60
Noninterest-bearing deposits	21,677.2			23,312.3			24,315.0		
Other liabilities	5,783.1			5,895.2			5,421.5		
Noninterest-bearing trading liabilities	1,313.0			1,168.5			662.7		
Shareholders' equity	17,808.0			17,546.7			16,526.3		
Total liabilities and shareholders' equity	\$177,795.5			\$180,315.1			\$168,088.8		
Interest Rate Spread			2.48%			2.36%			2.72%
Net Interest Income - FTE³		\$4,822.2			\$4,748.4			\$4,654.5	
Net Interest Margin⁴			3.11%			3.00%			3.17%

¹ Beginning in 2007 and for each of the three years ended December 31, the interest income includes loan fees of \$119.8 million, \$115.1 million and \$123.6 million, 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% for all years reported and where applicable, state income taxes, to increase tax-exempt interest income to a taxable-equivalent basis. Beginning in 2007 and for each of the three years ended December 31, the net taxable-equivalent adjustment amounts included in the above table were \$102.7 million, \$88.0 million and \$75.5 million, respectively.

³ Derivative instruments used to help balance our interest-sensitivity position decreased net interest income by \$25.6 million in 2007 and \$105.6 million in 2006 and increased net interest income by \$104.4 million in 2005.

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

Table of Contents***Net Interest Income/Margin***

Fully-taxable equivalent net interest income for 2007 was \$4,822.2 million, an increase of \$73.8 million, or 1.6%, from 2006. The increase in net interest income was primarily the result of balance sheet management strategies implemented throughout 2007 and 2006. Lower yielding loans and investment securities were reclassified to loans held for sale and trading assets, respectively, and a portion of these assets was subsequently sold enabling a reduction in higher cost liabilities.

For 2007, average earning assets decreased \$3.2 billion, or 2.0%, while average interest-bearing liabilities decreased \$1.2 billion, or 0.9%, compared to 2006. This decline was a result of balance sheet management strategies, which resulted in the sale of nearly \$10 billion in loans during 2007, primarily comprised of mortgage loans, student loans, and corporate loans. Average securities available for sale were \$11.3 billion during 2007, a decrease of \$13.1 billion, or 53.6%, compared to 2006. In the first quarter of 2007, approximately \$16.0 billion of securities were reclassified into trading assets to enable more active trading of a significant portion of this portfolio and reduce the overall size of securities available for sale. The decrease in average securities available for sale more than offset the growth of \$9.9 billion in interest earning trading assets and the \$0.4 billion growth in loans, net of the aforementioned sales of loans.

Average consumer and commercial deposits increased \$0.8 billion, or 0.9%, in 2007 compared to 2006. This included increases of \$2.2 billion in higher cost certificates of deposit and \$2.8 billion in NOW account balances. These were partially offset by decreases of \$0.8 billion in savings, \$1.8 billion in money market, and \$1.6 billion in demand deposits. We continue to pursue deposit growth initiatives utilizing product promotions along with efforts to increase our presence in specific markets within our footprint.

The net interest margin increased 11 basis points from 3.00% in 2006 to 3.11% in 2007. The sale of lower yielding assets enabled a reduction in higher cost funding, thus improving the margin. The earning asset yield improved 29 basis points from 6.24% to 6.53% for 2007, while the cost of interest-bearing liabilities over the same period increased 17 basis points from 3.88% to 4.05%.

After exhibiting an upward trend during the first three quarters of 2007, the net interest margin declined from 3.18% during the third quarter of 2007 to 3.13% during the fourth quarter of 2007. Deposit pricing pressures along with declines in earning asset yields drove the decline, offset somewhat by the benefit of lower wholesale funding costs. We expect to continue to experience slight compression in the first quarter of 2008 as a result of the impact of the trading securities purchased during the fourth quarter of 2007 and then expect net interest margin to stabilize and possibly even expand during the remainder of 2008. Stabilizing or expanding margin will require some of the following to occur:

- the pressure upon deposit pricing subsides,
- we achieve continued success in growing our deposit base,
- the yield curve steepens,
- the market demonstrates a normalized LIBOR/prime relationship, and
- the level of nonperforming assets stabilizes or declines.

The net interest margin trends occurred in a market environment characterized by a continued flat to inverted yield curve. The Fed Funds target rate averaged 5.05% for 2007, an increase of 9 basis points compared to 2006. The Prime rate averaged 8.05% for 2007, an increase of 9 basis points compared to 2006. One-month LIBOR increased 12 basis points to 5.25%, three-month LIBOR increased 10 basis points to 5.30%, five-year swaps decreased 22 basis points to 5.01% and ten-year swaps decreased 9 basis points to 5.24% compared to prior year. This yield curve inversion negatively impacts us because rates on deposits, our most significant funding source, tend to track movements in three-month LIBOR while our loan yields tend to track movements in the five-year swap rate. Certain floating rate loans, floating rate liabilities, and derivative contracts contractually reset to the Prime rate as well as LIBOR. To the extent that these rates reset on a different frequency or a different rate relative to each other net interest income is affected. During the third and fourth quarter of 2007, one month LIBOR, three month LIBOR, and the Prime rate varied significantly versus each other.

Interest income that we were unable to recognize on nonperforming loans had a negative impact of four basis points on net interest margin in 2007 compared to one basis point of negative impact in 2006, as average nonaccrual loans increased \$416.9 million, or 97.0% over 2006. Table 2 contains more detailed information concerning average loans, yields and rates paid.

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(Dollars in millions)	Year Ended December 31					
	2007	2006	2005	2004	2003	2002
Service charges on deposit accounts	\$822.0	\$763.7	\$772.5	\$700.0	\$643.1	\$612.9
Trust and investment management income	685.0	686.9	673.7	586.8	502.4	504.5
Retail investment services	278.0	234.0	213.3	192.8	161.8	136.7
Other charges and fees	479.1	462.1	456.5	390.5	326.3	296.9
Card fees	280.7	247.6	210.8	153.4	119.6	120.0
Investment banking income	214.9	230.6	216.5	206.7	192.5	177.0
Trading account profits/(losses) and commissions	(361.7)	113.0	145.1	127.8	109.9	103.2
Mortgage servicing related income (expense)	195.4	121.7	41.9	11.1	(177.5)	(110.1)
Net gain on sale/leaseback of premises	118.8	-	-	-	-	-
Mortgage production related income	91.0	217.4	144.9	57.8	150.1	92.3
Gain on sale upon merger of Lighthouse Partners	32.3	-	-	-	-	-
Net gain on sale of Bond Trustee business	-	112.8	-	-	-	-
Net gain on sale of RCM assets	-	-	23.4	-	-	-
Other noninterest income	350.1	329.1	263.6	219.2	150.9	130.9
Total noninterest income before net securities gains/(losses)	3,185.6	3,518.9	3,162.2	2,646.1	2,179.1	2,064.3
Net securities gains/(losses)	243.1	(50.5)	(7.2)	(41.7)	123.9	204.5
Total noninterest income	\$3,428.7	\$3,468.4	\$3,155.0	\$2,604.4	\$2,303.0	\$2,268.8

Noninterest Income

Noninterest income decreased by \$39.7 million, or 1.1%, in 2007, compared to 2006. This decrease was driven by the negative impact of the turmoil in the capital markets that caused net mark to market valuation losses related to the purchase of certain securities and market value declines in the mortgage loan warehouse and securitization and trading assets. Positively impacting noninterest income in 2007 were increases in service charges on deposits, mortgage servicing related income, retail investment services, card fees, and other charges and fees. In addition, results for 2007 were impacted by the \$234.8 million gain recognized on the sale of shares of The Coca-Cola Company, the \$32.3 million gain recognized upon the merger of Lighthouse Partners, the \$118.8 million gain on sale/leaseback of premises, and a \$21.0 million increase in other income, primarily related to gains from the sale of private equity investments. In 2006 there was a \$112.8 million gain, net of related expenses, on the sale of the Bond Trustee business, which positively impacted total noninterest income in 2006.

Trading account profits/(losses) and commissions declined \$474.7 million due primarily to \$527.7 million in negative mark to market valuations on collateralized debt obligations, MBS, SIV securities, and collateralized loan obligations, that occurred during the latter half of 2007. Contributing to these losses were negative mark to market valuation losses on securitization warehouses and trading activities. These losses were partially offset by market valuation gains of \$164.4 million on changes in fair value of our public debt, including related hedges, higher profits from customer transactions in derivatives, structured leasing, merchant banking and equipment lease financing. See Trading Assets section in MD&A for further discussion. During 2006, trading related losses were primarily due to negative interest rate related marks on securitization residuals and economic hedges. Investment Banking income declined \$15.7 million, or 6.8%, compared to 2006 due to lower securitization and syndicated finance activities.

Combined mortgage related income decreased \$52.7 million, or 15.5%, compared to 2006. Mortgage production related income for 2007 was down \$126.4 million, or 58.1%, compared to 2006. This decrease was primarily due to \$165.4 million of net valuation losses in the second half of 2007 caused by spread widening related to mortgage loans held for sale, partially offset by the recognition of approximately \$79 million of loan origination fees resulting from our election to record certain mortgage loans at fair value beginning in May 2007. Mortgage servicing related income increased \$73.7 million, or 60.5%, compared to 2006. Mortgage servicing included gains on the sale of MSR of \$51.2 million during 2007 compared to \$66.3 million in 2006 related to \$219.0 million and \$155.3 million of MSRs sold, respectively. This decrease mitigated the overall increase in mortgage servicing related income, which was principally due to higher fee income derived from a growing servicing portfolio. At December 31, 2007, total loans serviced for others was \$114.6 billion compared with \$91.5 billion at

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December 31, 2006. An analysis of the fair value of our MSRs under varying interest rate environments suggests that falling mortgage interest rates coupled with increases in loan prepayments could cause impairment of this asset in the future.

Retail investment services increased \$44.0 million, or 18.8%, compared to 2006. The increase was driven by higher annuity sales and higher recurring managed accounts fees. Service charges on deposit accounts increased \$58.3 million, or 7.6%, during 2007 compared to 2006, due primarily to higher non sufficient fund fees.

Trust and investment management income decreased \$1.9 million, or 0.3%, compared to 2006. The slight decline was primarily due to lost revenue from the Lighthouse Partners merger and sale of the Bond Trustee business, offset by growth in core revenue.

Card fees, which include fees from business credit cards and debit cards from consumers and businesses, increased \$33.1 million, or 13.4%, from 2006. This increase was primarily due to higher interchange fees driven by higher transaction volumes.

Other charges and fees increased \$17.0 million, or 3.7%, from 2006. The increase was due to higher operating lease income and insurance income. These increases were partially offset by decreases in loan fees and letter of credit fees.

Table 4 Noninterest Expense

(Dollars in millions)	Year Ended December 31					
	2007	2006	2005	2004	2003	2002
Employee compensation	\$2,329.0	\$2,253.5	\$2,117.2	\$1,804.9	\$1,585.9	\$1,512.1
Employee benefits	441.2	471.9	417.1	363.4	358.6	306.4
Total personnel expense	2,770.2	2,725.4	2,534.3	2,168.3	1,944.5	1,818.5
Outside processing and software	410.9	393.6	357.4	286.3	246.7	225.2
Net occupancy expense	351.2	334.2	312.1	268.2	237.3	229.3
Equipment expense	206.5	197.0	204.0	184.9	178.4	174.8
Marketing and customer development	195.0	173.2	156.7	128.3	100.3	80.0
Operating losses over and short	134.0	44.6	40.3	42.8	35.5	30.3
Other staff expense	132.5	92.5	90.1	66.0	60.4	52.0
Credit and collection services	112.5	101.6	84.9	66.7	70.3	64.6
Consulting and legal	101.2	113.0	112.6	81.0	57.4	91.1
Amortization of intangible assets	96.7	103.2	119.0	77.6	64.5	58.9
Postage and delivery	93.2	92.7	85.4	69.8	69.0	69.4
Communications	79.0	72.9	79.2	67.2	61.3	64.8
Visa litigation	76.9	-	-	-	-	-
Operating supplies	48.7	54.0	53.2	46.8	39.8	46.8
FDIC premiums	22.4	22.6	23.1	19.5	18.0	17.4
Other real estate expense/(income)	15.8	0.2	(1.2)	(1.8)	(2.0)	(0.1)
Loss on extinguishment of debt	9.8	11.7	-	-	-	-
Merger expense	-	-	98.6	28.4	-	16.0
Other expense	377.3	347.5	341.0	297.0	219.2	180.4
Total noninterest expense	\$5,233.8	\$4,879.9	\$4,690.7	\$3,897.0	\$3,400.6	\$3,219.4

Noninterest Expense

Noninterest expense increased by \$353.9 million, or 7.3%, during 2007 compared to 2006. Primary factors contributing to this increase included an increase in fraud losses, the Visa litigation expense recorded in the fourth quarter of 2007, an increase in total personnel expense related to our election to record certain mortgage loans held for sale at fair value during 2007 under SFAS No. 159, and other staff expense due to severance costs associated with E².

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Operating losses over and short increased \$89.4 million, primarily due to mortgage application fraud losses we incurred in 2007 from customer misstatements of income and/or assets primarily on Alt-A products originated in prior periods. We also recorded a \$76.9 million accrual for our proportionate share of certain Visa litigation. Despite recognizing this litigation cost, we expect that gains from Visa's initial public offering, which is anticipated to occur during the first half of 2008 subject to market conditions, will be substantially greater than the litigation charges that we have recognized during 2007.

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Total personnel expense increased \$44.8 million, or 1.6%, due to our fair value election for certain mortgage loans held for sale during 2007 under SFAS No. 159. As a result of recording these loans at fair value, we recognized compensation expense related to origination activities that previously would have been deferred and recognized as part of gain/loss on the sale of these loans as a part of mortgage production income. The impact of this adoption for the full year 2007 was approximately \$78 million. Offsetting this increase was a \$30.7 million, or 6.5%, decrease in employee benefits due to reduced headcount. The number of employees decreased from 33,599 full-time equivalent positions at December 31, 2006 to 32,323 at December 31, 2007.

Other staff expense increased \$40.0 million, or 43.2%, compared to 2006 due to the implementation of E². In the first quarter of 2007, we initiated E² in an effort to reduce overall expense growth as well as enhance how we conduct business with our customers. For the year ended December 31, 2007, we recognized approximately \$45 million in severance expense related to this program, which was recorded in other staff expense. We anticipate the run-rate of total cost savings of approximately \$530 million will be achieved during 2009 through initiatives identified in corporate real estate, supplier management, offshoring, and process/organizational reviews. Through 2007, we have realized approximately \$215 million in run-rate cost savings. These estimated cost savings do not include the cost of incremental investments or the benefit of non-recurring gains associated with the E² initiatives.

Marketing and customer development expense increased \$21.8 million, or 12.6%, driven by our marketing campaigns focused on various deposit growth initiatives, including the My Cause marketing initiative. Outside processing and software increased \$17.3 million, or 4.4%, compared to 2006, due to higher processing costs associated with higher transaction volumes and higher software amortization costs.

Other real estate expense increased \$15.6 million compared to 2006 due to greater losses on loan-related properties as a result of deteriorating conditions in the housing market. Other expense increased \$29.8 million, or 8.6%, compared to 2006 primarily due to write-downs related to Affordable Housing properties in 2007, offset by a \$33.6 million reduction of the accrued liability and corresponding non-deductible other expense associated with a capital instrument we redeemed in the fourth quarter of 2007.

Provision for Income Taxes

The provision for income taxes includes both federal and state income taxes. In 2007, the provision was \$615.5 million, compared to \$869.0 million in 2006. The provision represents an effective tax rate of 27.4% for 2007 compared to 29.1% for 2006. The decrease in the effective tax rate was primarily attributable to the lower level of earnings and a higher level of tax-exempt income for the year ended 2007.

We adopted FIN 48, Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109 Accounting for Income Taxes, effective January 1, 2007. The cumulative effect adjustment recorded upon adoption resulted in an increase to unrecognized tax benefits of \$55.0 million (\$46.0 million on an after-tax basis), with offsetting adjustments to equity and goodwill. We classify interest and penalties related to our tax positions as a component of income tax expense. As of December 31, 2007, our cumulative unrecognized tax benefits amounted to \$405.4 million (\$316.2 million on an after-tax basis). Of this amount, \$351.5 million (\$277.5 million on an after-tax basis) would affect our effective tax rate, if recognized. The remaining \$53.9 million (\$38.7 million on an after-tax basis) is expected to impact goodwill, if recognized. After-tax interest expense related to unrecognized tax benefits was \$18.0 million for the year ended December 31, 2007. Cumulative unrecognized tax benefits included interest of \$80.0 million (\$52.0 million on an after-tax basis) as of December 31, 2007. We continually evaluate the unrecognized tax benefits associated with our uncertain tax positions. It is reasonably possible that unrecognized tax benefits as of December 31, 2007 could decrease by an estimated \$40.0 million (\$26.0 million on an after-tax basis) by December 31, 2008, as a result of the expiration of statutes of limitations and potential settlements with federal and state taxing authorities. It is also reasonably possible that this decrease could be substantially offset by new matters arising during the same period. We file consolidated and separate income tax returns in the United States Federal jurisdiction and in various state jurisdictions. Our Federal returns through 1998 have been examined by the Internal Revenue Services (IRS) and issues for tax years 1997 and 1998 are still in dispute. We have paid the amounts assessed by the IRS in full and have filed refund claims with the IRS related to the disputed issues. Our 1999 through 2004 Federal income tax returns are currently under examination by the IRS. Generally, the state jurisdictions in which we file income tax returns are subject to examination for a period from three to seven years after returns are filed. The Corporation's current estimate of the resolution of these various examinations is reflected in accrued income taxes; however, final settlement of the examinations or changes in the Corporation's estimate may result in future income tax expense or benefit. In the opinion of management,

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any future adjustments which may result from these examinations should not have a material effect on the Company's Consolidated Financial Statements.

Table 5 Loan Portfolio by Types of Loans

(Dollars in millions)	As of December 31					
	2007	2006	2005	2004	2003	2002
Commercial	\$35,929.4	\$34,613.9	\$33,764.2	\$31,823.8	\$30,681.9	\$28,693.6
Real estate:						
Home equity lines	14,911.6	14,102.7	13,635.7	11,519.2	6,965.3	5,194.8
Construction	13,776.7	13,893.0	11,046.9	7,845.4	4,479.8	4,002.4
Residential mortgages	32,779.7	33,830.1	29,877.3	24,553.5	17,208.1	14,248.6
Commercial real estate	12,609.5	12,567.8	12,516.0	12,083.8	9,330.1	9,101.8
Consumer:						
Direct	3,963.9	4,160.1	5,060.8	6,622.3	3,539.6	3,991.3
Indirect	7,494.1	7,936.0	8,389.5	6,802.9	8,394.5	7,824.1
Credit card	854.1	350.7	264.5	175.3	133.0	111.3
Total loans	\$122,319.0	\$121,454.3	\$114,554.9	\$101,426.2	\$80,732.3	\$73,167.9
Loans held for sale	\$8,851.7	\$11,790.1	\$13,695.6	\$6,580.2	\$5,552.1	\$7,747.8

Table 6 Funded Exposures by Selected Industries

(Dollars in millions)	As of December 31, 2007		As of December 31, 2006	
	Loans	% of Total	Loans	% of Total
Construction	\$8,615.8	7.0%	\$7,881.1	6.5%
Real estate	8,338.5	6.8	6,782.7	5.6
Retail trade	5,445.9	4.5	5,050.6	4.2
Business services	3,821.0	3.1	4,347.9	3.6
Manufacturing	3,513.9	2.9	3,889.0	3.2
Wholesale trade	3,376.0	2.8	3,080.2	2.5
Health & social assistance	2,922.3	2.4	2,922.5	2.4
Finance & insurance	2,891.7	2.4	2,670.7	2.2
Professional, scientific & technical services	2,108.6	1.7	1,958.9	1.6
Public administration	1,864.1	1.5	1,965.2	1.6
Nonprofits	1,829.8	1.5	1,784.2	1.5
Transportation & warehousing	1,674.1	1.4	1,436.5	1.2
Information	1,456.6	1.2	1,838.3	1.5
Accommodation & food services	1,441.9	1.2	1,501.1	1.2
Arts, entertainment & recreation	1,145.1	0.9	1,206.9	1.0
Mining	1,144.2	0.9	489.8	0.4
Administrative and support	1,057.7	0.9	1,037.3	0.9

¹ Industry groupings are loans, in aggregate, greater than \$1 billion based on the North American Industry Classification System.

Loans

Our portfolio is well diversified by product, client and geography throughout our footprint. We have relatively low exposure to credit card and other unsecured consumer loan products.

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The commercial portfolio grew \$1.3 billion, or 3.8%, in 2007 to \$35.9 billion, or 29% of total loans, at December 31, 2007. The commercial real estate portfolio was \$12.6 billion, or 10% of total loans, and the construction portfolio was \$13.8 billion, or 11% of total loans, at December 31, 2007. The construction portfolio consists of \$3.6 billion of residential construction to perm loans, \$2.7 billion of residential construction loans, \$3.3 billion of commercial construction loans, \$2.9 billion of acquisition & development loans, and \$1.3 billion of raw land loans. Commercial related construction loans continue to perform well. Performance of residential construction related loans has deteriorated; however, we have been

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proactive in our credit monitoring and management processes to provide early warning alerts 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 have strict limits and have exposure caps on specific projects and borrowers for risk diversification.

Residential mortgages were \$32.8 billion, or 27%, of the total loan portfolio as of December 31, 2007. Residential mortgages are comprised of core mortgages (prime first liens), prime second lien mortgages, home equity loans, lot loans, and Alt-A first and second mortgages. The core mortgage portfolio was \$21.8 billion, or 18%, of the total loan portfolio as of December 31, 2007. There are minimal option adjustable rate mortgages (ARMs) or negative amortizing loans and virtually no subprime loans in the core portfolio. The core mortgage loans are roughly half prime jumbo and half prime ARMs. Some of the ARMs in the core first mortgage portfolio are 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 combined loan to value (LTV) at origination of the core portfolio was 76% and they have a current weighted average FICO score of 733. Prime second mortgages were \$3.9 billion, or 3%, of total loans as of December 31, 2007 and are comprised of insured purchase money second liens or combo loans with a current weighted average FICO of 721. Home equity loans comprise \$3.6 billion, or 3%, of the total loan portfolio as of December 31, 2007 and have a current weighted average FICO score of 722 and a 73% weighted average combined LTV at origination. 40% of the home equity loans are in a first lien position. Lot loans were \$1.7 billion, or approximately 1% of total loans, as of December 31, 2007 and have a current weighted average FICO score of 729. Alt-A loans were \$1.7 billion, or approximately 1% of total loans, as of December 31, 2007. Of the Alt-A loans, \$1.2 billion are first liens and well secured with a weighted average combined LTV of 77% at origination and a weighted average FICO score of 702. The remaining \$0.5 billion of Alt-A loans are second lien loans with a weighted average combined LTV of 97% at origination and a current weighted average FICO score of 691.

The home equity line portfolio was \$14.9 billion, or 12%, of the total loan portfolio as of December 31, 2007, and had a current weighted average FICO score of 723. Approximately 25% of the portfolio was in a first lien position, and 77% of the portfolio had a weighted average combined LTV of 90% or less at origination.

The indirect consumer portfolio was \$7.5 billion, or 6% of total loans, at December 31, 2007. This portfolio primarily consists of automobile loans generated through dealerships, has a current weighted average FICO of 701 and continues to perform well.

Table 7 Allowance for Loan and Lease Losses

(Dollars in millions)	As of December 31					
	2007 ¹	2006 ¹	2005 ¹	2004 ¹	2003 ²	2002 ²
Allocation by Loan Type						
Commercial	\$422.6	\$415.9	\$439.6	\$433.0	\$369.3	\$408.5
Real estate	664.6	443.1	394.1	369.7	159.3	150.8
Consumer loans	110.3	95.5	109.4	159.6	344.3	332.8
Unallocated	85.0	90.0	85.0	87.7	69.0	38.0
Total	\$1,282.5	\$1,044.5	\$1,028.1	\$1,050.0	\$941.9	\$930.1
Year-end Loan Types as a Percent of Total Loans						
Commercial	29.4%	28.8%	29.2%	31.6%	38.2%	39.4%
Real estate	60.6	61.2	58.7	55.2	47.0	44.5
Consumer loans	10.0	10.0	12.1	13.2	14.8	16.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹ The allocations in the years 2004 through 2007 reflect the implementation of an ALLL methodology that is more granular than in prior periods. This methodology segregates the portfolio into 17 sub-portfolios and incorporates a weighted average of expected loss derived from an internal risk rating system. Beginning in 2004 the allocation also includes the acquired portfolio of NCF.

² In 2003 and prior periods, the allocation reflected an apportionment of the ALLL that had been categorized as environmental factors, which is now included in the Company's homogeneous loan pool estimates.

Allowance for Loan and Lease Losses

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We continuously monitor the quality of our loan portfolio and maintain an allowance for loan and lease losses (ALLL) sufficient to absorb probable losses inherent in our loan portfolio. We are committed to the timely recognition of problem loans and maintaining an appropriate and adequate ALLL. At year-end 2007, the ALLL was \$1,282.5 million, which

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represented 1.05% of period-end loans. This compares with an ALLL of \$1,044.5 million, or 0.86% of loans as of December 31, 2006.

In addition to the review of credit quality through ongoing credit review processes, we employ a variety of modeling and estimation tools for measuring credit risk that are used to construct an appropriate ALLL. Our ALLL framework has three basic elements: specific allowances for loans individually evaluated for impairment, a formula-based component for pools of homogeneous loans not individually evaluated, and an unallocated component that is based on other inherent risk factors and imprecision associated with the modeling and estimation processes. This framework enables us to align loss estimation practices with the different types of credit risk inherent in the loan portfolio.

The first element of the ALLL analysis involves the estimation of allowances specific to individual impaired loans. In this process, specific allowances are established for nonaccruing loans greater than \$2 million based on analysis of the most probable sources of repayment, including discounted future cash flows, liquidation of collateral, or the market value of the loan itself. As of December 31, 2007 and 2006, the specific allowance related to impaired loans totaled \$17.5 million and \$17.4 million, respectively.

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 charge-off experience and expected losses. Expected losses are based on estimated probabilities of default and loss given default derived from an 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 and/or recent observable asset quality trends. 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, 2007 and 2006, the general allowance calculations totaled \$1,180.0 million and \$937.1 million, respectively. The increase was primarily due to deterioration in credit quality of the residential mortgage and home equity portfolios. The increases to reserves associated with these were partially offset by lower ALLL factors associated with the commercial and commercial real estate portfolios.

The third element of the ALLL is the unallocated reserve that addresses inherent losses not included elsewhere in the ALLL. Qualitative factors of this third allowance element are subjective and require a high degree of management judgment. These factors include the inherent imprecision in models and lagging or incomplete data. As of December 31, 2007 and 2006, the ALLL estimated with respect to the third element totaled \$85.0 million and \$90.0 million, respectively.

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-off between 120 and 180 days, depending on the collateral type, in compliance with FFIEC guidelines. Commercial loans and real estate loans are typically placed on non-accrual when principal or interest is past-due for 90 days or more unless the loan is both secured by collateral having realizable 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 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.

The ratio of the ALLL to total nonperforming loans decreased to 87.8% as of December 31, 2007 from 196.4% as of December 31, 2006. The decline in this ratio was due to a \$928.5 million increase in nonperforming loans driven primarily by a \$697.6 million increase in residential mortgage nonperforming loans. The increase in residential mortgage nonperforming loans was driven primarily by deteriorating economic conditions including increased mortgage delinquency rates and declining home values in most markets that we serve along with maturation of the portfolio.

In addition to reserves held in the ALLL, we had \$7.9 million and \$2.5 million in other liabilities as of December 31, 2007 and 2006, respectively, that represents a reserve against certain unfunded commitments, including letters of credit.

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(Dollars in millions)	Year Ended December 31					
	2007	2006	2005	2004	2003	2002
Allowance for Loan and Lease Losses						
Balance beginning of period	\$1,044.5	\$1,028.1	\$1,050.0	\$941.9	\$930.1	\$867.1
Allowance associated with loans at fair value ¹	(4.1)	-	-	-	-	-
Allowance from acquisitions and other activity net	-	-	-	173.8	9.3	15.5
Provision for loan losses	664.9	262.5	176.9	135.5	313.6	469.8
Charge-offs						
Commercial	(140.9)	(183.5)	(112.0)	(114.6)	(197.7)	(297.0)
Real estate:						
Home equity lines	(116.2)	(28.8)	(24.5)	(12.6)	(5.8)	(5.0)
Construction	(12.2)	(2.3)	(6.0)	(4.1)	(0.8)	(0.8)
Residential mortgages	(113.1)	(29.6)	(22.8)	(20.2)	(16.3)	(11.7)
Commercial real estate	(2.1)	(8.1)	(3.1)	(5.5)	(5.6)	(17.8)
Consumer loans:						
Direct	(23.4)	(22.0)	(37.2)	(25.1)	(28.6)	(28.4)
Indirect	(106.4)	(82.3)	(109.6)	(133.9)	(139.5)	(129.4)
Total charge-offs	(514.3)	(356.6)	(315.2)	(316.0)	(394.3)	(490.1)
Recoveries						
Commercial	24.2	30.0	36.3	49.9	39.8	28.8
Real estate:						
Home equity lines	7.8	6.9	6.2	3.3	1.4	1.4
Construction	1.2	2.0	0.8	0.1	0.4	0.4
Residential mortgages	5.5	7.9	8.1	6.4	3.6	2.3
Commercial real estate	1.9	6.2	2.6	1.4	1.4	3.9
Consumer loans:						
Direct	9.6	12.1	13.5	10.0	8.5	8.8
Indirect	41.3	45.4	48.9	43.7	28.1	22.2
Total recoveries	91.5	110.5	116.4	114.8	83.2	67.8
Net charge-offs	(422.8)	(246.1)	(198.8)	(201.2)	(311.1)	(422.3)
Balance end of period	\$1,282.5	\$1,044.5	\$1,028.1	\$1,050.0	\$941.9	\$930.1
Average loans	\$120,080.6	\$119,645.2	\$108,742.0	\$86,214.5	\$76,137.9	\$71,270.4
Year-end loans outstanding	122,319.0	121,454.3	114,554.9	101,426.2	80,732.3	73,167.9
Ratios:						
Allowance to year-end loans	1.05%	0.86%	0.90%	1.04%	1.17%	1.27%
Allowance to nonperforming loans	87.8	196.4	346.9	281.3	268.1	182.0
Allowance to net charge-offs	3.03x	4.24x	5.17x	5.22x	3.03x	2.20x
Net charge-offs to average loans	0.35%	0.21%	0.18%	0.23%	0.41%	0.59%
Provision to average loans	0.55	0.22	0.16	0.16	0.41	0.66
Recoveries to total charge-offs	17.8	31.0	36.9	36.3	21.1	13.8

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

Provision for Loan Losses

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The provision for loan losses is the result of a detailed analysis estimating an appropriate and adequate ALLL. The analysis includes the evaluation of impaired loans as prescribed under SFAS No. 114 Accounting by Creditors for Impairment of a Loan, and SFAS No. 118 Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosures, and pooled loans and leases as prescribed under SFAS No. 5, Accounting for Contingencies. For the year ended December 31, 2007, the provision for loan losses was \$664.9 million, an increase of \$402.4 million, or 153%, from the year ended December 31, 2006.

The provision for loan losses was \$242.1 million more than net charge-offs of \$422.8 million during 2007, reflecting the downturn in the residential real estate markets and deteriorating credit conditions of the residential-mortgage and home equity portfolios.

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Net charge-offs for the year ended December 31, 2007 increased \$176.7 million from the \$246.1 million of net charge-offs recorded in the prior year. The increase in net charge-offs was largely due to higher net charge-offs in the residential mortgage and home equity portfolios. A downturn in residential real estate prices has negatively affected the entire industry. Despite our avoidance of the subprime consumer real estate lending markets in our loan portfolio, the lower residential real estate valuations have affected even borrowers of higher credit quality.

Table 9 Nonperforming Assets and Accruing Loans Past Due 90 Days or More

(Dollars in millions)	As of December 31,					
	2007	2006	2005	2004	2003	2002
Nonperforming Assets						
Nonaccrual loans						
Commercial	\$74.5	\$106.8	\$70.9	\$130.9	\$165.9	\$351.3
Real estate:						
Construction	295.3	38.6	24.4	32.8	4.4	10.0
Residential mortgages ¹	977.1	279.5	103.3	104.5	85.4	82.5
Commercial real estate	44.5	55.4	44.6	36.7	48.6	38.0
Consumer loans	39.0	23.5	28.7	49.3	32.2	29.2
Total nonaccrual loans	1,430.4	503.8	271.9	354.2	336.5	511.0
Restructured loans	29.9	28.0	24.4	19.1	14.8	-
Total nonperforming loans	1,460.3	531.8	296.3	373.3	351.3	511.0
Other real estate owned (OREO)	183.7	55.4	30.7	28.6	16.5	18.0
Other repossessed assets	11.5	6.6	7.2	8.8	10.3	13.0
Total nonperforming assets	\$1,655.5	\$593.8	\$334.2	\$410.7	\$378.1	\$542.0
Ratios:						
Nonperforming loans to total loans	1.19%	0.44%	0.26%	0.37%	0.44%	0.70%
Nonperforming assets to total loans plus OREO and other repossessed assets	1.35	0.49	0.29	0.40	0.47	0.74
Accruing loans past due 90 days or more	\$611.0	\$351.5	\$371.5	\$214.3	\$196.4	\$177.9

¹ Includes home equity loans.

Nonperforming Assets

Nonperforming assets, which consist of nonaccrual loans, restructured loans, other real estate owned (OREO) and other repossessed assets totaled \$1,655.5 million as of December 31, 2007, an increase of \$1,061.7 million, or 179%, compared to December 31, 2006.

Nonaccrual loans totaled \$1,430.4 million as of December 31, 2007, an increase of \$926.6 million, or 184%, compared to December 31, 2006. The increase was primarily driven by residential mortgage loans, which increased by \$697.6 million.

Nonaccrual real estate construction loans increased \$256.7 million from December 31, 2006 to \$295.3 million as of December 31, 2007. The increase was largely driven by residential-related construction across the footprint.

Nonaccrual home equity lines of credit (HELOC) are classified in residential mortgages and were \$135.8 million at December 31, 2007 compared with \$36.6 million at December 31, 2006. The increase was driven by HELOCs originated through third-party channels, which accounted for 35% of nonperforming lines (excluding third party channels). There are no HELOCs in the portfolio that were originated as sub prime. The average combined original LTV of the total HELOC portfolio is approximately 74% and nearly 25% of the portfolio is in the first lien position. Approximately 23% of the portfolio has combined LTVs greater than 90%, and the remainder of the portfolio has combined LTVs primarily in the 60%-85% range.

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When a loan is placed on nonaccrual, unpaid interest is reversed against interest income. If interest payments are being made by borrowers on nonaccrual loans, the interest is either recorded using the cash basis method of accounting or recognized at the end of the loan after the principal has been reduced to zero, depending on the type of loan. If and when a nonaccrual loan is returned to accruing status, the accrued interest at the date the loan is placed on nonaccrual status, and foregone interest

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during the nonaccrual period, are recorded as interest income only after all principal has been collected for commercial loans. For consumer loans and residential mortgage loans, the accrued interest at the date the loan is placed on nonaccrual status, and foregone interest during the nonaccrual period, are recorded as interest income as of the date the loan no longer meets the 90 and 120 days past due criteria, respectively.

During 2007 and 2006 cash basis, interest income for nonaccrual loans amounted to \$17.3 million and \$16.6 million, respectively. For the years ended December 31, 2007 and 2006, estimated interest income of \$85.0 million and \$41.6 million, respectively, would have been recorded if all such loans had been accruing interest according to their original contractual terms.

Accruing loans past due ninety days or more increased \$259.5 million from \$351.5 million as of December 31, 2006 to \$611.0 million as of December 31, 2007. The increase was primarily driven by deterioration in residential mortgages and home equity lines of credit.

Nonperforming residential real estate loans are collateralized by one-to-four family properties, and a portion of the loans' risk may be mitigated by mortgage insurance. We apply rigorous loss mitigation processes to these nonperforming loans to ensure that the asset value is preserved to the greatest extent possible. Since early 2006, we have tightened the underwriting standards applicable to many of the residential loan products offered. The total Alt-A portfolio loans, which consist of loans with lower documentation standards, were approximately \$1.7 billion as of December 31, 2007, representing less than 1.5% of our total loan portfolio and slightly more than 5% of our residential mortgage portfolio. Approximately \$314 million of this portfolio was nonperforming at December 31, 2007. At December 31, 2007, the Alt-A portfolio was comprised of approximately 70% of loans secured by mortgages in first lien positions and 30% in second lien positions. The weighted average combined LTV of the first lien positions was 77% and the weighted average original FICO score was 702. For the second lien positions, the weighted average combined LTV was 97% and the weighted average original FICO score was 691.

We extensively utilized third-party insurance on the second lien Alt-A portfolio. It became apparent in the fourth quarter of 2007 that we would eventually reach the insurance stop loss at some point during 2008. As such, we reached a settlement agreement with our insurer to expedite the claim and review process. The ALLL estimation process in the fourth quarter took into consideration the insurance settlement when estimating the ALLL.

We discontinued originating first lien Alt-A portfolio loans in June 2006 and until mid-2007 originated a small amount of Alt-A loans for placement in the secondary market with more restrictive credit guidelines. We have now eliminated Alt-A production entirely.

OREO was \$183.7 million, which represented an increase of \$128.3 million, or 232%, compared to December 31, 2006. The increase was primarily due to nonperforming residential mortgage loans that have entered into the foreclosure process.

Table 10 Trading Assets

(Dollars in thousands)	2007	2006	2005
Trading Assets			
U.S. government and agency securities	\$4,133,490	\$838,301	\$468,056
Corporate and other debt securities	2,821,737	409,029	662,827
Equity securities	242,680	2,254	366
Mortgage-backed securities	938,930	140,531	278,294
Derivative contracts	1,977,401	1,064,263	1,059,311
Municipal securities	171,203	293,311	337,179
Commercial paper	2,368	29,940	5,192
Other securities and loans	230,570	-	-
Total trading assets	\$10,518,379	\$2,777,629	\$2,811,225

Trading Assets

Trading assets primarily include loans and investment securities that relate to capital markets trading activities by acting as broker/dealer on behalf of our customers, and investment securities that are acquired and actively managed for corporate

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balance sheet management purposes. Beginning in 2007, we utilized a more active trading portfolio as part of our asset/ liability management process, as evidenced by the purchase of approximately \$23 billion of trading assets and sales or maturities of \$31.1 billion of trading assets for balance sheet management purposes. This activity along with the reclassification of \$16.0 billion of available for sale securities to trading upon electing fair value accounting for these instruments under SFAS No. 159 (see the Adoption of Fair Value Accounting Standards discussion within MD&A) resulted in a \$7.7 billion, or 278.7%, increase in trading assets from December 31, 2006 to December 31, 2007.

The trading securities purchased during 2007 included Treasury Bills, U.S. agency notes, commercial paper, investment grade corporate bonds, and ABS. Approximately \$3.0 billion of the trading securities acquired during 2007 were ABS that were purchased from certain affiliated money market funds and Three Pillars (see the Introduction to MD&A). The following is a description of the circumstances causing the acquisition of these illiquid ABS:

During the third quarter of 2007, we provided support for specific securities within an institutional private placement fund (the Private Fund) and consolidated the Private Fund as of September 30, 2007, resulting in the addition of approximately \$967 million of trading securities. Based on market conditions in the fourth quarter, we decided to close the Private Fund in a manner in which the Private Funds' shareholders received their full principal and interest due, and we began actively managing these trading securities. These trading securities consist of approximately 80% residential MBS that were AAA-rated at the time they were purchased. Due to increased losses within the underlying collateral, some of which is comprised of Alt-A or sub prime mortgages, as well as market illiquidity, the value of these securities was reduced by approximately \$132 million during 2007. As of December 31, 2007, the remaining fair value of the securities was \$743.3 million, and \$106.7 million in principal pay downs have been received since the securities were acquired.

In December 2007, we purchased, through a combination of cash and notes, approximately \$1.4 billion in SIV securities from the STI Classic Prime Quality Money Market Fund and the STI Classic Institutional Cash Management Money Market Fund (collectively, the Funds) at amortized cost plus accrued interest. Trusco, a wholly owned subsidiary of SunTrust, is the investment adviser to the Funds. We took this action to protect investors in the Funds from possible losses associated with these securities. The SIV assets were originally rated A1/P1 and were Tier 1 eligible securities when purchased. The underlying collateral consists of a wide array of assets including, mortgage backed securities, collateralized debt and loan obligations, and corporate bonds. Approximately \$688 million of the SIV securities are backed by high quality, liquid assets or sponsored by large, well capitalized banks that have publicly announced that they are providing liquidity and support to these programs. All of these higher quality or bank sponsored SIV securities mature by June 2008. The remaining SIV securities have gone into a restructuring process, and the ultimate timing and form of repayment is not known at this time. We recorded a pre-tax mark to market valuation loss of \$250.5 million in the fourth quarter of 2007 as a result of purchasing these securities.

Also in December 2007, we purchased \$725.0 million in ABS, at amortized cost plus accrued interest, from Three Pillars in order to reduce the risk profile of the conduit. These securities consist of residential MBS and collateralized debt obligations, with 83% of the bonds currently AAA-rated and the remainder AA-rated. During the fourth quarter of 2007, the rapid deterioration in the performance of the underlying collateral, some of which is comprised of sub-prime and Alt-A mortgages, as well as market illiquidity began to materially decrease the market value of these securities; as a result, we recorded a market value loss of \$144.8 million in the fourth quarter of 2007. See the Off-Balance Sheet Arrangements, section of MD&A for additional discussion of Three Pillars.

Due to the illiquid nature of these ABS and the market as a whole in the fourth quarter of 2007, 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 during 2008. See the Estimates of Fair Value section within Critical Accounting Policies for further discussion of these estimates. We did not have a contractual or implicit obligation to purchase these securities or provide additional support to the Funds or Three Pillars. The assets of the Funds and Three Pillars have been restructured; therefore, we do not anticipate similar valuation issues with the assets of the Funds or Three Pillars. The purchase of these securities should not be considered a precedent for future actions or commitment by us to provide additional support.

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(Dollars in millions)	As of December 31			Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
U.S. Treasury and other U.S. government agencies and corporations				
2007	\$383.2	\$7.2	\$-	\$390.4
2006	1,608.0	8.6	16.1	1,600.5
2005	2,593.8	0.6	47.4	2,547.0
States and political subdivisions				
2007	\$1,052.6	\$16.2	\$1.5	\$1,067.3
2006	1,032.3	13.4	4.6	1,041.1
2005	914.1	15.5	3.9	925.7
Asset-backed securities				
2007	\$241.7	\$-	\$31.4	\$210.3
2006	1,128.0	1.9	17.6	1,112.3
2005	1,630.8	8.2	26.3	1,612.7
Mortgage-backed securities				
2007	\$10,085.8	\$71.7	\$16.3	\$10,141.2
2006	17,337.3	37.4	243.8	17,130.9
2005	17,354.5	11.6	343.5	17,022.6
Corporate bonds				
2007	\$232.2	\$0.7	\$1.6	\$231.3
2006	468.9	1.5	7.6	462.8
2005	1,090.6	2.6	22.8	1,070.4
Other securities¹				
2007	\$1,544.0	\$2,679.6	\$-	\$4,223.6
2006	1,423.9	2,330.2	-	3,754.1
2005	1,370.0	1,977.4	-	3,347.4
Total securities available for sale				
2007	\$13,539.5	\$2,775.4	\$50.8	\$16,264.1
2006	22,998.4	2,393.0	289.7	25,101.7
2005	24,953.8	2,015.9	443.9	26,525.8

¹ Includes our investment in 43.6 million shares of common stock of The Coca-Cola Company as of December 31, 2007 and 48.2 million shares of common stock of The Coca-Cola Company as of December 31, 2006 and 2005.

Securities Available for Sale

The investment 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. We managed the portfolio in 2007 as part of a balance sheet restructuring to improve the yield, extend the duration, enhance the credit quality, and reduce the size in order to reduce our use of wholesale funding.

A significant part of the portfolio restructuring occurred in the first quarter of 2007 in conjunction with our early adoption of SFAS No. 159. Generally, we elected to reclassify as trading assets those available for sale securities that were lower yielding, shorter maturity, and that had greater credit risk. Virtually all of these trading assets were subsequently sold in the second quarter of 2007 and the proceeds were used to purchase other trading securities and to repay wholesale debt. The remaining securities that we retained as available for sale were primarily our longest duration, higher yielding MBS which were issued or guaranteed by federal agencies. In addition, we purchased similar high quality MBS issued by federal agencies during the year to reinvest cash-flow from maturities and prepayments to maintain a relatively constant portfolio size after the restructuring.

The average yield for 2007 improved to 6.20% compared to 4.93% during 2006. The yield for the fourth quarter of 2007 was 6.18%. We extended the portfolio's effective duration from 3.1% as of December 31, 2006 to 3.9% as of December 31, 2007. Effective duration is a measure of the estimated price sensitivity of a bond portfolio to an immediate change in interest rates, taking into consideration embedded options. An effective duration of 3.9% suggests an expected price change of 3.9% for a one percent instantaneous change in interest rates. The enhancement

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in credit quality is reflected in the change in asset mix shown in Table 11. We significantly reduced our holdings of ABS and corporate bonds, as well as commercial MBS (CMBS) and collateralized mortgage obligations (CMOs). As of December 31, 2007, 92.8% of our securities were rated AAA, the highest possible rating by nationally recognized rating agencies with the majority of these being MBS issued by federal agencies. The size of the securities portfolio decreased significantly from \$25.1 billion at December 31, 2006 to \$16.3 billion at December 31, 2007. This decrease in size reduced the investment portfolio as a percent of total assets from 13.8% to 9.1% over the same time period.

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Net securities gains of \$243.1 million were realized during 2007, primarily due to a \$234.8 million gain from the sale in the second quarter of 2007 of 4.5 million shares of our holdings of the common stock of The Coca-Cola Company. Net securities losses realized for the year ended December 31, 2006 were \$50.5 million, and \$7.2 million for the year ended December 31, 2005.

The carrying value of the available for sale investment portfolio reflected \$2.7 billion in net unrealized gains at December 31, 2007, substantially all of which related to unrealized gains on our investment in common stock of The Coca-Cola Company. The net unrealized gain on the remaining portion of our holdings of this equity investment increased \$349.6 million compared to December 31, 2006 in addition to the \$234.8 million gain realized on the sale discussed above. The net unrealized gain on the remainder of the portfolio was \$50.3 million, an improvement of \$271.7 million compared to December 31, 2006. These changes in market value did not affect our net income, but were included in other comprehensive income. We review all of our securities with unrealized losses for other-than-temporary impairment at least quarterly. As a result of these reviews in the fourth quarter of 2007, we determined that no impairment charges related to securities owned with unrealized losses were deemed other than temporarily impaired this quarter since we have the present intent and ability to retain these securities until recovery.

Table 12 Composition of Average Deposits

(Dollars in millions)	Year Ended December 31			Percent of Total		
	2007	2006	2005	2007	2006	2005
Noninterest-bearing	\$21,677.2	\$23,312.3	\$24,315.0	18.1%	18.9%	22.0%
NOW accounts	20,042.8	17,214.4	17,213.7	16.7	13.9	15.6
Money market accounts	22,676.7	24,507.9	25,589.2	18.9	19.8	23.2
Savings	4,608.7	5,371.1	6,320.0	3.8	4.3	5.7
Consumer time	16,941.3	15,622.7	12,526.4	14.2	12.7	11.4
Other time	12,073.5	11,146.9	7,390.7	10.1	9.0	6.7
Total consumer and commercial deposits	98,020.2	97,175.3	93,355.0	81.8	78.6	84.6
Brokered deposits	16,091.9	17,425.7	10,182.2	13.4	14.1	9.2
Foreign deposits	5,764.5	9,064.5	6,869.3	4.8	7.3	6.2
Total deposits	\$119,876.6	\$123,665.5	\$110,406.5	100.0%	100.0%	100.0%

Deposits

Average consumer and commercial deposits increased during 2007 by \$0.8 billion, or 0.9%, compared to 2006. The growth was exclusively in higher cost NOW, consumer time and other time deposits, which increased \$5.1 billion, or 11.5%, and were offset by declines in money market, savings, and noninterest bearing DDA account balances. Money market accounts declined \$1.8 billion, or 7.5%, savings accounts declined \$0.8 billion, or 14.2%, and noninterest bearing DDA account balances declined \$1.6 billion, or 7.0%. The decline in these products was the result of deposit migration to higher cost time deposits as well as customers moving balances to alternative investments such as repurchase agreements or money market mutual funds to take advantage of higher interest rates in response to the interest environment that prevailed during 2007.

Average brokered and foreign deposits decreased by \$4.6 billion, or 17.5%, during 2007 compared to 2006. The decrease was due to our efforts to reduce our reliance upon wholesale funding sources through balance sheet restructuring actions. Consumer and commercial deposit growth is one of our key initiatives, as we focus on deposit gathering opportunities across all lines business throughout the geographic footprint. We have instituted a number of initiatives to attract deposits including the My Cause campaign which provides enrollment incentives to depositors, the modification of incentive plans to place greater emphasis on deposit and package account sales, enhancing online banking products and partnering with other well known brands in deposit oriented promotions. As of December 31, 2007 these efforts were successful in generating new accounts and households, specifically, the My Cause campaign generated over 402,000 checking accounts. However, the new accounts had not translated into higher overall deposit balances. As of December 31, 2007, securities pledged as collateral for deposits totaled \$6.9 billion.

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(Dollars in millions)	As of December 31					
	2007	2006	2005	2004	2003	2002
Tier 1 capital ¹	\$11,424.9	\$12,524.7	\$11,079.8	\$9,783.7	\$8,930.0	\$8,106.1
Total capital	16,994.1	18,024.9	16,713.6	14,152.6	13,365.9	12,609.8
Risk-weighted assets	164,931.9	162,236.7	158,132.3	136,642.8	113,711.3	108,501.1
Risk-based ratios:						
Tier 1 capital	6.93%	7.72%	7.01%	7.16%	7.85%	7.47%
Total capital	10.30	11.11	10.57	10.36	11.75	11.62
Tier 1 leverage ratio	6.90	7.23	6.65	6.64	7.37	7.30
Total shareholders' equity to assets	10.05	9.78	9.40	10.06	7.76	7.47

¹ Tier 1 capital includes trust preferred obligations of \$2.1 billion at the end of 2007, \$2.4 billion at the end of 2006, \$1.9 billion at the end of 2005 and 2004, and \$1.7 billion at the end of 2003 and 2002. Tier 1 capital also includes qualifying minority interests in consolidated subsidiaries of \$105 million at the end of 2007, \$455 million at the end of 2006, \$467 million at the end of 2005, \$451 million at the end of 2004, 2003 and 2002.

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 SunTrust Bank (the Bank) are subject to a minimum Tier 1 Risk-Based 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.

We are committed to remaining well capitalized and have set a Tier 1 target ratio for the Company of 7.5%. This ratio declined during 2007 with much of the decrease taking place during the fourth quarter moving from 7.44% at September 30, 2007 to 6.93% at December 31, 2007. We expect the Tier 1 ratio to be restored to the targeted level via the potential issuance of enhanced trust preferred securities qualifying as regulatory capital, and transactions we are currently evaluating with respect to our holdings of common stock in The Coca-Cola Company that would yield an increase in Tier 1 capital.

The decline in our capital ratios during 2007 was the result of the net impact of the following factors:

Effective January 1, 2007, we adopted SFAS No. 157 and SFAS No. 159. The adoption of these fair value standards resulted in a \$399.5 million reduction in retained earnings, which was partially offset by a \$147.4 increase in accumulated other comprehensive income due to the transfer of approximately \$15.4 billion in available for sale investment securities to trading assets. See Adoption of Fair Value Accounting Standards in MD&A and Note 20, Fair Value, to the Consolidated Financial Statements for more information.

Also effective January 1, 2007, we adopted FIN 48 which resulted in a reduction of total equity of \$41.9 million. We also adopted FSP FAS 13-2, Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction, effective January 1, 2007. The adoption of this standard resulted in a reduction of total equity of \$26.3 million.

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On February 13, 2007, we amended our retirement benefits plans, supplemental benefits plans and our other postretirement welfare plans. These amendments resulted in a remeasurement of our plans' obligations and increased accumulated other comprehensive income by \$79.7 million.

On July 6, 2007, we repaid \$250.0 million of Tier 1 qualifying, junior subordinated debentures held by a trust that had an original maturity date of June 15, 2027.

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On December 21, 2007, we redeemed \$350 million of a privately placed REIT Preferred security that had qualified as Tier 1 capital.

During the second half of 2007, our equity was negatively impacted by market valuation pre-tax write-downs of \$527.7 million related to securities purchased from Three Pillars and money funds managed by Trusco.

During 2007, we repurchased 10,758,059 shares for \$853.4 million under a Board authorized program. As of December 31, 2007, we were authorized to purchase up to an additional 30,000,000 shares under publicly announced plans or programs although we do not expect to engage in repurchases in the immediate future.

We declared and paid common dividends totaling \$1,026.6 million in 2007, or \$2.92 per common share, on net income available to common shareholders of \$1,603.7 million. The dividend payout ratio was 64.0% for 2007 versus 41.7% for 2006. The increase resulted largely from the negative earnings impact of the impairment charges taken during the fourth quarter of 2007.

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, and the 6.10% Enhanced Trust Preferred Securities of SunTrust Capital VIII (collectively, the Issued Securities), SunTrust entered into Replacement Capital Covenants (RCCs). The RCCs limit SunTrust's ability to repay, redeem or repurchase the Issued Securities (or certain related securities). Each Replacement Capital Covenant was executed by SunTrust in favor of the holders of certain debt securities, which are initially the holders of SunTrust's 6% Subordinated Notes due 2026 (CUSIP No. 867914AH6). The Replacement Capital Covenants are more fully described in Current Reports on Form 8-K filed on September 12, 2006, November 6, 2006 and December 6, 2006.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in detail in Note 1, 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, or reducing a liability. Our accounting and reporting policies are in accordance with US 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 accounting policies that we have deemed critical.

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 loan 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 size and 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.

Impaired loans, except for smaller balance homogeneous loans, include loans classified as nonaccrual where it is probable that we will be unable to collect the scheduled payments of principal and interest according to the contractual terms of the loan agreement. When a loan is deemed impaired, the amount of specific allowance required is measured by a complete analysis of 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.

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 several factors: historical loss

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experience, current internal risk ratings based on our internal risk rating system, internal portfolio trends such as increasing or decreasing levels of delinquencies, concentrations, and external influences such as changes in economic or industry conditions.

Unallocated allowances relate to inherent losses that are not included elsewhere in the ALLL. The qualitative factors associated with unallocated allowances are subjective and require a high degree of management judgment. These factors include the inherent imprecision in models and credit quality statistics and lagging or incomplete data.

Our financial results are affected by the changes in and 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 it 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 loan losses. During 2007, we experienced an increase in delinquency 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 uncertainty the ultimate amount of loss could vary from that estimate. For additional discussion of the ALLL see the *Allowance for Loan and Lease Losses* and *Provision for Loan Losses* sections of MD&A.

Estimates of Fair Value

We measure or monitor many of our assets and liabilities on a fair value basis. Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary basis of accounting. The extent to which we use fair value on a recurring basis was significantly expanded upon the early adoption of SFAS No. 159 and SFAS No. 157 during the first quarter, effective on January 1, 2007. Examples of this recurring use of fair value include derivative instruments, available for sale and trading securities, loans held for sale accounted for at fair value, long-term debt accounted for at fair value and certain residual interests from Company-sponsored securitizations. Additionally, fair value is used on a non-recurring basis to evaluate assets or liabilities for impairment or for disclosure purposes in accordance with SFAS No. 107. Examples of these non-recurring uses of fair value include loans held for sale accounted for at the lower of cost or market, MSRs, goodwill, intangible assets and long-lived assets. Depending on the nature of the asset or liability, we use various valuation techniques and assumptions when estimating fair value. These valuation techniques and assumptions are in accordance with SFAS No. 157.

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. Fair value determination in accordance with SFAS No. 157 requires that we make a number of significant judgments. First, where prices for identical assets and liabilities are not available, application of the three-level hierarchy established by SFAS No. 157 would require that we identify, what we believe to be, similar assets and liabilities. If observable market prices are unavailable or impracticable to obtain, 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 assumptions about the risks inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance. Our assessments with respect to assumptions that market participants would make are inherently difficult to determine and use of different assumptions could result in material changes to these fair value measurements. As required under SFAS No. 157, the use of significant, unobservable inputs in our models is described in detail in Note 20, *Fair Value*, to the Consolidated Financial Statements.

In instances where required by US GAAP, 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 residual interests from Company-sponsored securitizations. 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. 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, *Securitization Activity and MSRs*, to the Consolidated Financial Statements. The fair value of MSRs is based on discounted cash flow analyses. 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.

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In estimating the fair values for investment securities and most derivative financial instruments, we believe that independent, third-party market prices are the best evidence of exit price and where available, base our estimates on such prices. If such third-party 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. When market observable data is not available, the valuation of financial instruments becomes more subjective and involves substantial judgment. The need to use unobservable inputs generally results from the lack of market liquidity for certain types of loans and securities, which results in diminished observability of both actual trades and assumptions that would otherwise be available to value these instruments. The distressed market conditions, that began in the third quarter of 2007 and have continued after year-end, have impacted our ability to obtain third-party pricing data for our investments in SIVs and certain other ABS and collateralized debt obligations, particularly those backed by subprime or Alt-A loans. Even when third-party 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 loans held for sale 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 and activity. When observable market prices are not available, for example as a result of the current illiquidity in the market for certain loan products, we will use judgment and estimate fair value using internal models. If broker pricing is available, despite the lack of market observable trades, we will obtain broker pricing for a population of loans and extrapolate this data across a larger loan population. Even if limited market data is available, the characteristics of the underlying loan collateral are critical to arriving at an appropriate fair value in the current markets, such that any similarities that may otherwise be drawn may be questionable. When estimating fair value, 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 to sell the loans.

The fair values of OREO and other repossessed assets are typically determined based on appraisals by third parties, less estimated selling costs. Estimates of fair value are also required when performing an impairment analysis of goodwill, intangible assets and long-lived assets. We review goodwill for impairment at the reporting unit level on an annual basis, or more often if events or circumstances indicate the carrying value may not be recoverable. The goodwill impairment test compares the fair value of the reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value an additional analysis must be performed to determine the amount, if any, by which goodwill is impaired. In determining the fair value of our reporting units, we use discounted cash flow models which require assumptions about growth rates of the reporting units and the cost of equity. To the extent that adequate data is available, other valuation techniques relying on market data may be incorporated into the estimate of a reporting unit's fair value. 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 amount that is most representative of fair value. For long-lived assets, including intangible assets subject to amortization, an impairment loss should be 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.

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. On a quarterly basis, we evaluate the reasonableness of our effective tax rate based upon a current estimate of net income, tax credits, and the applicable statutory tax rates expected for the full year. The estimated income tax expense is reported in the Consolidated Statements of Income.

Accrued taxes represent the net estimated amount due to or to be received from taxing jurisdictions either currently or in the future and is 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 taxing authorities, and newly enacted

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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 periodically evaluate our uncertain tax positions and estimate the appropriate level of tax reserves related to each of these positions. This evaluation involves a high degree of judgment and subjectivity around the ultimate resolution of these matters.

Pension Accounting

Several variables affect the annual pension cost and 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, and years of employment. A reorganization was announced during 2007 which will result in the plan population decreasing through 2008. Judgments will be required on our part to determine how this reorganization will impact the characteristics of the employee population, listed above as one of the key variables affecting our calculation.

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, 2007. This assumption is updated every year for each plan. The discount rate for each plan is reset annually 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 \$13 million.

Expected Long-term Rate of Return on Plan Assets

Based on historical experience and market projection of the target asset allocation set forth in the investment policy for the SunTrust and NCF Retirement Plans, the pre-tax expected rate of return on plan assets was 8.50% in 2007 and 2006. This expected rate of return is dependent upon the asset allocation decisions made with respect to plan assets. We modified this allocation at the end of 2007 by reducing the pension trust equity exposure, resulting in a prospective change to the expected long-term rate of return on plan assets beginning in 2008 from 8.50% to 8.25%.

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, as defined in SFAS No. 87, Employers' Accounting for Pensions, in net periodic pension expense over the average future service of active employees, which is approximately eight years. 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 million.

Recognition of Actual Asset Returns

SFAS No. 87 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 the preferable method in determining pension cost. Our 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

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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

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over time, so the range of assumptions, and their impact on pension cost, is generally limited. We periodically review the assumptions used based on historical and expected future experience.

Healthcare Cost

Assumed healthcare cost trend rates also have an impact on the amounts reported for the postretirement plans. Due to changing medical inflation, it is important to understand the effect of a one percent point 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 \$13.7 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 of \$11.9 million and \$0.6 million decrease, respectively.

To estimate the projected benefit obligation as of December 31, 2007, we projected forward the benefit obligations from January 1, 2007 to December 31, 2007, 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.

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 formed the SunTrust Enterprise Risk Program (SERP). 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.

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 are our risk vision and mission.

Risk Vision: To deliver sophisticated risk management capabilities consistent with those of top-tier financial institutions that support the needs of the business, enable risk-enlightened management and the optimal allocation of capital.

Risk Mission: To promote a strong risk management culture which facilitates accountability, risk-informed decisions consistent with the bank s strategic objectives and the creation of shareholder value.

Our Chief Risk Officer (CRO) reports to the Chief Executive Officer and is responsible for the oversight of the risk management organization as well as risk governance processes. The CRO provides overall leadership, vision and direction for our enterprise risk management framework.

In addition to the centralized Corporate Risk Management function, each line of business and corporate function has its own Risk Manager and support staff. These Risk Managers, while reporting directly to their respective line of business or function, facilitate communications with corporate risk functions and execute the requirements of the enterprise risk management framework and policies. Corporate Risk Management works in partnership with the Risk Managers to ensure alignment with sound risk management practices as well as industry best practices.

Organizationally, we measure and manage risk according to three main risk categories: credit risk, market risk (including liquidity risk) and operational risk (including compliance risk). The Chief Credit Officer manages our credit risk program and the Chief Market Risk Officer manages our market risk program. The Chief Operational Risk Officer manages our operational risk program. These three areas of risk are managed on a consolidated basis under our enterprise risk management framework, which also takes into consideration legal and reputational risk factors.

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In 2007, we continued to make significant enhancements to our Enterprise Risk Management function. The Model Validation and Enterprise Risk Measurement groups continued to provide reasonable assurance that risks inherent in model development and usage are properly identified and managed to oversee the calculation of economic capital. Risk identification, assessment and mitigation planning were formally incorporated into the strategic planning process. SERP continued to ensure that the approach and plans for risk management are aligned to the vision and mission of Enterprise Risk Management in addition to managing regulatory compliance. In addition, SERP's goal is to ensure our future compliance with the Basel II Capital Accord. Key objectives of SERP include incorporating risk management principles that encompass company values and standards and 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.

As part of our risk governance framework, we have also established various risk management-related committees. These committees are jointly responsible for ensuring adequate risk measurement and management in their respective areas of authority. These committees include: Asset/Liability Management Committee (ALCO), Corporate Product Risk Assessment Committee (PRAC), Credit Management Committee and the SERP Steering Committee. Additionally, we have established an Enterprise Risk Committee (ERC), chaired by the CRO, which is responsible for supporting the CRO in measuring and managing our aggregate risk profile. The ERC consists of various senior executives throughout the Company and meets on a monthly basis.

The Board of Directors is wholly responsible for oversight of our corporate risk governance process. The Risk Committee of the Board, which was formed in 2005, assists the Board of Directors in executing this responsibility.

Credit Risk Management

Credit risk refers to the potential for economic loss arising from the failure of SunTrust clients to meet their contractual agreements on all credit instruments, including on-balance sheet exposures from loans and leases, contingent exposures from unfunded commitments, letters of credit, credit derivatives, and counterparty risk under interest rate and foreign exchange 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.

We manage and monitor extensions of credit risk through initial underwriting processes and periodic reviews. We maintain underwriting standards in accordance with credit policies and procedures, and Credit Risk Management 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 particular, total borrower exposure limits are established and concentration risk is monitored. We have made a major commitment to maintain and enhance comprehensive credit systems in order to be compliant with business requirements and evolving regulatory standards. As part of a continuous improvement process, SunTrust Credit Risk Management evaluates potential enhancements to our risk measurement and management tools, implementing them as appropriate along with amended credit policies and procedures.

Borrower/counterparty (obligor) risk and facility risk are evaluated using our risk rating methodology, which has been implemented in the lines of business representing the largest total credit exposures. 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.

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

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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 Chief Risk Officer. The corporate governance structure also includes a risk manager and support staff embedded within each line of business and corporate function. These risk managers, while reporting directly to their respective line or function, also report indirectly to the Chief 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 Economic Value of Equity (EVE) 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, MSRs, loan warehouse and pipeline, debt carried at fair value and equity holdings of The Coca-Cola Company common stock. 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 of Directors.

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, as well as repricing gap analysis.

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 over a specified time period 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 customers 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, spread narrowing and widening, and yield curve twists. Each analysis incorporates what management believes to be the most appropriate assumptions about customer behavior in an interest rate scenario. Specific strategies are also analyzed to determine their impact on net interest income levels and sensitivities.

In 2007, we updated our deposit repricing assumptions and the base case yield curve from which sensitivity analysis is derived (now the implied forward curve). Further, the sensitivity is now measured as a percentage change in net interest income due to an instantaneous 100 basis point move instead of a gradual 100 basis point move. We believe instantaneous shifts are more robust and better illustrate sensitivities. Estimated changes set forth below are dependent upon material assumptions such as those previously discussed. The net interest income profile is relatively flat with respect to instantaneous 100 bp changes in rates.

Rate Change (Basis Points)	Economic Perspective	
	Estimated % Change in Net Interest Income Over 12 Months	
	December 31, 2007	December 31, 2006
+100	(1.0%)	(0.9%)
-100	0.3%	1.0%

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The December 31, 2007 net interest income sensitivity profiles include the impact from adopting SFAS No. 159. Specifically, the net interest payments from \$7.3 billion of receive fixed swaps are now reflected in trading income versus net interest income. The benefit to net interest 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 and commissions. The recognition of interest rate sensitivity from an economic perspective (above) is different from a financial reporting perspective (below) due to the use of fair value accounting for these interest rate swaps and related underlying debt. Hence, 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.

Financial Reporting Perspective

Rate Change (Basis Points)	Estimated % Change in Net Interest Income Over 12 Months	
	December 31, 2007	December 31, 2006
+100	0.1%	(0.9%)
-100	(0.8%)	1.0%

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 EVE. The sensitivity of EVE 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, EVE uses instantaneous changes in rates. EVE 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 EVE 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, 2007, the EVE profile indicates a negative change with respect to instantaneous 100 bp changes in rates due to the value sensitivity of MSRs.

Rate Shock (Basis Points)	Estimated % Change in EVE	
	December 31, 2007	December 31, 2006
+100	(2.8%)	(5.5%)
-100	(1.2%)	3.6%

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 EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current fiscal year). Further, EVE 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 EVE do not necessarily include certain actions that management may undertake to manage this risk in response to anticipated changes in interest rates.

Trading Activities

In 2007, we evaluated various balance sheet management initiatives and implemented several changes to our asset/liability management strategies. One of these changes was the expanded use of trading securities as part of our overall balance sheet management. These trading securities were initially seeded by the transfer of approximately \$16 billion in securities previously classified as available for sale. Subsequent to the initial transfer as of January 1, 2007, we have continued to actively manage a significant amount of trading securities as part of our asset and liability management strategies. We purchased and classified as trading (and therefore measured at fair value through earnings) approximately \$23 billion of trading securities during the year subsequent to the initial transfer. The composition and duration of these securities has changed over the course of the year in conjunction with changes to our asset and liability management strategies, as well as changing market conditions.

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We initially purchased U.S. Treasury bills, which were used primarily as collateral for public fund customer deposits. Our public fund collateral strategy has evolved during the year in part due to changes in the state laws that govern this matter. As U.S. Treasury bills became increasingly expensive relative to other types of securities, we shifted some of our trading securities to longer dated U.S. agency debentures and also began using FHLB letters of credit as public fund collateral. In addition, we began purchasing corporate debt issued by other banks in the third quarter as a partial hedge to the market volatility to our own corporate debt, which was carried at fair value under SFAS No. 159. Further, corporate treasury has acquired various ABS, commercial paper, as well as other corporate bonds during the second half of 2007 as part of our balance sheet management efforts, which evidences our expanded use of fair value accounting.

The remainder of our actively traded securities, other than corporate treasury trading securities, are designed to support customer requirements through our broker-dealer subsidiary. Product offerings to customers 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. Typically, SunTrust maintains a securities inventory to facilitate customer transactions. Also in the normal course of business, we assume a degree of market risk in proprietary trading, hedging, and other strategies, subject to specified limits.

SunTrust has developed policies and procedures to manage market risk associated with trading, capital markets and foreign exchange activities using a value-at-risk (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 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 in fair value 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.

The average Undiversified VaR (Undiversified VaR represents a simple summation of the VaR calculated across each book that makes up the total book of business, such as fixed income, foreign exchange, derivative, etc.) was \$14.2 million for 2007 and \$4.1 million for 2006. Trading assets net of trading liabilities averaged \$11.5 billion for 2007 and \$1.5 billion for 2006. The period-end Undiversified VaR was \$33.1 million at December 31, 2007 and \$3.3 million at December 31, 2006. Trading assets net of trading liabilities were \$8.4 billion at December 31, 2007 and \$1.1 billion at December 31, 2006. Increases in trading assets and risk are due primarily to the acquisition of trading securities and the adoption of fair value accounting in 2007. In addition, trading assets and risk as at December 31, 2007 include securities purchased from affiliated funds and a conduit funding vehicle.

Liquidity Risk

Liquidity risk is the risk of being unable to meet obligations as they come due at a reasonable funding cost. SunTrust manages this risk by structuring its balance sheet prudently and by maintaining borrowing resources to fund potential cash needs. We assess liquidity needs in the form of increases in assets, maturing obligations, or deposit withdrawals, considering both operations in the normal course of business and in times of unusual events. In addition, we consider the off-balance sheet arrangements and commitments we have entered into, which could also affect our liquidity position. The Corporate ALCO measures this risk, sets policies, and reviews adherence to those policies. In addition, the Risk Committee of the Board sets liquidity limits and reviews current and forecasted positions at each regularly scheduled meeting.

Our sources of funds include a large, stable deposit base, secured advances from the FHLB and access to the capital markets. We structure our balance sheet so that illiquid assets, such as loans, are funded through customer deposits, long-term debt, other liabilities and capital. Customer based core deposits, our largest and most cost-effective source of funding, accounted for 64.1% of the funding base on average for 2007 compared to 62.4% for 2006. Average customer based core deposits increased \$0.8 billion, or 0.9%, compared to 2006.

As part of our balance sheet restructuring in 2007, we have reduced our reliance on wholesale funding on a consolidated basis. Total wholesale funding, including net short-term unsecured borrowings, net secured wholesale borrowings and long-term debt, totaled \$50.4 billion at December 31, 2007 compared to \$56.5 billion at December 31, 2006. Net short-term unsecured borrowings, including wholesale domestic and foreign deposits and fed funds, totaled \$21.9 billion at December 31, 2007 compared to \$30.8 billion at December 31, 2006, while net short-term and long-term secured borrowings totaled \$28.5 billion at December 31, 2007 compared to \$25.7 billion at December 31, 2006. Most of this reduction in wholesale borrowing has been at SunTrust Bank.

Liquidity is also managed at the parent company on a standalone basis to ensure that sufficient liquidity is always available in the form of cash, liquid assets, and borrowing sources to meet all obligations of the parent company as they become due.

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In addition, ALCO and the Risk Committee of the Board have established appropriate liquidity measures and ratios at the parent company, as a standalone entity, to provide a sufficient amount of liquidity to meet unforeseen circumstances. Disruptions in the financial markets during the second half of 2007 created additional demands on liquidity at the parent. While the liquidity position of the parent company has remained strong, we plan to supplement parent liquidity in the future, including the potential issuance of securities during 2008.

We maintain access to a diversified base of wholesale funding sources. These non-committed sources include Fed Funds purchased, securities sold under agreements to repurchase, negotiable certificates of deposit, offshore deposits, FHLB advances, Global Bank Note issuance and commercial paper issuance.

In November 2007, SunTrust increased its Global Bank Note program total capacity to \$40.0 billion of aggregate principal outstanding. As of December 31, 2007, SunTrust Bank had \$32.6 billion remaining capacity under its Global Bank Note program. SunTrust established the program to expand funding and capital sources to include both domestic and international investors. In keeping with that objective, in May 2007 the Bank issued a £400 million 5-year floating-rate note at GBP LIBOR + 12 basis points and swapped the proceeds back to US dollars via a cross-currency interest rate swap.

Liquidity is also available through unpledged securities in the investment portfolio and capacity to securitize loans, including single-family mortgage loans. Our credit ratings are important to our access to unsecured wholesale borrowings. Significant changes in these ratings could change the cost and availability of these sources. We manage reliance on short-term unsecured borrowings as well as total wholesale funding through policies established and reviewed by ALCO.

We have a contingency funding plan that stresses the liquidity needs that may arise from certain events such as agency rating downgrades, rapid loan growth, or significant deposit runoff. The plan also provides for continual monitoring of net borrowed funds dependence and available sources of liquidity. Management believes the Company has the funding capacity to meet the liquidity needs arising from potential events.

As detailed in Table 15, we had \$88.2 billion in unused lines of credit at December 31, 2007 that were not recorded on our balance sheet. Commitments to extend credit are arrangements to lend to a customer who has complied with predetermined contractual obligations. We also had \$12.7 billion in letters of credit as of December 31, 2007, most of which are standby letters of credit that provide that SunTrust Bank fund if certain future events occur. Of this, approximately \$6.6 billion support variable-rate demand obligations (VRDOs) remarketed by SunTrust and other agents. VRDOs are municipal securities which are remarketed by the agent on a regular basis, usually weekly. In the event that the securities are unable to be remarketed, SunTrust Bank would fund under the letters of credit.

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, 2007, we were in compliance with all covenants and provisions of these debt agreements.

As of December 31, 2007, our cumulative unrecognized tax benefits amounted to \$405.4 million (\$316.2 million on an after-tax basis), including \$80.0 million (\$52.0 million on an after-tax basis) of interest. These unrecognized tax benefits represent the difference between tax positions taken or expected to be taken in our tax returns and the benefits recognized and measured in accordance with FIN 48. The unrecognized tax benefits 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.

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We monitor our sensitivity to changes in interest rates and may use derivative instruments to limit the volatility of net interest income. Derivative instruments decreased net interest income in 2007 by \$25.6 million and decreased net interest income in 2006 by \$105.6 million. The following tables summarize the derivative instruments into which we entered as an end-user. See Note 17, Variable Interest Entities, Derivatives and Off-Balance Sheet Arrangements, to the Consolidated Financial Statements for a complete description of the derivative instruments and activities during 2007 and 2006.

(Dollars in millions)	As of December 31, 2007 ¹				
	Notional Amount	Gross Unrealized Gains ⁴	Gross Unrealized Losses ⁴	Accumulated Other Comprehensive Income ⁶	Average Maturity in Years
Asset Hedges					
Cash flow hedges					
Interest rate swaps ²	\$10,200	\$246	(\$1)	\$152	3.07
Total asset hedges	\$10,200	\$246	(\$1)	\$152	3.07
Liability Hedges					
Cash flow hedges					
Interest rate swaps ³	\$3,865	\$3	(\$47)	(\$27)	1.45
Total liability hedges	\$3,865	\$3	(\$47)	(\$27)	1.45
Terminated/Dedesignated Liability Hedges					
Cash flow hedges					
Interest rate swaps and options ⁵	\$5,737	\$-	\$-	\$34	1.88
Total terminated/dedesignated hedges	\$5,737	\$-	\$-	\$34	1.88

¹ Includes only derivative financial instruments which are currently, or were previously designated as, and for which the Company continues to recognize the impacts of, qualifying hedges under SFAS No. 133. Certain other derivatives, which are effective for risk management purposes, but which are not in designated hedging relationships under SFAS No. 133, are not incorporated in this table. All interest rate swaps have resets of six months or less.

² Represents interest rate swaps designated as cash flow hedges of commercial loans.

³ Represents interest rate swaps designated as cash flow hedges of floating rate certificates of deposit and FHLB Advances.

⁴ Represents the change in fair value of derivative financial instruments from inception to December 31, 2007 less accrued interest receivable or payable.

⁵ Represents interest rate swaps and options that have been terminated and/or redesignated as derivatives that qualify for hedge accounting. The derivatives were designated as cash flow hedges of floating rate debt, certificates of deposit, commercial loans, and tax exempt bonds. The \$33.7 million of net gains, net of taxes, recorded in accumulated other comprehensive income will be reclassified into earnings as interest income or expense over the life of the respective hedged items.

⁶ At December 31, 2007, the net unrealized gain on derivatives included in accumulated other comprehensive income, which is a component of stockholders equity, was \$158.6 million, net of income taxes. Of this net-of-tax amount, a \$124.9 million gain represents the effective portion of the net gains on derivatives that currently qualify as cash flow hedges, and a \$33.7 million gain relates to previous qualifying cash flow hedging relationships that have been terminated or redesignated. Gains or losses on hedges of interest rate risk will be classified into interest income or expense as a yield adjustment of the hedged item in the same period that the hedged cash flows impact earnings. As of December 31, 2007, \$45.3 million of net gains, net of taxes, recorded in accumulated other comprehensive income are expected to be reclassified into interest income or interest expense during the next twelve months.

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(Dollars in millions)	As of December 31, 2006 ¹				
	Notional Amount	Gross Unrealized Gains ⁶	Gross Unrealized Losses ⁶	Accumulated Other Comprehensive Income ⁹	Average Maturity in Years
Asset Hedges					
Cash flow hedges					
Interest rate swaps ²	\$7,000	\$-	(\$15)	(\$10)	1.34
Fair value hedges					
Forward contracts ³	6,787	9	(6)	-	0.07
Total asset hedges	\$13,787	\$9	(\$21)	(\$10)	0.72
Liability Hedges					
Cash flow hedges					
Interest rate swaps and options ⁴	\$2,265	\$42	\$-	\$26	1.95
Fair value hedges					
Interest rate swaps ⁵	3,823	-	(166)	-	4.41
Total liability hedges	\$6,088	\$42	(\$166)	\$26	3.50
Terminated/Dedesignated Liability Hedges					
Cash flow hedges					
Interest rate swaps and options ⁷	\$8,615	\$-	\$-	\$3	0.86
Fair value hedges					
Interest rate swaps ⁸	3,694	15	(91)	-	7.19
Total terminated/dedesignated hedges	\$12,309	\$15	(\$91)	\$3	2.76

¹ Includes only derivative financial instruments which are currently, or previously designated as, and for which the Company continues to recognize the impacts of, qualifying hedges under SFAS No. 133. Certain other derivatives which are effective for risk management purposes, but which are not in designated hedging relationships under SFAS No. 133, are not incorporated in this table. All interest rate swaps have resets of six months or less and are the pay and receive rates in effect as of December 31, 2006.

² Represents interest rate swaps designated as cash flow hedges of commercial loans.

³ Forward contracts are designated as fair value hedges of closed mortgage loans which are held for sale.

⁴ Represents interest rate swaps and options designated as cash flow hedges of floating rate certificates of deposit, Global Bank Notes, FHLB Advances and other variable rate debt.

⁵ Represents interest rate swaps designated as fair value hedges of subordinated notes, FHLB Advances, certificate and time deposits and other fixed rate debt.

⁶ Represents the fair value of derivative financial instruments less accrued interest receivable or payable.

⁷ Represents interest rate swaps and options that have been terminated and/or redesignated as derivatives that qualified for hedge accounting. The interest rate swaps and options were designated as cash flow hedges of floating rate debt and tax exempt bonds. The \$2.5 million of net gains, net of taxes, recorded in accumulated other comprehensive income will be reclassified into earnings as interest expense over the life of the respective hedged items.

⁸ Represents interest rate swaps that have been terminated and/or redesignated as derivatives that qualified for hedge accounting. The interest rate swaps were designated as fair value hedges of fixed rate debt. The \$76.0 million of pre-tax net losses recorded in a valuation account in long-term debt will be reclassified into earnings as a yield adjustment of the hedged item in the same period that the hedged cash flows impact earnings.

⁹ At December 31, 2006, the net unrealized gain on derivatives included in accumulated other comprehensive income, which is a component of shareholders equity, was \$18.9 million, net of income taxes. Of this net-of-tax amount, a \$16.4 million gain represents the effective portion of the net gains on derivatives that currently qualify as cash flow hedges, and a \$2.5 million gain relates to previous qualifying cash flow hedging relationships that have been terminated or redesignated. Gains or losses on hedges of interest rate risk will be classified into interest income or expense as a yield adjustment of the hedged item in the same period that the hedged cash flows impact earnings. As of December 31, 2006, \$14.2 million of net gains, net of taxes, recorded in accumulated other comprehensive income are expected to be reclassified into interest income or interest expense during the next twelve months.

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Derivative hedging instrument activities are as follows:

Derivatives Hedging

(Dollars in millions)	Notional Values ¹		
	Asset Hedges	Liability Hedges	Total
Balance, January 1, 2006	\$5,800	\$12,532	\$18,332
Additions	1,500	5,850	7,350
Maturities	(300)	(2,200)	(2,500)
Terminations	-	(1,700)	(1,700)
Dedesignations	-	(8,394)	(8,394)
Balance, December 31, 2006	\$7,000	\$6,088	\$13,088
Additions	11,600	7,400	19,000
Maturities	(4,900)	(5,400)	(10,300)
Terminations	(3,500)	(400)	(3,900)
Dedesignations	-	(3,823)	(3,823)
Balance, December 31, 2007	\$10,200	\$3,865	\$14,065

¹ Includes only derivative financial instruments which have been designated as qualifying hedges under SFAS No. 133. Certain other derivatives that are effective for risk management purposes, but which are not in designated hedging relationships under SFAS No. 133, are not incorporated in this table. The hedging activity for our mortgage loans held for sale is excluded from this table. With the 2007 adoption of SFAS No. 157 and SFAS No. 159, we no longer have unrealized gains and losses on fair value hedges. SFAS No. 133 hedging program was terminated for mortgage derivative contracts during 2007. As of December 31, 2006, the notional amount of mortgage derivative contracts totaled \$6.8 billion.

The following table presents the expected maturities of derivative financial instruments:

(Dollars in millions)	As of December 31, 2007 ¹					Total
	1 Year or Less	1 - 2 Years	2 - 5 Years	5 - 10 Years	After 10 Years	
CASH FLOW ASSET HEDGES						
Notional amount - swaps	\$600	\$2,100	\$4,500	\$3,000	\$-	\$10,200
Net unrealized gain (loss)	(1)	39	167	41	-	246
Weighted average receive rate ²	3.95%	5.13%	5.08%	4.64%	-%	4.89%
Weighted average pay rate ²	5.23	5.23	5.23	5.09	-	5.18
CASH FLOW LIABILITY HEDGES						
Notional amount - swaps	\$1,115	\$2,750	\$-	\$-	\$-	\$3,865
Net unrealized gain (loss)	3	(47)	-	-	-	(44)
Weighted average receive rate ²	5.04%	4.87%	-%	-%	-%	4.92%
Weighted average pay rate ²	3.85	5.05	-	-	-	4.70

¹ Includes only derivative financial instruments which are currently qualifying hedges under SFAS No. 133. Certain other derivatives that are effective for risk management purposes, but which are not in designated hedging relationships under SFAS No. 133, are not incorporated in this table.

² All interest rate swaps have variable pay or receive rates with resets of six months or less, and are the pay or receive rates in effect at December 31, 2007.

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(Dollars in millions)	As of December 31, 2006 ¹					Total
	1 Year or Less	1 - 2 Years	2 - 5 Years	5 - 10 Years	After 10 Years	
Cash Flow Asset Hedges						
Notional amount - swaps	\$4,900	\$600	\$1,500	\$-	\$-	\$7,000
Net unrealized gain (loss)	(30)	(9)	24	-	-	(15)
Weighted average receive rate ²	3.68%	3.95%	5.50%	-%	-%	4.09%
Weighted average pay rate ²	5.35	5.35	5.35	-	-	5.35
Fair Value Asset Hedges						
Notional amount - forwards	\$6,787	\$-	\$-	\$-	\$-	\$6,787
Net unrealized gain	3	-	-	-	-	3
Cash Flow Liability Hedges						
Notional amount - swaps and options ³	\$-	\$1,115	\$1,150	\$-	\$-	\$2,265
Net unrealized gain	-	21	21	-	-	42
Weighted average receive rate ²	-%	5.37%	5.37%	-%	-%	5.37%
Weighted average pay rate ²	-	3.85	4.18	-	-	3.98
Fair Value Liability Hedges						
Notional amount - swaps	\$-	\$173	\$1,950	\$1,700	\$-	\$3,823
Net unrealized loss	-	(5)	(90)	(71)	-	(166)
Weighted average receive rate ²	-%	2.48%	3.73%	4.10%	-%	3.84%
Weighted average pay rate ²	-	5.37	5.37	5.37	-	5.37

¹ Includes only derivative financial instruments which are currently qualifying hedges under SFAS No. 133. Certain other derivatives that are effective for risk management purposes, but which are not in designated hedging relationships under SFAS No. 133, are not incorporated in this table.

² All interest rate swaps have variable pay or receive rates with resets of six months or less, and are the pay or receive rates in effect at December 31, 2006.

³ Includes interest rate swaptions with notional of \$0.4 billion and the option to pay a fixed rate of 4.31% beginning May 2007. As the rates on the swaptions were not applicable at December 31, 2006, they have been excluded from the weighted average pay and receive calculations.

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 customers to make mortgage loans that will be sold to the secondary market, and our investment in MSR's. We manage the risks associated with the residential and commercial mortgage loans classified as held for sale (i.e., the warehouse) and our interest rate lock commitments (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 90-150 days.

We manage interest rate risk predominantly with interest rate swaps, futures and forward sale agreements, where the changes in value of the forward sale agreements substantially offset the changes in value of the warehouses and the IRLCs. IRLCs on residential mortgage loans intended for sale are classified as free standing derivative financial instruments in accordance with SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, and are not designated in SFAS No. 133 hedge accounting relationships.

The most significant financial impact of adopting the provisions of SFAS No. 157 related to valuing mortgage loan commitments. The valuation of these loan commitments includes assumptions related to the amount of commitments that ultimately result in closed loans. Under SFAS No. 157, the full value of these loan commitments, excluding servicing value, is recognized at the loan commitment date. Prior accounting requirements under EITF 02-03, precluded the recognition of a portion of the loan commitment's value, which was deferred until the loans underlying the commitments were ultimately sold. The change in valuation methodology under SFAS No. 157 accelerates the recognition of certain components of the commitment's value.

MSR's are the discounted present value of future net cash flows that are expected to be received from the mortgage servicing portfolio. The value of MSR's is highly dependent upon the assumed prepayment speed of the mortgage servicing portfolio. Future expected net cash flows from servicing a loan in the mortgage servicing portfolio would not be realized if the loan

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pays off earlier than anticipated. We have not historically hedged the MSR asset for this risk; however, we have employed a balanced business strategy using the natural counter-cyclicality of servicing and production, and may employ other financial instruments, including economic hedges, to manage the performance of the business. During 2008, we began economically hedging our MSR portfolio given increased downside risk to the valuation in the current interest rate environment. We have and will continue to economically hedge the risk associated with the change in value of MSRs imbedded in the IRLCs prior to loan funding. The fair value determination, key economic assumptions and the sensitivity of the current fair value of the MSRs as of December 31, 2007 and December 31, 2006 is discussed in greater detail in Note 11, Securitization Activity and MSRs, to the Consolidated Financial Statements.

We are also subject to risk from changes in equity prices that arise from owning The Coca-Cola Company common stock. We own 43.6 million shares of common stock of The Coca-Cola Company, which had a carrying value of \$2.7 billion at December 31, 2007. A 10% decrease in share price of The Coca-Cola Company common stock at December 31, 2007 would result in a decrease, net of deferred taxes, of approximately \$166 million in accumulated other comprehensive income.

OFF-BALANCE SHEET ARRANGEMENTS

We assist in providing liquidity to select corporate clients by directing them to a multi-seller commercial paper conduit that we administer, Three Pillars Funding, LLC (Three Pillars). Three Pillars provides financing for direct purchases of financial assets originated and serviced by our corporate clients. Three Pillars finances this activity by issuing A-1/P-1 rated commercial paper (CP). The result is an attractive funding arrangement for these clients.

As of December 31, 2007 and December 31, 2006, Three Pillars had assets not included on our Consolidated Balance Sheets of approximately \$5.3 billion and \$5.4 billion, respectively, consisting primarily of secured loans. Funding commitments and outstanding receivables extended by Three Pillars to its customers totaled \$7.7 billion and \$4.6 billion, respectively, as of December 31, 2007, almost all of which renew annually. Assets supporting those commitments have a weighted average life of 2.18 years. The majority of the commitments are backed by trade receivables and commercial loans, which collateralize 41% and 19%, respectively, of the outstanding commitments.

Each transaction added to Three Pillars is typically structured to an implied A/A2 rating according to established credit and underwriting policies as approved by credit risk management. Each transaction is monitored on a monthly basis, or more frequently, to ensure compliance with each transaction's terms and conditions. Typically, transactions contain dynamic credit enhancement structures that provide increased credit protection in the event asset performance deteriorates. If asset performance deteriorates beyond pre-determined covenant levels, the transaction could become ineligible for continued funding by Three Pillars. This could result in the transaction being amended with the approval of our credit risk management or being funded under the liquidity facility provided by us in connection with the transaction. In addition, each commitment renewal requires credit risk management approval. During the year ended December 31, 2007, there were no write-downs and no downgrades of Three Pillars' assets; however, see the following discussion relating to the liquidity commitments for trading losses taken by us for securities purchased from Three Pillars pursuant to those arrangements.

At December 31, 2007, Three Pillars' outstanding CP used to fund the above assets totaled \$5.3 billion, with remaining weighted-average lives of 25.6 days and maturities through April 9, 2008. Three Pillars has no other form of funding outstanding as of December 31, 2007.

Beginning in the third quarter of 2007, the overall U.S. asset backed commercial paper (ABCP) market experienced a disruption which continued through the remainder of the year. Despite the continued ongoing disruptions in and contraction of the CP market, Three Pillars experienced no significant difficulties in issuing its CP and has been able to place daily its commercial paper in the third party CP market. During the third quarter of 2007, we, in our sole discretion, elected to purchase a limited amount of Three Pillars' CP although we were under no obligation, contractual or otherwise, to do so. The aggregate face amount of Three Pillars' issued commercial paper purchased in the third quarter totaled \$775.1 million. The Three Pillars CP was classified on our Consolidated Balance Sheet as a trading asset and was purchased at market rates ranging from 5.27% to 6.29%, with maturities ranging from 7 days to 27 days. This amount represented less than 1% of Three Pillars' total issuance for the year ended December 31, 2007. Our purchase of the commercial paper did not alter our conclusion that we are not Three Pillars' primary beneficiary. We hold no outstanding Three Pillars CP at December 31, 2007.

Three Pillars has an outstanding subordinated note to an unrelated third party who is expected to absorb the majority of Three Pillars' expected losses. The subordinated note holder absorbs the first dollar of loss in the event of nonpayment of any of Three Pillars' assets. The subordinated note matures in March 2015; however, the note holder may declare the note due and

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payable upon an event of default, which includes any loss drawn on the note funding account that remains unreimbursed for 90 days. In such an event, only the remaining balance of the first loss note, after the incurred loss, will be due. If the first loss note holder declared its loss note due under such circumstances and a new first loss note or other first loss protection was not obtained, we would likely consolidate Three Pillars on a prospective basis. The outstanding and committed amounts of the subordinated note were \$20.0 million and \$20.0 million at December 31, 2007 and \$6.5 million and \$8.0 million, at December 31, 2006, respectively.

Three Pillars obtained an increase in the commitment and available funding under the subordinated note during the year ended December 31, 2007 due to the difficult market condition and interest rate environment. We believe the subordinated note is sized in an amount sufficient to absorb the expected loss of Three Pillars based on current commitment levels as well as for forecasted growth in Three Pillars' assets. Should future losses reduce the subordinated note funding account below its required level or if the note is reduced to a size deemed insufficient to support the growth of assets in Three Pillars, we would likely be required to consolidate Three Pillars, if an amendment of the current subordinate note or a new subordinate note could not be obtained. Based on our analysis of Three Pillars' outstanding assets and total commitments at December 31, 2007, the outstanding subordinated note would need to be less than \$9.0 million to be considered insufficient to absorb the majority of Three Pillars' expected losses. We believe events resulting in consolidation are unlikely to occur; however, should we consolidate Three Pillars, the potential impact to our debt covenants, capital ratios, credit ratings, or dividends are not expected to be significant. We reconsider our involvement with Three Pillars on an ongoing basis, including each time a client originates or pays off a financing in Three Pillars. This reconsideration process may result in an increase or a decrease in the note commitment, as needed to continue to absorb the majority of the expected losses of Three Pillars. Based on an ongoing analysis of the expected losses of Three Pillars, which includes consideration of the size of the subordinated note, we concluded we were not Three Pillars' primary beneficiary, and thus we are not required to consolidate Three Pillars.

Our involvement with Three Pillars includes the following activities: services related to our administration of Three Pillars' activities, client referrals and investment recommendations to Three Pillars; the issuing of letters of credit, which provides partial credit protection to the commercial paper holders; and providing a majority of the liquidity arrangements that would provide funding to Three Pillars in the event it can no longer issue commercial paper or in certain other circumstances. Activities related to the Three Pillars relationship generated total fee revenue for us, net of direct salary and administrative costs incurred by us, of approximately \$28.7 million, \$31.0 million and \$25.2 million for the years ended December 31, 2007, 2006, and 2005, respectively. There are no other contractual arrangements we plan to enter into with Three Pillars to provide it additional support.

Off-balance sheet commitments in the form of liquidity facilities and other credit enhancements provided by us to Three Pillars, the sum of which represents our maximum exposure to potential loss, totaled \$7.9 billion and \$763.4 million, respectively, as of December 31, 2007 compared to \$8.0 billion and \$697.8 million, respectively, as of December 31, 2006. The liquidity commitments are revolving facilities that are sized based on the current commitments provided by Three Pillars to its customers. Three Pillars had one additional liquidity commitment outstanding at December 31, 2007 from a third party unrelated to us in the amount of \$25.0 million. Obligation to fund and repayment of any draws on the third party liquidity facility are *pari passu* to the liquidity commitment outstanding by the Company.

The liquidity facilities are generally used if new commercial paper can not be issued by Three Pillars to repay maturing commercial paper. However, the liquidity facilities are available in all circumstances, except certain bankruptcy-related events with respect to Three Pillars. Draws on the facilities are subject to the purchase price (or borrowing base) formula that, in many cases, excludes defaulted assets to the extent that they exceed available over-collateralization in the form of non-defaulted assets, and may also provide the liquidity banks with loss protection equal to a portion of the loss protection provided for in the related securitization agreement. Additionally, there are transaction specific covenants and triggers that are tied either to the performance of the assets of the relevant seller/servicer that may result in a transaction termination event, which, if continuing, would require funding through the related liquidity facility. Finally, in a termination event of Three Pillars, such as if its tangible net worth falls below \$5,000 for a period in excess of 15 days, Three Pillars would be unable to issue CP which would likely result in funding through the liquidity facilities.

Drawings under the credit enhancement are also available in all circumstances, but are generally used to the extent required to make payment on any maturing commercial paper if there are insufficient funds from collections of receivables or the use of liquidity facilities. The required amount of credit enhancement at Three Pillars will vary from time to time as new receivables pools are purchased or removed from its asset portfolio, but is generally equal to 10% of the aggregate commitments of Three Pillars.

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We manage the credit risk associated with these commitments by subjecting them and the underlying collateral assets of Three Pillars to our normal credit approval and monitoring processes. Losses on the commitments provided to Three Pillars by us resulting from a loss due to nonpayment on the underlying assets are reimbursed to us from the subordinated note reserve account, which is the amount outstanding on the subordinated note agreement.

During the year ended December 31, 2007, Three Pillars qualified ABS were funded by our liquidity facility supporting those ABS (for a discussion of the nature of these securities see the Trading Assets discussion within MD&A). The liquidity was drawn based on Three Pillars decision to exit those types of investments due to an acceleration in the deterioration of the performance of the underlying collateral and market illiquidity in the fourth quarter of 2007 resulting in a material decrease in the market value of those securities. Pursuant to the liquidity facility agreement, the ABS were sold to us in order to allow us to manage our associated credit and market risk. The purchase price under the liquidity facility for the qualified ABS equaled the amortized cost of the ABS plus the related unpaid CP interest used to fund those investments which, in total, amounted \$725.0 million. Subsequent to the purchase, Three Pillars, along with us, canceled the related liquidity agreement. Of the investments included in the purchase, only one security in the amount of \$62 million had experienced a decline in credit to such an extent that management believed a future realized loss on the ABS was likely to occur if the security was held to maturity. As a result of the purchase of the qualified ABS, we recognized an unrealized loss of \$144.8 million during the fourth quarter of 2007 due to the significant decrease in the market value of the ABS. The remaining assets in Three Pillars are primarily seller receivables and since inception, Three Pillars has not drawn on any liquidity facilities for a customer receivable transaction. These receivables have the benefit of dynamic credit enhancement features and are not subject to the same level of market risk as the ABS that were purchased from Three Pillars. We considered these factors, among others, in assessing whether we would suffer additional losses based on our involvement with Three Pillars and are not aware of additional uncertainties or unfavorable trends within Three Pillars for which we expect to suffer material losses.

We have variable interests in certain other securitization vehicles that are variable interest entities (VIEs) that are not consolidated because we are not the primary beneficiary. In such cases, we do not absorb the majority of the entities expected losses nor do we receive a majority of the expected residual returns. At December 31, 2007, total assets of these entities not included on our Consolidated Balance Sheets were approximately \$3.7 billion compared to \$2.2 billion at December 31, 2006. At December 31, 2007, our maximum exposure to loss related to these VIEs was approximately \$386.9 million, which represents our investment in senior interests of \$358.8 million as of December 31, 2007 and interests in preference shares of \$28.1 million compared to a maximum exposure of \$32.2 million as of December 31, 2006, relating exclusively to our interests in preference shares. We have no off-balance-sheet or other implicit variable interests related to these entities.

As part of our community reinvestment initiatives, we invest in multi-family affordable housing properties throughout our footprint as a limited and/or general partner. We receive affordable housing federal and state tax credits for these investments. Partnership assets of approximately \$713.3 million and \$756.9 million in partnerships where we are only a limited partner were not included in the Consolidated Balance Sheets at December 31, 2007 and 2006, respectively. Our maximum exposure to loss for these limited partner investments totaled \$297.2 million and \$330.6 million at December 31, 2007 and 2006, respectively. Our maximum exposure to loss related to our affordable housing limited partner investments consists of the limited partnership equity investments, unfunded equity commitments, and debt issued by us to the limited partnerships. We recorded \$57.7 million in impairment charges during the fourth quarter of 2007 in association with these interests.

Trusco, a registered investment advisor and our wholly-owned subsidiary, serves as the investment advisor for various private placement and publicly registered investment funds (collectively the Funds). We periodically evaluate these Funds to determine if the Funds are voting interest or variable interest entities, and monitor the nature of our interests in each Fund to determine if we are required to consolidate any of the Funds. While we do not have any contractual obligation to provide monetary support to the Funds, we did elect to provide support for specific securities within a single institutional private placement fund (the Fund) during the third quarter of 2007. This action, combined with certain limitations on the third party voting rights, led us to conclude that we were the primary beneficiary, which resulted in the consolidation as of September 30, 2007 of approximately \$967 million in trading securities and a similar amount of other liabilities that represented the minority interest obligations of the Fund. After a thorough evaluation of the Fund within the current market conditions, we further elected to close the Fund in November 2007. As a result, we purchased the securities of the Fund at the securities amortized cost plus accrued interest, and Fund shareholders received their full principal and interest due in cash. We are now managing the trading securities that were received from the Fund as part of our actively managed trading portfolio. Due to increased losses with respect to the collateral underlying these securities, we recorded market valuation losses of approximately \$132 million during 2007. See, Trading Assets in MD&A for further discussion.

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We are the managing general partner of a number of non-registered investment limited partnerships which have been established to provide alternative investment strategies for our clients. In reviewing the partnerships for consolidation, we determined that these were voting interest entities and accordingly considered the consolidation guidance contained in EITF Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*. Under the terms of our non-registered investment limited partnerships, the limited partners have certain rights, such as the right to remove the general partner, or kick-out rights, as indicated in EITF Issue No. 04-5. Therefore, we, as the general partner, are precluded from consolidating the limited partnerships.

Table 15 Unfunded Lending Commitments

(Dollars in millions)	December 31 2007	December 31 2006
Unused lines of credit		
Commercial	\$38,959.1	\$40,764.3
Mortgage commitments ¹	12,859.5	28,232.1
Home equity lines	20,424.9	18,959.8
Commercial real estate	6,228.2	7,187.0
Commercial paper conduit	7,877.5	8,022.3
Credit card	1,808.5	1,519.7
Total unused lines of credit	\$88,157.7	\$104,685.2
Letters of credit		
Financial standby	\$12,287.5	\$12,540.6
Performance standby	283.1	334.0
Commercial	132.3	123.4
Total letters of credit	\$12,702.9	\$12,998.0

¹ Includes \$5.0 billion and \$6.2 billion in IRLCs accounted for as derivatives as of December 31, 2007 and December 31, 2006, respectively.

CONTRACTUAL COMMITMENTS

In the normal course of business, we enter into certain contractual obligations. Such obligations include obligations to make future payments on debt and lease arrangements, contractual commitments for capital expenditures, and service contracts. Table 16 summarizes our significant contractual obligations at December 31, 2007, except for pension and postretirement benefit plans, included in Note 16, *Employee Benefit Plans*, to the Consolidated Financial Statements.

Table 16 Contractual Commitments

(Dollars in millions)	As of December 31, 2007				Total
	1 year or less	1-3 years	3-5 years	After 5 years	
Time deposit maturities ¹	\$37,420	\$8,005	\$292	\$81	\$45,798
Short-term borrowings ¹	12,201	-	-	-	12,201
Long-term debt ¹	2,783	2,125	11,936	6,096	22,940
Operating lease obligations	194	351	282	690	1,517
Capital lease obligations ¹	1	2	2	12	17
Purchase obligations ²	89	135	24	3	251

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Total	\$52,688	\$10,618	\$12,536	\$6,882	\$82,724
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¹ Amounts do not include accrued interest.

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

As of December 31, 2007, our cumulative unrecognized tax benefits amounted to \$405.4 million (\$316.2 million on an after-tax basis), including \$80.0 million (\$52.0 million on an after-tax basis) of interest. 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

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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 run without us being examined by any particular tax authority.

Table 17 Selected Quarterly Financial Data

(Dollars in millions, except per share and other data)	2007				2006			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Summary of Operations								
Interest, fees, and dividend income	\$2,448.7	\$2,515.3	\$2,543.9	\$2,528.0	\$2,564.7	\$2,525.5	\$2,423.1	\$2,278.7
Interest expense	1,281.1	1,323.1	1,348.6	1,363.5	1,403.4	1,374.1	1,254.3	1,099.7
Net interest income	1,167.6	1,192.2	1,195.3	1,164.5	1,161.3	1,151.4	1,168.8	1,179.0
Provision for loan losses	356.8	147.0	104.7	56.4	115.8	61.6	51.8	33.4
Net interest income after provision for loan losses	810.8	1,045.2	1,090.6	1,108.1	1,045.5	1,089.8	1,117.0	1,145.6
Noninterest income ¹	576.0	819.1	1,154.6	878.9	882.6	858.9	875.4	851.5
Noninterest expense	1,455.4	1,291.2	1,251.2	1,236.0	1,233.8	1,205.5	1,214.1	1,226.5
Income/(loss) before provision/(benefit) for income taxes	(68.6)	573.1	994.0	751.0	694.3	743.2	778.3	770.6
Provision/(benefit) for income taxes	(79.7)	152.9	312.6	229.7	188.0	207.6	234.3	239.1
Net income	11.1	420.2	681.4	521.3	506.3	535.6	544.0	531.5
Preferred stock dividends	7.8	7.6	7.5	7.4	7.7	-	-	-
Net income available to common shareholders	\$3.3	\$412.6	\$673.9	\$513.9	\$498.6	\$535.6	\$544.0	\$531.5
Net interest income-FTE	\$1,194.8	\$1,219.2	\$1,220.0	\$1,188.3	\$1,185.2	\$1,173.9	\$1,190.0	\$1,199.4
Total revenue-FTE	1,770.8	2,038.3	2,374.6	2,067.2	2,067.8	2,032.8	2,065.4	2,050.9
Net income per average common share								
Diluted	\$0.01	\$1.18	\$1.89	\$1.44	\$1.39	\$1.47	\$1.49	\$1.46
Basic	0.01	1.19	1.91	1.45	1.41	1.48	1.51	1.48
Dividends paid per average common share	0.73	0.73	0.73	0.73	0.61	0.61	0.61	0.61
Selected Average Balances								
Total assets	\$175,130.5	\$174,653.4	\$179,996.5	\$181,506.4	\$182,343.3	\$180,500.9	\$180,744.1	\$177,618.3
Earning assets	151,541.0	152,327.6	157,594.2	159,473.6	160,114.8	158,914.7	158,888.8	155,742.9
Loans	121,094.3	119,558.6	118,164.6	121,514.9	121,363.8	120,742.0	120,144.5	116,262.3
Consumer and commercial deposits	99,648.5	96,707.6	97,926.3	97,792.3	98,552.9	97,642.5	97,172.3	95,292.4
Brokered and foreign deposits	15,717.0	21,139.9	23,983.4	26,714.1	26,124.2	27,958.3	27,194.3	24,651.7
Total shareholders equity	18,032.8	17,550.2	17,928.1	17,720.4	18,155.5	17,661.8	17,304.4	17,051.8
Financial Ratios and Other Data (Annualized)								
Return on average total assets	0.03%	0.95%	1.52%	1.16%	1.10%	1.18%	1.21%	1.21%
Return on average assets less net unrealized securities gains	(0.01)	0.93	1.18	1.15	1.04	1.28	1.18	1.19
	0.07	9.60	15.51	12.10	11.20	12.10	12.61	12.64

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Return on average common shareholders equity								
Return on average realized common shareholders equity	(0.33)	9.86	12.71	12.54	11.17	13.73	12.90	13.06
Net interest margin- FTE	3.13	3.18	3.10	3.02	2.94	2.93	3.00	3.12
Efficiency ratio- FTE	82.19	63.35	52.69	59.79	59.67	59.30	58.78	59.80
Tangible efficiency ratio	80.86	62.13	51.64	58.65	58.49	58.03	57.53	58.47
Effective tax rate	(116.22)	26.68	31.45	30.59	27.07	27.94	30.10	31.03
Allowance to period-end loans	1.05	0.91	0.88	0.88	0.86	0.90	0.88	0.88
Nonperforming assets to total loans plus OREO and other repossessed assets	1.35	0.97	0.73	0.64	0.49	0.52	0.31	0.28
Common dividend payout ratio	7,788.6	61.6	38.5	50.6	43.3	41.1	40.9	41.6
Full-service banking offices	1,682	1,683	1,685	1,691	1,701	1,699	1,695	1,677
ATMs	2,507	2,518	2,533	2,543	2,569	2,568	2,564	2,786
Full-time equivalent employees	32,323	32,903	33,241	33,397	33,599	34,293	34,155	33,697
Tier 1 capital ratio	6.93%	7.44%	7.49%	7.60%	7.72%	7.70%	7.31%	7.26%
Total capital ratio	10.30	10.72	10.67	10.94	11.11	11.07	10.70	10.88
Tier 1 leverage ratio	6.90	7.28	7.11	7.24	7.23	7.27	6.82	6.71
Total average shareholders equity to average assets	10.30	10.05	9.96	9.76	9.96	9.78	9.57	9.60
Tangible equity to tangible assets	6.28	6.32	5.85	5.97	6.03	6.42	5.81	5.72
Book value per common share	\$50.38	\$50.01	\$48.33	\$49.00	\$48.78	\$49.71	\$47.85	\$47.22
Market Price:								
High	78.76	90.47	94.18	87.43	85.64	81.59	78.33	76.75
Low	60.02	73.61	78.16	80.76	76.76	75.11	72.56	69.68
Close	62.49	75.67	85.74	83.04	84.45	77.28	76.26	72.76
Market capitalization	21,772	26,339	29,928	29,604	29,972	28,120	27,768	26,437
Average common shares outstanding (000s)								
Diluted	348,072	349,592	356,008	357,214	358,292	365,121	364,391	363,437
Basic	345,917	346,150	351,987	353,448	354,677	361,805	361,267	359,934
¹ Includes net securities gains/(losses)	\$5,694.0	\$991.0	\$236,412.0	\$20.0	\$35,377.0	(\$91,816.0)	\$5,858.0	\$104.0

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	Three Months Ended					
	December 31, 2007			December 31, 2006		
(Dollars in millions; yields on taxable-equivalent basis)	Average Balances	Income/Expense	Yields/Rates	Average Balances	Income/Expense	Yields/Rates
Assets						
Loans: ¹						
Real estate 1-4 family	\$31,990.3	\$517.4	6.47%	\$34,345.4	\$531.8	6.19%
Real estate construction	13,250.9	238.8	7.15	13,204.0	254.3	7.64
Real estate home equity lines	14,394.8	268.1	7.39	13,722.9	273.4	7.90
Real estate commercial	12,891.6	221.2	6.81	12,784.8	223.1	6.93
Commercial - FTE ²	34,879.3	564.9	6.43	33,965.1	545.8	6.37
Credit card	690.1	2.1	1.23	351.4	5.3	5.99
Consumer - direct	3,949.3	70.7	7.10	4,116.3	76.8	7.40
Consumer - indirect	7,877.3	125.7	6.33	8,231.8	123.8	5.97
Nonaccrual and restructured	1,170.7	4.3	1.45	642.1	5.0	3.06
Total loans ¹	121,094.3	2,013.2	6.60	121,363.8	2,039.3	6.67
Securities available for sale:						
Taxable	11,814.6	182.9	6.19	22,170.4	282.0	5.09
Tax-exempt - FTE ²	1,054.0	16.0	6.07	998.0	14.6	5.85
Total securities available for sale - FTE	12,868.6	198.9	6.18	23,168.4	296.6	5.12
Funds sold and securities purchased under agreements to resell	1,066.1	11.6	4.25	1,176.3	15.4	5.15
Loans held for sale	8,777.6	139.2	6.34	12,009.3	198.4	6.61
Interest-bearing deposits	18.2	0.3	6.22	31.2	0.3	3.76
Interest earning trading assets	7,716.2	112.8	5.80	2,365.8	38.6	6.46
Total earning assets	151,541.0	2,476.0	6.48	160,114.8	2,588.6	6.41
Allowance for loan and lease losses	(1,114.9)			(1,086.1)		
Cash and due from banks	3,462.6			3,683.1		
Other assets	17,172.3			16,665.6		
Noninterest earning trading assets	1,660.9			1,000.5		
Unrealized gains on securities available for sale	2,408.6			1,965.4		
Total assets	\$175,130.5			\$182,343.3		
Liabilities and Shareholders Equity						
Interest-bearing deposits:						
NOW accounts	\$20,737.2	\$121.0	2.32%	\$18,441.1	\$102.2	2.20%
Money market accounts	24,261.5	177.7	2.91	23,075.7	153.1	2.63
Savings	4,177.7	11.1	1.05	5,437.0	23.6	1.73
Consumer time	17,170.7	197.2	4.56	16,682.8	180.8	4.30
Other time	12,353.3	151.5	4.87	12,338.6	148.3	4.77
Total interest-bearing consumer and commercial deposits	78,700.4	658.5	3.32	75,975.2	608.0	3.18
Brokered deposits	12,771.1	168.2	5.15	18,102.0	243.1	5.25
Foreign deposits	2,945.9	32.6	4.33	8,022.2	107.6	5.25
Total interest-bearing deposits	94,417.4	859.3	3.61	102,099.4	958.7	3.73
Funds purchased	2,151.4	24.1	4.38	5,163.4	68.8	5.21
Securities sold under agreements to repurchase	5,706.7	55.2	3.78	7,148.8	86.3	4.72
Interest-bearing trading liabilities	504.2	3.5	2.75	488.5	5.3	4.28
Other short-term borrowings	3,202.8	37.4	4.63	1,913.3	24.4	5.08
Long-term debt	22,808.1	301.7	5.25	17,854.2	259.9	5.78
Total interest-bearing liabilities	128,790.6	1,281.2	3.95	134,667.6	1,403.4	4.13
Noninterest-bearing deposits	20,948.1			22,577.7		

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Other liabilities	5,812.5	5,779.5
Noninterest-bearing trading liabilities	1,546.5	1,163.0
Shareholders' equity	18,032.8	18,155.5
Total liabilities and shareholders' equity	\$175,130.5	\$182,343.3
Interest Rate Spread	2.53%	2.28%
Net Interest Income - FTE³	\$1,194.8	\$1,185.2
Net Interest Margin⁴	3.13%	2.94%

¹ Interest income includes loan fees of \$33.3 million and \$29.1 million in the quarters ended December 31, 2007 and December 31, 2006, 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 \$27.3 million and \$23.9 million in the quarters ended December 31, 2007 and December 31, 2006, respectively.

³ The Company obtained derivative instruments to manage the Company's interest-sensitivity position that increased net interest income \$6.6 million and decreased net interest income \$36.0 million in the quarters ended December 31, 2007 and December 31, 2006, respectively.

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

FOURTH QUARTER RESULTS

We reported net income available to common shareholders of \$3.3 million for the fourth quarter of 2007, a decrease of \$495.4 million, or 99.3%, compared to the same period of the prior year. Diluted earnings per average common share were \$0.01 and \$1.39 for the fourth quarter of 2007 and 2006, respectively. The fourth quarter of 2007 results included net market valuation losses of approximately \$555 million, and a provision for loan losses of \$356.8 million. Market valuation losses were primarily related to securities that were purchased during the quarter from certain money market funds that are managed by our subsidiary, Trusco, and our multi-seller commercial paper conduit, Three Pillars Funding, LLC, totaling approximately \$510 million.

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Fully taxable-equivalent net interest income was \$1,194.8 million for the fourth quarter of 2007, an increase of \$9.6 million, or 0.8%, from the fourth quarter of 2006. The increase was the result of continued balance sheet management strategies we implemented during the year. While net interest margin grew from 2.94% for the fourth quarter of 2006 to 3.13% for the same period of 2007, we experienced a decline of 5 basis points from third quarter of 2007. Deposit pricing pressures along with declines in earning asset yields drove the decline, partially offset by the benefit of lower wholesale funding costs.

Provision for loan losses was \$356.8 million in the fourth quarter of 2007, an increase of \$241.0 million from the fourth quarter of 2006. The provision for loan losses was \$188.8 million more than net charge-offs for the fourth quarter of 2007, reflecting the downturn in the residential real estate markets and deteriorating credit conditions of the residential mortgage and home equity portfolios.

Total noninterest income was \$576.0 million for the fourth quarter of 2007, a decrease of \$306.5 million, or 34.7%, from the fourth quarter of 2006. This decrease was driven by the negative impact of the turmoil in the capital markets. In addition to the net mark-to-market valuation losses related to the purchase of certain securities described above, we also experienced net market value declines of approximately \$45 million in the mortgage loan warehouse and securitization and trading assets, net of positive valuations on our debt carried at fair value. These market valuation losses drove our trading account profits down \$446.7 million compared to the fourth quarter of 2006. Mortgage-related income increased \$23.3 million, or 41.2%, compared to the fourth quarter of 2006 due to higher servicing income generated from the servicing portfolio, which increased over 15% in 2007, and a \$19.2 million gain on sale of MSR's. Mortgage-related income is also estimated to have increased approximately \$34 million due to our election to record at fair value certain newly-originated mortgage loans held for sale. Investment banking income decreased \$16.2 million, or 22.7%, due to lower securitization and syndicated finance activities. Compared to the fourth quarter of 2006, service charges on deposit accounts, card fees, and retail investment services income each grew in excess of 10%. We also recognized a net gain of \$118.8 million from the sale/leaseback of branch and office properties.

Net securities gains/(losses) for the fourth quarter of 2007 also decreased by \$29.7 million, or 83.9%, compared to the same period of 2006. This was due to gains realized on equity positions we sold in the fourth quarter of 2006, partially offset by a \$24.3 million loss resulting from the restructuring of the bond portfolio in the same period.

Total noninterest expense was \$1,455.4 million during the fourth quarter of 2007, an increase of \$221.6 million, or 18.0%, over the fourth quarter of 2006. This increase was driven primarily by the \$76.9 million accrual for Visa litigation and \$57.7 million in write-downs related to Affordable Housing properties. We are evaluating our strategic alternatives related to Affordable Housing properties, including the possible sale of certain properties. We also incurred increased operating losses, growing from \$14.9 million for fourth quarter of 2006 to \$42.8 million for the same period of 2007, due to mortgage application fraud losses from customer misstatements of income and/or assets primarily on Alt-A products originated in prior periods. Also impacting the fourth quarter of 2007 was an increase over 2006 of \$25.7 million in employee compensation expense, which was attributable to approximately \$34 million of additional compensation expense related to our election in 2007 to record at fair value certain newly-originated mortgage loans held for sale.

The income tax benefit for the fourth quarter of 2007 was \$79.7 million compared to the income tax provision of \$187.9 million for the fourth quarter of 2006. The tax benefit was the result of the lower than anticipated fourth quarter earnings.

BUSINESS SEGMENTS

In 2007, we had five primary lines of business (LOBs): Retail, Commercial, Corporate and Investment Banking (CIB), Wealth and Investment Management, and Mortgage. In this section, the Company discusses the performance and financial results of those business segments. Looking forward to 2008, we will combine Commercial and Retail segments into one segment and move the commercial real estate group into the Wholesale segment, formerly known as Corporate and Investment Banking. These changes are being implemented in conjunction with the restructuring of the business client model to better meet client needs. For more financial details on business segment disclosures, see Note 22 Business Segment Reporting, to the Consolidated Financial Statements.

Retail

The Retail line of business includes loans, deposits, and other fee-based services for consumers and business clients with less than \$5 million in sales (up to \$10 million in sales in larger metropolitan markets). Retail serves clients through an extensive network of traditional and in-store branches, ATMs, the Internet (www.suntrust.com) and the telephone

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(1-800-SUNTRUST). In addition to serving the retail market, the Retail line of business serves as an entry point for other lines of business. When client needs change and expand, Retail refers clients to SunTrust's Wealth and Investment Management, Mortgage and Commercial lines of business.

Commercial

The Commercial line of business provides enterprises with a full array of financial products and services including commercial lending, financial risk management, and treasury and payment solutions including commercial card services. The primary client segments served by this line of business include Diversified Commercial (\$5 million to \$50 million in annual revenue), Middle Market (\$50 million to \$250 million in annual revenue), Commercial Real Estate (entities that specialize in commercial real estate activities), and Government/Not-for-Profit entities. Also included in this segment are specialty groups that operate both inside and outside of our footprint, such as Premium Assignment Corporation, which provides insurance premium financing, and Affordable Housing Group, which manages community development projects that generate tax credits.

Corporate and Investment Banking

CIB serves issuer clients in the middle and large corporate markets. In addition to a large diversified client base, CIB is focused on these key industry sectors: consumer and retail, financial services and technology, energy, healthcare and industrials. CIB provides an extensive range of investment banking products and services, including mergers and acquisitions services, capital raising in debt and equity markets, financial risk management, asset securitization and market making in cash securities and derivative instruments. These investment banking products and services are provided to CIB's issuer clients, Commercial clients and Wealth and Investment Management clients. CIB also offers traditional lending, leasing, treasury management services and institutional investment management to its clients. In addition, CIB serves investor clients through proprietary product flow in fixed income and equity markets, secondary trading capabilities and equity research.

Mortgage

The Mortgage line of business offers residential mortgage products nationally through its retail, broker and correspondent channels. These products are either sold in the secondary market primarily with servicing rights retained or held as whole loans in the Company's residential loan portfolio. The line of business services loans for its own residential mortgage portfolio as well as for others. Additionally, the line of business generates revenue through its tax service subsidiary (ValuTree Real Estate Services, LLC) and the Company's captive reinsurance subsidiary (Twin Rivers Insurance Company, formerly Cherokee Insurance Company).

Wealth and Investment Management

Wealth and Investment Management provides a full array of wealth management products and professional services to both individual and institutional clients. Wealth and Investment Management's primary segments include Private Wealth Management (PWM) (brokerage and individual wealth management), GenSpring Family Offices formerly Asset Management Advisors, or (AMA), and Institutional Investment Management and Administration.

The PWM group offers professional investment management and trust services to clients seeking active management of their financial resources. In addition, the Private Banking group is included in PWM, which enables the group to offer a full array of loan and deposit products to clients. PWM includes SunTrust Investment Services which operates across the Company's footprint and offers discount/online and full service brokerage services to individual clients. GenSpring provides family office solutions to ultra high net worth individuals and their families. Utilizing teams of multi-disciplinary specialists with expertise in investments, tax, accounting, estate planning and other wealth management disciplines, GenSpring helps families manage and sustain their wealth across multiple generations.

Institutional Investment Management and Administration is comprised of Trusco, retirement services, endowment and foundation services, and corporate agency services. Trusco is an investment advisor registered with the Securities and Exchange Commission which serves as investment manager for the STI Classic Funds and many of Wealth and Investment Management's clients. Trusco also includes Seix Advisors, the fixed income division of Trusco. Retirement services provide administration and custody services for defined benefit and defined contribution plans as well as administration services for non-qualified plans. Endowment and foundation services provides administration and custody services to non-profit organizations, including government agencies, colleges and universities, community charities and foundations, and hospitals.

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Corporate agency services targets corporations, governmental entities and attorneys requiring escrow, sub-accounting, and custodial services.

Corporate Other and Treasury

Corporate Other and Treasury includes the investment securities portfolio, long-term debt, end user derivative instruments, short-term liquidity and funding activities, balance sheet risk management, and office premises. The majority of the support, operational, and overhead costs associated with the major components of Corporate Other and Treasury have been allocated to the functional lines of business with the cost recovery recognized in Corporate Other and Treasury. These components include Enterprise Information Services, which is the primary data processing and operations group; the Corporate Real Estate group, which manages the Company's facilities; Marketing, which handles advertising, product management, customer information functions, and internet banking; BankCard, which handles credit card issuance and merchant discount relationships; SunTrust Online, which handles customer phone inquiries and phone sales and manages the Internet banking functions; Human Resources, which includes the recruiting, training and employee benefit administration functions; Finance, which includes accounting, planning, tax and treasury. Other functions included in Corporate Other and Treasury are operational risk management, credit risk management, credit review, internal audit, legal and compliance, branch operations, corporate strategies, procurement, and the executive management group.

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

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

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

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

The Company continues to augment its internal management reporting methodologies. Currently, the lines of business' financial performance is comprised of direct financial results as well as various allocations that for internal management reporting purposes provide an enhanced view of analyzing the line of business' financial performance. The internal allocations include the following:

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

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

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

The application and development of management reporting methodologies is a dynamic process and is subject to periodic enhancements. The implementation of these enhancements to the internal management reporting methodology may materially affect the net income disclosed for

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each segment with no impact on consolidated results. Whenever significant changes to management reporting methodologies take place, the impact of these changes is quantified and prior period information is reclassified wherever practicable. The Company will reflect these changes in the current period and will update historical results.

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The following analysis details the operating results for each line of business for the twelve months ended December 31, 2007, 2006 and 2005. Prior periods have been restated to conform to the current period's presentation.

Table 19 Net Income by Segment

The following table for our reportable business segments compares net income for the twelve months ended December 31, 2007 to the same period in 2006 and 2005:

(Dollars in millions)	Twelve Months Ended December 31		
	2007	2006	2005
Retail	\$602.1	\$715.6	\$640.2
Commercial	373.1	424.5	372.3
Corporate and Investment Banking	45.6	190.2	248.5
Mortgage	7.9	245.7	179.9
Wealth and Investment Management	84.9	289.2	218.4
Corporate Other and Treasury	224.0	23.9	67.5
Reconciling Items	296.4	228.5	260.5

The following table for our reportable business segments compares average loans and average deposits for the twelve months ended December 31, 2007 to the same period in 2006 and 2005:

Table 20 Average Loans and Deposits by Segment

(Dollars in millions)	Twelve Months Ended December 31					
	Average Loans			Average Deposits		
	2007	2006	2005	2007	2006	2005
Retail	\$31,713	\$30,888	\$30,442	\$68,236	\$68,998	\$65,239
Commercial	32,980	32,533	30,866	14,408	13,799	13,433
Corporate and Investment Banking	15,990	16,410	15,148	3,574	3,105	3,265
Mortgage	30,805	31,233	24,206	2,137	1,811	1,654
Wealth and Investment Management	7,965	8,135	7,810	9,781	9,477	9,528
Corporate Other and Treasury	661	473	327	21,764	26,601	17,436

BUSINESS SEGMENT RESULTS**Retail**

Retail's net income for the twelve months ended December 31, 2007, was \$602.1 million, a decrease of \$113.4 million, or 15.9%, compared to the same period in 2006. The decrease was primarily the result of higher provision expense and lower net interest income, partially offset by higher noninterest income.

Net interest income decreased \$58.2 million, or 2.5%, driven by a shift in deposit mix and compressed spreads as deposit competition and the interest rate environment encouraged customers to migrate into higher yielding interest bearing accounts. Average deposits decreased \$761.5 million, or 1.1% year over year, as increases in certain higher-cost NOW account products and time deposits were offset by declines in demand deposits and certain lower-cost money market accounts. Positively impacting net interest income was an \$824.8 million, or 2.7%, increase in average loans driven by 4.4% and 10.5% growth in home equity and commercial loans, respectively. These increases were partially offset by a 4.4% decrease in indirect auto loans and a 14.0% decrease in direct installment loans.

Provision for loan losses increased \$160.6 million over 2006. The provision increase was most pronounced in home equity, indirect auto and commercial loans, reflecting the negative impact from the current deterioration in certain segments of the consumer portfolio, primarily related to the residential real estate market.

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Total noninterest income for 2007 increased \$53.0 million, or 5.0%, over 2006 levels. The increase was due to a \$45.8 million, or 7.7%, increase in service charges on deposit accounts driven by higher consumer and business fees primarily due to higher NSF fees. Interchange income also grew due to increased transaction volume. These increases were partially offset by a decrease in gains on sales of student loans.

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Total noninterest expense increased \$17.1 million, less than 1% year over year. A 2.7% increase in personnel expense and other expenses related to investments in the branch distribution network and business banking was partially offset by decreases in amortization of core deposit intangibles and new loan production expense.

Commercial

Commercial's net income for the twelve months ended December 31, 2007, was \$373.1 million, a decrease of \$51.4 million, or 12.1%. The decrease was primarily the result of higher Affordable Housing-related noninterest expense and lower net interest income, partially offset by higher noninterest income.

Net interest income decreased \$50.2 million, or 5.2%. Although average deposits increased \$609.0 million, or 4.4%, the continued shift in deposit mix to higher-rate deposit products decreased net interest income by \$31.8 million. This compression in deposit spreads was primarily due to a decrease in demand deposits, as customers redeployed liquidity in the current rate environment to higher-yielding NOW accounts, certificates of deposit, and off-balance sheet sweep products. The increase in average deposits was driven by increases in institutional and government deposits, partially offset by decreases in lower-cost demand deposits and money market accounts. Average loans increased \$447.2 million, or 1.4% year over year, while net interest income derived from loan products decreased \$18.4 million, or 2.8%. While commercial loan spreads were up, commercial real estate spreads decreased.

Provision for loan losses for the year was \$22.2 million, an increase of \$12.5 million compared to the same period in 2006.

Total noninterest income increased \$14.5 million, or 5.1%, year over year, driven by increases in service charges on deposit accounts and higher referral revenues from BankCard and capital markets products, as well as higher deposit sweep revenue. These increases were partially offset by decreases in loan fees, letter of credit fees, and mortgage origination referral revenues.

Total noninterest expense in 2007 increased \$41.5 million, or 6.1%, over 2006. Decreases in personnel expense, credit and collection expenses, and shared corporate expenses were more than offset by \$48.7 million in increased write-downs related to Affordable Housing properties.

Corporate and Investment Banking

Corporate and Investment Banking's net income for the twelve months ended December 31, 2007, was \$45.6 million, a decrease of \$144.6 million, or 76.0%, from 2006. The decrease was driven by write-downs and losses primarily in structured products due to capital markets volatility created by turmoil in the mortgage industry, lack of loan liquidity, and widening credit spreads, partially offset by lower provision expense.

Net interest income decreased \$12.3 million, or 5.2%, year over year. Average loan balances decreased \$419.4 million, or 2.6%. The decline in loan balances along with compressed spreads resulted in an 11.3% decrease in loan-related net interest income. The decline in balances was driven by a \$1.9 billion structured asset sale of corporate loans in the first quarter of 2007, partially offset by growth in corporate banking loans and lease financing assets. Total deposits increased \$469.3 million, or 15.1%, driven by an increase in higher cost corporate money market accounts. Deposit related net interest income was down \$3.1 million, or 5.0%, as the shift to higher cost money market accounts compressed deposit spreads. Partially offsetting these declines was improved net interest income from higher balances and favorable spreads in sales and trading.

Provision for loan losses was \$37.7 million, an improvement of \$76.2 million, or 66.9%, from 2006 due to the charge-off a single large commercial loan in the fourth quarter of 2006.

For the year, total noninterest income decreased \$289.6 million, or 43.4%, compared to 2006. The decrease was primarily driven by net write-downs and losses of approximately \$316.1 million in collateralized debt obligations, MBS, and collateralized loan obligation securities, most of which occurred during the third and fourth quarters of 2007. Weakness in fixed income trading, loan related fees, and M&A fee revenue was partially offset by strong performance in derivatives, structured leasing, merchant banking and equipment lease financing.

Total noninterest expense decreased \$2.6 million, or 0.5%, compared to 2006. The improvement was driven by lower personnel expense related to lower incentive-based compensation expense tied to revenue, decreased expense related to merchant banking activities, and lower shared corporate expenses. These decreases were partially offset by the reversal of leveraged lease expense in the second quarter of 2006, higher outside processing, legal, and consulting expenses in 2007.

Table of Contents**Mortgage**

Mortgage's net income for the twelve months ended December 31, 2007, was \$7.9 million, a decrease of \$237.8 million, or 96.8%, compared to 2006. The decline resulted primarily from \$166 million in net valuation losses in the second half of 2007 on mortgage loans held for sale primarily due to market volatility and mortgage spread widening in conjunction with increased credit-related losses on mortgage loans. These losses were partially offset by higher mortgage servicing revenue.

Net interest income in 2007 declined \$76.0 million, or 12.6%, compared to 2006 principally due to lower income from portfolio loans and loans held for sale, as well as higher funding costs for MSR's, which was partially offset by higher net interest income on deposits and investments. Average portfolio loans, principally consumer mortgages and residential construction loans, declined \$0.4 billion, or 1.4%. The volume decline combined with compressed spreads resulted in a reduction of net interest income from total loans of \$53.1 million. Average loans held for sale increased \$0.5 billion; however, compressed spreads more than offset the benefit of higher balances and reduced net interest income by \$38.0 million. Funding costs on higher MSR's balances further reduced net interest income by \$16.5 million. Net interest income from deposits increased \$17.1 million, while net interest income from investments increased \$13.1 million.

Provision for loan losses for 2007 increased \$72.4 million driven by higher consumer mortgage and residential construction net charge-offs.

Total noninterest income declined \$13.7 million, or 3.6%, due to lower production income, partially offset by higher servicing and insurance income. Production income declined \$103.9 million due to net valuation losses of \$165.4 million in the second half of 2007 on loans held for sale primarily due to market volatility and mortgage spread widening. These declines were partially offset by the recognition of origination fees that were deferred prior to the May 2007 fair value election for certain loans. Loan production of \$58.3 billion was up \$3.0 billion, or 5.4%, for the year 2007. Servicing income increased \$73.9 million, driven by higher servicing revenues from higher balances, and lower MSR's amortization, partially offset by lower gains on sales of servicing assets in 2007. At December 31, 2007, total loans serviced were \$149.9 billion, an increase of \$19.9 billion, or 15.3%. Revenues from mortgage insurance increased \$10.0 million due to new mortgage origination volume.

Total noninterest expense increased \$222.1 million for the year 2007, or 36.9%, over 2006, principally due to increased operating losses of \$84.3 million primarily driven by loan application fraud from customer misstatements of income and/or assets primarily on Alt-A products originated in prior periods, recognition of loan origination costs that were deferred prior to the May 2007 election to record certain loans at fair value, and increased credit and growth-related expenses.

Wealth and Investment Management

Wealth and Investment Management's net income for the year ended December 31, 2007, was \$84.9 million, a decrease of \$204.3 million, or 70.6%, compared to the year ended December 31, 2006. The decline was principally driven by a \$250.5 million pre-tax mark-to-market loss on SIV securities and a \$112.8 million pre-tax gain realized in 2006 on the sale of the Bond Trustee business, partially offset by a \$32.3 million pre-tax gain on sale upon merger of Lighthouse Partners into Lighthouse Investment Partners and increased retail investment income in 2007.

For the full year 2007, net interest income decreased \$22.4 million, or 6.1%, as the continued shift in deposit mix to higher cost products compressed spreads. Average deposits increased \$303.3 million, or 3.2%, as increases in higher-cost NOW account and time deposits were partially offset by declines in lower-cost demand deposit and money market account balances. This shift in deposit mix coupled with a decline in spreads driven by deposit competition was the primary driver of a \$17.7 million decline in net interest income on deposits. Average loans declined \$170.0 million, or 2.1%, resulting in a \$5.3 million decline in net interest income on loans. The decline in loan balances resulted from lower consumer and commercial loans.

Provision for loan losses increased \$4.8 million over 2006 primarily due to higher home equity and consumer mortgage net charge-offs.

Total noninterest income decreased \$288.1 million, or 26.3%, primarily due to a \$250.5 million mark-to-market loss on SIV securities in the fourth quarter of 2007 and a \$112.8 million gain realized in 2006 on the sale of the Bond Trustee business. Partially offsetting these items was a \$32.3 million gain on sale upon merger of Lighthouse Partners, as well as strong growth in retail investment income, which increased \$44.0 million, or 19.3%, due to strong annuity sales and higher recurring

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managed account fees. Trust income declined \$5.1 million, or 0.7%, due to lost revenue from the Lighthouse Partners merger and sale of the Bond Trustee business.

As of December 31, 2007, assets under management were approximately \$142.8 billion compared to \$141.3 billion as of December 31, 2006. Approximately \$5.3 billion in Lighthouse Partners assets were merged into Lighthouse Investment Partners and are not included in the December 31, 2007 total. Assets under management include individually managed assets, the STI Classic Funds, institutional assets managed by Trusco and participant-directed retirement accounts. SunTrust's total assets under advisement were approximately \$250.0 billion, which includes \$142.8 billion in assets under management, \$60.9 billion in non-managed corporate trust assets, \$41.6 billion in retail brokerage assets, and \$4.7 billion in non-managed corporate trust assets.

Total noninterest expense increased \$7.0 million, or 0.7%, due to a \$21.2 million, or 3.9%, increase in total personnel expense. Higher variable compensation primarily associated with strong retail investment income was partially offset by a \$16.0 million, or 5.6%, decline in salary expense. Favorably impacting noninterest expense was lower Lighthouse Partners related expenses as a result of the sale upon merger.

Corporate Other and Treasury

Corporate Other and Treasury's net income for the twelve months ended December 31, 2007 was \$224.0 million, an increase of \$200.1 million compared to the same period in 2006. The increase was mainly driven by a \$234.8 million pre-tax gain on sale of The Coca-Cola Company stock, a gain of \$118.8 million on the sale/leaseback of real estate properties, net securities losses of \$54.4 million resulting primarily from the securities portfolio repositioning in 2006, and a net market valuation gain of \$64.3 million on trading assets and long-term corporate debt carried at fair value during 2007. These factors were partially offset by a \$116.2 million market valuation write-down on securities consolidated in the third quarter of 2007 in anticipation of closing the Private Fund.

Net interest income decreased \$34.1 million mainly due a reduction in the size of the investment portfolio as a result of the balance sheet management strategies. Total average assets decreased \$6.7 billion, or 21.8%, mainly due to the reduction in the size of the securities portfolio. Total average deposits decreased \$4.8 billion, or 18.2%, mainly due to a decrease in brokered and foreign deposits.

Provision for loan losses, which represents net charge-offs for the lines of business, increased \$2.6 million.

Total noninterest income increased \$482.0 million. This was mainly driven by the \$234.8 million pre-tax gain on sale of the Coca-Cola Company stock, net securities losses of \$54.4 million in 2006, a gain of \$118.8 million on sale/leaseback of real estate properties, and \$78.1 million increase in trading income due to net market valuation gains recorded on trading assets and the Company's long-term corporate debt carried at fair value. Noninterest income was also impacted by a \$132.5 million market valuation write-down on securities consolidated in the third quarter of 2007 in anticipation of closing the Private Fund.

Total noninterest expense increased \$68.6 million compared to the same period in 2006. Included in the twelve months ended December 31, 2007, was a \$76.9 million accrual for Visa litigation and \$50.7 million in initial implementation costs associated with the E² Efficiency and Productivity Program, of which \$45.0 million was severance. Positively impacting noninterest expense was a \$33.6 million decrease in the accrued liability associated with a capital instrument that the Company called in the fourth quarter of 2007. Additionally, reflected in total noninterest expenses are reductions in total staff expense in support functions and consulting expenses.

EARNINGS AND BALANCE SHEET ANALYSIS 2006 VS. 2005

Consolidated Overview

Net income totaled \$2.1 billion, or \$5.82 per diluted share for 2006, up 6.2% and 6.4%, respectively, from 2005. The following are some of the key drivers of our 2006 financial performance as compared to 2005:

Total revenue-FTE increased \$407.3 million, or 5.2%, compared to 2005. Noninterest income contributed \$313.4 million, or 76.9% of the increase, led by strong mortgage production and servicing income while net interest income-FTE contributed \$93.9 million, or 23.1% of the increase.

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Net interest income-FTE increased \$93.9 million, or 2.0%; however the net interest margin declined 17 basis points to 3.00%. The margin decline was the result of the flat to inverted yield curve experienced throughout 2006 which compressed interest rate spreads on earning assets. The average earning asset yield increased 92 basis points compared to 2005 while the average interest bearing liability cost increased 128 basis points, resulting in a 36 basis point decline in interest rate spread. Additionally, there was a shift in the mix of deposits to higher cost products, with certificates of deposits increasing, while other deposit products, specifically DDA, money market, and savings, declined.

Noninterest income improved \$313.4 million, or 9.9%, compared to 2005. The increase was driven by strong mortgage production and servicing income and gain on the sale of the Bond Trustee business.

Noninterest expense increased \$189.2 million, or 4.0%, compared to 2005. The increase was driven by higher personnel costs due to increased headcount, normal merit raises, and higher benefits cost.

Net charge-offs as a percentage of average loans were 0.21% for 2006 and included the charge-off of a large commercial loan that was determined to be nonperforming in the third quarter of 2006. This credit was the primary driver of an \$85.6 million, or 48.4%, increase in provision for loan losses compared to 2005. Nonperforming assets increased \$259.6 million compared to December 31, 2005 due primarily to an increase in residential real estate nonperforming loans, which was driven mainly by the maturation of this portfolio, and more specifically in well-collateralized or insured conforming and Alt-A first mortgage loans.

Retail

Retail's net income for the twelve months ended December 31, 2006 was \$715.6 million, an increase of \$75.4 million, or 11.8%, compared to the same period in 2005. This increase was primarily the result of growth in loans and deposits, wider deposit spreads, and a lower provision for loan losses, partially offset by higher noninterest expense.

Net interest income increased \$159.0 million, or 7.3%, driven by loan and deposit growth and wider deposit spreads. Average loans increased \$446.1 million, or 1.5%, primarily driven by growth in home equity products offset by a decline in student loans due to sales and securitizations during 2006. Average deposits increased \$3.8 billion, or 5.8%, driven primarily by consumer time deposits. Deposit spreads widened due to deposit rate increases that moved upward more slowly than market rates and due to the increased value of lower cost deposits in a higher rate environment.

Provision for loan losses decreased \$32.3 million, or 23.4%, primarily due to a decline in consumer indirect auto net charge-offs.

Total noninterest income increased \$30.7 million, or 3.0%. The increase was driven primarily by interchange income due to increased transaction volume, as well as gains on student loan sales.

Total noninterest expense increased \$115.7 million, or 5.6%. The increase was driven by increases in interchange expenses due to increased volume, as well as personnel and operations expense related to investments in the branch distribution network and technology. Forty-four net new branches were added during 2006.

Commercial

Commercial's net income for the twelve months ended December 31, 2006 was \$424.5 million, an increase of \$52.2 million, or 14.0%. The increase was primarily driven by increases in net interest income and noninterest income, along with lower provision expense, which were slightly offset by higher noninterest expense.

Net interest income increased \$54.4 million, or 6.0%. Average loans increased \$1.7 billion, or 5.4%, primarily driven by increases in commercial real estate loan products. Net interest income derived from loan products increased \$30.7 million, or 4.8%. Average deposits increased \$366.3 million, or 2.7%. The increase in average deposits was primarily driven by increases in institutional and government deposits, certificates of deposits and savings balances. Net interest income derived from deposit products increased \$22.0 million, or 6.5% as higher deposit spreads offset balance declines in demand deposits and money market.

Provision for loan losses was \$9.7 million, a decrease of \$18.0 million compared to the same period in 2005.

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Total noninterest income increased \$13.5 million, or 5.0%, driven by increased miscellaneous income in the Affordable Housing units, increased letter of credit income and higher referral revenues for mortgage originations and BankCard products. These were partially offset by decreases in credit card services income, as well as lower referral revenues from capital markets products and decreased trading account profits in the Affordable Housing unit.

Total noninterest expense increased \$9.7 million, or 1.5%. The increase over 2005 was primarily driven by increased staff expense, which was partially offset by decreased Affordable Housing-related expenses and lower shared corporate expenses.

Corporate and Investment Banking

Corporate and Investment Banking's net income for the year ended December 31, 2006 was \$190.2 million, a decrease of \$58.3 million, or 23.5%. The decrease was primarily driven by increased provision expense and decline in corporate loan spreads offset in part by strong growth in Debt Capital Markets income. Further, the March 2005 divestiture of Receivables Capital Management (RCM) factoring assets accounted for \$16.2 million, or 5.4% of the decrease.

Fully taxable equivalent net interest income decreased \$20.4 million, or 8.0% primarily due to narrowing of market spreads on loans to the large corporate sector. Average loans increased \$1.3 billion, or 8.3%, primarily in Financial Institutions, Energy and US Diversified Groups. This increase was due to stronger corporate demand and revolver usage as well as strong growth in our leasing products. Average deposits decreased \$160.0 million, or 4.9%, led by a reduction in certain bid-category products that the line of business elected not to bid on due to their high cost in relation to alternative funding sources.

Provision for loan losses, which represents net charge-offs for the lines of business, increased \$101.4 million to \$113.9 million. The increase was primarily due to the charge-off recognized in the fourth quarter of 2006 associated with the previously disclosed large commercial loan placed on nonperforming status in the third quarter of 2006.

Total noninterest income increased \$31.2 million, or 4.9%. Adjusting for the divestiture of RCM, noninterest income grew 10.1%. Debt Capital Markets revenue increased \$66.9 million, or 28.4%, mainly related to securitization, derivatives, and structured leasing. Strong revenue performance in merchant banking and leasing further contributed to the increase.

Total noninterest expense increased \$13.8 million, or 2.9%, primarily driven by increased compensation related to increased capital markets revenue, as well as increased expense related to merchant banking activities.

Mortgage

Mortgage's net income for the twelve months ended December 31, 2006 was \$245.7 million, an increase of \$65.8 million, or 36.6%, compared with the same period in 2005. The increase was driven primarily by income from sales of servicing assets, higher income from loans and deposits, stronger secondary marketing performance and higher fee income, net of higher related expense.

Net interest income in 2006 increased \$48.6 million, or 8.8%, compared to 2005 primarily due to loan and deposit income growth that was partially offset by lower income on loans held for sale and higher funding costs on MSR's. Total portfolio loans, principally residential mortgage and residential construction loans, increased \$7.0 billion, or 29.0%, and contributed \$84.9 million to the change in net interest income. Average deposits were up \$0.2 billion, or 9.5%, due to escrow balances associated with higher servicing balances. The higher balances at a higher funding rate, contributed \$17.4 million to the increase. Average loans held for sale grew \$1.7 billion, or 22.7%. However, due to compressed spreads resulting from higher short-term interest rates, net interest income on loans held for sale declined \$43.6 million. Funding costs on higher MSR's balances reduced net interest income \$9.5 million.

Provision for loan losses increased \$3.1 million driven by higher consumer mortgage charge-offs.

Total noninterest income increased \$140.1 million, or 58.6%. Production income was up \$54.3 million, or 37.0%, driven by higher volumes. Production of \$55.4 billion was up \$7.7 billion, or 16.2%. Servicing income was up \$80.0 million due to gains from the sale of mortgage servicing assets and increased fees from higher servicing balances. Higher MSR's amortization partially offset these increases. Total loans serviced were \$130.0 billion at December 31, 2006, up \$24.4 billion, or 23.1%.

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Total noninterest expense increased \$85.3 million, or 16.5%. Increased volume and investments in production and servicing capabilities were the primary drivers.

Wealth and Investment Management

Wealth and Investment Management's net income for the twelve months ended December 31, 2006 was \$289.2 million, an increase of \$70.8 million, or 32.4%, compared to the same period in 2005. The growth was driven primarily by the \$69.9 million after-tax gain on the sale of the Bond Trustee business as well as increases in both net interest income and noninterest income, partially offset by higher expenses.

Fully taxable equivalent net interest income increased \$19.2 million, or 5.5%, attributable to wider deposit spreads. Average deposits decreased \$0.1 billion, or 0.5%, due to declines in demand deposits and money market accounts, partially offset by increases in consumer time deposits. Deposit spreads widened due to deposit rate increases that were slower relative to market rate increases as well as the increased value of lower-cost deposits in a higher rate environment. Average loans increased \$0.3 billion, or 4.2%, with most growth coming from commercial real estate and commercial loans.

Provision for loan losses, which represents net charge-offs for the lines of business decreased \$5.2 million, or 58.4%.

Total noninterest income increased \$153.6 million, or 16.3%, primarily due to the \$112.8 million pre-tax gain on the sale of the Bond Trustee business. The remainder of the increase was largely driven by growth in retail investment income and trust income. Retail investment income increased due to growth in variable annuities, managed accounts, and new business revenue. Trust income increased due to growth in assets under management from improved sales and market conditions. End of period assets under management were approximately \$141.3 billion compared to \$135.3 billion in the same period last year. Assets under management include individually managed assets, the STI Classic Funds, institutional assets managed by Trusco, and participant-directed retirement accounts. SunTrust's total assets under advisement were approximately \$246.1 billion, which includes \$141.3 billion in assets under management, \$57.7 billion in non-managed trust assets, \$39.3 billion in retail brokerage assets, and \$7.8 billion in non-managed corporate trust assets. Approximately \$21.2 billion in corporate trust non-managed assets were transferred as part of the Bond Trustee transaction.

Total noninterest expense increased \$69.0 million, or 7.4%. Growth was primarily driven by higher structural, staff and operations expenses.

Corporate Other and Treasury

Corporate Other and Treasury's net income for the twelve months ended December 31, 2006 was \$23.9 million, a decrease of \$43.6 million compared to the same period in 2005 mainly driven by a decline in fully taxable-equivalent net interest income and increased securities losses partially offset by a decrease in merger expenses.

Net interest income decreased \$144.3 million. The main drivers were a decrease in income on receive fixed/pay floating interest rate swaps used to extend the duration of the commercial loan portfolio resulting from narrower spreads between the receive fixed/pay floating rates, a \$1.9 billion decrease in average securities available for sale, an increase in short-term borrowing costs due to an increase in the size of these borrowings needed to fund earning asset growth, as well as a significant rise in short-term interest rates over the past year.

Total assets decreased \$2.1 billion, or 6.5%, mainly due to a \$1.9 billion reduction in the size of the investment portfolio that resulted from the investment portfolio restructuring in the second half of 2006. Total average deposits increased \$9.2 billion, or 52.6%, mainly due to growth in brokered and foreign deposits of \$9.3 billion.

Provision for loan losses, which represents net charge-offs for the lines of business, decreased \$1.7 million, or 29.7%.

Total noninterest income decreased \$60.5 million, or 78.7%. This was mainly due to an increase in net securities losses of \$44.8 million related to the portfolio restructuring in 2006 and a \$19.1 million decrease in derivative income on economic hedges.

Total noninterest expense decreased \$111.1 million mainly due to a reduction in merger expenses.

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Table 21 Reconciliation of Non-US GAAP Measures Annual

(Dollars in millions, except per share and other data)	Twelve Months Ended December 31					
	2007	2006	2005	2004	2003	2002
Net income	\$1,634.0	\$2,117.4	\$1,987.2	\$1,572.9	\$1,332.3	\$1,331.8
Securities losses/(gains), net of tax	(150.7)	31.3	4.4	27.1	(80.5)	(133.0)
Net income excluding net securities gains and losses	1,483.3	2,148.7	1,991.6	1,600.0	1,251.8	1,198.8
The Coca-Cola Company dividend, net of tax	(54.2)	(53.3)	(48.1)	(43.0)	(37.8)	(34.4)
Net income excluding net securities gains and losses and The Coca-Cola Company dividend, net of tax	\$1,429.1	\$2,095.4	\$1,943.5	\$1,557.0	\$1,214.0	\$1,164.4
Preferred stock dividends	30.3	7.7	-	-	-	-
Net income available to common shareholders excluding net securities (gains)/losses and The Coca-Cola Company dividend, net of tax	\$1,398.8	\$2,087.7	\$1,943.5	\$1,557.0	\$1,214.0	\$1,164.4
Net income	\$1,634.0	\$2,117.4	\$1,987.2	\$1,572.9	\$1,332.3	\$1,331.8
Merger expense, net of tax	-	-	61.1	18.5	-	39.8
Net income excluding merger expense	\$1,634.0	\$2,117.4	\$2,048.3	\$1,591.4	\$1,332.3	\$1,371.6
Noninterest expense	\$5,233.8	\$4,879.9	\$4,690.7	\$3,897.0	\$3,400.6	\$3,219.4
Merger expense	-	-	(98.6)	(28.4)	-	(16.0)
Noninterest expense excluding merger expense	\$5,233.8	\$4,879.9	\$4,592.1	\$3,868.6	\$3,400.6	\$3,203.4
Diluted earnings per common share	\$4.55	\$5.82	\$5.47	\$5.19	\$4.73	\$4.66
Impact of excluding merger expense	-	-	0.17	0.06	-	0.14
Diluted earnings per common share excluding merger expense	\$4.55	\$5.82	\$5.64	\$5.25	\$4.73	\$4.80
Efficiency ratio	63.43%	59.39%	60.06%	61.39%	59.99%	57.99%
Impact of excluding merger expense	-	-	(1.26)	(0.45)	-	(0.29)
Efficiency ratio excluding merger expense	63.43%	59.39%	58.80%	60.94%	59.99%	57.70%
Efficiency ratio	63.43%	59.39%	60.06%	61.39%	59.99%	57.99%
Impact of excluding amortization of intangible assets	(1.17)	(1.26)	(1.52)	(1.22)	(1.13)	(1.06)
Tangible efficiency ratio	62.26%	58.13%	58.54%	60.17%	58.86%	56.93
Total average assets	\$177,795.5	\$180,315.1	\$168,088.8	\$133,754.3	\$122,325.4	\$108,516.1
Average net unrealized securities gains	(2,300.8)	(1,620.5)	(1,949.4)	(2,372.2)	(2,343.0)	(2,731.8)
Average assets less net unrealized securities gains	\$175,494.7	\$178,694.6	\$166,139.4	\$131,382.1	\$119,982.4	\$105,784.3
Total average common shareholders equity	\$17,308.0	\$17,394.7	\$16,526.3	\$11,469.5	\$9,083.0	\$8,725.7
Average accumulated other comprehensive income	(1,143.3)	(976.0)	(1,220.5)	(1,517.2)	(1,486.1)	(1,741.1)
Total average realized common shareholders equity	\$16,164.7	\$16,418.7	\$15,305.8	\$9,952.3	\$7,596.9	\$6,984.6
Return on average total assets	0.92%	1.17%	1.18%	1.18%	1.09%	1.23%
	(0.11)	-	(0.01)	0.01	(0.08)	(0.13)

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Impact of excluding net realized and unrealized securities gains/losses and The Coca-Cola Company dividend

Return on average total assets less net realized and unrealized securities gains/losses and The Coca-Cola Company dividend ¹	0.81%	1.17%	1.17%	1.19%	1.01%	1.10%
Return on average common shareholders' equity	9.27%	12.13%	12.02%	13.71%	14.67%	15.26%
Impact of excluding net realized and unrealized securities gains/losses and The Coca-Cola Company dividend	(0.62)	0.59	0.68	1.94	1.31	1.41
Return on average realized common shareholders' equity	8.65%	12.72%	12.70%	15.65%	15.98%	16.67%
Total shareholders' equity	\$18,052.5	\$17,813.6	\$16,887.4	\$15,986.9	\$9,731.2	\$8,769.5
Goodwill	(6,921.5)	(6,889.8)	(6,835.1)	(6,806.0)	(1,077.7)	(963.7)
Other intangible assets including mortgage servicing rights (MSRs)	(1,363.0)	(1,182.0)	(1,123.0)	(1,061.5)	(639.6)	(612.2)
Mortgage servicing rights	1,049.4	810.5	657.6	482.4	449.3	383.9
Tangible equity	\$10,817.4	\$10,552.3	\$9,586.9	\$8,601.8	\$8,463.2	\$7,577.5
Total assets	\$179,573.9	\$182,161.6	\$179,712.8	\$158,869.8	\$125,393.2	\$117,322.5
Goodwill	(6,921.5)	(6,889.8)	(6,835.1)	(6,806.0)	(1,077.7)	(963.7)
Other intangible assets including MSRs	(1,363.0)	(1,182.0)	(1,123.0)	(1,061.5)	(639.6)	(612.2)
Mortgage servicing rights	1,049.4	810.5	657.6	482.4	449.3	383.9
Tangible assets	\$172,338.8	\$174,900.3	\$172,412.3	\$151,484.7	\$124,125.2	\$116,130.5
Tangible equity to tangible assets	6.28%	6.03%	5.56%	5.68%	6.82%	6.52%
Net interest income	\$4,719.5	\$4,660.4	\$4,579.0	\$3,685.2	\$3,320.3	\$3,243.7
Taxable equivalent adjustment	102.7	88.0	75.5	58.4	45.0	39.5
Net interest income - FTE	4,822.2	4,748.4	4,654.5	3,743.6	3,365.3	3,283.2
Noninterest income	3,428.7	3,468.4	3,155.0	2,604.4	2,303.0	2,268.8
Total revenue - FTE	\$8,250.9	\$8,216.8	\$7,809.5	\$6,348.0	\$5,668.3	\$5,552.0

¹ Computed by dividing annualized net income excluding net securities gains/losses and The Coca-Cola Company dividend, by average assets less net unrealized securities gains.

² Computed by dividing annualized net income available to common shareholders excluding net securities gains/losses and The Coca-Cola Company dividend, by average realized common shareholders' equity.

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	Three Months Ended							
	2007				2006			
(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	\$11.1	\$420.2	\$681.4	\$521.3	\$506.3	\$535.6	\$544.0	\$531.5
Securities losses/(gains), net of tax	(3.5)	(0.6)	(146.6)	-	(21.9)	56.9	(3.6)	(0.1)
Net income excluding net securities gains and losses	7.6	419.6	534.8	521.3	484.4	592.5	540.4	531.4
The Coca-Cola Company dividend, net of tax	(13.2)	(13.2)	(13.2)	(14.6)	(13.3)	(13.3)	(13.3)	(13.3)
Net income excluding net securities gains and losses and The Coca-Cola Company dividend, net of tax	(5.6)	406.4	521.6	506.7	471.1	579.2	527.1	518.1
Preferred stock dividends	7.9	7.6	7.5	7.4	7.7	-	-	-
Net income/(loss) available to common shareholders excluding net securities (gains)/losses and The Coca-Cola Company dividend, net of tax	(13.5)	\$398.8	\$514.1	\$499.3	\$463.4	\$579.2	\$527.1	\$518.1
Efficiency ratio	82.19%	63.35%	52.69%	59.79%	59.67%	59.30%	58.78%	59.80%
Impact of excluding amortization of intangible assets	(1.33)	(1.22)	(1.05)	(1.14)	(1.18)	(1.27)	(1.25)	(1.33)
Tangible efficiency ratio	80.86%	62.13%	51.64%	58.65%	58.49%	58.03%	57.53%	58.47%
Total average assets	\$175,130.5	\$174,653.4	\$179,996.5	\$181,506.4	\$182,343.3	\$180,500.9	\$180,744.1	\$177,618.3
Average net unrealized securities gains	(2,408.6)	(2,091.9)	(2,398.7)	(2,305.3)	(1,965.4)	(1,374.6)	(1,528.0)	(1,612.8)
Average assets less net unrealized securities gains	\$172,721.9	\$172,561.5	\$177,597.8	\$179,201.1	\$180,377.9	\$179,126.3	\$179,216.1	\$176,005.5
Total average common shareholders equity	\$17,532.8	\$17,050.2	\$17,428.1	\$17,220.4	\$17,655.5	\$17,558.6	\$17,304.4	\$17,051.8
Average accumulated other comprehensive income	(1,292.8)	(998.6)	(1,206.5)	(1,074.5)	(1,202.0)	(821.3)	(915.9)	(963.7)
Total average realized common shareholders equity	\$16,240.0	\$16,051.6	\$16,221.6	\$16,145.9	\$16,453.5	\$16,737.3	\$16,388.5	\$16,088.1
Return on average total assets	0.03%	0.95%	1.52%	1.16%	1.10%	1.18%	1.21%	1.21%

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Impact of excluding net realized and unrealized securities gains/losses and The Coca-Cola Company dividend	(0.04)	(0.02)	(0.34)	(0.01)	(0.06)	0.10	(0.03)	(0.02)
Return on average total assets less net realized and unrealized securities gains/losses and The Coca-Cola Company dividend ¹	(0.01)%	0.93%	1.18%	1.15				