CommonWealth REIT
Form 4
January 28, 2014

FORM 4

OMB APPROVAL	
OMB Number:	3235-0287
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
ARTINIAN RONALD J

(Last) (First) (Middle)

C/O REIT MANAGEMENT & RESEARCH LLC, TWO NEWTON PL., 255 WASH. ST., STE. 300

(Street)

NEWTON, MA 02458

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CommonWealth REIT [NYSE: CWH]

3. Date of Earliest Transaction (Month/Day/Year)
01/28/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Shares of Beneficial Interest	01/28/2014		A		2,000	A	(1)	3,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
ARTINIAN RONALD J C/O REIT MANAGEMENT & RESEARCH LLC TWO NEWTON PL., 255 WASH. ST., STE. 300 NEWTON, MA 02458	X			

Signatures

/s/ Ronald J. Artinian	01/28/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Transaction reported is grant of shares pursuant to issuer's equity compensation plan.

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Net charge-offs
(341
)

(445
)

(678
)

(1,681
)

(2,040
)
Balance - end of period

$1,815

$1,991

$2,094

$2,219

$2,505

Components:

ALLL

$1,752

$1,937

$2,044

Explanation of Responses:

$2,174

$2,457

Unfunded commitments reserve [1]
63

54

50

45

48

Allowance for credit losses

$1,815

$1,991

$2,094

$2,219

$2,505

Average LHFI

$133,558

$130,874

$122,657

$122,893

$116,308

Period-end LHFI outstanding
136,442

133,112

127,877

121,470

122,495

Ratios:

ALLL to period-end LHFI [2, 3]
1.29
%

1.46
%

1.60
%

1.80
%

2.01
%

Explanation of Responses:

ALLL to NPLs [4]
2.62x

3.07x

2.12x

1.42x

0.85x

ALLL to net charge-offs
5.14x

4.35x

3.01x

1.29x

1.20x

Net charge-offs to average LHFI
0.26
%

0.34
%

0.55
%

1.37
%

1.75
%

[1] The unfunded commitments reserve is recorded in other liabilities in the Consolidated Balance Sheets.
[2] $257 million, $272 million, $302 million, $379 million, and $433 million of LHFI measured at fair value at December 31, 2015, 2014, 2013, 2012, and 2011, respectively, were excluded from period-end loans in the calculation, as no allowance is recorded for loans measured at fair value. We believe that this presentation more appropriately reflects the relationship between the ALLL and loans that attract an allowance.

[3] Excluding government-guaranteed loans of $5.6 billion, $5.5 billion, $9.0 billion, $9.6 billion, and $13.9 billion at December 31, 2015, 2014, 2013, 2012, and 2011, respectively, from period-end loans in the calculation results in ratios of 1.34%, 1.52%, 1.72%, 1.95%, and 2.27%, respectively.
[4] $3 million, $3 million, $7 million, $19 million, and $25 million of NPLs measured at fair value at December 31, 2015, 2014, 2013, 2012, and 2011, respectively, were excluded from NPLs in the calculation.

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Provision for Credit Losses
The total provision for credit losses includes the provision/(benefit) for loan losses and the provision/(benefit) for unfunded commitments. The provision for loan losses is the result of a detailed analysis performed to estimate an appropriate and adequate ALLL. During 2015, the total provision for loan losses decreased $182 million, or 54%, compared to 2014. This decline in the overall provision for loan losses was driven primarily by the further improvement in asset quality and lower net charge-offs in our residential loan portfolio. Partially offsetting this decline was an increase in our commercial loan loss provision, primarily reflecting risk rating downgrades of certain energy clients during 2015. The provision for unfunded commitments increased during 2015 in response to the downgrade of a specific unfunded exposure that was individually evaluated for loss content, and an overall increase in the level of binding unused commitments.

For the first quarter of 2016, we expect the provision for loan losses to be between $80 million and $110 million, which is higher than the fourth quarter of 2015, given the abatement of asset quality improvements and continued loan growth. However, the ultimate level of reserves and provision will be determined by our rigorous, quarterly review processes, which are informed by trends in our LHFI portfolio (including historical loss experience, expected loss calculations, delinquencies, performing status, size and composition of the loan portfolio, and concentrations within the portfolio) combined with a view on economic conditions. In addition to internal credit quality metrics, the ALLL estimate is impacted by other indicators of credit risk associated with the portfolio, such as geopolitical and economic risks, and the increasing availability of credit and resultant higher levels of leverage for consumers and commercial borrowers.

Allowance for Loan and Lease Losses
ALLL by Loan Segment — Table 11

	At December 31									
(Dollars in millions)	2015		2014		2013		2012		2011	
ALLL:										
Commercial loans	$1,047		$986		$946		$902		$964	
Residential loans	534		777		930		1,131		1,354	
Consumer loans	171		174		168		141		139	
Total	$1,752		$1,937		$2,044		$2,174		$2,457	
Segment ALLL as a % of total ALLL:										
Commercial loans	60	%	51	%	46	%	41	%	39	%
Residential loans	30		40		46		52		55	
Consumer loans	10		9		8		7		6	
Total	100	%	100	%	100	%	100	%	100	%
Segment LHFI as a % of total LHFI:										
Commercial loans	55	%	55	%	50	%	48	%	46	%
Residential loans	29		29		34		36		38	
Consumer loans	16		16		16		16		16	
Total	100	%	100	%	100	%	100	%	100	%

The ALLL decreased $185 million, or 10%, from December 31, 2014, to $1.8 billion at December 31, 2015. The decrease reflects further improvement in asset quality experienced in 2015. The ALLL to period-end LHFI ratio decreased 17 basis points from December 31, 2014, to 1.29% at December 31, 2015, excluding loans measured at fair value from period-end LHFI in the calculation. Trends in the ALLL to period-end LHFI ratio will

depend on economic and asset quality conditions (as discussed above), however, we would expect the ratio to remain generally stable in 2016. The ratio of the ALLL to total NPLs decreased to 2.62x at December 31, 2015, compared to 3.07x at December 31, 2014, resulting from an increase in NPLs due largely to the increase in specific energy-related

NPLs during 2015 and the decrease in ALLL.

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NONPERFORMING ASSETS

The following table presents our NPAs at December 31:

Table 12

(Dollars in millions)	2015		2014		2013		2012		2011	
Nonaccrual/NPLs:										
Commercial loans:										
C&I	$308		$151		$196		$194		$348	
CRE	11		21		39		66		288	
Commercial construction	—		1		12		34		290	
Total commercial NPLs	319		173		247		294		926	
Residential loans:										
Residential mortgages - nonguaranteed	183		254		441		775		1,392	
Residential home equity products	145		174		210		341		338	
Residential construction	16		27		61		112		220	
Total residential NPLs	344		455		712		1,228		1,950	
Consumer loans:										
Other direct	6		6		5		6		7	
Indirect	3		—		7		19		20	
Total consumer NPLs	9		6		12		25		27	
Total nonaccrual/NPLs [1]	$672		$634		$971		$1,547		$2,903	
OREO [2]	$56		$99		$170		$264		$479	
Other repossessed assets	7		9		7		9		10	
Nonperforming LHFS	—		38		17		37		—	
Total NPAs	$735		$780		$1,165		$1,857		$3,392	
Accruing LHFI past due 90 days or more	$981		$1,057		$1,228		$782		$2,028	
Accruing LHFS past due 90 days or more	—		1		—		1		3	
TDRs:										
Accruing restructured loans	$2,603		$2,592		$2,749		$2,501		$2,820	
Nonaccruing restructured loans [1]	176		273		391		639		802	
Ratios:										
NPLs to period-end LHFI	0.49	%	0.48	%	0.76	%	1.27	%	2.37	%
NPAs to period-end LHFI, OREO, other repossessed assets, and nonperforming LHFS	0.54		0.59		0.91		1.52		2.76	

[1] Nonaccruing restructured loans are included in total nonaccrual/NPLs.

[2] Does not include foreclosed real estate related to loans insured by the FHA or the VA. Proceeds due from the FHA and the VA are recorded as a receivable in other assets in the Consolidated Balance Sheets until the property is conveyed and the funds are received. The receivable related to proceeds due from the FHA or the VA totaled $52 million, $57 million, $88 million, $140 million, and $132 million at December 31, 2015, 2014, 2013, 2012, and 2011, respectively.

NPAs decreased $45 million, or 6%, during 2015, primarily reflecting improved economic conditions and associated improvement in asset quality. At December 31, 2015, our ratio of NPLs to period-end LHFI was 0.49%, up one basis point from December 31, 2014, driven by a deterioration of certain loans in our energy industry vertical, mostly offset by improvements in overall asset quality and our proactive NPL sales in the first half of 2015. We expect the ratio of NPLs to period-end LHFI to be higher in 2016, as further negative migration in the energy portfolio is expected and as the ratio has reached a level that is generally comparable to that of the pre-financial crisis in 2006.

Problem loans or loans with potential weaknesses, such as nonaccrual loans, loans over 90 days past due and still accruing, and TDR loans, are disclosed in the NPA table above. Loans with known potential credit problems that may not otherwise be disclosed in this table include accruing criticized commercial loans, which are disclosed along with additional credit quality information in Note 6, "Loans," to the Consolidated Financial Statements in this Form 10-K. At December 31, 2015 and December 31, 2014, there were no known significant potential problem loans that are not otherwise disclosed.

Nonperforming Loans
NPLs at December 31, 2015 totaled $672 million, a $38 million, or 6% increase from December 31, 2014. Commercial NPLs increased $146 million, or 84%, due largely to downgrades of certain energy-related loans. While certain of these loans may be current with respect to their contractual debt service agreements, the recent decline in oil prices and projected slowdown in global economic growth, combined with facts and circumstances associated with these specific loan arrangements, raised uncertainty regarding the full collectability of principal. Therefore, we prudently stopped accruing interest on these loans in the fourth quarter of 2015 and classified the loans as NPLs. See the "Critical Accounting Policies" section of this Form 10-K for additional information regarding our policy on loans classified as nonaccrual. See the "Loans" section of this MD&A for additional information regarding our energy-related loan exposure. Residential NPLs declined $111 million, or 24%, due largely to the sale of $122 million in nonperforming mortgages during 2015.
Interest income on consumer and residential nonaccrual loans, if recognized, is recognized on a cash basis. Interest income on commercial nonaccrual loans is not generally recognized until after the principal amount has been reduced to zero. We recognized $22 million of interest income related to nonaccrual loans during both 2015 and 2014. If all such loans had been accruing interest according to their original contractual terms, estimated interest income of $28 million and $47 million would have been recognized in 2015 and 2014, respectively.

Other Nonperforming Assets
OREO decreased $43 million, or 43%, during 2015 compared to 2014 as a result of net decreases of $36 million in residential homes, $6 million in commercial properties, and $1 million in residential construction related properties. Sales of OREO resulted in proceeds of $120 million and $235 million during 2015 and 2014, respectively, contributing to net gains on sales of OREO of $23 million and $42 million, respectively, inclusive of valuation reserves.
Geographically, most of our OREO properties are located in Florida, Georgia, and North Carolina. Residential and commercial real estate properties comprised 70% and 20%, respectively, of the $56 million in total OREO at December 31, 2015, with the remainder related to land and other properties. Upon foreclosure, the values of these properties were reevaluated and, if necessary, written down to their then-current estimated value less estimated costs to sell. Any further decreases in property values could result in additional losses as they are periodically revalued. See the "Non-recurring Fair Value Measurements" section within Note 18, "Fair Value Election and Measurement," to the Consolidated Financial Statements in this Form 10-K for additional information.
Gains and losses on the sale of OREO are recorded in other noninterest expense in the Consolidated Statements of Income. Sales of OREO and the related gains or losses are highly dependent on our disposition strategy and buyer opportunities. We are actively managing and disposing of these foreclosed assets to minimize future losses.

Accruing loans past due 90 days or more included LHFI and LHFS, and totaled $981 million and $1.1 billion, at December 31, 2015 and 2014, respectively. Of these, 96% and 97% were government-guaranteed at December 31, 2015 and 2014, respectively. Accruing LHFI past due 90 days or more decreased $76 million, or 7%, during 2015, primarily driven by reductions in government-guaranteed loans.
Restructured Loans
To maximize the collection of loan balances, we evaluate troubled loans on a case-by-case basis to determine if a loan modification is appropriate. We pursue loan modifications when there is a reasonable chance that an appropriate modification would allow our client to continue servicing the debt. For loans secured by residential real estate, if the client demonstrates a loss of income such that the client cannot reasonably support a modified loan, we may pursue short sales and/or deed-in-lieu arrangements. For loans secured by income producing commercial properties, we perform an in-depth and ongoing programmatic review. We review a number of factors, including cash flows, loan structures, collateral values, and guarantees to identify loans within our income producing commercial loan portfolio that are most likely to experience distress.
Based on our review of the aforementioned factors, and our assessment of overall risk, we evaluate the benefits of proactively initiating discussions with our clients to improve a loan’s risk profile. In some cases, we may renegotiate terms of their loans so that they have a higher likelihood of continuing to perform. To date, we have restructured loans

in a variety of ways to help our clients service their debt and to mitigate the potential for additional losses. The primary restructuring methods being offered to our residential clients are reductions in interest rates, extensions of terms, or forgiveness of principal. For commercial loans, the primary restructuring method is the extension of terms. Loans with modifications deemed to be economic concessions resulting from borrower financial difficulties are reported as TDRs. Accruing loans may retain accruing status at the time of restructure and the status is determined by, among other things, the nature of the restructure, the borrower's repayment history, and the borrower's repayment capacity.

Nonaccruing loans that are modified and demonstrate a sustainable history of repayment performance in accordance with their modified terms, typically six months, are usually reclassified to accruing TDR status. Generally, once a residential loan becomes a TDR, we expect that the loan will continue to be reported as a TDR for its remaining life, even after returning to accruing status (unless the modified rates and terms at the time of modification were available in the market at the time of the modification, or if the loan is subsequently remodified at market rates). We note that some restructurings may not ultimately result in the complete collection of principal and interest (as modified by the terms of the restructuring), culminating in default, which could result in additional incremental losses. These potential incremental losses are factored into our ALLL estimate. The level of re-defaults will likely be affected by future economic conditions. See Note 6, "Loans," to the Consolidated Financial Statements in this Form 10-K for more information.

Table 13 presents our residential real estate TDR portfolio by modification type and payment status. Guaranteed loans that have been repurchased from Ginnie Mae under an early buyout clause and subsequently modified have been excluded from the table. Such loans totaled approximately $61 million and $49 million at December 31, 2015 and 2014, respectively.

Selected Residential TDR Data — Table 13

	December 31, 2015					
	Accruing TDRs			Nonaccruing TDRs		
(Dollars in millions)	Current	Delinquent [1]	Total	Current	Delinquent [1]	Total
Rate reduction	$961	$69	$1,030	$15	$39	$54
Term extension	10	2	12	—	1	1
Rate reduction and term extension	1,108	83	1,191	7	53	60
Other [2]	178	11	189	8	21	29
Total	$2,257	$165	$2,422	$30	$114	$144

	December 31, 2014					
	Accruing TDRs			Nonaccruing TDRs		
(Dollars in millions)	Current	Delinquent [1]	Total	Current	Delinquent [1]	Total
Rate reduction	$784	$69	$853	$16	$40	$56
Term extension	13	4	17	1	1	2
Rate reduction and term extension	1,251	103	1,354	30	68	98
Other [2]	173	11	184	12	26	38
Total	$2,221	$187	$2,408	$59	$135	$194

[1] TDRs considered delinquent for purposes of this table were those at least thirty days past due.

[2] Primarily consists of extensions and deficiency notes.

At December 31, 2015, our total TDR portfolio was $2.8 billion and was composed of $2.6 billion, or 92%, of residential loans (predominantly first and second lien residential mortgages and home equity lines of credit), $131 million, or 5%, of consumer loans, and $74 million, or 3%, of commercial loans (predominantly income-producing properties). Total TDRs decreased $86 million, or 3%, from December 31, 2014. Nonaccruing TDRs decreased $97 million, or 36%, and accruing TDRs increased $11 million from December 31, 2014.

Generally, interest income on restructured loans that have met sustained performance criteria and returned to accruing status, is recognized according to the terms of the restructuring. Such recognized interest income was $115 million and $118 million during 2015 and 2014, respectively. If all such loans had been accruing interest according to their original contractual terms, estimated interest income of $146 million and $153 million during 2015 and 2014, respectively, would have been recognized.

SELECTED FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following is a discussion of the more significant financial assets and financial liabilities that are measured at fair value on the Consolidated Balance Sheets at December 31, 2015 and 2014. For a complete discussion of our financial instruments measured at fair value and the methodologies used to estimate the fair values of our financial instruments, see Note 18, “Fair Value Election and Measurement,” to the Consolidated Financial Statements in this Form 10-K.

Trading Assets and Liabilities and Derivative Instruments

Trading assets and derivative instruments decreased $83 million, or 1%, compared to December 31, 2014, primarily due to decreases in CP and net derivative instruments. These decreases were offset partially by an increase in U.S. Treasury securities and trading loans, resulting from normal changes in the trading portfolio product mix as we manage our business and continue

to meet our clients' needs. Trading liabilities and derivative instruments increased $36 million, or 3%, compared to December 31, 2014, primarily due to increases in agency MBS and U.S. Treasury securities, partially offset by a decrease in corporate and other debt securities. For composition and valuation assumptions related to our trading products, as well as additional information on our derivative instruments, see Note 4, “Trading Assets and Liabilities and Derivative Instruments,” Note 17, “Derivative Financial Instruments,” and the “Trading Assets and Derivative Instruments and Securities Available for Sale” section of Note 18, “Fair Value Election and Measurement,” to the Consolidated Financial Statements in this Form 10-K. Also, for a discussion of market risk associated with our trading activities, refer to the “Market Risk Management—Market Risk from Trading Activities” section of this MD&A.

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Securities Available for Sale

Table 14

(Dollars in millions)	December 31, 2015 Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$3,460	$3	$14	$3,449
Federal agency securities	402	10	1	411
U.S. states and political subdivisions	156	8	—	164
MBS - agency	22,877	397	150	23,124
MBS - private	92	2	—	94
ABS	11	2	1	12
Corporate and other debt securities	37	1	—	38
Other equity securities [1]	533	1	1	533
Total securities AFS	$27,568	$424	$167	$27,825

[1] At December 31, 2015, the fair value of other equity securities was comprised of the following: $32 million of FHLB of Atlanta stock, $402 million of Federal Reserve Bank of Atlanta stock, $93 million of mutual fund investments, and $6 million of other.

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

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

(Dollars in millions)	December 31, 2013 Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$1,334	$6	$47	$1,293
Federal agency securities	1,028	13	57	984
U.S. states and political subdivisions	232	7	2	237
MBS - agency	18,915	421	425	18,911
MBS - private	155	1	2	154
ABS	78	2	1	79
Corporate and other debt securities	39	3	—	42
Other equity securities [1]	841	1	—	842
Total securities AFS	$22,622	$454	$534	$22,542

[1] At December 31, 2013, the fair value of other equity securities was comprised of the following: $336 million of FHLB of Atlanta stock, $402 million of Federal Reserve Bank of Atlanta stock, $103 million of mutual fund

investments, and $1 million of other.

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Maturity Distribution of Debt Securities Available for Sale — Table 15

	December 31, 2015				
(Dollars in millions)	Due in 1 Year or Less	Due After 1 Year through 5 Years	Due After 5 Years through 10 Years	Due After 10 Years	Total
Amortized Cost [1]:					
U.S. Treasury securities	$—	$1,271	$2,189	$—	$3,460
Federal agency securities	163	105	13	121	402
U.S. states and political subdivisions	35	6	101	14	156
MBS - agency	2,383	9,134	6,997	4,363	22,877
MBS - private	—	92	—	—	92
ABS	9	—	1	1	11
Corporate and other debt securities	—	37	—	—	37
Total debt securities	$2,590	$10,645	$9,301	$4,499	$27,035
Fair Value [1]:					
U.S. Treasury securities	$—	$1,265	$2,184	$—	$3,449
Federal agency securities	165	111	13	122	411
U.S. states and political subdivisions	35	7	107	15	164
MBS - agency	2,513	9,286	6,979	4,346	23,124
MBS - private	—	94	—	—	94
ABS	11	—	—	1	12
Corporate and other debt securities	—	38	—	—	38
Total debt securities	$2,724	$10,801	$9,283	$4,484	$27,292
Weighted average yield [2]:					
U.S. Treasury securities	— %	1.56 %	2.09 %	— %	1.90 %
Federal agency securities	3.63	3.22	2.54	2.85	3.25
U.S. states and political subdivisions	6.35	6.46	4.90	6.14	5.40
MBS - agency	2.22	2.42	2.81	2.89	2.61
MBS - private	—	10.11	—	—	10.11
ABS	5.61	—	7.21	5.24	5.72
Corporate and other debt securities	—	3.94	—	—	3.94
Total debt securities	2.38 %	2.40 %	2.66 %	2.90 %	2.57 %

[1] The amortized cost and fair value of investments in debt securities are presented based on remaining contractual maturity, with the exception of MBS and ABS, which are based on estimated average life. Actual cash flows may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.
[2] Weighted average yields are based on amortized cost and presented on an FTE basis.

The securities AFS portfolio is managed as part of our overall liquidity management and ALM process to optimize income and portfolio value over an entire interest rate cycle while mitigating the associated risks. Changes in the size and composition of the portfolio reflect our efforts to maintain a high quality, liquid portfolio, while managing our interest rate risk profile. The amortized cost of the portfolio increased $1.3 billion during the year ended December 31, 2015, primarily due to the addition of U.S. Treasury securities in preparation for the LCR requirements, which became effective January 1, 2016. The fair value of the portfolio increased $1.1 billion compared to December 31, 2014, primarily due to the aforementioned addition of U.S. Treasury securities, partially offset by a $256 million decrease in net unrealized gains due to the increase in market interest rates. At December 31, 2015, our total securities AFS portfolio was in a $257 million net gain position.

During the year ended December 31, 2015, we recorded $21 million in net realized gains related to the sale of securities AFS, compared to net realized losses of $15 million during the year ended December 31, 2014 and net realized gains of $2 million during the year ended December 31, 2013. OTTI losses recognized in earnings during the

years ended December 31,

2015, 2014, and 2013 were immaterial. For additional information on our accounting policies, composition, and valuation assumptions related to the securities AFS portfolio, see Note 1, "Significant Accounting Policies," Note 5, "Securities Available for Sale," and the “Trading Assets and Derivative Instruments and Securities Available for Sale” section of Note 18, “Fair Value Election and Measurement,” to the Consolidated Financial Statements in this Form 10-K.
For the year ended December 31, 2015, the average yield on the securities AFS portfolio was 2.25%, compared to 2.56% for the year ended December 31, 2014. The decrease in average yield was primarily due to the addition of lower-yielding U.S. Treasury securities during 2015 in preparation for the LCR requirements. Additionally, the decline in yield was partially driven by higher MBS premium amortization during the first half of 2015 as a result of increased MBS prepayments. During the second quarter of 2015, we modestly repositioned our portfolio by selling lower-yielding agency MBS (with associated high premiums and related amortization) and purchasing higher-yielding agency MBS (with lower premiums). See additional discussion related to average yields on securities AFS in the "Net Interest Income/Margin" section of this MD&A.

The securities AFS portfolio had an effective duration of 4.5 years at December 31, 2015 compared to 3.6 years at December 31, 2014. Effective duration is a measure of price sensitivity of a bond portfolio to an immediate change in market interest rates, taking into consideration embedded options. An effective duration of 4.5 years suggests an expected price change of approximately 4.5% for a 100 basis point instantaneous and parallel change in market interest rates.

The credit quality and liquidity profile of the securities AFS portfolio remained strong at December 31, 2015 and consequently, we believe that we have the flexibility to respond to changes in the economic environment and take actions as opportunities arise to manage our interest rate risk profile and balance liquidity risk against investment returns. Over the longer term, the size and composition of the securities AFS portfolio will reflect balance sheet trends, our overall liquidity position, and interest rate risk management objectives. Accordingly, the size and composition of the securities AFS portfolio could change over time.

Federal Home Loan Bank and Federal Reserve Bank Stock

We previously acquired capital stock in the FHLB of Atlanta as a precondition for becoming a member of that institution. As a member, we are able to take advantage of competitively priced

advances as a wholesale funding source and to access grants and low-cost loans for affordable housing and community development projects, among other benefits. At December 31, 2015, we held a total of $32 million of capital stock in the FHLB, a decrease of $344 million compared to December 31, 2014. This decrease in our holdings of FHLB capital stock was due to our redemption of stock related to a decline in FHLB borrowings over the same period. For the years ended December 31, 2015, 2014, and 2013, we recognized dividends related to FHLB capital stock of $11 million, $13 million, and $8 million, respectively.

Similarly, to remain a member of the Federal Reserve System, we are required to hold a certain amount of capital stock, determined as either a percentage of the Bank’s capital or as a percentage of total deposit liabilities. At December 31, 2015, we held $402 million of Federal Reserve Bank of Atlanta stock, unchanged from December 31, 2014. For each of the years ended December 31, 2015, 2014, and 2013, we recognized dividends related to Federal Reserve Bank of Atlanta stock of $24 million. In December 2015, the U.S. Congress passed legislation that changes the dividend rate on our statutory investment in Federal Reserve Bank of Atlanta stock from 6% to the lower of 6% or the 10-year Treasury note rate, beginning in 2016.

DEPOSITS

Composition of Average Deposits — Table 16

	Year Ended December 31			% of Total Deposits		
(Dollars in millions)	2015	2014	2013	2015	2014	2013
Noninterest-bearing deposits	$42,102	$40,411	$38,643	29 %	30 %	30 %
Interest-bearing deposits:						
NOW accounts	35,161	28,879	26,083	24	22	20
Money market accounts	50,518	44,813	42,655	35	33	33
Savings	6,165	6,076	5,740	4	5	4
Consumer time	6,443	7,539	9,018	4	6	7
Other time	3,813	4,294	4,937	3	3	4
Total consumer and commercial deposits	144,202	132,012	127,076	99	99	98
Brokered time deposits	888	1,584	2,030	1	1	2
Foreign deposits	218	146	35	—	—	—
Total deposits	$145,308	$133,742	$129,141	100 %	100 %	100 %

During 2015, we experienced solid deposit growth and improved deposit mix as the proportion of lower-cost deposit account balances increased, while higher-cost time deposit account balances decreased due to maturities. These favorable trends contributed to our decline in interest expense on deposits during the year. See Table 2 and the "Net

Interest Income/Margin" section in this MD&A for additional information regarding average deposit balances and related rates paid. See Note 5, "Securities Available for Sale," to the Consolidated Financial Statements in this Form 10-K for information regarding collateral pledged to secure public deposits.
Average consumer and commercial deposits increased $12.2 billion, or 9%, compared to 2014, driven by broad-based growth across all of our business segments. While a portion of

the low-cost deposit growth has been attributable to clients’ desires related to increased liquidity, a majority of the growth reflects investments we have made in client-facing platforms, as well as our overall increased focus on meeting more of our clients' deposit needs through exceptional service and relevant deposit products.
Consumer and commercial deposit growth remains one of our key areas of focus. During 2015, we continued to focus on deepening our relationships with existing clients, growing our client base, and increasing deposits, while managing the rates we pay for deposits. We maintained pricing discipline through a judicious use of competitive rates in select products and markets as we allowed higher rate time deposits to run-off, while growing balances in other deposit categories. Other initiatives to attract

deposits included advancements in analytics that leverage client segmentation to identify optimal products and solutions, as well as the deployment of new checking value packages and tools that enhance client-facing teammates' focus on providing clients with

personalized options and an exceptional client experience. We continued to leverage our brand to improve our visibility in the marketplace and to inspire client loyalty.

Contractual maturities of time deposits in denominations of $100,000 or more at December 31, 2015 are presented in Table 17.

Table 17

(Dollars in millions)	Consumer and Other Time	Brokered Time	Foreign Time	Total
Remaining Contractual Maturity:				
3 months or less	$510	$39	$10	$559
Over 3 through 6 months	491	18	—	509
Over 6 through 12 months	707	139	—	846
Over 12 months	2,003	703	—	2,706
Total	$3,711	$899	$10	$4,620

Refer to the "Contractual Obligations" section of this MD&A and Note 11, "Borrowings and Contractual Commitments," to the Consolidated Financial Statements in this Form 10-K for additional information regarding time deposit maturities.

BORROWINGS

Short-Term Borrowings

Table 18

	December 31, 2015			Year Ended December 31, 2015			
				Daily Average			Maximum
(Dollars in millions)	Balance	Rate		Balance	Rate		Outstanding at any Month-End
Funds purchased [1]	$1,949	0.20	%	$822	0.11	%	$2,180
Securities sold under agreements to repurchase [1]	1,654	0.36		1,821	0.21		2,064
Other short-term borrowings	1,024	0.20		2,135	0.16		4,426
Total	$4,627			$4,778			

	December 31, 2014			Year Ended December 31, 2014			
				Daily Average			Maximum
(Dollars in millions)	Balance	Rate		Balance	Rate		Outstanding at any Month-End
Funds purchased [1]	$1,276	0.06	%	$931	0.09	%	$1,375
Securities sold under agreements to repurchase [1]	2,276	0.22		2,202	0.14		2,323
Other short-term borrowings	5,634	0.21		6,135	0.23		7,283
Total	$9,186			$9,268			

	December 31, 2013			Year Ended December 31, 2013			
				Daily Average			Maximum
(Dollars in millions)	Balance	Rate		Balance	Rate		Outstanding at any Month-End
Funds purchased [1]	$1,192	0.07	%	$639	0.10	%	$1,192
Securities sold under agreements to repurchase [1]	1,759	0.10		1,857	0.14		1,911

Other short-term borrowings	5,788	0.22	4,953	0.26	5,868
Total	$8,739		$7,449		

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

Our total period-end short-term borrowings at December 31, 2015 decreased $4.6 billion, or 50%, from December 31, 2014, driven by a $4.6 billion reduction in other short-term borrowings and a $622 million decrease in securities sold under agreements

to repurchase, partially offset by a $673 million increase in funds purchased. The decrease in other short-term borrowings was primarily due to a $4.0 billion decline in outstanding FHLB advances and a $698 million decline in master notes.

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For the year ended December 31, 2015, our total daily average short-term borrowings decreased $4.5 billion, or 48%, compared to the year ended December 31, 2014. The decrease was driven primarily by a $4.0 billion decrease in other short-term borrowings and a $381 million decrease in securities sold under agreements to repurchase. The decrease in other short-term borrowings was due to reductions in FHLB advances and master notes of $3.1 billion and $1.0 billion, respectively, partially offset by a $173 million increase in dealer collateral held. These reductions in wholesale funding were enabled by strong growth in client deposits.

Long-Term Debt

Long-term debt at December 31 consisted of the following:

Table 19

(Dollars in millions)	2015	2014
Parent Company Only:		
Senior, fixed rate	$3,614	$3,630
Senior, variable rate	331	358
Subordinated, fixed rate	200	200
Junior subordinated, variable rate	627	627
Total Parent Company debt	4,772	4,815
Subsidiaries:		
Senior, fixed rate	1,620	5,682
Senior, variable rate	1,097	742
Subordinated, fixed rate [1]	973	1,283
Subordinated, variable rate	—	500
Total subsidiaries debt	3,690	8,207
Total long-term debt	$8,462	$13,022

[1] Debt recorded at fair value.

During the year ended December 31, 2015, our long-term debt decreased by $4.6 billion, or 35%, driven primarily by the early terminations of $3.8 billion in FHLB advances and maturities of $769 million in subordinated debt. These terminations were related to a repositioning of the balance sheet and resulted in the recognition of $24 million in debt extinguishment costs, net of related hedges, in 2015.

Average long-term debt for 2015 decreased $1.5 billion, or 12%, compared to 2014, driven primarily by a $1.2 billion decrease in average long-term FHLB advances. See Note 11, “Borrowings and Contractual Commitments,” to the Consolidated Financial Statements in this Form 10-K for additional information.

CAPITAL RESOURCES

Regulatory Capital

Our primary federal regulator, the Federal Reserve, measures capital adequacy within a framework that sets capital requirements relative to the risk profiles of individual banks. The framework assigns risk weights to assets and off-balance sheet risk exposures according to predefined classifications, creating a base from which to compare capital levels. Effective January 1, 2015, we measure capital adequacy using the standardized approach to the Federal Reserve's Basel III Final Rule. Basel III

retained the general framework from the prior capital adequacy calculations under Basel I, but certain predefined classifications have changed and risk weightings have been revised. Additionally, Basel III introduced a new capital measure, CET1, and revised what comprises Tier 1 and Total capital. Further, Basel III revised the requirements related to minimum capital adequacy levels.

CET1 is limited to common equity and related surplus (net of treasury stock), retained earnings, AOCI, and common equity minority interest, subject to limitations. Certain regulatory adjustments and exclusions are made to CET1, including removal of goodwill, other intangible assets, certain DTAs, the impact on capital arising from mark-to-market adjustments related to our credit spreads, and certain defined benefit pension fund net assets. Further, banks employing the standardized approach to Basel III were granted a one-time permanent election to exclude AOCI from the calculation of regulatory capital. We elected to exclude AOCI from the calculation of our CET1.

Tier 1 capital includes CET1, qualified preferred equity instruments, qualifying minority interest not included in CET1, subject to limitations, and certain other regulatory deductions. Tier 1 capital included a portion of trust preferred securities in 2015, but those instruments will be completely phased-out of Tier 1 capital effective January 1, 2016 and will be reclassified as Tier 2 capital. As a result, the $627 million in principal amount of Parent Company trust preferred securities outstanding that received partial Tier 1 capital treatment in 2015 will be treated as Tier 2 capital beginning on January 1, 2016, using the methodology specified in Basel III.

Total capital consists of Tier 1 capital and Tier 2 capital, which includes qualifying portions of subordinated debt, trust preferred securities and minority interest not included in Tier 1 capital, ALLL up to a maximum of 1.25% of RWA, and a limited percentage of unrealized gains on equity securities.

To be considered "adequately capitalized," we are subject to minimum CET1, Tier 1 capital, and Total capital ratios of 4.5%, 6%, and 8%, respectively. To be considered “well-capitalized,” Tier 1 and Total capital ratios of 6% and 10%, respectively, are required. Additionally, beginning in 2016, a CCB amount of 0.625% is required to be maintained above the minimum capital ratios. The CCB will continue to increase each year through January 1, 2019 when the CCB amount will be fully phased-in at 2.5% above the minimum capital ratios. The CCB places restrictions on the amount of retained earnings that may be used for capital distributions or discretionary bonus payments as risk-based capital ratios approach their respective “adequately capitalized” minimum capital ratios plus the CCB.

We are also subject to a Tier 1 leverage ratio requirement, which measures Tier 1 capital against average total assets less certain deductions, as calculated in accordance with regulatory guidelines. The minimum leverage ratio threshold is 4% and is not subject to the CCB.

Risk weighting under Basel III was modified primarily to enhance risk sensitivity of RWA. Additional risk weight categories were added and certain calculation methodologies were introduced to more precisely calculate exposure risk. Exposures that received a significant risk weight and/or calculation methodology change compared to Basel I included certain nonperforming and past-due loans, MSRs, certain

unfunded commitments, derivatives, securitizations, and certain commercial and CRE loans.
A transition period applies to certain capital elements and risk weighted assets. One of the more significant transitions required by the Basel III Final Rule relates to the risk weighting applied to MSRs, which will impact the CET1 ratio during the transition period when compared to the CET1 ratio that is

calculated on a fully phased-in basis. Specifically, the fully phased-in risk weight of MSRs is 250%, while the risk weight to be applied during the transition period is 100%. The transition period is applicable from January 1, 2015 through December 31, 2017. Table 20 presents transitional Basel III regulatory capital metrics at December 31, 2015, and Basel I regulatory capital metrics at December 31, 2014.

Regulatory Capital Metrics — Table 20

(Dollars in millions)	Under Basel III [1] December 31, 2015	Under Basel I [1] December 31 2014	2013
Regulatory capital:			
CET1	$16,421	N/A	N/A
Tier 1 common equity	N/A	$15,594	$14,602
Tier 1 capital	$17,804	17,554	16,073
Total capital	20,668	20,338	19,052
Assets:			
RWA	$164,851	$162,516	$148,746
Average total assets for leverage ratio	183,763	182,186	167,848
Risk-based ratios:			
CET1	9.96 %	N/A	N/A
CET1 - fully phased-in [2]	9.80	N/A	N/A
Tier 1 common equity	N/A	9.60 %	9.82 %
Tier 1 capital	10.80 %	10.80	10.81
Total capital	12.54	12.51	12.81
Leverage	9.69	9.64	9.58
Total shareholders’ equity to assets	12.28	12.09	12.22

[1] Basel III Final Rules became effective for us on January 1, 2015; thus, CET1 is not applicable ("N/A") under the previous Basel I capital rules to which we were subject at December 31, 2014 and 2013. Tier 1 common equity under Basel I represents the portion of Tier 1 capital that is attributable to common shareholders. We calculated this, together with the Tier 1 common equity ratio, using the methodology specified by our primary regulator. Our calculation of these measures may differ from those of other financial services companies that calculate similar metrics.
[2] The CET1 ratio on a fully phased-in basis at December 31, 2015 is estimated. See Table 1, "Selected Financial Data and Reconcilement of Non-U.S. GAAP Measures," in this MD&A for a reconciliation of our transitional CET1 ratio to our fully phased-in, estimated CET1 ratio.

The Tier 1 capital and Total capital ratios remained stable compared to December 31, 2014, inclusive of the transition to Basel III. Tier 1 capital and Total capital were impacted by an increase in retained earnings, while RWA was modestly higher due to increased on- and off-balance sheet exposures. At December 31, 2015, our capital ratios were well above current regulatory requirements.
Our estimate of the fully phased-in CET1 ratio of 9.80% at December 31, 2015 considers a 250% risk-weighting for MSRs, which is the primary driver for the difference in the CET1 ratio at December 31, 2015 compared to the estimated fully phased-in ratio in the same period. Our estimated fully phased-in ratio is in excess of the 4.5% minimum CET1 ratio, and is also in excess of the 7.0% limit that includes the minimum level of 4.5% plus the 2.5% fully phased-in CCB. See Table 1, "Selected Financial Data and Reconcilement of Non-U.S. GAAP Measures," in this MD&A for a reconciliation of our fully phased-in CET1 ratio. Also see Note 13, "Capital," to the Consolidated

Financial Statements in this Form 10-K for additional information regarding our regulatory capital adequacy requirements and metrics.

Capital Actions

The Board approved a 20% increase in our quarterly common stock dividend from $0.20 per share to $0.24 per share, beginning

in the second quarter of 2015. We declared and paid common dividends of $475 million, or $0.92 per common share during the year ended December 31, 2015, compared to $371 million, or $0.70 per common share during the year ended December 31, 2014, and $188 million, or $0.35 per common share during the year ended December 31, 2013. Additionally, we recognized dividends on our preferred stock of $64 million, $42 million, and $37 million during the years ended December 31, 2015, 2014, and 2013, respectively. The increase in preferred stock dividends compared to 2014 was driven by an increase in the average balance of our preferred stock to $1.2 billion in 2015 from $800 million in 2014 due to our issuance of the Series F Preferred Stock at the end of 2014.

Various regulations administered by federal and state bank regulatory authorities restrict the Bank's ability to distribute its retained earnings. At December 31, 2015, 2014, and 2013, the Bank's capacity to pay cash dividends to the Parent Company under these regulations totaled approximately $2.7 billion, $2.9 billion, and $2.6 billion, respectively.

During the first quarter of 2015, we announced capital plans in response to the Federal Reserve's review of and non-objection to our capital plan in conjunction with the 2015 CCAR. Our capital plan included the repurchase of common stock, the aforementioned increase in the common stock dividend, and maintaining the current level of preferred stock dividends. To

this end, the Board approved the repurchase of up to $875 million of our outstanding common stock between the second quarter of 2015 and the second quarter of 2016. During 2015, we repurchased $525 million of our outstanding common stock at market value as part of this plan. Also, in December 2015, we repurchased $39 million of our outstanding common stock at market value, which was incremental to and separate from the $875 million availability noted above under our 2015 capital plan. During January and February of 2016, we repurchased an additional $151 million of our outstanding common stock and $24 million of our common stock warrants as part of this 2015 capital plan. We currently expect to repurchase approximately $175 million of additional outstanding common stock through the end of the second quarter of 2016, which would complete the repurchase of authorized shares as approved by the Board in conjunction with the 2015 capital plan. We currently plan to submit our 2016 capital plan for review by the Federal Reserve in conjunction with the 2016 CCAR in April 2016.
Additionally, during the first quarter of 2015, we repurchased $115 million of our outstanding common stock at market value, which completed our repurchase of authorized shares as approved by the Board in conjunction with the 2014 capital plan. See Item 5 of this Form 10-K for additional information regarding our share repurchase activity, and Note 13, "Capital," to the Consolidated Financial Statements in this Form 10-K for additional information regarding our capital actions.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in detail in Note 1, “Significant Accounting Policies,” to the Consolidated Financial Statements in this Form 10-K and are integral to understanding our financial performance. We have identified certain accounting policies as being critical because (1) they require 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, and valuing an asset or liability. Our accounting and reporting policies are in accordance with U.S. GAAP, and they conform to general practices within the financial services industry. We have established detailed policies and control procedures that are intended to ensure that these critical accounting estimates are well controlled and applied consistently from period to period, and that the process for changing methodologies occurs in an appropriate manner. The following is a description of our current critical accounting policies.

Contingencies

We face uncertainty with respect to the ultimate outcomes of various contingencies including the allowance for credit losses, mortgage repurchase reserves, and legal and regulatory matters.

Allowance for Credit Losses

The allowance for credit losses is composed of the ALLL and the reserve for unfunded commitments. The ALLL represents our estimate of probable current losses inherent in the LHFI portfolio. The ALLL is increased by the provision for credit losses and reduced by loans charged-off, net of recoveries. The ALLL is determined based on our review of certain loans that are individually evaluated for impairment and pools of loans with similar risk characteristics that are evaluated on a collective basis. Our estimate of probable current losses includes an assessment of internal and external influences on credit quality that are not fully reflected in the historical loss, risk-rating, or other indicative data.
Large commercial nonaccrual loans and certain commercial, consumer, and residential loans whose terms have been modified in a TDR, are reviewed to determine the amount of specific allowance required in accordance with applicable accounting guidance. For this purpose, we consider 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 extent of impairment in the portfolio. When the data supporting such assumptions has limitations, our judgment and experience inform the specific ALLL estimates. Key judgments used in determining the ALLL include internal risk ratings, market and collateral values, discount rates, loss rates, and our view of current

economic conditions.

General allowances are established for loans and leases grouped into pools that have similar characteristics. The ALLL Committee estimates probable losses by evaluating quantitative and qualitative factors for each loan portfolio segment, including net charge-off trends, internal risk ratings, changes in internal risk ratings, loss forecasts, collateral values, geographic location, delinquency rates, nonperforming and restructured loan status, origination channel, product mix, underwriting practices, industry conditions, and economic trends. In addition to these factors, the consumer and residential portfolio segments consider borrower FICO scores and the commercial portfolio segment considers single name borrower concentration.

Dependent on property type, estimated collateral valuations are based on appraisals, broker price opinions, automated valuation models, other collateral-specific information, and/or relevant market information, supplemented when applicable with valuations performed by internal valuation professionals. The value estimate is based on an orderly disposition and marketing period of the collateral, inclusive of marketing costs. In limited instances, we adjust externally provided appraisals for justifiable and well supported reasons, such as an appraiser not being aware of certain collateral-specific factors or recent sales information. Appraisals generally represent the “as is” value of the collateral but may be adjusted based on the intended disposition strategy.

Our determination of the ALLL for commercial loans is sensitive to the assigned internal risk ratings and inherent expected loss rates at December 31, 2015. A downgrade of one level in the PD risk ratings for all commercial loans and leases would have increased the ALLL by approximately $402 million at December 31, 2015. If the estimated loss severity rates for the

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entire commercial loan portfolio were increased by 10%, the ALLL for the commercial portfolio would increase by approximately $102 million at December 31, 2015.

Recently, a number of downgrades were made to borrowers in certain sectors of our energy-related commercial loan portfolio. While certain of these loans may be current with respect to their contractual debt service agreements, the decline in oil prices and projected slowdown in global economic growth, combined with facts and circumstances associated with these specific loan arrangements, raises uncertainty regarding the full collectability of principal. Therefore, we prudently stopped accruing interest on these loans in the fourth quarter of 2015 and classified the loans as NPLs. We believe that we have taken a vigilant approach to managing our energy exposure and accounting for increased probable loss content in our reserve estimation process. See the “Loans” section in this MD&A for additional information regarding our energy-related loan exposure.

The allowance for residential and consumer loans is also sensitive to changes in estimated loss severity rates. If the estimated loss severity rates for these loans increased by 10%, the total ALLL for the residential and consumer portfolios would increase by approximately $45 million at December 31, 2015. These sensitivity analyses are intended to provide insights into the impact of adverse changes in risk rating and estimated loss severity rates and do not imply any expectation of future deterioration in the risk ratings or loss rates. Given current processes employed, management believes the risk ratings and inherent loss rates currently assigned are appropriate. It is possible that others, given the same information, could reach different conclusions that could be material to our financial statements.

In addition to the ALLL, we estimate probable losses related to unfunded lending commitments, such as letters of credit and binding unfunded loan commitments. Unfunded lending commitments are analyzed and segregated by risk using our internal risk rating scale. These risk classifications, in combination with probability of commitment usage, and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments.

Our financial results are affected by the changes in the allowance for credit losses. This process involves our analysis of complex internal and external variables, and it requires that we exercise judgment to estimate an appropriate allowance for credit losses. 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 allowance for credit losses. Such an adjustment could materially affect net income. For additional discussion of the ALLL see the “Allowance for Credit Losses” and “Nonperforming Assets” sections in this MD&A as well as Note 6, “Loans,” and Note 7, “Allowance for Credit Losses,” to the Consolidated Financial Statements in this Form 10-K.

Mortgage Repurchase Reserve

We sell residential mortgage loans to investors through whole loan sales in the normal course of our business. The investors are primarily GSEs; however, $30 billion, or approximately 10%, of the population of total loans sold between January 1,

2005 and December 31, 2015 were sold to non-agency investors, some in the form of securitizations. In association with these transactions, we provide representations and warranties to the third party investors that these loans meet certain requirements as agreed to in investor guidelines. We have experienced significantly fewer repurchase claims and losses related to loans sold since 2009 as a result of stronger credit performance, more stringent credit guidelines, and underwriting process improvements.

During the third quarter of 2013, we reached agreements with Freddie Mac and Fannie Mae under which they released us from certain existing and future repurchase obligations for loans sold to Freddie Mac between 2000 and 2008 and Fannie Mae between 2000 and 2012.

Our current estimated liability for contingent losses related to loans sold (i.e., our mortgage repurchase reserve) was $57 million at December 31, 2015. The liability is recorded in other liabilities in the Consolidated Balance Sheets, and the related repurchase provision is recognized in mortgage production related income in the Consolidated Statements of Income. The current reserves are deemed to be sufficient to cover probable estimated losses related to certain defects (MI related, excessive seller contribution, ineligible property, and other charter violations) as outlined in the settlement contract, GSE owned loans serviced by third party servicers, loans sold to private investors, and

indemnifications.
Various factors could potentially impact the accuracy of the assumptions underlying our mortgage repurchase reserve estimate. As discussed previously, the level of repurchase requests we receive is dependent upon the actions of third parties and could differ from the assumptions that we have made. Delinquency levels, delinquency roll rates, and our loss severity assumptions are all highly dependent upon economic factors, including changes in real estate values and unemployment levels which are, by nature, difficult to predict. Loss severity assumptions could also be impacted negatively by delays in the foreclosure process, which is a heightened risk in some of the states where our loans sold were originated. Moreover, the 2013 agreements with Fannie Mae and Freddie Mac settling certain aspects of our repurchase obligations preserve their right to require repurchases arising from certain types of events, and that preservation of rights can impact our future losses. While the repurchase reserve includes the estimated cost of settling claims related to required repurchases, our estimate of losses depends on our assumptions regarding GSE and other counterparty behavior, loan performance, home prices, and other factors. While we use the best information available in estimating the mortgage repurchase reserve liability, these, and other factors, along with the discovery of additional information in the future, could result in changes in our assumptions which could materially impact our results of operations.
See Note 16, “Guarantees” to the Consolidated Financial Statements in this Form 10-K for further discussion.

Legal and Regulatory Matters
We are parties to numerous claims and lawsuits arising in the course of our normal business activities, some of which involve claims for substantial amounts, and the outcomes of which are not within our complete control or may not be known for prolonged periods of time. Management is required to assess the

probability of loss and amount of such loss, if any, in preparing our financial statements.
We evaluate the likelihood of a potential loss from legal or regulatory proceedings to which we are a party. We record a liability for such claims only when a loss is considered probable and the amount can be reasonably estimated. The liability is recorded in other liabilities in the Consolidated Balance Sheets and the related expense is recorded in the applicable category of noninterest expense, depending on the nature of the legal matter, in the Consolidated Statements of Income. Significant judgment may be required in determining both probability of loss and whether an exposure is reasonably estimable. Our estimates are subjective based on the status of the legal or regulatory proceedings, the merits of our defenses, and consultation with in-house and outside legal counsel. In many such proceedings, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the matter is close to resolution. As additional information becomes available, we reassess the potential liability related to pending claims and may revise our estimates.
Due to the inherent uncertainties of the legal and regulatory processes in the multiple jurisdictions in which we operate, our estimates may be materially different than the actual outcomes, which could have material effects on our business, financial condition, and results of operations. See Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K for further discussion.

Estimates of Fair Value
The objective of a fair value measurement is to use market-based inputs or assumptions, when available, to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When observable market prices from transactions for identical assets or liabilities are not available, we evaluate pricing for similar assets or liabilities. If observable market prices for such assets or liabilities are unavailable or impracticable to obtain, we look to other techniques for estimating fair value (for example, obtaining third party price quotes or using modeling techniques such as discounted cash flows). The resulting valuation may include significant judgments particularly when the market for an asset or liability is not active.
Fair value measurements for assets and liabilities that include significant inputs that are not observable in the market are required to be classified as level 3 in the fair value hierarchy. We have instituted various processes and controls surrounding these measurements to ensure appropriate methodologies are utilized. We continue to maintain a cross-functional approach when estimating the fair value of these difficult to value financial instruments. This includes input from not only the related line of business, but also from risk management and finance, to ultimately arrive at an appropriate estimate of the instrument's fair value. This process involves the gathering of multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other similar instruments, market indices, and pricing matrices.
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. These assessments are inherently subjective; the use of different assumptions could result in material changes to these fair value measurements. We employed significant unobservable inputs when estimating fair value for certain trading assets, securities AFS, portfolio loans accounted for at fair value, IRLCs, LHFS, MSRs, and certain derivatives.
We record all MSRs at fair value on a recurring basis. The fair value of MSRs is based on discounted cash flow analyses and can be highly variable quarter to quarter as market conditions and projected interest rates change. 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 9, “Goodwill and Other Intangible Assets,” to the Consolidated Financial Statements in this Form 10-K. This sensitivity analysis does not take into account hedging activities discussed in the “Other Market Risk” section of this MD&A.
Overall, the financial impact of the level 3 financial instruments did not have a material impact on our liquidity or capital. Our holdings of level 3 financial instruments continues to decline due to paydowns, sales, and settlements of these instruments. Table 21 discloses assets and liabilities measured at fair value on a recurring basis that are classified as level 3 measurements.

Level 3 Assets and Liabilities Table 21

	December 31			
(Dollars in millions)	2015		2014	
Trading assets and derivatives [1]	$110		$25	
Securities AFS	556		946	
LHFS	5		1	
LHFI	257		272	
MSRs	1,307		1,206	
Total level 3 assets	$2,235		$2,450	
Total assets	$190,817		$190,328	
Total assets measured at fair value on a recurring basis	37,002		36,342	
Level 3 assets as a % of total assets	1.2	%	1.3	%
Level 3 assets as a % of total assets measured at fair value on a recurring basis	6.0	%	6.7	%
Trading liabilities and derivative instruments	$6		$5	
Other liabilities	23		27	
Total level 3 liabilities	$29		$32	
Total liabilities	$167,380		$167,323	
Total liabilities measured at fair value on a recurring basis	2,259		2,537	
Level 3 liabilities as a % of total liabilities	—	%	—	%
Level 3 liabilities as a % of total liabilities measured at fair value on a recurring basis	1.3	%	1.3	%

[1] Includes IRLCs.

Level 3 trading assets and derivatives increased by $85 million during the year ended December 31, 2015, primarily due to the addition of bonds that are not actively traded in the market; as such, observable market data for these instruments is limited. Level 3 securities AFS decreased by $390 million during the year ended December 31, 2015 due primarily to the redemption of FHLB stock as well as continued paydowns and sales on securities AFS. During the year ended December 31, 2015, we

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recognized $140 million in net gains through earnings related to trading and derivative assets and liabilities classified as level 3, primarily due to $153 million in IRLC related gains offset by $13 million in net losses from trading securities. See Note 18, “Fair Value Election and Measurement,” to the Consolidated Financial Statements in this Form 10-K for a detailed discussion regarding level 2 and 3 securities and valuation methodologies for each class of securities.

Goodwill

At December 31, 2015, our reporting units with goodwill balances were Consumer Banking/ Private Wealth Management and Wholesale Banking. See Note 20, "Business Segment Reporting," to the Consolidated Financial Statements in this Form 10-K for further discussion of our reportable segments. We conduct a goodwill impairment test at the reporting unit level at least annually or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. In the third quarter of 2015, we elected to prospectively change the date of our annual goodwill impairment test from September 30 to October 1 to better align the timing of the assessment with the availability of key inputs. We performed an impairment analysis as of September 30, 2015, noting that the inputs utilized in the September 30 analysis were the same inputs that were utilized in the analysis as of October 1. Based on our annual goodwill impairment test at October 1, 2015, September 30, 2014, and September 30, 2013, we determined that each of our reporting units' fair values were in excess of their respective carrying values; therefore, no goodwill impairment was recognized. We also performed an interim goodwill analysis for the Wholesale reporting unit as of December 31, 2014, noting no goodwill impairment. Our analysis as of October 1, 2015 indicates that Wholesale Banking’s fair value in excess of its carrying value increased modestly relative to December 31, 2014.

In the analysis as of October 1, 2015, the carrying value of equity of the reporting units, as well as Corporate Other, was determined by allocating our total equity to each reporting unit based on RWA using our actual Tier 1 capital ratio as of the measurement date. Tier 1 capital was utilized as it most closely aligns with equity as reported under U.S. GAAP. Appropriate adjustments were made to each reporting unit’s allocation using Tier 1 capital to conform with U.S. GAAP equity, namely for equity tied to goodwill and other intangible assets. Prior to 2015, the reporting units’ carrying values were based on an equal weighting of regulatory capital and tangible equity relative to tangible assets. We moved to an approach based solely on regulatory capital as we view that approach to be a more objective measurement of the equity that a market participant would require to operate the reporting units.

The goodwill impairment analysis estimates the fair value of equity using discounted cash flow analyses. The inputs and assumptions specific to each reporting unit are incorporated in the valuations, including projections of future cash flows, discount rates, and an estimated long-term growth rate. We assess the reasonableness of the estimated fair value of the reporting units by comparing implied valuation multiples with valuation multiples from guideline companies and by comparing the aggregate estimated fair value of the reporting units to our market capitalization over a reasonable period of time. Significant and

sustained declines in our market capitalization could be an indication of potential goodwill impairment.

Multi-year financial forecasts are developed for each reporting unit by considering several key business drivers such as new business initiatives, client service and retention standards, market share changes, anticipated loan and deposit growth, forward interest rates, historical performance, and industry and economic trends, among other considerations that a market participant would consider in valuing the reporting units. Discount rates are estimated based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, size premiums, and idiosyncratic risk adjustments specific to a particular reporting unit. The discount rates are also calibrated based on risks related to the projected cash flows of each reporting unit.

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

market conditions, asset growth, preferred stock issuances, or the risk profile of those reporting units, which could impact whether or not the fair value of a reporting unit is less than carrying value.

Income Taxes

We are subject to the income tax laws of the U.S., its states and municipalities where we conduct business. We estimate income tax expense based on amounts expected to be owed to these various tax jurisdictions. The estimated income tax expense or benefit is reported in the Consolidated Statements of Income.

Accrued taxes represent the net estimated amount due to or to be received from tax jurisdictions either currently or in the future and are reported in other liabilities on the Consolidated Balance Sheets. In estimating accrued taxes, we assess the appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent, and other pertinent information. The income tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. Significant judgment is required in determining the tax accruals and in evaluating our tax positions, including evaluating uncertain tax positions. Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations by the tax authorities, and newly enacted statutory, judicial, and regulatory guidance that could impact the relative merits and risks of tax positions. These changes, when they occur, impact tax expense and can materially affect our operating results. We review our tax positions quarterly and make adjustments to accrued taxes as new information becomes available.

Deferred income tax assets represent amounts available to reduce income taxes payable in future years. Such assets arise due to temporary differences between the financial reporting and

the tax bases of assets and liabilities, as well as from NOL and tax credit carryforwards. We regularly evaluate the realizability of DTAs. A valuation allowance is recognized for a DTA if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the DTA will not be realized. In determining whether a valuation allowance is necessary, we consider the level of taxable income in prior years to the extent that carrybacks are permitted under current tax laws, as well as estimates of future pre-tax and taxable income and tax planning strategies that would, if necessary, be implemented. We currently maintain a valuation allowance for certain state carryforwards and certain other state DTAs. Since we expect to realize our remaining federal and state DTAs, no valuation allowance is deemed necessary against these DTAs at December 31, 2015. For additional information, refer to Note 14, “Income Taxes,” to the Consolidated Financial Statements in this Form 10-K.

Employee Benefit Plans
We maintain various pension and other postretirement benefit plans for employees who meet certain requirements. Continued changes in the size and characteristics of the workforce could result in a partial settlement of the pension plan. If lump sum payments were to exceed the total of interest cost and service cost for the year, settlement accounting would require immediate recognition through earnings of any net actuarial gain or loss recorded in AOCI based on the fair value of plan assets and plan obligations prior to settlement, and recognition of any related settlement costs. We estimate the financial impact of a partial settlement in 2016 would be the recognition of approximately $40 million in additional benefit costs.

On December 31, 2015, we refined the calculation of the service and interest cost components of net periodic benefit expense for pension and other postretirement benefit plans. Previously, we estimated service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Under the refined method, we utilized a full yield curve approach to estimate these components by applying specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. This change was made to more closely match the projected benefit cash flows and the corresponding yield curve spot rates, and to provide a more precise measurement of service and interest costs. This change had no impact on the measurement of our total benefit obligations recorded at December 31, 2015 or any other prior period. We accounted for this service and interest cost methodology refinement as a change in estimate that is inseparable from a change in accounting principle, and, accordingly, will recognize its effect prospectively beginning in 2016, which will not materially impact the total 2016 net periodic pension benefit. For additional information on our pension and other postretirement benefit plans see Note 15, “Employee Benefit Plans,” to the Consolidated Financial Statements in this Form 10-K.

ENTERPRISE RISK MANAGEMENT

In the normal course of business, we are exposed to various risks. We have established an enterprise risk governance framework to identify and manage these risks and support key business

objectives. Underlying this framework are limits, policies, metrics, processes, and procedures designed to effectively identify, monitor, and manage risk within the confines of our overall risk appetite.

The Board is responsible for oversight of enterprise risk governance. The BRC assists the Board in executing this responsibility. Administration of the framework and governance process is the responsibility of the CRO, who executes this responsibility through the CRM organization. The CRO reports to the CEO, and provides overall vision, direction, and leadership regarding our enterprise risk management framework and risk culture. Additionally, the CRO provides regular risk assessments to Executive Management, the BRC, other Board committees, and the full Board, as appropriate, and provides other information to Executive Management and the Board, as requested.

Our enterprise risk governance structure and processes are founded upon a three line of defense organizational and business model, which is critical to ensuring that risk in all activities is properly identified, assessed, and managed. The three lines of defense model requires effective teamwork and communication, combined with individual accountability within defined roles. The enterprise risk governance framework and the three lines of defense are foundational to our risk culture, which is based upon strong risk leadership; risk ownership and accountability; comprehensive risk governance structure and strategy; a well-articulated risk appetite and associated limits; robust interaction and communication; effective challenge at all levels of the organization; talent management, supported by

appropriate training; incorporation of risk considerations in performance, compensation, and consequence management; and sound technology and reporting.

- The first line of defense is comprised of all teammates within our business segments, as well as those within Functional units executing select activities. The first line of defense owns and is accountable for the development and execution of business strategies that are aligned with the risk appetite, measures, and limits established by the Board, as well as the associated processes and controls. It is also responsible for accurate and timely identification, management, and reporting/escalation of existing and emerging risks.
- The second line of defense is comprised of corporate functions, including CRM and risk stewards; these groups are responsible for independent governance and oversight of the first line of defense relative to specific risks. Risk stewards represent areas of subject matter expertise relative to certain risks, including, but not limited to: Technology Risk and Compliance, which among other things, encompasses information and cyber-security, Finance Risk Management, Human Resources, Third-Party Risk Management, Model Risk Management, and Anti-Money Laundering/Bank Secrecy Act. In the first quarter of 2016, FRB Regulation W Oversight and Enterprise Data Oversight will be added as risk stewards. The second line of defense is responsible for developing appropriate risk management frameworks/programs that facilitate first line of defense identification, reporting, assessment, control, mitigation, and communication of risk. It also monitors first line of defense execution of these responsibilities. Second line of defense frameworks/ programs conform to applicable laws,

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rules, regulations, regulatory guidance, decrees and orders, and stated corporate business and risk objectives, including risk appetite, measures, and limits.

- The third line of defense is comprised of our assurance functions, i.e., Audit Services and Risk Review, which independently test, verify, and evaluate management controls and provide risk-based advice and counsel to management to help develop and maintain a risk management culture that supports safety, soundness, and business objectives.

Enterprise risk oversight is supported by a number of risk-focused senior management committees. These "enterprise governance committees" are responsible for ensuring effective risk measurement and management within their respective areas of authority, and include the Corporate Risk Committee, Asset/Liability Committee, Capital Committee, and Portfolio Management Committee.

- CRC is chaired by the CRO and supports the CRO in measuring and managing our aggregate risk profile.
- ALCO is chaired by the CFO, and provides management and oversight of market, liquidity, and balance sheet-related risks, and has the responsibility to manage those risks in relation to the profitability of the underlying businesses.
- CC is also chaired by the CFO and provides management and oversight of our capital actions and our enterprise stress analytics programs that, among other things, support our annual CCAR/DFAST submissions.
- PMC is chaired by the Wholesale Banking Executive and provides active portfolio management and oversight of balance sheet allocations to ensure that new asset originations, asset sales, and asset purchases meet our risk and business objectives. PMC also oversees progress towards long-term balance sheet objectives.

The CEO, CFO, and the CRO are members of each enterprise governance committee to promote a culture of consistency and communication. Additionally, other executive and senior officers are members of these committees based upon their responsibilities and subject matter expertise.

The CRO and, by extension, CRM, establishes sound subsidiary risk frameworks, policies, and processes that focus on identifying, measuring, analyzing, managing, and reporting the risks that we face. At its core, CRM's objective is to deliver sophisticated risk management capabilities throughout the organization that:

- Identify, measure, analyze, manage, and report risk at the transaction, portfolio, and enterprise levels
- Support client facing businesses as they seek to balance risk taking with business and safety and soundness objectives
- Optimize decision making
- Promote sound processes and regulatory compliance
- Maximize shareholder value
- Support our purpose of Lighting the Way to Financial Well-Being, support our performance promise of Leading the Movement for Financial Well-Being, and conform to our supporting principles of Client First, One Team, Executional Excellence, and Profitable Growth

To achieve this objective, CRM continually refines our risk governance structures, frameworks and management limits,

policies, processes, and procedures to reflect changes in our operating environment and/or corporate goals and strategies. In terms of underwriting, CRM Credit Risk seeks to mitigate risk through analysis of such things as a borrower's credit history; pertinent financial information, e.g., financial statements and tax returns, cash flow, and liquidity; and collateral value. Additionally, our loan products and underwriting elements are continuously reviewed and refined. Examples include: client eligibility requirements, documentation requirements, loan types, collateral types, LTV ratios, and minimum credit scores. Prior reviews have resulted in changes such as enhanced documentation standards, maximum LTV ratios and production channels, which contributed to material reductions in higher-risk exposures, such as higher-risk mortgage, home equity, and commercial construction loans, as well as a decline in early stage delinquencies and NPLs.

In practice, CRM measures and oversees business execution and risk management along a number of primary risk dimensions: credit, market, liquidity, operational, and compliance. Other risks, such as legal, strategic, and reputational risk, which can arise from any corporate activity, are also monitored by CRM and other risk stewards. Subject matter experts directly supporting the CRO in the management/oversight of these risks include, but are not limited to the:

- Chief Wholesale Credit Officer and the Chief Retail (Consumer/Mortgage) Credit Officer

- Corporate Market/Liquidity Risk and Enterprise Analytics Officer
- Corporate Operational Risk Officer, who is also responsible for oversight of risk stewards
- Corporate Compliance Officer
- Corporate Model Risk Management Officer
- Corporate Regulatory Liaison Officer

Risk Review, an assurance function, reports directly to the BRC and administratively to the CRO.

Credit Risk Management

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

CRM establishes and oversees the adherence to the credit risk management governance frameworks and policies, independently measures, analyzes, and reports on portfolio and risk trends, and actively participates in the formulation of our credit strategies. Credit risk officers and supporting teammates within our lines of business are direct participants in the origination, underwriting, and ongoing management of credit. They work to promote an appropriate balance between our risk management and business objectives through adherence to

established policies, procedures, and standards. Risk Review, one of our independent assurance functions, regularly assesses and reports on business unit and enterprise asset quality, and the integrity of our credit processes. Additionally, total borrower exposure limits and concentration risk are established and monitored. Credit risk may be mitigated through purchase of credit loss protection via third party insurance and/or use of credit derivatives such as CDS.

Borrower/counterparty (obligor) risk and facility risk is evaluated using our risk rating methodology, which is utilized in all lines of business. We use various risk models to estimate both expected and unexpected loss, which incorporates both internal and external default and loss experience. To the extent possible, we collect and use internal data to ensure the validity, reliability, and accuracy of our risk models used in default, severity, 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, cyber-attacks and other security risks, country risk, vendor risk, and legal risk, the potential for operational and reputational loss remains elevated.

Our operations rely on computer systems, networks, the internet, digital applications, and the telecommunications and computer systems of third parties to perform business activities. The use of digital technologies introduces cyber-security risk that can manifest in the form of information theft, physical disruptions, criminal acts by individuals, groups, or nation states, and a client's inability to access online services. We use a wide array of techniques to secure our operations and proprietary information such as Board approved policies and programs, network monitoring, access controls, dedicated security personnel, and defined insurance instruments, as well as consult with third-party data security experts.

To control cyber-security risk, we maintain an active information security program that conforms to FFIEC guidance. This information security program is aligned with our operational risks and is overseen by executive management, the Board, and our independent audit function. It continually monitors and evaluates threats, events, and the performance of its business operations and continually adapts and modifies its risk reduction activities accordingly. We also have a cyber liability insurance policy that provides us with coverage against certain losses. expenses, and damages associated with cyber risk.

Further, we recognize our role in the overall national payments system and we have adopted the National Institute of Standards and Technology Cyber Security Framework ("NIST CSF"). We also fully participate in the federally recognized financial sector information sharing organization structure, known as the Financial Services Information Sharing and Analysis Center ("FS-ISAC"). Digital technology is constantly evolving, and new and unforeseen threats and actions by others may disrupt operations or result in losses beyond our risk control thresholds. Although we invest substantial time and resources to manage and reduce cyber risk, it is not possible to completely eliminate this risk.

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 our profitability. Our Operational Risk Management function oversees an enterprise-wide framework intended to identify, assess, control, monitor, and report on operational risks Company-wide. These processes support our goals to minimize future operational losses and strengthen our performance by maintaining sufficient capital to absorb operational losses that are incurred.

Operational Risk Management is overseen by our CORO, who reports directly to the CRO. The operational risk governance structure includes an operational risk manager and support staff within each business segment and corporate function. These risk managers are responsible for execution of risk management within their areas in compliance with CRM's policies and procedures.

Market Risk Management

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices, and other relevant market rates or prices. Interest rate risk, defined as the exposure of net interest income and MVE to changes in interest rates, is our primary market risk and mainly arises from the structure of our

balance sheet. Variable rate loans, prior to any hedging related actions, were approximately 60% of total loans at December 31, 2015, and after giving consideration to hedging related actions, were approximately 48% of total loans. Approximately 4-5% of our variable rate loans at December 31, 2015 had coupon rates that were equal to a contractually specified interest rate floor. In addition to interest rate risk, we are also exposed to market risk in our trading instruments measured at fair value. Our ALCO meets regularly and is responsible for reviewing our open market positions and establishing policies to monitor and limit exposure to market risk.

Market Risk from Non-Trading Activities

The primary goal of interest rate risk management is to control exposure to interest rate risk, within policy limits approved by the Board. These limits and guidelines reflect our appetite for interest rate risk over both short-term and long-term horizons. No limit breaches occurred during the year ended December 31, 2015.

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 freestanding or embedded options. We measure these risks and their impact by identifying and quantifying exposures through the use of sophisticated simulation and valuation models, which, as described in additional detail below, are employed by management to understand net interest income sensitivity and MVE sensitivity. These measures show that our interest rate risk profile is moderately asset sensitive at December 31, 2015.

MVE and net interest income sensitivity are complementary interest rate risk metrics and should be viewed together. Net interest income sensitivity captures asset and liability repricing mismatches for one year, inclusive of forecast balance sheet changes, and is considered a shorter term measure, while MVE sensitivity captures mismatches within the period end balance

sheets through the financial instruments' respective maturities and is considered a longer term measure.
A positive net interest income sensitivity in a rising rate environment indicates that over the forecast horizon of one year, asset based interest income will increase more quickly than liability based interest expense due to balance sheet composition. A negative MVE sensitivity in a rising rate environment indicates that the value of financial assets will decrease more than the value of financial liabilities.
One of the primary methods that we use to quantify and manage interest rate risk is simulation analysis, which we use to model net interest income from assets, liabilities, and derivative positions under various interest rate scenarios and balance sheet structures. This analysis measures the sensitivity of net interest income over a two-year time horizon, which differs from the interest rate sensitivities in Table 22, which reflect a one-year time horizon. Key assumptions in the simulation analysis (and in the valuation analysis discussed below) relate to the behavior of interest rates and spreads, the changes in product balances, and the behavior of loan and deposit clients in different rate environments. This analysis incorporates several assumptions, the most material of which relate to the repricing and behavioral fluctuations of deposits with indeterminate or non-contractual maturities.
As the future path of interest rates is not known, we use simulation analysis to project net interest income under various scenarios including implied forward and deliberately extreme and perhaps unlikely scenarios. The analyses may include rapid and gradual ramping of interest rates, rate shocks, basis risk analysis, and yield curve twists. Specific strategies are also analyzed to determine their impact on net interest income levels and sensitivities.
The sensitivity analysis presented in Table 22 is measured as a percentage change in net interest income due to instantaneous moves in benchmark interest rates. Estimated changes set forth below are dependent upon material assumptions such as those previously discussed.

Net Interest Income Asset Sensitivity		Table 22
	Estimated % Change in Net Interest Income Over 12 Months [1]	
	December 31, 2015	December 31, 2014
Rate Change		
+200 bps	5.7%	6.7%
+100 bps	3.0%	3.5%
-25 bps	(1.2)%	(1.0)%

[1] Estimated % change of net interest income is reflected on a non-FTE basis.

The decrease in net interest income asset sensitivity at December 31, 2015 compared to December 31, 2014 is due to growth in interest-bearing indeterminate maturity deposits, an increase in the securities AFS portfolio related to LCR compliance, and slower assumed prepayments. See additional discussion related to net interest income in the "Net Interest Income/Margin" section of this MD&A.
We also perform valuation analyses, which we use 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 horizon. Whereas a net interest

income simulation highlights exposures over a relatively short time horizon, our 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 present value of liability cash flows, the net of which is referred to as MVE. The sensitivity of MVE to changes in the level of interest rates is a measure of the longer-term repricing risk and options risk embedded in the balance sheet. Similar to the net interest income simulation, MVE uses instantaneous changes in rates. However, MVE values only the current balance sheet and does not incorporate originations of new/replacement business or balance sheet growth that are used in the net interest income simulation model. As with the net interest income simulation model, assumptions about the timing and variability of balance sheet cash flows are critical in the MVE analysis. Particularly important are the assumptions driving prepayments and the expected changes in balances and pricing of the indeterminate deposit portfolios. At December 31, 2015, the MVE profile in Table 23 indicated a

decline in net balance sheet value due to instantaneous upward changes in rates. MVE sensitivity is reported in both upward and downward rate shocks.

Market Value of Equity Sensitivity Table 23

	Estimated % Change in MVE	
	December 31, 2015	December 31, 2014
Rate Change		
+200 bps	(8.2)%	(4.2)%
+100 bps	(3.7)%	(1.5)%
-25 bps	0.7%	0.1%

The increase in MVE sensitivity compared to December 31, 2014 is primarily due to increased balance sheet duration arising from a combination of factors including, but not limited to, extending receive-fixed interest rate swaps, an increase in the securities AFS portfolio related to LCR compliance, slightly shorter deposit lives, and reduced prepayment speeds on mortgage loans and securities. While an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these rate scenarios, we believe that a gradual shift in interest rates would have a much more modest impact. Since MVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in MVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Further, MVE does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could mitigate the impact of changes in interest rates. The net interest income simulation and valuation analyses do not include actions that management may undertake to manage this risk in response to anticipated changes in interest rates.

Market Risk from Trading Activities

We manage market risk associated with trading activities using a comprehensive risk management approach, which includes VAR metrics, as well as stress testing and sensitivity analysis. All risk metrics are measured and monitored at the trading desk

and the aggregate portfolio level on a daily basis to ensure risk exposures are in line with our risk appetite. Our risk measurement for covered positions takes into account trading exposures resulting from interest rate risk, equity risk, foreign exchange rate risk, credit spread risk, and commodity price risk.

For trading portfolios, VAR measures the estimated maximum loss from a trading position, given a specified confidence level and time horizon. VAR results are monitored daily against established limits for each trading portfolio. For risk management purposes, our VAR calculation is based on a historical simulation and measures the potential trading losses using a one-day holding period at a one-tail, 99% confidence level. This means that, on average, trading losses are expected to exceed VAR one out of 100 trading days or two to three times per year. While VAR can be a useful risk management tool, it does have inherent limitations, including the assumption that past market behavior is indicative of future market performance. As such, VAR is only one of several tools used to manage market risk. Other tools used to actively manage market risk include scenario analysis, stress testing, profit and loss attribution, and stop loss limits.

In addition to VAR, in accordance with the Market Risk Rule issued by the U.S. banking regulators, we also calculate Stressed VAR, which is used as a component of the total market risk-based capital charge. We calculate the Stressed VAR risk measure using a ten-day holding period at a one-tail, 99% confidence level and employ a historical simulation approach based on a continuous twelve-month historical window. This window spans from 2008-2009 and reflects a period of significant financial stress to our portfolio. As such, our Stressed VAR calculation uses the same methodology and models as regular VAR, which is a requirement under the Market Risk Rule.

Table 24 presents VAR and Stressed VAR for the years ended December 31, as well as VAR by Risk Factor at December 31, 2015 and 2014.

Value at Risk Profile Table 24

	Year Ended December 31	
(Dollars in millions)	2015	2014
VAR (1-day holding period):		
Period end	$3	$1
High	4	3
Low	2	1
Average	3	2
Stressed VAR (10-day holding period):		
Period end	$23	$41
High	104	83
Low	19	18
Average	51	43

(Dollars in millions)	December 31, 2015	December 31, 2014
VAR by Risk Factor (1-day holding period):		
Equity risk	$2	$1
Interest rate risk	3	1
Credit spread risk	2	1
VAR total (1-day diversified)	3	1

The trading portfolio, measured in terms of VAR, is predominantly comprised of four material sub-portfolios of covered positions: Credit trading, fixed income securities, interest rate derivatives, and equity derivatives. The trading portfolio also contains other sub-portfolios, including foreign exchange; however, these trading risk exposures are not material. All of our covered positions primarily emanate from underwriting, market making and associated risk mitigating hedging activity, and services for our clients. As illustrated in Table 24, both average daily VAR for the year ended December 31, 2015 and period end VAR at December 31, 2015 increased compared to the same periods in the prior year. These VAR increases were driven largely by higher levels of volatility in the market during 2015

compared to 2014. Average Stressed VAR was higher in 2015 compared to the prior year, also due largely to higher levels of volatility in the markets. However, risk mitigating activities along with balance sheet optimization efforts within our equity derivatives and credit trading businesses during the second half of 2015 contributed toward a lower period end Stressed VAR at December 31, 2015 compared to December 31, 2014. The trading portfolio of covered positions did not contain any correlation trading positions or on- or off-balance sheet securitization positions in 2015 or 2014.

In accordance with the Market Risk Rule, we evaluate the accuracy of our VAR model through daily backtesting by comparing daily trading gains and losses (excluding fees, commissions, reserves, net interest income, and intraday trading) from covered positions with the corresponding daily VAR-based measures. As illustrated in the following graph for the twelve months ended December 31, 2015, there was a near VAR backtest exception in the third quarter with firmwide trading losses marginally lower compared to the previous day’s VAR measure. This was attributed largely to the sell-off in U.S. equity markets, which impacted our equity derivatives and credit trading portfolios. We use backtesting as one of the measures to evaluate performance of the various VAR models and as such, the occurrence of a certain number of backtest exceptions are to be expected in line with a given confidence level. An actual backtest exception instead of the near exception during the third quarter of 2015 would not have been inconsistent with the 99% confidence level at which daily VAR is measured. The total number of VAR backtesting exceptions over the preceding 12 months is used to determine the multiplication factor for the VAR-based capital requirement under the Market Risk Rule, whereby the capital multiplication factor increases from a minimum of three to a maximum of four, depending on the number of exceptions. There was no change in the capital multiplication factor over the preceding 12 months.

We have valuation policies, procedures, and methodologies for all covered positions. Additionally, trading positions are reported in accordance with U.S. GAAP and are subject to independent price verification. See Note 17, "Derivative Financial Instruments" and Note 18, "Fair Value Election and Measurement" to the Consolidated Financial Statements in this Form 10-K, as well as the "Critical Accounting Policies" section of this MD&A for discussion of valuation policies, procedures, and methodologies.
Model risk management: Our approach for validating and evaluating the accuracy of internal and vended models and associated processes includes developmental and implementation testing and ongoing monitoring and maintenance performed by the various model developers in conjunction with model owners. The MRMG is responsible for the independent model validation for the VAR and Stressed VAR models. The validation typically includes evaluation of all model documentation, as well as model monitoring and maintenance plans. In addition, the MRMG performs its own testing. Due to ongoing developments in financial markets, evolution in modeling approaches, and for purposes of model enhancement, we assess the performance of all VAR models regularly through the model monitoring and maintenance process.
Stress testing: We use a comprehensive range of stress testing techniques to help monitor risks across trading desks and to augment standard daily VAR and other risk limits reporting. The stress testing framework is designed to quantify the impact of extreme but plausible stress scenarios that could lead to large unexpected losses. Our stress tests include historical repeats and simulations using hypothetical risk factor shocks. All trading

positions within each applicable market risk category (interest rate risk, equity risk, foreign exchange rate risk, credit spread risk, and commodity price risk) are included in our comprehensive stress testing framework. We review stress testing scenarios on an ongoing basis and make updates as necessary to ensure that both current and potential emerging risks are captured appropriately.
Trading portfolio capital adequacy: We assess capital adequacy on a regular basis, based on estimates of our risk profile and capital positions under baseline and stressed scenarios. Scenarios consider material risks, including credit risk, market risk, and operational risk. Our assessment of capital adequacy arising from market risk also includes a review of risk arising from material portfolios of covered positions. See the “Capital Resources” section in this MD&A for additional discussion of capital adequacy.

Liquidity Risk Management
Liquidity risk is the risk of being unable, at a reasonable cost, to meet financial obligations as they come due. We manage liquidity risk utilizing three lines of defense as described below. These lines of defense are designed to mitigate our three primary liquidity risks: structural (“mismatch”) liquidity risk, market liquidity risk, and contingent liquidity risk. Structural liquidity risk arises from our maturity transformation activities and balance sheet structure, which may create mismatches in the timing of cash inflows and outflows. Market liquidity risk, which we also describe as refinancing or refunding risk, constitutes the risk that we could lose access to the financial markets or the cost

of such access may rise to undesirable levels. Contingent liquidity risk arises from rare and severely adverse liquidity events; these events may be idiosyncratic or systemic, or a combination thereof.
We mitigate these risks utilizing a variety of tested liquidity management techniques in keeping with regulatory guidance and industry best practices. For example, we mitigate structural liquidity risk by structuring our balance sheet prudently so that we fund less liquid assets, such as loans, with stable funding sources, such as consumer and commercial deposits, long-term debt, and capital. We mitigate market liquidity risk by maintaining diverse borrowing resources to fund projected cash needs and structuring our liabilities to avoid maturity concentrations. We test contingent liquidity risk from a range of potential adverse circumstances in our contingency funding scenarios. These scenarios inform the amount of contingency liquidity sources we maintain as a liquidity buffer to ensure we can meet our obligations in a timely manner under adverse contingent liquidity events.
Governance. We maintain a comprehensive liquidity risk governance structure in keeping with regulatory guidance and industry best practices. Our Board, through the BRC, oversees liquidity risk management and establishes our liquidity risk appetite via a set of cascading risk limits. The BRC reviews and approves risk policies to establish these limits and regularly reviews reports prepared by senior management to monitor compliance with these policies. The Board charges the CEO with determining corporate strategies in accordance with its risk appetite and the CEO is a member of our ALCO, which is the executive level committee with oversight of liquidity risk management. The ALCO regularly monitors our liquidity and compliance with liquidity risk limits, and also reviews and approves liquidity management strategies and tactics.
Management and Reporting Framework. We base our governance structure on and mitigate liquidity risk using three lines of defense. Our Corporate Treasury department constitutes the first line of defense, managing consolidated liquidity risks we encounter in the course of our business. Under the oversight of the ALCO, Corporate Treasury thereby assumes responsibility for identifying, measuring, monitoring, reporting, and managing our liquidity risks. In so doing, Corporate Treasury develops and implements short- and long-term liquidity management strategies, funding plans, and liquidity stress tests, and also monitors early warning indicators. Corporate Treasury primarily monitors and manages liquidity risk at the Parent Company and Bank levels as the non-bank subsidiaries are relatively small and these subsidiaries ultimately rely upon the Parent Company as a source of liquidity in adverse environments. However, Corporate Treasury also monitors liquidity developments of, and maintains a regular dialogue with, our other legal entities.
Our MRM group constitutes our second line of defense in liquidity risk management. MRM conducts independent oversight and governance of liquidity risk management activities. For example, MRM works with Corporate Treasury to ensure our liquidity risk management practices conform to applicable laws and regulations and evaluates key assumptions incorporated in our contingency funding scenarios.

Our internal audit function provides a third line of defense in liquidity risk management. The role of internal audit is to provide assurance through an independent assessment of the adequacy of internal controls in the first two lines of defense. These controls consist of procedural documentation, approval processes, reconciliations, and other mechanisms employed by the first two lines of defense in ensuring that liquidity risk is consistent with applicable policies, procedures, laws, and regulations.
In September 2014, the Federal Reserve published final rules with respect to LCR requirements under Regulation WW. The LCR requires banking organizations to hold unencumbered high-quality liquid assets sufficient to withstand projected cash outflows under a prescribed liquidity stress scenario. Regulation WW will be phased in as specified with the regulatory requirements and requires that we maintain an LCR above 90% beginning January 1, 2016 and 100% beginning January 1, 2017. We expect to meet or exceed LCR requirements within the regulatory timelines. At December 31, 2015, our LCR was above the January 1, 2016 requirement of 90%.
Uses of Funds. Our primary uses of funds include the extension of loans and credit, the purchase of investment securities, working capital, and debt and capital service. The Bank and the Parent Company borrow in the money markets using instruments such as Fed funds, Eurodollars, and CP. At December 31, 2015, the Parent Company had no CP outstanding and the Bank retained a material cash position in its Federal Reserve account. The Parent Company also retains a material cash position, in accordance with our policies and risk limits, discussed in greater detail below.

Sources of Funds. Our primary source of funds is a large, stable deposit base. Core deposits, predominantly made up of consumer and commercial deposits originated primarily from our retail branch network and Wholesale Banking client base, are our largest and most cost-effective source of funding. Core deposits increased to $148.9 billion at December 31, 2015, from $139.2 billion at December 31, 2014.

We also maintain access to diversified sources for both secured and unsecured wholesale funding. These uncommitted sources include Fed funds purchased from other banks, securities sold under agreements to repurchase, negotiable CDs, offshore deposits, FHLB advances, Global Bank Notes, and CP. Aggregate wholesale funding decreased to $13.8 billion at December 31, 2015 from $19.4 billion at December 31, 2014. Net short-term unsecured borrowings, which includes wholesale domestic and foreign deposits as well as Fed funds purchased, decreased to $3.8 billion at December 31, 2015, from $4.2 billion at December 31, 2014. The decrease in both wholesale funding and net short-term unsecured borrowings compared to December 31, 2014 was due to the growth in core deposits.

As mentioned above, the Bank and Parent Company maintain programs to access the debt capital markets. The Parent Company maintains a SEC shelf registration from which it may issue senior or subordinated notes and various capital securities such as common or preferred stock. Our Board has authorized the issuance of up to $5.0 billion of such securities, of which $5.0 billion of issuance capacity remained available at December 31, 2015.

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The Bank maintains a Global Bank Note program under which it may issue senior or subordinated debt with various terms. At December 31, 2015, the Bank retained $36.5 billion of remaining capacity to issue notes under the Global Bank Note program.
Our issuance capacity under these Bank and Parent Company programs refers to authorization granted by our Board, which is a formal program capacity and not a commitment to purchase by any investor. Debt and equity securities issued under these programs are designed to appeal primarily to domestic and international institutional investors. Institutional investor demand for these securities depends upon numerous factors, including, but not limited to, our credit ratings and investor perception of financial market conditions and the health of the banking sector. Therefore, our ability to access these markets in the future could be impaired for either idiosyncratic or systemic reasons.
We assess liquidity needs that may occur in both the normal course of business and times of unusual adverse events, considering both on and off-balance sheet arrangements and commitments that may impact liquidity in certain business environments. We have contingency funding scenarios and plans that assess liquidity needs that may arise from certain stress events such as severe economic recessions, financial market disruptions, and credit rating downgrades. In particular, a ratings downgrade could adversely impact the cost and availability of some of our liquid funding sources. Factors that affect our credit ratings include, but are not limited to, the credit risk profile of our assets, the adequacy of our ALLL, the level and stability of our earnings, the liquidity profile of both the Bank and the Parent Company, the economic environment, and the adequacy of our capital base.
As illustrated in Table 25, Moody’s, S&P, and Fitch all assigned a “Stable” outlook on our credit ratings based on our improved earnings profile, good asset quality performance, solid liquidity profile, and sound capital position. Future credit rating downgrades are possible, although not currently anticipated given these “Stable” credit rating outlooks.

Credit Ratings and Outlook Table 25

	December 31, 2015		
	Moody’s	S&P	Fitch
SunTrust Banks, Inc.:			
Senior debt	Baa1	BBB+	A-
Preferred stock	Baa3	BB+	BB
SunTrust Bank:			
Long-term deposits	A1	A-	A
Short-term deposits	P-1	A-2	F1
Senior debt	Baal	A-	A-
Outlook	Stable	Stable	Stable

Our investment portfolio is a use of funds and we manage that investment portfolio primarily as a store of liquidity, maintaining substantially all (approximately 98%) of our securities in liquid and high-grade asset classes such as agency MBS, agency debt, and U.S. Treasury securities; nearly all of these securities qualify as high-quality liquid assets under the U.S. LCR Final Rule. At December 31, 2015, our securities AFS portfolio contained $23.9 billion of unencumbered high-quality, liquid securities at market value.
As mentioned above, we maintain contingency funding scenarios to anticipate and manage the likely impact of impaired capital markets access and other adverse liquidity circumstances. Our contingency plans also provide for continuous monitoring of net borrowed funds dependence and available sources of contingency liquidity. These sources of contingency liquidity include available cash reserves, the ability to sell, pledge, or borrow against unencumbered securities in our investment portfolio, the capacity to borrow from the FHLB system, and the capacity to borrow at the Federal Reserve Discount Window.

The following table presents period end and average balances for our contingency liquidity sources for 2015 and 2014. These sources exceed our contingent liquidity needs as measured in our contingency funding scenarios.
Contingency Liquidity Sources Table 26

(Dollars in billions)	As of December 31, 2015	December 31, 2014	Average for the Year Ended [1] December 31, 2015	December 31, 2014
Excess reserves	$2.4	$4.5	$3.6	$3.5
Free and liquid investment portfolio securities	23.9	22.2	23.1	13.8
Unused FHLB borrowing capacity	21.4	8.4	16.2	13.2
Unused discount window borrowing capacity	17.2	18.4	17.4	19.2
Total	$64.9	$53.5	$60.3	$49.7

[1] Average based upon month-end data, except excess reserves, which is based upon a daily average.

Parent Company Liquidity. Our primary measure of Parent Company liquidity is the length of time the Parent Company can meet its existing and certain forecasted obligations using its cash resources. We measure and manage this metric using forecasts of both normal and adverse conditions. Under adverse

conditions, we measure how long the Parent Company can meet its capital and debt service obligations after experiencing material attrition of short-term unsecured funding and without the support of dividends from the Bank or access to the capital markets. In accordance with these risk limits established by

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ALCO and the Board, we manage the Parent Company's liquidity by structuring its net maturity schedule to minimize the amount of debt maturing within a short period of time. A majority of the Parent Company's liabilities are long-term in nature, coming from the proceeds of issuances of our capital securities and long-term senior and subordinated notes. See Note 11, "Borrowings and Contractual Commitments," to the Consolidated Financial Statements in this Form 10-K for further information regarding Parent Company debt.
We manage the Parent Company to maintain most of its liquid assets in cash and securities that it could quickly convert into cash. Unlike the Bank, it is not typical for the Parent Company to maintain a material investment portfolio of publicly traded securities. We manage the Parent Company cash balance to provide sufficient liquidity to fund all forecasted obligations (primarily debt and capital service) for an extended period of months in accordance with our risk limits.
The primary uses of Parent Company liquidity include debt service, dividends on capital instruments, the periodic purchase of investment securities, loans to our subsidiaries, and common share repurchases. See further details of the authorized common share repurchases in the "Capital Resources" section of this MD&A and in Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" in this Form 10-K. We fund corporate dividends with Parent Company cash, the primary sources of which are dividends from our banking subsidiary and proceeds from the issuance of debt and capital securities. We are subject to both state and federal banking regulations that limit our ability to pay common stock dividends in certain circumstances.

Other Liquidity Considerations. At December 31, 2015, our liability for UTBs was $100 million and the liability for interest related to these UTBs was $8 million. The UTBs represent the difference between tax positions taken or expected to be taken in our tax returns and the benefits recognized in accordance with the accounting guidance for income taxes. If taxes related to these positions are ultimately paid, the payments would be made from our normal operating cash flows, likely over multiple years. See additional discussion in Note 14, "Income Taxes," to the Consolidated Financial Statements in this Form 10-K.
As presented in Table 27, we had an aggregate potential obligation of $85.5 billion to our clients in unused lines of credit at December 31, 2015. Commitments to extend credit are arrangements to lend to clients who have complied with predetermined contractual obligations. We also had $2.9 billion in letters of credit at December 31, 2015, most of which are standby letters of credit, which require that we provide funding if certain future events occur. Approximately $633 million of these letters supported variable rate demand obligations at December 31, 2015.
Unused commercial lines of credit have increased since December 31, 2014, as we continued to provide credit availability to our clients. Unused credit card lines increased during 2015 due to our strategic focus on growing this business and our launch of new, streamlined credit card product offerings in 2015. Additionally, our mortgage commitments increased during 2015 due to higher production volume.

Unfunded Lending Commitments				Table 27
	As of		Average for the Three Months Ended	
(Dollars in millions)	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Unused lines of credit:				
Commercial	$58,855	$50,122	$58,032	$49,932
Mortgage commitments [1]	3,232	3,259	3,215	3,317
Home equity lines	10,523	10,858	10,558	10,873
CRE	4,455	3,302	4,111	3,151
Credit card	8,478	6,675	8,203	6,380
Total unused lines of credit	$85,543	$74,216	$84,119	$73,653
Letters of credit:				
Financial standby	$2,775	$2,917	$2,758	$3,161

Performance standby	137	121	140	64
Commercial	27	32	27	32
Total letters of credit	$2,939	$3,070	$2,925	$3,257

[1] Includes IRLC contracts with notional balances of $2.3 billion at both December 31, 2015 and 2014.

Other Market Risk
Other sources of market risk include the risk associated with holding residential and commercial loans, other loans and securities designated for sale into the secondary market, mortgage loan commitments that will be sold into the secondary market, and our investment in MSRs. We manage the risks associated with the residential mortgage LHFS (i.e., the warehouse) and our IRLCs on residential loans intended for sale. The warehouses and IRLCs consist primarily of fixed and adjustable rate single family residential loans. The risk associated with the warehouses and IRLCs is the potential change in interest rates between the time the customer locks the rate on the anticipated loan and the time the loan is sold on the secondary market, which is typically 60-150 days.
We manage interest rate risk predominantly with interest rate swaps, futures, and forward sale agreements, where the changes in value of the instruments substantially offset the changes in value of the warehouse and the IRLCs. The IRLCs on residential mortgage loans intended for sale are classified as derivative instruments and are not designated for hedge accounting purposes.
MSRs are measured at the present value of future net cash flows that are expected to be received from the mortgage servicing portfolio. The value of MSRs is highly dependent upon the assumed prepayment speed of the mortgage servicing portfolio, which is driven by the level of certain key interest rates, primarily the current 30-year mortgage rate. Future expected net cash flows from servicing a loan in the mortgage servicing portfolio would not be realized if the loan pays off earlier than anticipated.
MSRs are measured at fair value with a balance of $1.3 billion and $1.2 billion at December 31, 2015 and 2014, respectively, and are managed within established risk limits and monitored as part of an established governance process.
We originated MSRs with fair values at the time of origination of $238 million and $178 million during 2015 and 2014, respectively. Additionally, we purchased MSRs with fair values of approximately $109 million and $130 million during 2015 and 2014, respectively.
We recognized mark-to-market decreases in the fair value of the MSR portfolio of $242 million and $401 million during 2015 and 2014, respectively. Changes in fair value include the decay resulting from the realization of expected monthly net servicing cash flows. We recognized net losses related to MSRs, inclusive of decay and related hedges, of $172 million and $134 million during 2015 and 2014, respectively. Compared to the prior year, the increase in net losses related to MSRs was driven by higher decay in the current periods, resulting from increased prepayments due to higher refinance activity given the low interest rate environment.
We held a total net book value of approximately $30 million and $9 million of non-public equity exposures (direct investments) and other equity-related investments at

December 31, 2015 and 2014, respectively. We generally hold these investments as long-term investments. If conditions in the market deteriorate, these long-term investments and other assets could incur impairment charges, including, but not limited to, goodwill and other intangible assets.

OFF-BALANCE SHEET ARRANGEMENTS
In the ordinary course of business we engage in certain activities that are not reflected in our Consolidated Balance Sheets, generally referred to as "off-balance sheet arrangements." These activities involve transactions with unconsolidated VIEs as well as other arrangements, such as commitments and guarantees, to meet the financing needs of our customers and to support ongoing operations. Additional information regarding these types of activities is included in the “Liquidity Risk Management” section of this MD&A, as well as Note 10, “Certain Transfers of Financial Assets and Variable Interest Entities,” Note 11, “Borrowings and Contractual Commitments,” and Note 16, “Guarantees,” to the Consolidated Financial Statements in this Form 10-K.
Contractual Obligations
In the normal course of business, we enter into certain contractual obligations, including obligations to make future payments on debt and lease arrangements, contractual commitments for capital expenditures, and service contracts. Table 28 presents our significant contractual obligations at December 31, 2015, except for UTBs (discussed below), unfunded lending commitments (presented in Table 27 within the "Liquidity Risk Management" section of this MD&A), short-term borrowings (presented in the "Borrowings" section of this MD&A), and pension and other

postretirement benefit plans, disclosed in Note 15, "Employee Benefit Plans," to the Consolidated Financial Statements in this Form 10-K. Capital lease obligations and foreign time deposits were immaterial at December 31, 2015 and are not reflected in the table below. For additional information regarding our time deposits, operating leases, and long-term debt, refer to the "Deposits" section of this MD&A, as well as Note 8, "Premises and Equipment," and Note 11, "Borrowings and Contractual Commitments," to the Consolidated Financial Statements in this Form 10-K.
At December 31, 2015, we had UTBs of $100 million, which represent a reserve for tax positions that we have taken or expect to be taken in our tax returns, and which ultimately may not be sustained upon examination by taxing authorities. Since the ultimate amount and timing of any future tax settlements are uncertain, UTBs have been excluded from Table 28. See additional discussion in Note 14, "Income Taxes," to the Consolidated Financial Statements in this Form 10-K.

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Table 28

(Dollars in millions)	Payments Due by Period Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Contractual Obligations:					
Consumer and other time deposits [1]	$4,736	$3,250	$1,451	$382	$9,819
Brokered time deposits [1]	196	187	393	123	899
Long-term debt [1, 2]	1,111	4,318	1,044	1,981	8,454
Operating leases	207	314	184	307	1,012
Purchase obligations [3]	349	30	4	—	383
Total	$6,599	$8,099	$3,076	$2,793	$20,567

[1] Amounts do not include interest.
[2] Amounts do not include capital lease obligations.
[3] Amounts represent termination fees for legally binding purchase obligations of $5 million or more. Payments made towards the purchase of goods or services under these contracts totaled $243 million during 2015.

BUSINESS SEGMENTS

Table 29 presents net income/(loss) for our reportable business segments:

Net Income/(Loss) by Business Segment — Table 29

(Dollars in millions)	Year Ended December 31 2015	2014	2013
Consumer Banking and Private Wealth Management	$754	$695	$653
Wholesale Banking	954	875	807
Mortgage Banking	287	(53)	(527)
Corporate Other	159	434	508
Reconciling Items [1]	(221)	(177)	(97)
Total Corporate Other	(62)	257	411
Consolidated Net Income	$1,933	$1,774	$1,344

[1] Includes differences between net income/(loss) reported for each business segment using management accounting practices and U.S. GAAP. Prior period information has been restated to reflect changes in internal reporting methodology. See additional information in Note 20, "Business Segment Reporting," to the Consolidated Financial Statements in this Form 10-K.

Table 30 presents average loans and average deposits for our reportable business segments during the years ended December 31:

Average Loans and Deposits by Business Segment — Table 30

	Average Loans			Average Consumer and Commercial Deposits		
(Dollars in millions)	2015	2014	2013	2015	2014	2013
Consumer Banking and Private Wealth Management	$40,632	$41,700	$40,510	$91,127	$86,070	$84,289
Wholesale Banking	67,853	62,638	54,142	50,376	43,566	39,572
Mortgage Banking	25,024	26,494	27,974	2,679	2,333	3,206
Corporate Other	49	42	31	20	43	9

See Note 20, “Business Segment Reporting,” to the Consolidated Financial Statements in this Form 10-K for a discussion of our segment structure, basis of presentation, and internal

management reporting methodologies, including the reclassification of RidgeWorth results from the Wholesale Banking segment to Corporate Other in 2014.

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BUSINESS SEGMENT RESULTS
Year Ended December 31, 2015 vs. 2014
Consumer Banking and Private Wealth Management
Consumer Banking and Private Wealth Management reported net income of $754 million for the year ended December 31, 2015, an increase of $59 million, or 8%, compared to 2014. The increase in net income was driven primarily by an increase in net interest income and lower provision for credit losses.
Net interest income was $2.7 billion, an increase of $100 million, or 4%, compared to 2014, primarily driven by growth in average deposit balances and improved loan spreads, partially offset by lower deposit spreads and a decline in average loan balances. Net interest income related to deposits increased $58 million, or 3%, driven by a $5.1 billion, or 6%, increase in average deposit balances. Favorable deposit mix trends continued as average deposit balances increased in all lower cost product categories, offsetting a $1.4 billion, or 13%, decline in average time deposits, contributing to a two basis point decline in the overall rate paid on average deposits. Net interest income related to loans increased $27 million, or 3%, driven by an overall 13 basis point increase in loan spreads, partially offset by a $1.1 billion, or 3%, decrease in average loan balances. Declines in student and indirect auto loans were driven by portfolio sales and the securitization of indirect auto loans in 2015, in addition to home equity and consumer mortgage loan attrition. These decreases were partially offset by growth primarily within the consumer direct loans, personal credit lines, and credit cards categories.
Provision for credit losses was $137 million, a decrease of $54 million, or 28%, compared to 2014. The decrease was largely driven by lower net charge-offs related to continued strong asset quality.
Total noninterest income was $1.5 billion, a decrease of $19 million, or 1%, compared to 2014. The decrease was largely driven by declines in service charges on deposits (due to changes in client behavior) and lower trust and investment management income (due to a decline in assets under management), partially offset by higher card fee income. Additionally, gains on loan portfolio sales were higher in 2015 compared to 2014.
Total noninterest expense was $2.9 billion, an increase of $36 million, or 1%, compared to 2014. The increase was driven by higher outside data processing expenses resulting from increased transaction volumes and higher utilization of outside vendors. Additionally, increases in various corporate support expenses, such as marketing and technology, were partially offset by decreases in staff expenses and operating losses.
Wholesale Banking
Wholesale Banking reported net income of $954 million for the year ended December 31, 2015, an increase of $79 million, or 9%, compared to 2014. The increase in net income was attributable to increases in net interest income and noninterest income, partially offset by an increase in the provision for credit losses and noninterest expense.
Net interest income was $1.9 billion, an increase of $111 million, or 6%, compared to 2014, driven by increases in average loan and deposit balances, partially offset by lower loan and deposit spreads. Net interest income related to loans increased,

as average loan balances grew $5.2 billion, or 8%, led by growth in C&I, CRE, and tax-exempt loans. Net interest income related to client deposits increased as average deposit balances grew $6.8 billion, or 16%, compared to 2014. Lower cost average demand deposits increased $415 million, or 2%, and average combined interest-bearing transaction and money market accounts increased $6.6 billion, or 32%, while average CD balances declined approximately $169 million. Enhancements we made to our treasury and payment products, in conjunction with our client liquidity specialists, contributed to our deposit growth momentum.
Provision for credit losses was $137 million, an increase of $66 million, compared to 2014. The increase reflects loan growth and higher reserves related to energy exposures.
Total noninterest income was $1.2 billion, an increase of $111 million, or 10%, compared to 2014. The increase was primarily driven by a $57 million, or 14%, increase in investment banking income and an increase in leasing-related revenue attributable to impairment charges on aircraft leases recognized in 2014. These increases were partially offset by declines in trading revenues, letter of credit fees, net service charges on treasury related services, and other income.
Total noninterest expense was $1.6 billion, an increase of $23 million, or 1%, compared to 2014. The increase was primarily due to increases in employee compensation as we continue to invest in talent to meet our clients' needs and augment our capabilities, expense tied to new market tax credit investments, and outside processing expenses. These

increases were partially offset by lower impairment charges due to our strategic, first quarter of 2014 decision to sell certain legacy investments of the aforementioned affordable housing partnership assets. The sale of these investments resulted in an impairment charge in 2014, as well as a decline in associated partnership expenses due to the subsequent sale of those assets.

Mortgage Banking

Mortgage Banking reported net income was $287 million for the year ended December 31, 2015, compared to a net loss of $53 million in 2014. Excluding the 2014 after-tax impact of Form 8-K and other legacy mortgage-related items presented in Table 1, "Selected Financial Data and Reconcilement of Non-U.S. GAAP Measures," the increase in net income was driven by declines in the provision for credit losses and noninterest expense, partially offset by lower net interest income.

Net interest income was $483 million, a decrease of $69 million, or 13%, compared to 2014. The decrease was predominantly due to lower net interest income on loans and LHFS. Net interest income on loans decreased $58 million, or 14%, due to a $1.5 billion, or 6%, decrease in average loan balances and lower spreads on residential mortgages. The decline in average loans was largely driven by the sale of government-guaranteed residential loans in the second and third quarters of 2014. Additionally, net interest income on LHFS decreased $6 million primarily due to lower spreads.

Provision for credit losses was a benefit of $110 million, resulting in a decrease of $191 million compared to 2014. The improvement was primarily attributable to continued improvement in asset quality.

Total noninterest income was $460 million, a decrease of $13 million, or 3%, compared to 2014. The decrease was primarily driven by gains on the sale of government-guaranteed residential loans in the second and third quarters of 2014 and a decline in mortgage servicing income, partially offset by higher mortgage production income. Mortgage servicing income was $169 million, a decrease of $27 million, or 14%, driven by higher prepayments, partially offset by higher servicing fees. Total loans serviced for others were $121.0 billion at December 31, 2015, compared to $115.5 billion at December 31, 2014. The 5% increase was largely attributable to the purchase of MSRs in 2015. Mortgage production related income increased $69 million, compared to 2014, due to higher gain on sale revenue, a decline in the repurchase provision, and higher production related fee income. Loan originations were $22.7 billion for the year ended December 31, 2015, compared to $16.4 billion for 2014, an increase of $6.3 billion, or 38%. Other income decreased $54 million, predominantly driven by the aforementioned gains on the sale of government-guaranteed residential loans in 2014, partially offset by gains on loan sales in 2015.

Total noninterest expense was $682 million, a decline of $367 million, or 35%, compared to 2014. The decrease was primarily attributable to a $387 million decline in operating losses driven by mortgage-related legal matters recognized in 2014. In 2015, higher mortgage production volumes resulted in increases in staff expenses and outside processing costs and credit services, compared to 2014.

Corporate Other

Corporate Other net income for the year ended December 31, 2015 was $159 million, a decrease of $275 million, or 63%, compared to 2014. The decrease in net income was primarily due to the $105 million gain on sale of RidgeWorth in 2014 and a decline in net interest income, partially offset by lower noninterest expenses.

Net interest income for the year ended December 31, 2015 was $150 million, a decrease of $129 million, or 46%, compared to 2014. The decrease was primarily due to a $125 million decline in commercial loan related swap income. Additionally, growth in client deposits during 2015 enabled reductions of $3.7 billion, or 66%, and $1.4 billion, or 12%, in average short-term borrowings and average long-term debt, respectively.

Total noninterest income was $99 million, a decrease of $139 million, or 58%, compared to 2014. The decrease was primarily due to the gain on the sale of RidgeWorth in 2014, foregone trust and investment management income as a result of the sale of RidgeWorth, partially offset by higher 2015 mark-to-market valuation gains on public debt measured at fair value and net gains on the sale of securities AFS of $21 million in 2015, compared to losses of $15 million on the sale of securities AFS in 2014.

Total noninterest expense was $15 million, a decline of $77 million compared to 2014. The decline was primarily due to expense reductions resulting from the sale of RidgeWorth, and a decline in severance costs, compared to 2014. These declines were partially offset by the $24 million of debt extinguishment costs, net of related hedges, associated with balance sheet repositioning during 2015.

Year Ended December 31, 2014 vs. 2013

Consumer Banking and Private Wealth Management

Consumer Banking and Private Wealth Management reported net income of $695 million for the year ended December 31, 2014, an increase of $42 million, or 6%, compared to 2013. The increase in net income was primarily driven by increased total revenue and continued improvement in credit quality resulting in lower provision for credit losses, which in aggregate more than offset a 3% increase in expenses.

Net interest income was $2.6 billion, an increase of $34 million, or 1%, compared to 2013, driven by increased average deposit and loan balances, partially offset by lower rate spreads. Net interest income related to deposits increased $14 million, or 1%, driven by a $1.8 billion, or 2%, increase in average deposit balances, partially offset by a three basis point decrease in deposit spreads. Favorable deposit mix trends continued as average deposit balances increased in all lower cost account categories, offsetting a $2.0 billion, or 15%, decline in average time deposits. Net interest income related to loans increased $3 million, driven by a $1.2 billion increase in average loan balances, partially offset by a six basis point decrease in loan spreads. The increase in average loans was primarily driven by growth in consumer loans, which more than offset home equity line paydowns and a decline in nonaccrual loans. Other funding costs related to other assets improved by $19 million, driven primarily by a decline in funding rates.

Provision for credit losses was $191 million, a decrease of $70 million, or 27%, compared to 2013. The decrease was primarily driven by declines in home equity line and commercial loan net charge-offs, partially offset by an increase in nonguaranteed student loan net charge-offs.

Total noninterest income was $1.5 billion, an increase of $45 million, or 3%, compared to 2013, driven by an increase in retail investment income, trust and investment management, card fees and insurance income, partially offset by a decrease in service charges on deposits.

Total noninterest expense was $2.9 billion, an increase of $83 million, or 3%, compared to 2013. The increase was driven by higher staff expenses related to investment in revenue generating positions, primarily in wealth management-related businesses to help fulfill more of our clients' wealth and investment management needs. Additionally, higher operating losses were partially offset by a decrease in other operating expenses.

Wholesale Banking

Wholesale Banking reported net income of $875 million for the year ended December 31, 2014, an increase of $68 million, or 8%, compared to 2013. The increase in net income was attributable to an increase in net interest income and a decrease in provision for credit losses, partially offset by an increase in noninterest expense.

Net interest income was $1.8 billion, a $127 million, or 8%, increase compared to 2013, driven by increases in average loan and deposit balances, partially offset by lower rate spreads. Net interest income related to loans increased, as average loan balances grew $8.5 billion, or 16%, led by C&I, CRE, and tax-exempt loans. Net interest income related to client deposits increased as average deposit balances grew $4.0 billion, or 10%,

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compared to 2013. Lower cost demand deposits increased $1.8 billion, or 9%, and average combined interest-bearing transaction and money market accounts increased $2.3 billion, or 12%, while average CD balances declined approximately $143 million.

Provision for credit losses was $71 million, a decrease of $53 million, or 43%, compared to 2013. The decline reflects the continued improvement in overall Wholesale Banking credit quality and a $56 million decline in net charge-offs, partially offset by an increase in the provision for loan losses in the fourth quarter of 2014 related to the decline in oil prices.

Total noninterest income was $1.1 billion, which was virtually unchanged compared to 2013. A $49 million, or 14%, increase in investment banking income along with higher structured real estate gains, card fees, and non-margin loan fees was largely offset by declines in affordable housing partnership revenue and related gains driven by the sale of certain affordable housing properties. Additionally, trading revenue and service charges on treasury related services declined, and impairment charges related to aircraft leases increased in 2014.

Total noninterest expense was $1.6 billion, an increase of $97 million, or 7%, compared to 2013. The increase was primarily due to an increase in employee compensation as we continue to invest in talent to better meet our clients' needs and augment our capabilities, along with a reduction to incentive compensation accruals in the first quarter of 2013. Other expenses increased due to our strategic decision to sell certain legacy investments in affordable housing partnerships in the first quarter of 2014, which resulted in a net $21 million impairment charge in 2014. These increases in expense were partially offset by a decrease in operating losses driven by a $32 million settlement of legal matters in the third quarter of 2013 and lower affordable housing partnership expense.

Mortgage Banking

Mortgage Banking reported a net loss of $53 million for the year ended December 31, 2014, compared to a net loss of $527 million for 2013. The 2014 results included $324 million of Form 8-K and other legacy mortgage-related items as presented in Table 1, "Selected Financial Data and Reconcilement of Non-U.S. GAAP Measures."

Net interest income was $552 million, an increase of $13 million, or 2%, primarily due to higher net interest income on loans, partially offset by a decline net interest income on LHFS and deposits. Net interest income on loans increased $39 million, primarily due to an increase in loan spreads. This increase was partially offset by an $11 million decline in interest income on LHFS due to a $0.7 billion, or 29%, decrease in average balances which was driven by lower production volume in 2014, partially negated by higher spreads. Additionally, a $14 million decline in income on average deposits was driven by a $0.9 billion, or 27%, decline in average total deposit balances, partially offset by higher spreads.

Provision for credit losses was $81 million, a decrease of $89 million, or 52%, compared to 2013. The improvement was largely attributable to improved credit quality.

Total noninterest income was $473 million, an increase of $71 million, or 18%, compared to 2013. The increase was primarily driven by higher mortgage servicing and other income, partially offset by lower mortgage production income. Mortgage

servicing income of $196 million increased $109 million, driven by lower decay, higher servicing fees, and improved net hedge performance. Loans serviced for others were $115.5 billion, an increase of 8%, at December 31, 2014, compared to $106.8 billion at December 31, 2013. The increase was largely attributable to the purchase of MSRs in 2014. Mortgage loan production income decreased $113 million due to a decline in production volume, driven by lower refinance volume, as well as gain on sale margins, partially offset by a $102 million decline in the mortgage repurchase provision. The mortgage repurchase provision in the third quarter of 2013 included $63 million related to the settlement of certain repurchase claims with the GSEs. Loan origination volume was $16.4 billion, a decrease of $13.5 billion, or 45%, for the year ended December 31, 2014, compared to 2013. Other income increased $75 million, primarily driven by gains on the sale of $2.0 billion of government-guaranteed residential mortgages that were transferred to LHFS in the second quarter of 2014 and subsequently sold in the third quarter of 2014, as well as gains on government-guaranteed loans that were sold in the second quarter of 2014.

Total noninterest expense was $1.0 billion, a decline of $454 million, or 30%, compared to 2013. Operating losses and collection services decreased $200 million due to a $291 million charge to settle specific mortgage related legal matters and a $96 million charge related to the increase in our allowance for servicing advances, both recognized in

the third quarter of 2013, in addition to a decline in other operating losses. These specific 2013 charges were offset by $324 million of expenses for mortgage related legal matters in 2014, specifically, HAMP related charges net of the impact of the progression of other legal related matters during 2014 and a $145 million legal provision. Total staff expense declined $120 million driven by lower staffing levels reflecting the decline in loan production volumes and ongoing efforts to improve productivity. In addition, lower mortgage production volumes resulted in declines in outside processing costs of $33 million and credit services of $22 million. Additionally, total allocated expense decreased $48 million in 2014.

Corporate Other

Corporate Other net income for the year ended December 31, 2014 was $434 million, a decrease of $75 million, or 15%, compared to 2013. The decrease in income was primarily due to a decline in net interest income and a reduction in the amount of tax benefits resulting from the recognition of discrete items in 2013.

Net interest income in 2014 was $279 million, a decrease of $40 million, or 13%, compared to 2013. The decrease was primarily due to a $31 million decline in commercial loan related swap income and $7 million of foregone RidgeWorth net interest income. Average long-term debt increased by $2.4 billion, or 27%, and average short-term borrowings increased by $1.7 billion, or 45%, compared to 2013, driven by balance sheet management activities.

Total noninterest income was $238 million, which was virtually unchanged compared to 2013. Foregone RidgeWorth trust and investment management income and higher losses on the sale of securities AFS in 2014 was offset by the gain on the sale of RidgeWorth in the second quarter of 2014.

Total noninterest expense was $92 million, a decrease of $8 million, or 8%, compared to 2013. The decrease was primarily due to a reduction in expenses due to the sale of RidgeWorth, partially offset by higher severance costs, incentive compensation related to business performance, debt issuance costs, and operating losses driven by the reversal of a loss accrual in 2013.

FOURTH QUARTER 2015 RESULTS

Quarter Ended December 31, 2015 vs. Quarter Ended December 31, 2014

We reported net income available to common shareholders of $467 million in the fourth quarter of 2015, an increase of $89 million compared with the same period of the prior year. Earnings per average common diluted share were $0.91 for the fourth quarter of 2015 and included a $0.03 per share discrete tax benefit, compared to $0.72 for the fourth quarter of 2014, which was negatively impacted by legacy mortgage legal matters totaling $0.17 per share. Excluding the impacts of the discrete matters in the current quarter and the fourth quarter of 2014, earnings per share were relatively stable.

In the fourth quarter of 2015, net interest income (on an FTE basis) was $1.3 billion, an increase of $33 million compared to the fourth quarter of 2014. The increase was driven by growth in average earning assets and a decrease in long-term debt, partially offset by a slight decline in earning asset yields. Net interest margin increased two basis points to 2.98% for the fourth quarter of 2015, compared to the same period in 2014, due primarily to a shift towards lower-cost funding sources.

The provision for credit losses was $51 million in the fourth quarter of 2015, a decrease of $23 million, or 31%, compared to the fourth quarter of 2014, driven by the overall improvement in asset quality, in addition to lower net charge-offs.

Total noninterest income was $765 million for the fourth quarter of 2015, a decrease of $30 million, or 4%, compared to the fourth quarter of 2014. The decrease was attributed to lower investment banking, wealth management, and mortgage-related revenue as well as a decline in service charges on deposits.

Investment banking income decreased $5 million in the fourth quarter of 2015, compared to the fourth quarter of 2014, which was driven by a decline in debt origination activity stemming from challenging market conditions, partially offset

by growth in equity originations. Trust and investment management income decreased $5 million in the fourth quarter of 2015, compared to the fourth quarter of 2014, largely due to a decline in assets under management.

Mortgage production related income was $53 million in the fourth quarter of 2015, a decrease of $8 million compared to the fourth quarter of 2014, driven by a modest decline in gain-on-sale margins. Mortgage servicing income increased $3 million compared to the fourth quarter of 2014 due to higher servicing fees as a result of a larger servicing portfolio, driven by portfolio acquisitions.

Other noninterest income decreased $12 million in the fourth quarter of 2015, compared to the fourth quarter of 2014, due largely to foregone income from the sale of affordable housing investments in 2015.

Total noninterest expense was $1.3 billion in the fourth quarter of 2015, a decrease of $122 million compared to the fourth quarter of 2014. The decrease compared to prior year was due primarily to the $145 million legal provision related to legacy mortgage matters, reflected in operating losses, in the fourth quarter of 2014.

Employee compensation and benefits expense increased $20 million in the fourth quarter of 2015, compared to the fourth quarter of 2014, primarily due to higher employee compensation expense, driven by improved business performance, and partially offset by a decrease in employee benefit costs.

Outside processing and software expense was $222 million in the current quarter, compared to $206 million in the fourth quarter of 2014. The increase was due to higher utilization of third-party services, increased business activity, and certain discrete costs incurred in the current quarter.

Other noninterest expense decreased $19 million compared to the fourth quarter of 2014, primarily driven by lower credit and collections costs and lower consulting expenses.

The income tax provision for the fourth quarter of 2015 was $185 million, compared to the fourth quarter of 2014 income tax provision of $128 million. The effective tax rate for the fourth quarter of 2015 was approximately 28%,

compared to approximately 25% in the fourth quarter of 2014. Excluding the $57 million tax impact of the aforementioned $145 million legal provision related to legacy mortgage matters, the fourth quarter 2014 tax provision was $185 million, and the effective tax rate was approximately 28%.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the “Enterprise Risk Management” section of the MD&A in this Form 10-K, which is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of SunTrust Banks, Inc. (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SunTrust Banks, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), SunTrust Banks, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 23, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Atlanta, Georgia
February 23, 2016

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

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

We have audited SunTrust Banks, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). SunTrust Banks, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, SunTrust Banks, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of SunTrust Banks, Inc. as of December 31, 2015 and 2014, and the related

consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2015 and our report dated February 23, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Atlanta, Georgia
February 23, 2016

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SunTrust Banks, Inc.
Consolidated Statements of Income

	Year Ended December 31		
(Dollars in millions and shares in thousands, except per share data)	2015	2014	2013
Interest Income			
Interest and fees on loans	$4,506	$4,617	$4,633
Interest and fees on loans held for sale	82	78	107
Interest and dividends on securities available for sale	593	613	579
Trading account interest and other	84	76	69
Total interest income	5,265	5,384	5,388
Interest Expense			
Interest on deposits	219	235	291
Interest on long-term debt	252	270	210
Interest on other borrowings	30	39	34
Total interest expense	501	544	535
Net interest income	4,764	4,840	4,853
Provision for credit losses	165	342	553
Net interest income after provision for credit losses	4,599	4,498	4,300
Noninterest Income			
Service charges on deposit accounts	622	645	657
Other charges and fees	377	368	369
Card fees	329	320	310
Investment banking income	461	404	356
Trading income	181	182	182
Trust and investment management income	334	423	518
Retail investment services	300	297	267
Mortgage production related income	270	201	314
Mortgage servicing related income	169	196	87
Gain on sale of subsidiary	—	105	—
Net securities gains/(losses)	21	(15)	2
Other noninterest income	204	197	152
Total noninterest income	3,268	3,323	3,214
Noninterest Expense			
Employee compensation	2,576	2,576	2,488
Employee benefits	366	386	413
Outside processing and software	815	741	746
Net occupancy expense	341	340	348
Equipment expense	164	169	181
Marketing and customer development	151	134	135
Regulatory assessments	139	142	181
Credit and collection services	71	91	264
Operating losses	56	441	503
Amortization	40	25	23
Other noninterest expense [1]	441	498	549
Total noninterest expense	5,160	5,543	5,831
Income before provision for income taxes	2,707	2,278	1,683
Provision for income taxes [1]	764	493	322
Net income including income attributable to noncontrolling interest	1,943	1,785	1,361
Net income attributable to noncontrolling interest	10	11	17
Net income	$1,933	$1,774	$1,344

Net income available to common shareholders	$1,863	$1,722	$1,297
Net income per average common share:			
Diluted	$3.58	$3.23	$2.41
Basic	3.62	3.26	2.43
Dividends declared per common share	0.92	0.70	0.35
Average common shares - diluted	520,586	533,391	539,093
Average common shares - basic	514,844	527,500	534,283

[1] Amortization expense related to qualified affordable housing investment costs is recognized in provision for income taxes for each of the periods presented as allowed by an accounting standard adopted in 2014. Accordingly, $49 million of related amortization expense for the year ended December 31, 2013 was reclassified from other noninterest expense to provision for income taxes.

See accompanying Notes to Consolidated Financial Statements.

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SunTrust Banks, Inc.
Consolidated Statements of Comprehensive Income

(Dollars in millions)	Year Ended December 31 2015	2014	2013
Net income	$1,933	$1,774	$1,344
Components of other comprehensive (loss)/income:			
Change in net unrealized (losses)/gains on securities available for sale, net of tax of ($93), $218, and ($349), respectively	(163)	375	(597)
Change in net unrealized losses on derivative instruments, net of tax of ($5), ($106), and ($148), respectively	(10)	(182)	(253)
Change related to employee benefit plans, net of tax of ($103), ($15), and $147, respectively	(165)	(26)	252
Total other comprehensive (loss)/income, net of tax	(338)	167	(598)
Total comprehensive income	$1,595	$1,941	$746

See accompanying Notes to Consolidated Financial Statements.

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SunTrust Banks, Inc.
Consolidated Balance Sheets

	December 31,	
(Dollars in millions and shares in thousands, except per share data)	2015	2014
Assets		
Cash and due from banks	$4,299	$7,047
Federal funds sold and securities borrowed or purchased under agreements to resell	1,277	1,160
Interest-bearing deposits in other banks	23	22
Cash and cash equivalents	5,599	8,229
Trading assets and derivative instruments [1]	6,119	6,202
Securities available for sale [2]	27,825	26,770
Loans held for sale ($1,494 and $1,892 at fair value at December 31, 2015 and 2014, respectively)	1,838	3,232
Loans [3] ($257 and $272 at fair value at December 31, 2015 and 2014, respectively)	136,442	133,112
Allowance for loan and lease losses	(1,752)	(1,937)
Net loans	134,690	131,175
Premises and equipment, net	1,502	1,508
Goodwill	6,337	6,337
Other intangible assets (MSRs at fair value: $1,307 and $1,206 at December 31, 2015 and 2014, respectively)	1,325	1,219
Other assets	5,582	5,656
Total assets	$190,817	$190,328
Liabilities		
Noninterest-bearing deposits	$42,272	$41,096
Interest-bearing deposits	107,558	99,471
Total deposits	149,830	140,567
Funds purchased	1,949	1,276
Securities sold under agreements to repurchase	1,654	2,276
Other short-term borrowings	1,024	5,634
Long-term debt [4] ($973 and $1,283 at fair value at December 31, 2015 and 2014, respectively)	8,462	13,022
Trading liabilities and derivative instruments	1,263	1,227
Other liabilities	3,198	3,321
Total liabilities	167,380	167,323
Shareholders' Equity		
Preferred stock, no par value	1,225	1,225
Common stock, $1.00 par value	550	550
Additional paid-in capital	9,094	9,089
Retained earnings	14,686	13,295
Treasury stock, at cost, and other [5]	(1,658)	(1,032)
Accumulated other comprehensive loss, net of tax	(460)	(122)
Total shareholders' equity	23,437	23,005
Total liabilities and shareholders' equity	$190,817	$190,328
Common shares outstanding [6]	508,712	524,540
Common shares authorized	750,000	750,000
Preferred shares outstanding	12	12
Preferred shares authorized	50,000	50,000
Treasury shares of common stock	41,209	25,381

[1] Includes trading securities pledged as collateral where counterparties have the right to sell or repledge the collateral	$1,377	$1,316
[2] Includes securities AFS pledged as collateral where counterparties have the right to sell or repledge the collateral	—	369
[3] Includes loans of consolidated VIEs	246	288
[4] Includes debt of consolidated VIEs	259	302
[5] Includes noncontrolling interest	108	108
[6] Includes restricted shares	1,334	2,930

See accompanying Notes to Consolidated Financial Statements.

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SunTrust Banks, Inc.
Consolidated Statements of Shareholders' Equity

(Dollars and shares in millions, except per share data)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock and Other [1]	Accumulated Other Comprehensive Income/(Loss)	Total
Balance, January 1, 2013	$725	539	$550	$9,174	$10,817	($590)	$309	$20,985
Net income	—	—	—	—	1,344	—	—	1,344
Other comprehensive loss	—	—	—	—	—	—	(598)	(598)
Change in noncontrolling interest	—	—	—	—	—	5	—	5
Common stock dividends, $0.35 per share	—	—	—	—	(188)	—	—	(188)
Preferred stock dividends [2]	—	—	—	—	(37)	—	—	(37)
Acquisition of treasury stock	—	(5)	—	—	—	(150)	—	(150)
Exercise of stock options and stock compensation expense	—	1	—	(27)	—	43	—	16
Restricted stock activity	—	1	—	(35)	—	39	—	4
Amortization of restricted stock compensation	—	—	—	—	—	32	—	32
Issuance of stock for employee benefit plans and other	—	—	—	3	—	6	—	9
Balance, December 31, 2013	$725	536	$550	$9,115	$11,936	($615)	($289)	$21,422
Net income	—	—	—	—	1,774	—	—	1,774
Other comprehensive income	—	—	—	—	—	—	167	167
Change in noncontrolling interest	—	—	—	—	—	5	—	5
Common stock dividends, $0.70 per share	—	—	—	—	(371)	—	—	(371)
Preferred stock dividends [2]	—	—	—	—	(42)	—	—	(42)
Issuance of preferred stock, Series F	500	—	—	(4)	—	—	—	496
Acquisition of treasury stock	—	(12)	—	—	—	(458)	—	(458)
Exercise of stock options and stock compensation expense	—	1	—	(16)	—	20	—	4
Restricted stock activity	—	—	—	18	(2)	1	—	17
Amortization of restricted stock compensation	—	—	—	—	—	27	—	27
Change in equity related to the sale of subsidiary	—	—	—	(23)	—	(16)	—	(39)
Issuance of stock for employee benefit plans and other	—	—	—	(1)	—	4	—	3
Balance, December 31, 2014	$1,225	525	$550	$9,089	$13,295	($1,032)	($122)	$23,005
Net income	—	—	—	—	1,933	—	—	1,933
Other comprehensive loss	—	—	—	—	—	—	(338)	(338)
Common stock dividends, $0.92 per share	—	—	—	—	(475)	—	—	(475)
Preferred stock dividends [2]	—	—	—	—	(64)	—	—	(64)
Acquisition of treasury stock	—	(17)	—	—	—	(679)	—	(679)
	—	1	—	(18)	—	30	—	12

Exercise of stock options and stock compensation expense								
Restricted stock activity	—	—	—	23	(3)	4	—	24
Amortization of restricted stock compensation	—	—	—	—	—	16	—	16
Issuance of stock for employee benefit plans and other	—	—	—	—	—	3	—	3
Balance, December 31, 2015	$1,225	509	$550	$9,094	$14,686	($1,658)	($460)	$23,437

[1] At December 31, 2015, includes ($1,764) million for treasury stock, ($2) million for the compensation element of restricted stock, and $108 million for noncontrolling interest.
At December 31, 2014, includes ($1,119) million for treasury stock, ($21) million for the compensation element of restricted stock, and $108 million for noncontrolling interest.
At December 31, 2013, includes ($684) million for treasury stock, ($50) million for the compensation element of restricted stock, and $119 million for noncontrolling interest.
[2] For the year ended December 31, 2015, dividends were $4,056 per share for both Perpetual Preferred Stock Series A and B, $5,875 per share for Perpetual Preferred Stock Series E, and $6,219 per share for Perpetual Preferred Stock Series F.
For the year ended December 31, 2014, dividends were $4,056 per share for both Perpetual Preferred Stock Series A and B, and $5,875 per share for Perpetual Preferred Stock Series E.
For the year ended December 31, 2013, dividends were $4,056 per share for both Perpetual Preferred Stock Series A and B, and $5,793 per share for Perpetual Preferred Stock Series E.

See accompanying Notes to Consolidated Financial Statements.

SunTrust Banks, Inc.
Consolidated Statements of Cash Flows

(Dollars in millions)	Year Ended December 31 2015	2014	2013
Cash Flows from Operating Activities			
Net income including income attributable to noncontrolling interest	$1,943	$1,785	$1,361
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Gain on sale of subsidiary	—	(105)	—
Depreciation, amortization, and accretion	786	693	708
Origination of mortgage servicing rights	(238)	(178)	(352)
Provisions for credit losses and foreclosed property	176	364	605
Mortgage repurchase (benefit)/provision	(12)	12	114
Deferred income tax expense	21	99	495
Stock-based compensation	89	67	53
Excess tax benefits from stock-based compensation	(20)	(6)	(4)
Net securities (gains)/losses	(21)	15	(2)
Net gain on sale of loans held for sale, loans, and other assets	(323)	(343)	(267)
Net decrease/(increase) in loans held for sale	1,625	(1,567)	2,104
Net decrease/(increase) in trading assets	67	(1,529)	770
Net increase in other assets	(407)	(45)	(529)
Net decrease in other liabilities	(190)	(444)	(846)
Net cash provided by/(used in) operating activities	3,496	(1,182)	4,210
Cash Flows from Investing Activities			
Proceeds from maturities, calls, and paydowns of securities available for sale	5,680	4,707	5,522
Proceeds from sales of securities available for sale	2,708	2,470	2,063
Purchases of securities available for sale	(9,882)	(11,039)	(9,215)
Proceeds from sales of auction rate securities	—	59	8
Net increase in loans, including purchases of loans	(5,897)	(9,843)	(8,409)
Proceeds from sales of loans	2,127	4,090	819
Purchases of mortgage servicing rights	(117)	(130)	—
Capital expenditures	(186)	(147)	(200)
Payments related to acquisitions, including contingent consideration	(30)	(11)	(3)
Proceeds from sale of subsidiary	—	193	—
Proceeds from the sale of other real estate owned and other assets	281	378	472
Net cash used in investing activities	(5,316)	(9,273)	(8,943)
Cash Flows from Financing Activities			
Net increase/(decrease) in total deposits	9,263	10,808	(2,557)
Net (decrease)/increase in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	(4,559)	447	3,245
Proceeds from long-term debt	1,351	2,574	1,564
Repayments of long-term debt	(5,684)	(53)	(155)
Proceeds from the issuance of preferred stock	—	496	—
Repurchase of common stock	(679)	(458)	(150)
Common and preferred dividends paid	(539)	(409)	(225)
Incentive compensation related activity	37	16	17
Net cash (used in)/provided by financing activities	(810)	13,421	1,739

Net (decrease)/increase in cash and cash equivalents	(2,630)	2,966	(2,994)
Cash and cash equivalents at beginning of period	8,229	5,263	8,257
Cash and cash equivalents at end of period	$5,599	$8,229	$5,263
Supplemental Disclosures:			
Interest paid	$523	$534	$533
Income taxes paid	497	380	168
Income taxes refunded	(1)	(219)	(99)
Loans transferred from loans held for sale to loans	741	44	43
Loans transferred from loans to loans held for sale	1,790	3,280	280
Loans transferred from loans and loans held for sale to other real estate owned	67	148	255
Amortization of deferred gain on sale leaseback of premises	54	53	58
Non-cash impact of the deconsolidation of CLO	—	282	—
Non-cash impact of debt assumed by purchaser in lease sale	190	177	194

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

General

SunTrust, one of the nation's largest commercial banking organizations, is a financial services holding company with its headquarters in Atlanta, Georgia. Through its principal subsidiary, SunTrust Bank, the Company offers a full line of financial services for consumers, businesses, corporations, and institutions, both through its branches (located primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia) and through other national delivery channels. In addition to deposit, credit, mortgage banking, and trust and investment services provided by the Bank, other subsidiaries of the Company provide asset and wealth management, securities brokerage, and capital market services. SunTrust provides clients with a selection of technology-based banking channels, including the internet, mobile, ATMs, and telebanking. SunTrust operated under the following business segments during 2015: Consumer Banking and Private Wealth Management, Wholesale Banking, and Mortgage Banking, with functional activities included in Corporate Other. For additional information on the Company’s business segments, see Note 20, “Business Segment Reporting.”

Principles of Consolidation and Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of the Company and its subsidiaries after elimination of significant intercompany accounts and transactions. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of operations in these financial statements, have been made.

The Company holds VIs, which are contractual, ownership or other interests that change with changes in the fair value of a VIE's net assets. The Company consolidates a VIE if it is the primary beneficiary, which is the party that has both the power to direct the activities that most significantly impact the financial performance of the VIE and the obligation to absorb losses or rights to receive benefits through its VIs that could potentially be significant to the VIE. To determine whether or not a VI held by the Company could potentially be significant to the VIE, both qualitative and quantitative factors regarding the nature, size, and form of the Company's involvement with the VIE are considered. The assessment of whether or not the Company is the primary beneficiary of a VIE is performed on an ongoing basis. The Company consolidates VOEs, which are entities that are not VIEs and are controlled through the Company's equity interests or by other means.

Investments in companies which are not VIEs, or where the Company is not the primary beneficiary of a VIE, that the Company has the ability to exercise significant influence over operating and financing decisions, are accounted for using the equity method of accounting. These investments are included in other assets in the Consolidated Balance Sheets at cost, adjusted to reflect the Company's portion of income, loss, or dividends of the investee. Equity investments that do not meet the criteria to be accounted for under the equity method and that do not result in consolidation of the investee are accounted for under the cost

method. Cost method investments are included in other assets in the Consolidated Balance Sheets and dividends received or receivable from these investments are included as a component of other noninterest income in the Consolidated Statements of Income.

Results of operations of acquired entities are included from the date of acquisition. Results of operations associated with entities or net assets sold are included through the date of disposition. The Company reports any noncontrolling interests in its subsidiaries in the equity section of the Consolidated Balance Sheets and separately presents the income or loss attributable to the noncontrolling interest of a consolidated subsidiary in its Consolidated Statements of Income. Assets and liabilities of an acquired entity are initially recorded at their estimated fair values at the date of acquisition.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could vary from these estimates. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

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

Cash and Cash Equivalents

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

Trading Activities and Securities AFS

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

Securities AFS are reviewed for OTTI on a quarterly basis. In determining whether OTTI exists for securities in an unrealized loss position, the Company assesses whether it has the intent to sell the security or, for debt securities, the Company assesses the likelihood of selling the security prior to the recovery of its amortized cost basis. If the Company intends to sell the debt security or it is more-likely-than-not that the Company will

be required to sell the debt security prior to the recovery of its amortized cost basis, the debt security is written down to fair value, and the full amount of any impairment charge is recognized as a component of noninterest income in the Consolidated Statements of Income. If the Company does not intend to sell the debt security and it is more-likely-than-not that the Company will not be required to sell the debt security prior to recovery of its amortized cost basis, only the credit component of any impairment of a debt security is recognized as a component of noninterest income in the Consolidated Statements of Income, with the remaining impairment balance recorded in OCI.
The OTTI review for marketable equity securities includes an analysis of the facts and circumstances of each individual investment and focuses on the severity of loss, the length of time the fair value has been below cost, the expectation for that security's performance, the financial condition and near-term prospects of the issuer, and management's intent and ability to hold the security to recovery. A decline in value of an equity security that is considered to be other-than-temporary is recognized as a component of noninterest income in the Consolidated Statements of Income.
Nonmarketable equity securities are accounted for under the cost or equity method and are included in other assets in the Consolidated Balance Sheets. The Company reviews nonmarketable securities accounted for under the cost method on a quarterly basis, and reduces the asset value when declines in value are considered to be other-than-temporary. Equity method investments are recorded at cost, adjusted to reflect the Company’s portion of income, loss, or dividends of the investee. Realized income, realized losses, and estimated other-than-temporary unrealized losses on cost and equity method investments are recognized in noninterest income in the Consolidated Statements of Income.
For additional information on the Company’s securities activities, see Note 4, “Trading Assets and Liabilities and Derivatives,” and Note 5, “Securities Available for Sale.”

Loans Held for Sale
The Company’s LHFS generally includes certain residential mortgage loans, commercial loans, consumer indirect loans, and student loans. Loans are initially classified as LHFS when they are individually identified as being available for immediate sale and a formal plan exists to sell them. LHFS are recorded at either fair value, if elected, or the lower of cost or fair value. Origination fees and costs for LHFS recorded at LOCOM are capitalized in the basis of the loan and are included in the calculation of realized gains and losses upon sale. Origination fees and costs are recognized in earnings at the time of origination for LHFS that are elected to be measured at fair value. Fair value is derived from observable current market prices, when available, and includes loan servicing value. When observable market prices are not available, the Company uses judgment and estimates fair value using internal models, in which the Company uses its best estimates of assumptions it believes would be used by market participants in estimating fair value. Adjustments to reflect unrealized gains and losses resulting from changes in fair value and realized gains and losses upon ultimate sale of the loans are classified as noninterest income in the Consolidated Statements of Income.

The Company may transfer certain loans to LHFS measured at LOCOM. At the time of transfer, any credit losses subject to charge-off in accordance with the Company's policy are recorded as a reduction in the ALLL. Any subsequent losses, including those related to interest rate or liquidity related valuation adjustments, are recorded as a component of noninterest income in the Consolidated Statements of Income. The Company may also transfer loans from LHFS to LHFI measured at LOCOM, unless the loan was elected upon origination to be accounted for at fair value. If a LHFS for which fair value accounting was elected is transferred to held for investment, it will continue to be accounted for at fair value in the LHFI portfolio. For additional information on the Company’s LHFS activities, see Note 6, “Loans.”

Loans
Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are considered LHFI. The Company’s loan balance is comprised of loans held in portfolio, including commercial loans,

consumer loans, and residential loans. Interest income on loans, except those classified as nonaccrual, is accrued based upon the outstanding principal amounts using the effective yield method.
Commercial loans (C&I, CRE, and commercial construction) are considered to be past due when payment is not received from the borrower by the contractually specified due date. The Company typically classifies commercial loans as nonaccrual when one of the following events occurs: (i) interest or principal has been past due 90 days or more, unless the loan is both well secured and in the process of collection; (ii) collection of contractual interest or principal is not anticipated; or (iii) income for the loan is recognized on a cash basis due to the deterioration in the financial condition of the debtor. When a loan is placed on nonaccrual, accrued interest is reversed against interest income. Interest income on commercial nonaccrual loans, if recognized, is recognized after the principal has been reduced to zero. If and when commercial borrowers demonstrate the ability to repay a loan classified as nonaccrual in accordance with its contractual terms, the loan may be returned to accrual status upon meeting all regulatory, accounting, and internal policy requirements.
Consumer loans (guaranteed and private student loans, other direct, indirect, and credit card) are considered to be past due when payment is not received from the borrower by the contractually specified due date. Guaranteed student loans continue to accrue interest regardless of delinquency status because collection of principal and interest is reasonably assured. Other direct and indirect loans are typically placed on nonaccrual when payments have been past due for 90 days or more except when the borrower has declared bankruptcy, in which case, they are moved to nonaccrual status once they become 60 days past due. When a loan is placed on nonaccrual, accrued interest is reversed against interest income. Interest income on nonaccrual loans, if recognized, is recognized on a cash basis. Nonaccrual consumer loans are typically returned to accrual status once they are no longer past due.
Residential loans (guaranteed and nonguaranteed residential mortgages, residential home equity products, and residential construction) are considered to be past due when a monthly payment is due and unpaid for one month. Guaranteed

Notes to Consolidated Financial Statements, continued

residential mortgages continue to accrue interest regardless of delinquency status because collection of principal and interest is reasonably assured by the government. Nonguaranteed residential mortgages and residential construction loans are generally placed on nonaccrual when three payments are past due. Residential home equity products are generally placed on nonaccrual when payments are 90 days past due. The exceptions for nonguaranteed residential mortgages, residential construction loans, and residential home equity products are: (i) when the borrower has declared bankruptcy, in which case, they are moved to nonaccrual status once they become 60 days past due, (ii) loans discharged in Chapter 7 bankruptcy that have not been reaffirmed by the borrower, in which case, they are reclassified as TDRs and moved to nonaccrual status, and (iii) second lien loans, which are classified as nonaccrual when the first lien loan is classified as nonaccrual, even if the second lien loan is performing. When a loan is placed on nonaccrual, accrued interest is reversed against interest income. Interest income on nonaccrual loans is recognized on a cash basis. Nonaccrual residential loans are typically returned to accrual status once they no longer meet the delinquency threshold that resulted in them initially being moved to nonaccrual status, with the exception of the aforementioned Chapter 7 bankruptcy loans, which remain on nonaccrual until there is six months of payment performance following discharge by the bankruptcy court.

TDRs are loans in which the borrower is experiencing financial difficulty at the time of restructure and the borrower received an economic concession either from the Company or as the product of a bankruptcy court order. To date, the Company’s TDRs have been predominantly first and second lien residential mortgages and home equity lines of credit. Prior to granting a modification of a borrower’s loan terms, the Company performs an evaluation of the borrower’s financial condition and ability to service under the potential modified loan terms. The types of concessions generally granted are extensions of the loan maturity date and/or reductions in the original contractual interest rate. Typically, if a loan is accruing interest at the time of modification, the loan remains on accrual status and is subject to the Company’s charge-off and nonaccrual policies. See the “Allowance for Credit Losses” section below for further information regarding these policies. If a loan is on nonaccrual before it is determined to be a TDR then the loan remains on nonaccrual. Typically, TDRs may be returned to accrual status if there has been at least a six month sustained period of repayment performance by the borrower. Generally, once a loan becomes a TDR, the Company expects that the loan will continue to be reported as a TDR for its remaining life, even after returning to accruing status, unless the modified rates and terms at the time of modification were available to the borrower in the market or the loan is subsequently restructured with no concession to the borrower and the borrower is no longer in financial difficulty. Interest income recognition on impaired loans is dependent upon accrual status, TDR designation, and loan type as discussed above.

For loans accounted for at amortized cost, fees and incremental direct costs associated with the loan origination and pricing process, as well as premiums and discounts, are deferred and amortized as level yield adjustments over the respective loan terms. Fees received for providing loan commitments that result in funded loans are recognized over the term of the loan as an

adjustment of the yield. If a loan is never funded, the commitment fee is recognized in noninterest income at the expiration of the commitment period. Origination fees and costs are recognized in noninterest income and expense at the time of origination for newly-originated loans that are accounted for at fair value. For additional information on the Company's loans activities, see Note 6, “Loans.”

Allowance for Credit Losses

The allowance for credit losses is composed of the ALLL and the reserve for unfunded commitments. The Company’s ALLL is the amount considered appropriate to absorb probable current inherent losses in the LHFI portfolio based on management’s evaluation of the size and current risk characteristics of the loan portfolio. In addition to the review of credit quality through ongoing credit review processes, the Company employs a variety of modeling and estimation techniques to measure credit risk and construct an appropriate and adequate ALLL. Quantitative and qualitative asset quality measures are considered in estimating the ALLL. Such evaluation considers a number of factors for each of

the loan portfolio segments, including, but not limited to, net charge-off trends, internal risk ratings, changes in internal risk ratings, loss forecasts, collateral values, geographic location, delinquency rates, nonperforming and restructured loan status, origination channel, product mix, underwriting practices, industry conditions, and economic trends. Additionally, refreshed FICO scores are considered for consumer and residential loans and single name borrower concentration is considered for commercial loans. These credit quality factors are incorporated into various loss estimation models and analytical tools utilized in the ALLL process and/or are qualitatively considered in evaluating the overall reasonableness of the ALLL.

Large commercial (all loan classes) nonaccrual loans and certain consumer (other direct, indirect, and credit card), residential (nonguaranteed residential mortgages, residential home equity products, and residential construction), and certain commercial (all classes) loans whose terms have been modified in a TDR are reviewed to determine the amount of specific allowance required in accordance with applicable accounting guidance. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. If necessary, an allowance is established for these specifically evaluated impaired loans. The specific allowance established for these loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan’s expected future cash flows, the loan’s estimated market value, or the estimated fair value of the underlying collateral. Any change in the present value attributable to the passage of time is recognized through the provision for credit losses.

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

Notes to Consolidated Financial Statements, continued

influences may include elements such as changes in credit underwriting, concentration risk, macroeconomic conditions, and/or recent observable asset quality trends.
The Company’s charge-off policy meets regulatory minimums. Commercial loans are charged off when they are considered uncollectible. Losses on unsecured consumer loans are generally recognized at 120 days past due, except for losses on guaranteed student loans which are recognized at 270 days past due. However, if the borrower is in bankruptcy, the loan is charged-off in the month the loan becomes 60 days past due. Losses, as appropriate, on secured consumer loans, including residential real estate, are typically recognized at 120 or 180 days past due, depending on the loan and collateral type, in compliance with the FFIEC guidelines. However, if the borrower is in bankruptcy, the secured asset is evaluated once the loan becomes 60 days past due. The loan value in excess of the secured asset value is written down or charged-off after the valuation occurs. Additionally, if a residential loan is discharged in Chapter 7 bankruptcy and not reaffirmed by the borrower, the Company's policy is to immediately charge-off the excess of the carrying amount over the fair value of the collateral.
The Company uses numerous sources of information when evaluating a property’s value. Estimated collateral valuations are based on appraisals, broker price opinions, recent sales of foreclosed properties, automated valuation models, other property-specific information, and relevant market information, supplemented by the Company’s internal property valuation analysis. The value estimate is based on an orderly disposition of the property, inclusive of marketing costs. In limited instances, the Company adjusts externally provided appraisals for justifiable and well-supported reasons, such as an appraiser not being aware of certain property-specific factors or recent sales information. Appraisals generally represent the “as is” value of the property but may be adjusted based on the intended disposition strategy of the property.
For commercial and CRE loans secured by property, an acceptable third party appraisal or other form of evaluation, as permitted by regulation, is obtained prior to the origination of the loan and upon a subsequent transaction involving a material change in terms. In addition, updated valuations may be obtained during the life of a loan, as appropriate, such as when a loan's performance materially deteriorates. In situations where an updated appraisal has not been received or a formal evaluation performed, the Company monitors factors that can positively or negatively impact property value, such as the date of the last valuation, the volatility of property values in specific markets, changes in the value of similar properties, and changes in the characteristics of individual properties. Changes in collateral value affect the ALLL through the risk rating or impaired loan evaluation process. Charge-offs are recognized when the amount of the loss is quantifiable and timing is known. The charge-off is measured based on the difference between the loan’s carrying value, including deferred fees, and the estimated realizable value of the property, net of estimated selling costs. When valuing a property for the purpose of determining a charge-off, a third party appraisal or an independently derived internal evaluation is generally employed.
For nonguaranteed mortgage loans secured by residential property where the Company is proceeding with a foreclosure action, a new valuation is obtained prior to the loan becoming

180 days past due and, if required, the loan is written down to its realizable value, net of estimated selling costs. In the event the Company decides not to proceed with a foreclosure action, the full balance of the loan is charged-off. If a loan remains in the foreclosure process for 12 months past the original charge-off, the Company obtains a new valuation annually. Any additional loss based on the new valuation is charged-off. At foreclosure, a new valuation is obtained and the loan is transferred to OREO at the new valuation less estimated selling costs; any loan balance in excess of the transfer value is charged-off. Estimated declines in value of the residential collateral between these formal evaluation events are captured in the ALLL based on changes in the house price index in the applicable MSA or other market information.
In addition to the ALLL, the Company also estimates probable losses related to unfunded lending commitments, such as letters of credit and binding unfunded loan commitments. Unfunded lending commitments are analyzed and segregated by risk based on the Company’s internal risk rating scale. These risk classifications, in combination with probability of commitment usage, existing economic conditions, and any other pertinent information, result in the

estimation of the reserve for unfunded lending commitments. The reserve for unfunded lending commitments is reported on the Consolidated Balance Sheets in other liabilities and the provision associated with changes in the unfunded lending commitment reserve is reported in the Consolidated Statements of Income in provision for credit losses. For additional information on the Company's allowance for credit loss activities, see Note 7, “Allowance for Credit Losses.”

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is calculated predominantly using the straight-line method over the assets’ estimated useful lives. Leasehold improvements are amortized using the straight-line method over the shorter of the improvements' estimated useful lives or the lease term. Construction and software in process includes costs related to in-process branch expansion, branch renovation, and software development projects. Upon completion, branch and office related projects are maintained in premises and equipment while completed software projects are reclassified to other assets in the Consolidated Balance Sheets. Maintenance and repairs are charged to expense, and improvements that extend the useful life of an asset are capitalized and depreciated over the remaining useful life. Premises and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. For additional information on the Company’s premises and equipment activities, see Note 8, “Premises and Equipment.”

Goodwill and Other Intangible Assets

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

Goodwill is tested at the reporting unit level for impairment, at least annually, or as events and circumstances change that

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would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. In the third quarter of 2015, the Company elected to prospectively change the date of its annual goodwill impairment test from September 30 to October 1 to better align the timing of the test with the availability of key inputs.
If, after considering all relevant events and circumstances, the Company determines it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then performing an impairment test is not necessary. If the Company elects to bypass the qualitative analysis, or concludes via qualitative analysis that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, a two-step goodwill impairment test is performed. In the first step, the fair value of each reporting unit is compared with its carrying value. If the fair value is greater than the carrying value, then the reporting unit's goodwill is deemed not to be impaired. If the fair value is less than the carrying value, then the second step is performed, which measures the amount of impairment by comparing the carrying amount of goodwill to its implied fair value. If the implied fair value of the goodwill exceeds the carrying amount, there is no impairment. If the carrying amount exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess.
Identified intangible assets that have a finite life are amortized over their useful lives and are evaluated for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. For additional information on the Company’s activities related to goodwill and other intangibles, see Note 9, “Goodwill and Other Intangible Assets.”

MSRs
The Company recognizes as assets the rights to service mortgage loans, either when the loans are sold and the associated servicing rights are retained or when servicing rights are purchased from a third party. The Company has elected to measure all MSRs at fair value. Fair value is determined by projecting net servicing cash flows, which are then discounted to estimate fair value. The Company actively hedges the change in fair value of its MSRs. The fair value of MSRs is impacted by a variety of factors, including prepayment assumptions, discount rates, delinquency rates, contractually specified servicing fees, servicing costs, and underlying portfolio characteristics. The underlying assumptions and estimated values are corroborated by values received from independent third parties and comparisons to market transactions. MSRs are reported on the Consolidated Balance Sheets in other intangible assets. Both servicing fees, which are recognized when they are received, and changes in the fair value of MSRs are reported in mortgage servicing related income in the Consolidated Statements of Income. For additional information on the Company’s servicing rights, see Note 9, “Goodwill and Other Intangible Assets.”

Other Real Estate Owned
Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of the loan’s cost basis or the asset’s fair value at the date of foreclosure, less estimated selling costs. To the extent fair value, less cost to sell, is less than the loan’s cost basis, the difference is charged to the

ALLL at the date of transfer into OREO. The Company estimates market values based primarily on appraisals and other market information. Any subsequent changes in value as well as gains or losses from the disposition on these assets are reported in noninterest expense in the Consolidated Statements of Income. For additional information on the Company's activities related to OREO, see Note 18, “Fair Value Election and Measurement.”

Loan Sales and Securitizations
The Company sells and at times may securitize loans and other financial assets. When the Company securitizes assets, it may hold a portion of the securities issued, including senior interests, subordinated and other residual interests, interest-only strips, and principal-only strips, all of which are considered retained interests in the transferred assets. Retained securitized interests are recognized and initially measured at fair value. The interests in securitized assets held by the Company are typically classified as either securities AFS or trading assets and measured at fair value,

which is based on independent, third party market prices, market prices for similar assets, or discounted cash flow analyses. If market prices are not available, fair value is calculated using management's best estimates of key assumptions, including credit losses, loan repayment speeds, and discount rates commensurate with the risks involved. The Company transfers first lien residential mortgage loans in conjunction with GSE securitization transactions, whereby the loans are exchanged for cash or securities that are readily redeemable for cash and servicing rights are retained. Net gains on the sale of residential mortgage loans are recorded at inception of the associated IRLCs within mortgage production related income in the Consolidated Statements of Income. The net gains reflect the change in value of the loans resulting from changes in interest rates from the time the Company enters into IRLCs with borrowers and when the loan is closed, adjusted for pull through rates and excluding hedge transactions initiated to mitigate this market risk. For additional information on the Company's securitization activities, see Note 10, "Certain Transfers of Financial Assets and Variable Interest Entities."

Income Taxes

The provision for income taxes is based on income and expense reported for financial statement purposes after adjustment for permanent differences such as interest income from lending to tax-exempt entities and tax credits from community reinvestment activities. The deferral method of accounting is used on investments that generate investment tax credits, such that the investment tax credits are recognized as a reduction to the related asset. Deferred income tax assets and liabilities result from differences between the timing of the recognition of assets and liabilities for financial reporting purposes and for income tax purposes. These assets and liabilities are measured using the enacted tax rates and laws that are expected to apply in the periods in which the deferred tax assets or liabilities are expected to be realized. Subsequent changes in the tax laws require adjustment to these assets and liabilities with the cumulative effect included in the provision for income taxes for the period in which the change is enacted. A valuation allowance is recognized for a DTA if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the DTA will not be realized. In computing the income tax provision, the Company evaluates

the technical merits of its income tax positions based on current legislative, judicial, and regulatory guidance. Interest and penalties related to the Company's tax positions are recognized as a component of the income tax provision. For additional information on the Company's activities related to income taxes, see Note 14, "Income Taxes."

Earnings Per Share

Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each period, plus common share equivalents calculated for stock options, warrants, and restricted stock outstanding using the treasury stock method.

The Company has issued certain restricted stock awards, which are unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents. These restricted shares are considered participating securities. Accordingly, the Company calculated net income available to common shareholders pursuant to the two-class method, whereby net income is allocated between common shareholders and participating securities.

Net income available to common shareholders represents net income after preferred stock dividends, gains or losses from any repurchases of preferred stock, and dividends and allocation of undistributed earnings to the participating securities. For additional information on the Company's EPS, see Note 12, "Net Income Per Common Share."

Securities Sold Under Agreements to Repurchase and Securities Borrowed or Purchased Under Agreements to Resell

Securities sold under agreements to repurchase and securities borrowed or purchased under agreements to resell are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were sold or acquired, plus accrued interest. The fair value of collateral pledged or received is continually monitored and additional collateral is obtained or requested to be returned to the Company as deemed appropriate. For additional information on the collateral pledged to secure repurchase agreements, see Note 3, "Federal Funds Sold and Securities Financing Activities," Note 4, "Trading Assets and Liabilities and Derivatives," and Note 5, "Securities Available for Sale."

Guarantees

The Company recognizes a liability at the inception of a guarantee at an amount equal to the estimated fair value of the obligation. A guarantee is defined as a contract that contingently requires a company to make payment to a guaranteed party based upon changes in an underlying asset, liability, or equity security of the guaranteed party, or upon failure of a third party to perform under a specified agreement. The Company considers the following arrangements to be guarantees: certain asset purchase/sale agreements, standby letters of credit and financial guarantees, certain indemnification agreements included within third party contractual arrangements, and certain derivative contracts. For additional information on the Company's guarantor obligations, see Note 16, "Guarantees."

Derivative Instruments and Hedging Activities

The Company records derivative contracts at fair value in the Consolidated Balance Sheets. Accounting for changes in the fair value of a derivative is dependent upon whether or not it has been designated in a formal, qualifying hedging relationship.

Changes in the fair value of derivatives not designated in a hedging relationship are recorded in noninterest income. This includes derivatives that the Company enters into in a dealer capacity to facilitate client transactions and as a risk management tool to economically hedge certain identified market risks, along with certain IRLCs on residential mortgage loans that are a normal part of the Company's operations. The Company also evaluates contracts, such as brokered deposits and short-term debt, to determine whether any embedded derivatives are required to be bifurcated and separately accounted for as freestanding derivatives.

Certain derivatives used as risk management tools are also designated as accounting hedges of the Company's exposure to changes in interest rates or other identified market risks. The Company prepares written hedge documentation for all derivatives which are designated as hedges of (1) changes in the fair value of a recognized asset or liability (fair value hedge) attributable to a specified risk or (2) a forecasted transaction, such as the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). The written hedge documentation includes identification of, among other items, the risk management objective, hedging instrument, hedged item and methodologies for assessing and measuring hedge effectiveness and ineffectiveness, along with support for management's assertion that the hedge will be highly effective. Methodologies related to hedge effectiveness and ineffectiveness are consistent between similar types of hedge transactions and include (i) statistical regression analysis of changes in the cash flows of the actual derivative and a perfectly effective hypothetical derivative, or (ii) statistical regression analysis of changes in the fair values of the actual derivative and the hedged item.

For designated hedging relationships, the Company performs retrospective and prospective effectiveness testing using quantitative methods and does not assume perfect effectiveness through the matching of critical terms. Assessments of hedge effectiveness and measurements of hedge ineffectiveness are performed at least quarterly. Changes in the fair value of a derivative that is highly effective and that has been designated and qualifies as a fair value hedge are recorded in current period earnings, along with the changes in the fair value of the hedged item that are attributable to the hedged risk. The effective portion of the changes in the fair value of a derivative that is highly effective and that has been designated and qualifies as a cash flow hedge are initially recorded in AOCI and reclassified to earnings in the same period that the hedged item impacts earnings; any ineffective portion is recorded in current period earnings. Hedge accounting ceases on transactions that are no longer deemed effective, or for which the derivative has been terminated or de-designated. For discontinued fair value hedges where the hedged item remains outstanding, the hedged item would cease to be remeasured at fair value attributable to changes in the hedged risk and any existing basis adjustment would be recognized as an adjustment to earnings over the remaining life

of the hedged item. For discontinued cash flow hedges, the unrealized gains and losses recorded in AOCI would be reclassified to earnings in the period when the previously designated hedged cash flows occur unless it was determined that transaction was probable to not occur, whereby any unrealized gains and losses in AOCI would be immediately reclassified to earnings.
It is the Company's policy to offset derivative transactions with a single counterparty as well as any cash collateral paid to and received from that counterparty for derivative contracts that are subject to ISDA or other legally enforceable netting arrangements and meet accounting guidance for offsetting treatment. For additional information on the Company’s derivative activities, see Note 17, “Derivative Financial Instruments,” and Note 18, “Fair Value Election and Measurement.”

Stock-Based Compensation
The Company sponsors various stock-based compensation plans under which RSUs, restricted stock, and performance stock units may be granted to certain employees. The Company measures the grant date fair value of stock-based compensation awards, which is expensed over the award's vesting period. Additionally, the Company estimates the number of awards for which it is probable that service will be rendered and adjusts compensation cost accordingly. Estimated forfeitures are subsequently adjusted to reflect actual forfeitures. For additional information on the Company’s stock-based compensation plans, see Note 15, “Employee Benefit Plans.”

Employee Benefits
Employee benefits expense includes expenses related to (i) net periodic benefit costs or credits associated with the pension and other postretirement benefit plans, (ii) contributions under the defined contribution plans, (iii) the amortization of restricted stock, (iv) the issuance of performance stock units, (v) historical stock option issuances, and (vi) other employee benefits costs. For additional information on the Company's employee benefit plans, see Note 15, “Employee Benefit Plans.”

Foreign Currency Transactions
Foreign denominated assets and liabilities resulting from foreign currency transactions are valued using period end foreign exchange rates and the associated interest income or expense is determined using weighted average exchange rates for the period. The Company may enter into foreign currency

derivatives to mitigate its exposure to changes in foreign exchange rates. The derivative contracts are accounted for at fair value on a recurring basis with any resulting gains and losses recorded in noninterest income in the Consolidated Statements of Income.
Fair Value Measurement
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. The Company prioritizes inputs used in valuation techniques based on the following fair value hierarchy:

- Level 1 – Assets or liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date, such as publicly-traded instruments or futures contracts
- Level 2 – Assets and liabilities valued based on observable market data for similar instruments
- Level 3 – Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which may be internally developed, and considers risk premiums that a market participant would require

When measuring assets and liabilities at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. Assets and liabilities that are required to be measured at fair value on a recurring basis include trading

securities, securities AFS, and derivative instruments. Assets and liabilities that the Company has elected to measure at fair value on a recurring basis include MSRs and certain LHFS, LHFI, trading loans, brokered time deposits, and issuances of fixed rate debt. Other assets and liabilities are measured at fair value on a non-recurring basis, such as when assets are evaluated for impairment, the basis of accounting is LOCOM, or for disclosure purposes. Examples of these non-recurring fair value measurements include certain LHFS and LHFI, OREO, certain cost or equity method investments, and long-lived assets. For additional information on the Company's valuation of its assets and liabilities held at fair value, see Note 18, "Fair Value Election and Measurement."

Notes to Consolidated Financial Statements, continued

Accounting Standards Not Yet Adopted

The following table provides a brief description of accounting standards that have been issued, but are not yet adopted, that could have a material effect on the Company's financial statements:

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2014-09, Revenue from Contracts with Customers	The ASU supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The core principle of the ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU may be adopted either retrospectively or on a modified retrospective basis to new contracts and existing contracts with remaining performance obligations as of the effective date.	January 1, 2018 (early adoption permitted beginning January 1, 2017)	The Company is continuing to evaluate the alternative methods of adoption and the anticipated effects on the financial statements and related disclosures.
ASU 2016-01, Recognition and Measurement of Financial Assets and Liabilities	The ASU addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The main provisions require investments in equity securities to be measured at fair value through net income, unless they qualify for a practicability exception, and require fair value changes arising from changes in instrument-specific credit risk for financial liabilities that are measured under the fair value option to be recognized in other comprehensive income. With the exception of disclosure requirements that would be adopted prospectively, the ASU must be adopted on a modified retrospective basis.	January 1, 2018 (early adoption permitted beginning January 1, 2016 or 2017 for the provision related to changes in instrument-specific credit risk for financial liabilities under the fair value option)	The Company is early adopting the provision related to changes in instrument-specific credit risk beginning January 1, 2016, which will result in an immaterial reclassification from retained earnings to OCI. The prospective impact of this provision on the financial statements is a function of the principal amount of financial liabilities under the fair value option and changes in the Company's credit spreads. The Company is evaluating the impact of the remaining provisions of this ASU on the financial statements and related disclosures; however, the impact is not expected to be material.

NOTE 2 - ACQUISITIONS/DISPOSITIONS

During the years ended December 31, 2015, 2014, and 2013, the Company had the following notable disposition:

(Dollars in millions)	Date	Cash Received/(Paid)	Goodwill	Other Intangibles	Pre-tax Gain
2014					
Sale of RidgeWorth	5/30/2014	$193	($40)	($9)	$105

In 2014, the Company completed the sale of RidgeWorth, its asset management subsidiary with approximately $49.1 billion in assets under management. The Company received cash proceeds of $193 million, removed $96 million in net assets and $23 million in noncontrolling interests, and recognized a pre-tax gain of $105 million in connection with the sale, net of transaction-related expenses.

The Company's results for the year ended December 31, 2014, included income before provision for income taxes related to RidgeWorth, excluding the gain on sale, of $22 million,

comprised of $81 million of revenue and $59 million of expense. For the year ended December 31, 2013, the Company's income before provision for income taxes included $64 million related to RidgeWorth, comprised of $194 million of revenue and $130 million of expense.

The financial results of RidgeWorth, including the gain on sale, are reflected in the Corporate Other segment for the years ended December 31, 2014 and 2013. There were no other material acquisitions or dispositions during the three years ended December 31, 2015.

NOTE 3 - FEDERAL FUNDS SOLD AND SECURITIES FINANCING ACTIVITIES

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

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

(Dollars in millions)	December 31, 2015	December 31, 2014
Fed funds sold	$38	$38
Securities borrowed	277	290
Securities purchased under agreements to resell	962	832
Total Fed funds sold and securities borrowed or purchased under agreements to resell	$1,277	$1,160

Securities purchased under agreements to resell are primarily collateralized by U.S. government or agency securities and are carried at the amounts at which the securities will be subsequently resold. Securities borrowed are primarily collateralized by corporate securities. The Company borrows securities and purchases securities under agreements to resell as part of its securities financing activities. On the acquisition date of these securities, the Company and the related counterparty agree on the amount of collateral required to secure the principal

Notes to Consolidated Financial Statements, continued

amount loaned under these arrangements. The Company monitors collateral values daily and calls for additional collateral to be provided as warranted under the agreement. At December

31, 2015 and 2014, the total market value of collateral held was $1.2 billion and $1.1 billion, respectively, of which $73 million and $222 million was repledged, respectively.

Securities Sold Under Agreements to Repurchase

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

(Dollars in millions)	December 31, 2015			December 31, 2014		
	Overnight and Continuous	Up to 30 days	Total	Overnight and Continuous	Up to 30 days	Total
U.S. Treasury securities	$112	$—	$112	$376	$—	$376
Federal agency securities	319	—	319	231	—	231
MBS - agency	837	23	860	1,059	45	1,104
CP	49	—	49	238	—	238
Corporate and other debt securities	242	72	314	327	—	327
Total securities sold under agreements to repurchase	$1,559	$95	$1,654	$2,231	$45	$2,276

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

Netting of Securities - Repurchase and Resell Agreements

The Company has various financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements. The Company's derivatives that are subject to enforceable master netting agreements or similar agreements are discussed in Note 17, "Derivative Financial Instruments." The following table presents the Company's securities borrowed or purchased under agreements to resell and securities sold under agreements to repurchase that are subject to MRAs. Under the terms of the MRA, all transactions between the Company and a counterparty constitute

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

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

(Dollars in millions)	Gross Amount	Amount Offset	Net Amount Presented in Consolidated Balance Sheets	Held/Pledged Financial Instruments	Net Amount

December 31, 2015						
Financial assets:						
Securities borrowed or purchased under agreements to resell	$1,239	$—	$1,239	[1]	$1,229	$10
Financial liabilities:						
Securities sold under agreements to repurchase	1,654	—	1,654		1,654	—
December 31, 2014						
Financial assets:						
Securities borrowed or purchased under agreements to resell	$1,122	$—	$1,122	[1]	$1,112	$10
Financial liabilities:						
Securities sold under agreements to repurchase	2,276	—	2,276		2,276	—

[1] Excludes $38 million of Fed funds sold, which are not subject to a master netting agreement at both December 31, 2015 and 2014.

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Notes to Consolidated Financial Statements, continued

NOTE 4 - TRADING ASSETS AND LIABILITIES AND DERIVATIVE INSTRUMENTS

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

(Dollars in millions)	2015	2014
Trading Assets and Derivative Instruments:		
U.S. Treasury securities	$538	$267
Federal agency securities	588	547
U.S. states and political subdivisions	30	42
MBS - agency	553	545
CLO securities	2	3
Corporate and other debt securities	468	509
CP	67	327
Equity securities	66	45
Derivative instruments [1]	1,152	1,307
Trading loans [2]	2,655	2,610
Total trading assets and derivative instruments	$6,119	$6,202
Trading Liabilities and Derivative Instruments:		
U.S. Treasury securities	$503	$485
MBS - agency	37	1
Corporate and other debt securities	259	279
Derivative instruments [1]	464	462
Total trading liabilities and derivative instruments	$1,263	$1,227

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

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

manage market risk associated with client trading and non-trading activities, and assumes a limited degree of market risk by managing the size and nature of its exposure. For valuation assumptions related to the Company's trading products, as well as additional information on our derivative instruments, see Note 17, “Derivative Financial Instruments,” and the “Trading Assets and Derivative Instruments and Securities Available for Sale” section of Note 18, “Fair Value Election and Measurement.”
The Company pledged $986 million and $1.1 billion of trading securities to secure $950 million and $1.1 billion of repurchase agreements at December 31, 2015 and December 31, 2014, respectively. Additionally, the Company

pledged $393 million and $202 million of trading securities to secure certain derivative agreements at December 31, 2015 and December 31, 2014, respectively, and pledged $40 million of trading securities under other arrangements at both December 31, 2015 and December 31, 2014.

Notes to Consolidated Financial Statements, continued

NOTE 5 – SECURITIES AVAILABLE FOR SALE

Securities Portfolio Composition

	December 31, 2015			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$3,460	$3	$14	$3,449
Federal agency securities	402	10	1	411
U.S. states and political subdivisions	156	8	—	164
MBS - agency	22,877	397	150	23,124
MBS - private	92	2	—	94
ABS	11	2	1	12
Corporate and other debt securities	37	1	—	38
Other equity securities [1]	533	1	1	533
Total securities AFS	$27,568	$424	$167	$27,825

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

[1] At December 31, 2015, the fair value of other equity securities was comprised of the following: $32 million of FHLB of Atlanta stock, $402 million of Federal Reserve Bank of Atlanta stock, $93 million of mutual fund investments, and $6 million of other.
At December 31, 2014, the fair value of other equity securities was comprised of the following: $376 million of FHLB of Atlanta stock, $402 million of Federal Reserve Bank of Atlanta stock, $138 million of mutual fund investments, and $7 million of other.

The following table presents interest and dividends on securities AFS:

	Year Ended December 31		
(Dollars in millions)	2015	2014	2013
Taxable interest	$552	$565	$537
Tax-exempt interest	6	10	10
Dividends	35	38	32
Total interest and dividends	$593	$613	$579

Securities AFS pledged to secure public deposits, repurchase agreements, trusts, and other funds had a fair value of $3.2 billion and $2.6 billion at December 31, 2015 and 2014, respectively.

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Explanation of Responses:

Notes to Consolidated Financial Statements, continued

The following table presents the amortized cost, fair value, and weighted average yield of investments in debt securities AFS at December 31, 2015, by remaining contractual maturity, with the exception of MBS and ABS, which are based on estimated average life. Receipt of cash flows may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Distribution of Remaining Maturities				
(Dollars in millions)	Due in 1 Year or Less	Due After 1 Year through 5 Years	Due After 5 Years through 10 Years	Due After 10 Years	Total
Amortized Cost:					
U.S. Treasury securities	$—	$1,271	$2,189	$—	$3,460
Federal agency securities	163	105	13	121	402
U.S. states and political subdivisions	35	6	101	14	156
MBS - agency	2,383	9,134	6,997	4,363	22,877
MBS - private	—	92	—	—	92
ABS	9	—	1	1	11
Corporate and other debt securities	—	37	—	—	37
Total debt securities AFS	$2,590	$10,645	$9,301	$4,499	$27,035
Fair Value:					
U.S. Treasury securities	$—	$1,265	$2,184	$—	$3,449
Federal agency securities	165	111	13	122	411
U.S. states and political subdivisions	35	7	107	15	164
MBS - agency	2,513	9,286	6,979	4,346	23,124
MBS - private	—	94	—	—	94
ABS	11	—	—	1	12
Corporate and other debt securities	—	38	—	—	38
Total debt securities AFS	$2,724	$10,801	$9,283	$4,484	$27,292
Weighted average yield [1]	2.38 %	2.40 %	2.66 %	2.90 %	2.57 %

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

Securities AFS in an Unrealized Loss Position

The Company held certain investment securities AFS where amortized cost exceeded fair value, resulting in unrealized loss positions. Market changes in interest rates and credit spreads may result in temporary unrealized losses as the market prices of securities fluctuate. At December 31, 2015, the Company did

not intend to sell these securities nor was it more-likely-than-not that the Company would be required to sell these securities before their anticipated recovery or maturity. The Company reviewed its portfolio for OTTI in accordance with the accounting policies described in Note 1, "Significant Accounting Policies."

Securities AFS in an unrealized loss position at period end are presented in the following tables.

	December 31, 2015		
(Dollars in millions)	Less than twelve months	Twelve months or longer	Total

	Fair Value	Unrealized Losses [2]	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses [2]
Temporarily impaired securities AFS:						
U.S. Treasury securities	$2,169	$14	$—	$—	$2,169	$14
Federal agency securities	75	—	34	1	109	1
MBS - agency	11,434	114	958	36	12,392	150
ABS	—	—	7	1	7	1
Other equity securities	3	1	—	—	3	1
Total temporarily impaired securities AFS	13,681	129	999	38	14,680	167
OTTI securities AFS [1]:						
ABS	1	—	—	—	1	—
Total OTTI securities AFS	1	—	—	—	1	—
Total impaired securities AFS	$13,682	$129	$999	$38	$14,681	$167

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Notes to Consolidated Financial Statements, continued

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

[1] OTTI securities for which credit losses have been recorded in earnings in current and/or prior periods.
[2] Unrealized losses less than $0.5 million are presented as zero within the table.

At December 31, 2015, temporarily impaired securities AFS that have been in an unrealized loss position for twelve months or longer included agency MBS, federal agency securities, and one ABS collateralized by 2004 vintage home equity loans. Unrealized losses on these temporarily impaired agency MBS and federal agency securities were due to market interest rates being higher than the securities' stated coupon rates. The temporarily impaired ABS continues to receive timely principal and interest payments, and is evaluated quarterly for credit impairment. Unrealized losses on securities AFS that relate to factors other than credit are recorded in AOCI, net of tax.

Realized Gains and Losses and Other-Than-Temporarily Impaired Securities AFS

(Dollars in millions)	Year Ended December 31 2015	 2014	 2013
Gross realized gains	$25	$28	$39
Gross realized losses	(3)	(42)	(36)
OTTI credit losses recognized in earnings	(1)	(1)	(1)
Net securities gains/(losses)	$21	($15)	$2

Securities AFS in an unrealized loss position are evaluated quarterly for other-than-temporary credit impairment, which is determined using cash flow analyses that take into account security specific collateral and transaction structure. Future expected credit losses are determined using various assumptions, the most significant of which include default rates, prepayment rates, and loss severities. If, based on this analysis, a security is in an unrealized loss position and the Company does not expect to recover the entire amortized cost basis of the security, the expected cash flows are then discounted at the security’s initial effective interest rate to arrive at a present value amount. Credit losses on the OTTI security are recognized in earnings and reflect the difference between the present value of cash flows expected to be collected and the amortized cost basis of the security. See Note 1, "Significant Accounting Policies," for additional

information regarding the Company's policy on securities AFS and related impairments.
The Company continues to reduce existing exposure on OTTI securities primarily through paydowns. In certain instances, the amount of credit losses recognized in earnings on a debt security exceeds the total unrealized losses on

the security, which may result in unrealized gains relating to factors other than credit recorded in AOCI, net of tax. During the years ended December 31, 2015, 2014, and 2013, credit impairment losses recognized on securities AFS held at the end of each period were immaterial. The accumulated balance of OTTI credit losses recognized in earnings on securities AFS held at period end was $25 million for each of the years ended December 31, 2015, 2014, and 2013. Subsequent credit losses may be recorded on securities without a corresponding further decline in fair value when there has been a decline in expected cash flows.

The following table presents a summary of the significant inputs used in determining the measurement of OTTI credit losses recognized in earnings for private MBS and ABS for the year ended December 31:

	2015 [1]	2014 [1]	2013
Default rate	9%	2%	2 - 9%
Prepayment rate	13%	16%	7 - 21%
Loss severity	56%	46%	46 - 74%

[1] During the year ended December 31, 2015, all OTTI credit losses recognized in earnings related to one private MBS security with a fair value of $20 million at December 31, 2015. During the year ended December 31, 2014, OTTI credit losses recognized in earnings related to one private MBS security with a fair value of $16 million at December 31, 2014.

Assumption ranges represent the lowest and highest lifetime average estimates of each security for which credit losses were recognized in earnings. Ranges may vary from period to period as the securities for which credit losses are recognized vary. Additionally, severity may vary widely when losses are few and large.

Notes to Consolidated Financial Statements, continued

NOTE 6 - LOANS

Composition of Loan Portfolio

(Dollars in millions)	December 31, 2015	December 31, 2014
Commercial loans:		
C&I	$67,062	$65,440
CRE	6,236	6,741
Commercial construction	1,954	1,211
Total commercial loans	75,252	73,392
Residential loans:		
Residential mortgages - guaranteed	629	632
Residential mortgages - nonguaranteed [1]	24,744	23,443
Residential home equity products	13,171	14,264
Residential construction	384	436
Total residential loans	38,928	38,775
Consumer loans:		
Guaranteed student	4,922	4,827
Other direct	6,127	4,573
Indirect	10,127	10,644
Credit cards	1,086	901
Total consumer loans	22,262	20,945
LHFI	$136,442	$133,112
LHFS [2]	$1,838	$3,232

[1] Includes $257 million and $272 million of LHFI measured at fair value at December 31, 2015 and 2014, respectively.

[2] Includes $1.5 billion and $1.9 billion of LHFS measured at fair value at December 31, 2015 and 2014, respectively.

During the years ended December 31, 2015 and 2014, the Company transferred $1.8 billion and $3.3 billion in LHFI to LHFS, and $741 million and $44 million in LHFS to LHFI, respectively. In addition to sales of mortgage LHFS in the normal course of business, the Company sold $2.1 billion and $4.0 billion in loans and leases for gains of $22 million and $83 million, during the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, the Company had $23.6 billion and $26.5 billion of net eligible loan collateral pledged to the Federal Reserve discount window to support $17.2 billion and $18.4 billion of available, unused borrowing capacity, respectively.

At December 31, 2015 and 2014, the Company had $33.7 billion and $31.2 billion of net eligible loan collateral pledged to the FHLB of Atlanta to support $28.5 billion and $24.3 billion of available borrowing capacity, respectively. The available FHLB borrowing capacity at December 31, 2015 was used to support $408 million of long-term debt and $6.7 billion of letters of credit issued on the Company's behalf. At December 31, 2014, the available FHLB borrowing capacity was used to support $4.0 billion of long-term debt, $4.0 billion of short-term debt, and $7.9 billion of letters of credit issued on the Company's behalf.

Credit Quality Evaluation

The Company evaluates the credit quality of its loan portfolio by employing a dual internal risk rating system, which assigns

both PD and LGD ratings to derive expected losses. Assignment of PD and LGD ratings are predicated upon numerous factors, including consumer credit risk scores, rating agency information, borrower/guarantor financial capacity, LTV ratios, collateral type, debt service coverage ratios, collection experience, other internal metrics/analyses, and/or qualitative assessments.

For the commercial portfolio, the Company believes that the most appropriate credit quality indicator is an individual loan’s risk assessment expressed according to the broad regulatory agency classifications of Pass or Criticized. The Company conforms to the following regulatory classifications for Criticized assets: Other Assets Especially Mentioned (or Special Mention), Adversely Classified, Doubtful, and Loss. However, for the purposes of disclosure, management believes the most meaningful distinction within the Criticized categories is between Accruing Criticized (which includes Special Mention and a portion of Adversely Classified) and Nonaccruing Criticized (which includes a portion of Adversely Classified and Doubtful and Loss). This distinction identifies those relatively higher risk loans for which there is a basis to believe that the Company will not collect all amounts due under those loan agreements. The Company's risk rating system is granular, with multiple risk ratings in both the Pass and Criticized categories. Pass ratings reflect relatively low PDs, whereas, Criticized assets have higher PDs. The granularity in Pass ratings assists in the establishment of pricing, loan structures, approval requirements, reserves, and ongoing credit management requirements. Commercial risk ratings are refreshed at least annually, or more frequently as appropriate, based upon considerations such as market conditions, borrower characteristics, and portfolio trends. Additionally, management routinely reviews portfolio risk ratings, trends, and concentrations to support risk identification and mitigation activities. The increase in criticized accruing and nonaccruing C&I loans at December 31, 2015 compared to December 31, 2014, as presented in the following risk rating table, was primarily driven by downgrades of loans in the energy industry vertical.

For consumer and residential loans, the Company monitors credit risk based on indicators such as delinquencies and FICO scores. The Company believes that consumer credit risk, as assessed by the industry-wide FICO scoring method, is a relevant credit quality indicator. Borrower-specific FICO scores are obtained at origination as part of the Company’s formal underwriting process, and refreshed FICO scores are obtained by the Company at least quarterly. For government-guaranteed loans, the Company monitors the credit quality based primarily on delinquency status, as it is a more relevant indicator of credit quality due to the government guarantee. At December 31, 2015 and 2014, 31% and 28%, respectively, of the guaranteed residential loan portfolio was current with respect to payments. At December 31, 2015 and 2014, 78% and 79%, respectively, of the guaranteed student loan portfolio was current with respect to payments. The Company's loss exposure on guaranteed residential and student loans is mitigated by the government guarantee.

Notes to Consolidated Financial Statements, continued

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

	Commercial Loans					
	C&I		CRE		Commercial Construction	
(Dollars in millions)	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Risk rating:						
Pass	$65,379	$64,228	$6,067	$6,586	$1,931	$1,196
Criticized accruing	1,375	1,061	158	134	23	14
Criticized nonaccruing	308	151	11	21	—	1
Total	$67,062	$65,440	$6,236	$6,741	$1,954	$1,211

	Residential Loans [1]					
	Residential Mortgages - Nonguaranteed		Residential Home Equity Products		Residential Construction	
(Dollars in millions)	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Current FICO score range:						
700 and above	$20,422	$18,780	$10,772	$11,475	$313	$347
620 - 699	3,262	3,369	1,741	1,991	58	70
Below 620 [2]	1,060	1,294	658	798	13	19
Total	$24,744	$23,443	$13,171	$14,264	$384	$436

	Consumer Loans [3]					
	Other Direct		Indirect		Credit Cards	
(Dollars in millions)	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Current FICO score range:						
700 and above	$5,501	$4,023	$7,015	$7,661	$759	$639
620 - 699	576	476	2,481	2,335	265	212
Below 620 [2]	50	74	631	648	62	50
Total	$6,127	$4,573	$10,127	$10,644	$1,086	$901

[1] Excludes $629 million and $632 million of guaranteed residential loans at December 31, 2015 and 2014, respectively.
[2] For substantially all loans with refreshed FICO scores below 620, the borrower's FICO score at the time of origination exceeded 620 but has since deteriorated as the loan has seasoned.
[3] Excludes $4.9 billion and $4.8 billion of guaranteed student loans at December 31, 2015 and 2014, respectively.

Notes to Consolidated Financial Statements, continued

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

	December 31, 2015				
(Dollars in millions)	Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
C&I	$66,670	$61	$23	$308	$67,062
CRE	6,222	3	—	11	6,236
Commercial construction	1,952	—	2	—	1,954
Total commercial loans	74,844	64	25	319	75,252
Residential loans:					
Residential mortgages - guaranteed	192	59	378	—	629
Residential mortgages - nonguaranteed [1]	24,449	105	7	183	24,744
Residential home equity products	12,939	87	—	145	13,171
Residential construction	365	3	—	16	384
Total residential loans	37,945	254	385	344	38,928
Consumer loans:					
Guaranteed student	3,861	500	561	—	4,922
Other direct	6,094	24	3	6	6,127
Indirect	10,022	102	—	3	10,127
Credit cards	1,070	9	7	—	1,086
Total consumer loans	21,047	635	571	9	22,262
Total LHFI	$133,836	$953	$981	$672	$136,442

[1] Includes $257 million of loans measured at fair value, the majority of which were accruing current.

[2] Nonaccruing loans past due 90 days or more totaled $336 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs, performing second lien loans where the first lien loan is nonperforming, and certain energy-related commercial loans.

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

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

[1] Includes $272 million of loans measured at fair value, the majority of which were accruing current.

[2] Nonaccruing loans past due 90 days or more totaled $388 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs and performing second lien loans where the first lien loan is nonperforming.

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Notes to Consolidated Financial Statements, continued

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

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

	December 31, 2015			December 31, 2014		
(Dollars in millions)	Unpaid Principal Balance	Amortized Cost [1]	Related Allowance	Unpaid Principal Balance	Amortized Cost [1]	Related Allowance
Impaired loans with no related allowance recorded:						
Commercial loans:						
C&I	$55	$42	$—	$70	$51	$—
CRE	11	9	—	12	11	—
Total commercial loans	66	51	—	82	62	—
Residential loans:						
Residential mortgages - nonguaranteed	500	380	—	592	425	—
Residential construction	29	8	—	31	9	—
Total residential loans	529	388	—	623	434	—
Impaired loans with an allowance recorded:						
Commercial loans:						
C&I	173	167	28	27	26	7
CRE	—	—	—	4	4	4
Total commercial loans	173	167	28	31	30	11
Residential loans:						
Residential mortgages - nonguaranteed	1,381	1,344	178	1,381	1,354	215
Residential home equity products	740	670	60	703	630	66
Residential construction	127	125	14	145	145	19
Total residential loans	2,248	2,139	252	2,229	2,129	300
Consumer loans:						
Other direct	11	11	1	13	13	1
Indirect	114	114	5	105	105	5
Credit cards	24	6	1	25	8	2
Total consumer loans	149	131	7	143	126	8
Total impaired loans	$3,165	$2,876	$287	$3,108	$2,781	$319

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

Included in the impaired loan balances above at December 31, 2015 and 2014 were $2.6 billion and $2.5 billion, respectively, of accruing TDRs at amortized cost, of which 97% and 96% were current, respectively. See Note 1, "Significant Accounting Policies," for further information regarding the Company's loan impairment policy.

Notes to Consolidated Financial Statements, continued

	Year Ended December 31					
	2015		2014		2013	
(Dollars in millions)	Average Amortized Cost	Interest Income Recognized [1]	Average Amortized Cost	Interest Income Recognized [1]	Average Amortized Cost	Interest Income Recognized [1]
Impaired loans with no related allowance recorded:						
Commercial loans:						
C&I	$58	$2	$84	$1	$75	$1
CRE	10	—	11	1	60	2
Total commercial loans	68	2	95	2	135	3
Residential loans:						
Residential mortgages - nonguaranteed	390	17	437	17	449	18
Residential construction	11	—	12	—	21	1
Total residential loans	401	17	449	17	470	19
Impaired loans with an allowance recorded:						
Commercial loans:						
C&I	147	5	16	1	45	1
CRE	—	—	5	—	3	—
Commercial construction	—	—	—	—	5	—
Total commercial loans	147	5	21	1	53	1
Residential loans:						
Residential mortgages - nonguaranteed	1,349	65	1,357	78	1,576	76
Residential home equity products	682	28	644	27	649	23
Residential construction	125	8	144	8	172	10
Total residential loans	2,156	101	2,145	113	2,397	109
Consumer loans:						
Other direct	12	—	14	—	15	1
Indirect	125	6	113	5	89	4
Credit cards	7	1	10	1	16	1
Total consumer loans	144	7	137	6	120	6
Total impaired loans	$2,916	$132	$2,847	$139	$3,175	$138

[1] Of the interest income recognized during December 31, 2015, 2014, and 2013, cash basis interest income was $7 million, $4 million, and $10 million, respectively.

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Notes to Consolidated Financial Statements, continued

NPAs are shown in the following table:

(Dollars in millions)	December 31, 2015	December 31, 2014
Nonaccrual/NPLs:		
Commercial loans:		
C&I	$308	$151
CRE	11	21
Commercial construction	—	1
Residential loans:		
Residential mortgages - nonguaranteed	183	254
Residential home equity products	145	174
Residential construction	16	27
Consumer loans:		
Other direct	6	6
Indirect	3	—
Total nonaccrual/NPLs [1]	672	634
OREO [2]	56	99
Other repossessed assets	7	9
Nonperforming LHFS	—	38
Total NPAs	$735	$780

[1] Nonaccruing restructured loans are included in total nonaccrual/NPLs.
[2] Does not include foreclosed real estate related to loans insured by the FHA or the VA. Proceeds due from the FHA and the VA are recorded as a receivable in other assets in the Consolidated Balance Sheets until the property is conveyed and the funds are received. The receivable related to proceeds due from the FHA or the VA totaled $52 million and $57 million at December 31, 2015 and 2014, respectively.

The Company's recorded investment of nonaccruing loans secured by residential real estate properties for which formal foreclosure proceedings are in process at December 31, 2015 and 2014 was $112 million and $152 million, respectively. The Company's recorded investment of accruing loans secured by residential real estate properties for which formal foreclosure proceedings are in process at December 31, 2015 and 2014 was

$152 million and $194 million, of which $141 million and $179 million were insured by the FHA or the VA, respectively.
At December 31, 2015 and 2014, OREO was comprised of $39 million and $75 million of foreclosed residential real estate properties and $11 million and $16 million of foreclosed commercial real estate properties, respectively, with the remainder related to land and other properties.

Notes to Consolidated Financial Statements, continued

Restructured Loans

A TDR is a loan for which the Company has granted an economic concession to the borrower, in response to certain instances of financial difficulty experienced by the borrower that the Company would not have otherwise considered. When a loan is modified under the terms of a TDR, the Company typically offers the borrower an extension of the loan maturity date and/or a reduction in the original contractual interest rate. In certain situations, the Company may offer to restructure a loan in a

manner that ultimately results in the forgiveness of a contractually specified principal balance.

At December 31, 2015 and 2014, the Company had $4 million and $1 million, respectively, of commitments to lend additional funds to debtors whose terms have been modified in a TDR. The number and amortized cost of loans modified under the terms of a TDR by type of modification are shown in the following tables.

	2015 [1]				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [2]	Rate Modification	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	79	$—	$1	$8	$9
CRE	1	—	—	—	—
Residential loans:					
Residential mortgages - nonguaranteed	789	12	129	25	166
Residential home equity products	2,172	—	25	113	138
Residential construction	23	—	6	—	6
Consumer loans:					
Other direct	66	—	—	1	1
Indirect	2,578	—	—	52	52
Credit cards	683	—	3	—	3
Total TDRs	6,391	$12	$164	$199	$375

[1] Includes loans modified under the terms of a TDR that were charged-off during the period.

[2] Restructured loans which had forgiveness of amounts contractually due under the terms of the loan may have had other concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the year ended December 31, 2015 was $2 million.

	2014 [1]				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [2]	Rate Modification	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	78	$—	$1	$37	$38
CRE	6	4	—	3	7
Residential loans:					
Residential mortgages - nonguaranteed	1,135	10	127	44	181
Residential home equity products	1,977	—	7	86	93
Residential construction	11	—	1	—	1

Consumer loans:					
Other direct	71	—	—	1	1
Indirect	2,928	—	—	57	57
Credit cards	450	—	2	—	2
Total TDRs	6,656	$14	$138	$228	$380

[1] Includes loans modified under the terms of a TDR that were charged-off during the period.

[2] Restructured loans which had forgiveness of amounts contractually due under the terms of the loan may have had other concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the year ended December 31, 2014 was $14 million.

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Notes to Consolidated Financial Statements, continued

(Dollars in millions)	2013 [1] Number of Loans Modified	Principal Forgiveness [2]	Rate Modification	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	152	$18	$2	$105	$125
CRE	6	—	3	1	4
Commercial construction	1	—	—	—	—
Residential loans:					
Residential mortgages - nonguaranteed	1,584	1	166	94	261
Residential home equity products	2,630	—	71	75	146
Residential construction	259	—	24	3	27
Consumer loans:					
Other direct	140	—	1	3	4
Indirect	3,409	—	—	65	65
Credit cards	593	—	3	—	3
Total TDRs	8,774	$19	$270	$346	$635

[1] Includes loans modified under the terms of a TDR that were charged-off during the period.
[2] Restructured loans which had forgiveness of amounts contractually due under the terms of the loan may have had other concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the year ended December 31, 2013 was $2 million.

For the year ended December 31, 2015, the table below represents defaults on loans that were first modified between the periods January 1, 2014 and December 31, 2015 that became 90 days or more delinquent or were charged-off during the period.

	Year Ended December 31, 2015	
(Dollars in millions)	Number of Loans	Amortized Cost
Commercial loans:		
C&I	34	$1
Residential loans:		
Residential mortgages	120	16
Residential home equity products	138	6
Consumer loans:		
Other direct	5	—
Indirect	171	2
Credit cards	84	—
Total TDRs	552	$25

For the year ended December 31, 2014, the table below represents defaults on loans that were first modified between the periods January 1, 2013 and December 31, 2014 that became 90 days or more delinquent or were charged-off during the period.

	Year Ended December 31, 2014	
(Dollars in millions)	Number of Loans	Amortized Cost

Commercial loans:		
C&I	78	$10
Residential loans:		
Residential mortgages	158	19
Residential home equity products	101	5
Residential construction	6	—
Consumer loans:		
Other direct	9	—
Indirect	181	1
Credit cards	145	1
Total TDRs	678	$36

Notes to Consolidated Financial Statements, continued

For the year ended December 31, 2013, the following table represents defaults on loans that were first modified between the periods January 1, 2012 and December 31, 2013 that became 90 days or more delinquent or were charged-off during the period.

	Year Ended December 31, 2013	
(Dollars in millions)	Number of Loans	Amortized Cost
Commercial loans:		
C&I	55	$5
CRE	5	3
Commercial construction	1	—
Residential loans:		
Residential mortgages	287	23
Residential home equity products	188	10
Residential construction	48	3
Consumer loans:		
Other direct	15	1
Indirect	207	2
Credit cards	169	1
Total TDRs	975	$48

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

Concentrations of Credit Risk

The Company does not have a significant concentration of risk to any individual client except for the U.S. government and its agencies. However, a geographic concentration arises because the Company operates primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. The Company engages in limited international banking activities. The Company's total cross-border outstanding loans were $1.6 billion and $1.3 billion at December 31, 2015 and 2014, respectively.

With respect to collateral concentration, at December 31, 2015, the Company owned $38.9 billion in loans secured by residential real estate, representing 29% of total LHFI. Additionally, the Company had $10.5 billion in commitments to extend credit on home equity lines and $3.2 billion in mortgage loan commitments at December 31, 2015. At December 31, 2014, the Company owned $38.8 billion in loans secured by residential real estate, representing 29% of total LHFI, and had $10.9 billion in commitments to extend credit on home equity lines and $3.3 billion in mortgage loan commitments. At both December 31, 2015 and December 31, 2014, 2% of residential loans owned were guaranteed by a federal agency or a GSE.

The following table presents loans in the residential mortgage portfolio that included a high original LTV ratio (in excess of 80%), an interest only feature, and/or a second lien position that may increase the Company's exposure to credit risk and result in a concentration of credit risk. At December 31, 2015 and December 31, 2014, borrowers' current weighted average FICO score on these loans was 745 and 738, respectively.

(Dollars in millions)	December 31, 2015	December 31, 2014
Interest only mortgages with MI or with combined original LTV ≤ 80% [1]	$1,563	$3,180
Interest only mortgages with no MI and with combined original LTV > 80% [1]	547	873
Total interest only mortgages [1]	2,110	4,053
Amortizing mortgages with combined original LTV > 80% and/or second liens [2]	8,366	7,368
Total mortgages with potential concentration of credit risk	$10,476	$11,421

[1] Comprised of first and/or second liens, primarily with an initial 10 year interest only period.
[2] Comprised of loans with no MI.

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Notes to Consolidated Financial Statements, continued

NOTE 7 - ALLOWANCE FOR CREDIT LOSSES

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

	Year Ended December 31		
(Dollars in millions)	2015	2014	2013
Balance, beginning of period	$1,991	$2,094	$2,219
Provision for loan losses	156	338	548
Provision for unfunded commitments	9	4	5
Loan charge-offs	(470)	(607)	(869)
Loan recoveries	129	162	191
Balance, end of period	$1,815	$1,991	$2,094
Components:			
ALLL	$1,752	$1,937	$2,044
Unfunded commitments reserve [1]	63	54	50
Allowance for credit losses	$1,815	$1,991	$2,094

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

Activity in the ALLL by loan segment for the years ended December 31 is presented in the following tables:

	2015			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance, beginning of period	$986	$777	$174	$1,937
Provision/(benefit) for loan losses	133	(67)	90	156
Loan charge-offs	(117)	(218)	(135)	(470)
Loan recoveries	45	42	42	129
Balance, end of period	$1,047	$534	$171	$1,752

	2014			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance, beginning of period	$946	$930	$168	$2,044
Provision for loan losses	111	126	101	338
Loan charge-offs	(128)	(344)	(135)	(607)
Loan recoveries	57	65	40	162
Balance, end of period	$986	$777	$174	$1,937

As discussed in Note 1, “Significant Accounting Policies,” the ALLL is composed of both specific allowances for certain nonaccrual loans and TDRs and general allowances grouped into loan pools based on similar characteristics. No allowance is required for loans measured at fair value. Additionally, the

Company records an immaterial allowance for loan products that are guaranteed by government agencies, as there is nominal risk of principal loss. The Company’s LHFI portfolio and related ALLL is presented in the following tables.

	December 31, 2015							
	Commercial		Residential		Consumer		Total	
(Dollars in millions)	Carrying Value	ALLL	Carrying Value	ALLL	Carrying Value	ALLL	Carrying Value	ALLL
Individually evaluated	$218	$28	$2,527	$252	$131	$7	$2,876	$287

Collectively evaluated	75,034	1,019	36,144	282	22,131	164	133,309	1,465
Total evaluated	75,252	1,047	38,671	534	22,262	171	136,185	1,752
LHFI at fair value	—	—	257	—	—	—	257	—
Total LHFI	$75,252	$1,047	$38,928	$534	$22,262	$171	$136,442	$1,752

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Notes to Consolidated Financial Statements, continued

(Dollars in millions)	December 31, 2014 Commercial Carrying Value	ALLL	Residential Carrying Value	ALLL	Consumer Carrying Value	ALLL	Total Carrying Value	ALLL
Individually evaluated	$92	$11	$2,563	$300	$126	$8	$2,781	$319
Collectively evaluated	73,300	975	35,940	477	20,819	166	130,059	1,618
Total evaluated	73,392	986	38,503	777	20,945	174	132,840	1,937
LHFI at fair value	—	—	272	—	—	—	272	—
Total LHFI	$73,392	$986	$38,775	$777	$20,945	$174	$133,112	$1,937

NOTE 8 - PREMISES AND EQUIPMENT

Premises and equipment at December 31 consisted of the following:

(Dollars in millions)	Useful Life (in years)	2015	2014
Land	Indefinite	$330	$334
Buildings and improvements	1 - 40	1,073	1,051
Leasehold improvements	1 - 30	636	628
Furniture and equipment	1 - 20	1,463	1,426
Construction in progress		249	201
Total premises and equipment		3,751	3,640
Less: Accumulated depreciation and amortization		2,249	2,132
Premises and equipment, net		$1,502	$1,508

None of the Company's premises and equipment was subject to mortgage indebtedness (included in long-term debt) at December 31, 2015. At December 31, 2014, premises and equipment subject to mortgage indebtedness was immaterial. Net premises and equipment included $3 million and $4 million related to net capital leases at December 31, 2015 and 2014, respectively. Aggregate rent expense (principally for offices), including contingent rent expense and sublease income, totaled $200 million, $206 million, and $220 million for the years ended December 31, 2015, 2014, and 2013, respectively. Depreciation and amortization expense for the years ended December 31, 2015, 2014, and 2013 totaled $175 million, $176 million, and $185 million, respectively.

The Company previously completed sale leaseback transactions consisting of branch properties and various individual office buildings. Upon completion of these

transactions, the Company recognized a portion of the resulting gains and deferred the remainder to be recognized ratably over the expected term of the lease, predominantly 10 years, as an offset to net occupancy expense. To the extent that terms on these leases are extended, the remaining deferred gain would be amortized over the new lease term. Amortization of deferred gains on sale leaseback transactions was $54 million, $53 million, and $58 million for the years ended December 31, 2015, 2014, and 2013, respectively. At December 31, 2015 and 2014, the remaining deferred gain associated with sale leaseback transactions was $108 million and $162 million, respectively.

The Company has various obligations under capital leases and noncancelable operating leases for premises and equipment. The leases predominantly expire over the next 10 years, with the longest expiring in 2081. Many of these leases provide for periodic adjustment of rentals based on changes in various economic indicators, while others also include a renewal option.

The following table presents future minimum payments under noncancelable operating leases, net of sublease rentals, with initial terms in excess of one year at December 31, 2015. Capital leases were immaterial at December 31, 2015.

(Dollars in millions)	Operating Leases
2016	$207

2017	192
2018	122
2019	103
2020	81
Thereafter	307
Total minimum lease payments	$1,012

NOTE 9 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The Company conducts a goodwill impairment test at the reporting unit level at least annually, or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. In the third quarter of 2015, the Company elected to prospectively change the date of its annual goodwill impairment test from September 30 to October 1 to better align the timing of the test with the availability of key inputs.

The Company performed goodwill impairment analyses for its Wholesale Banking reporting unit as of October 1, 2015, September 30, 2015, December 31, 2014, and September 30, 2014, as well as for its Consumer Banking and Private Wealth Management reporting unit as of October 1, 2015, September 30, 2015, and September 30, 2014. Based on the results of the impairment analyses, the Company concluded that the fair values of the reporting units exceeded their respective carrying values; therefore, there was no goodwill impairment. The Company

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monitored events and circumstances during the fourth quarter of 2015 and did not observe any factors that would more-likely-than-not reduce the fair value of a reporting unit below its respective carrying value. See Note 1, "Significant Accounting Policies," for additional information regarding the Company's goodwill accounting policy.

There were no changes in the carrying amount of goodwill by reportable segment for the year ended December 31, 2015. Changes in the carrying amount of goodwill by reportable segment for the year ended December 31, 2014 are presented in the following table.

(Dollars in millions)	Consumer Banking and Private Wealth Management	Wholesale Banking	Total
Balance, January 1, 2014	$4,262	$2,107	$6,369
Acquisition of Lantana Oil and Gas Partners, Inc.	—	8	8
Sale of RidgeWorth	—	(40)	(40)
Balance, December 31, 2014	$4,262	$2,075	$6,337

Other Intangible Assets

Changes in the carrying amounts of other intangible assets for the years ended December 31 are as follows:

(Dollars in millions)	MSRs - Fair Value	Other	Total
Balance, January 1, 2015	$1,206	$13	$1,219
Amortization [1]	—	(8)	(8)
Servicing rights originated	238	13	251
Servicing rights purchased	109	—	109
Changes in fair value:			
Due to changes in inputs and assumptions [2]	(32)	—	(32)
Other changes in fair value [3]	(210)	—	(210)
Servicing rights sold	(4)	—	(4)
Balance, December 31, 2015	$1,307	$18	$1,325
Balance, January 1, 2014	$1,300	$34	$1,334
Amortization [1]	—	(12)	(12)
Servicing rights originated	178	—	178
Servicing rights purchased	130	—	130
Changes in fair value:			
Due to changes in inputs and assumptions [2]	(234)	—	(234)
Other changes in fair value [3]	(167)	—	(167)
Servicing rights sold	(1)	—	(1)
Sale of RidgeWorth	—	(9)	(9)
Balance, December 31, 2014	$1,206	$13	$1,219

[1] Does not include expense associated with non-qualified community development investments. See Note 10, "Certain Transfers of Financial Assets and Variable Interest Entities," for additional information.

[2] Primarily reflects changes in option adjusted spreads and prepayment speed assumptions, due to changes in interest rates.

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

The Company's estimated future amortization of intangible assets subject to amortization was immaterial at December 31, 2015.

Servicing Rights

The Company retains servicing rights for certain of its sales or securitizations of residential mortgage and consumer indirect loans. MSRs on residential mortgage loans and servicing rights on consumer indirect loans are the only servicing assets capitalized by the Company and are classified within other

intangible assets on the Company's Consolidated Balance Sheets.

Mortgage Servicing Rights

Income earned by the Company on its MSRs is derived primarily from contractually specified mortgage servicing fees and late fees, net of curtailment costs. Such income earned for the year ended December 31, 2015, 2014, and 2013 was $347 million, $329 million, and $317 million, respectively. These amounts are

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reported in mortgage servicing related income in the Consolidated Statements of Income.
At December 31, 2015 and 2014, the total UPB of mortgage loans serviced was $148.2 billion and $142.1 billion, respectively. Included in these amounts were $121.0 billion and $115.5 billion at December 31, 2015 and 2014, respectively, of loans serviced for third parties. The Company purchased MSRs on residential loans with a UPB of $10.3 billion during the year ended December 31, 2015, all of which are reflected in the UPB amounts above. The Company purchased MSRs on residential loans with a UPB of $10.9 billion during the year ended December 31, 2014. During the years ended December 31, 2015 and 2014, the Company sold MSRs on residential loans, at a price approximating their fair value, with a UPB of $803 million and $878 million, respectively.
The Company calculates the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income using prepayment projections, spreads, and other assumptions. Senior management and the STM Valuation Committee review all significant assumptions at least quarterly, comparing these inputs to various sources of market data. Changes to valuation model inputs are reflected in the periods' results. See Note 18, “Fair Value Election and Measurement,” for further information regarding the Company's MSR valuation methodology.
A summary of the key inputs used to estimate the fair value of the Company’s MSRs at December 31, 2015 and 2014, and the sensitivity of the fair values to immediate 10% and 20% adverse changes in those inputs, are presented in the following table.

(Dollars in millions)	December 31, 2015		December 31, 2014	
Fair value of MSRs	$1,307		$1,206	
Prepayment rate assumption (annual)	10	%	11	%
Decline in fair value from 10% adverse change	$49		$46	
Decline in fair value from 20% adverse change	94		88	
Option adjusted spread (annual)	8	%	10	%
Decline in fair value from 10% adverse change	$64		$55	
Decline in fair value from 20% adverse change	123		105	
Weighted-average life (in years)	6.6		6.4	
Weighted-average coupon	4.1	%	4.2	%

These MSR sensitivities are hypothetical and should be used with caution. Changes in fair value based on variations in assumptions generally cannot be extrapolated because (i) the relationship of the change in an assumption to the change in fair value may not be linear and (ii) changes in one assumption may result in changes in another, which might magnify or counteract the sensitivities. The sensitivities do not reflect the effect of hedging activity undertaken by the Company to offset changes in the fair value of MSRs. See Note 17, “Derivative Financial Instruments,” for further information regarding these hedging activities.

Consumer Loan Servicing Rights

In June 2015, the Company completed the securitization of $1.0 billion of indirect auto loans, with servicing rights retained, and recognized a $13 million servicing asset at the time of sale. See Note 10, “Certain Transfers of Financial Assets and Variable Interest Entities,” for additional information on the Company's securitization transactions.
Income earned by the Company on its consumer loan servicing rights is derived primarily from contractually specified servicing fees and other ancillary fees. Such income earned for the year ended December 31, 2015 was $5 million, and is reported in other noninterest income in the Consolidated Statements of Income. There was no income earned on consumer loan servicing rights for the years ended December 31, 2014 and 2013.
At December 31, 2015, the total UPB of consumer indirect loans serviced was $807 million, all of which were serviced for third parties. No consumer loan servicing rights were purchased or sold during the years ended December 31, 2015 and 2014.
Consumer loan servicing rights are accounted for at amortized cost and are monitored for impairment on an ongoing basis. The Company calculates the fair value of consumer servicing rights using a valuation model that calculates the

present value of estimated future net servicing income using prepayment projections and other assumptions. Impairment, if any, is recognized when changes in valuation model inputs reflect a fair value for the servicing asset that is below its respective carrying value. At December 31, 2015, both the amortized cost and the fair value of the Company's consumer loan servicing rights were $9 million.

NOTE 10 - CERTAIN TRANSFERS OF FINANCIAL ASSETS AND VARIABLE INTEREST ENTITIES

The Company has transferred loans and securities in sale or securitization transactions in which the Company retains certain beneficial interests or retains servicing rights. Cash receipts on beneficial interests held related to these transfers were $19 million, $21 million, and $36 million for the years ended December 31, 2015, 2014, and 2013, respectively. The servicing fees related to these asset transfers (excluding servicing fees for residential mortgage loan transfers to GSEs, which are discussed in Note 9, “Goodwill and Other Intangible Assets”) were immaterial for each of the years ended December 31, 2015, 2014, and 2013.

When a transfer or other transaction occurs with a VIE, the Company first determines whether it has a VI in the VIE. A VI is typically in the form of securities representing retained interests in transferred assets and, at times, servicing rights and collateral management fees. When determining whether to consolidate the VIE, the Company evaluates whether it has both (i) the power to direct the activities that most significantly impact the economic performance of the VIE, and (ii) the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE.

To determine whether a transfer should be accounted for as a sale or a secured borrowing, the Company evaluates whether:

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(i) the transferred assets are legally isolated, (ii) the transferee has the right to pledge or exchange the transferred assets, and (iii) the Company has relinquished effective control of the transferred assets. If all three conditions are met, then the transfer is accounted for as a sale.

Except as specifically noted herein, the Company is not required to provide additional financial support to any of the entities to which the Company has transferred financial assets, nor has the Company provided any support it was not otherwise obligated to provide. No events occurred during the year ended December 31, 2015 that changed the Company's previous conclusions regarding whether it is the primary beneficiary of the VIEs described herein. Furthermore, no events occurred during the year ended December 31, 2015 that changed the Company's sale conclusion with regards to previously transferred residential mortgage loans, indirect auto loans, student loans, or commercial and corporate loans.

Transfers of Financial Assets

The following discussion summarizes transfers of financial assets to VIEs for which the Company has retained some level of continuing involvement.

Residential Mortgage Loans

The Company typically transfers first lien residential mortgage loans in conjunction with Ginnie Mae, Fannie Mae, and Freddie Mac securitization transactions, whereby the loans are exchanged for cash or securities that are readily redeemable for cash, and servicing rights are retained.

The Company sold residential mortgage loans to the aforementioned GSEs, which resulted in pre-tax net gains of $232 million, $224 million, and $186 million for the years ended December 31, 2015, 2014, and 2013, respectively. The Company has made certain representations and warranties with respect to the transfer of these loans. See Note 16, "Guarantees," for additional information regarding representations and warranties.

In a limited number of securitizations, the Company has received securities in addition to cash in exchange for the transferred loans, while also retaining servicing rights. The securities received are measured at fair value and classified as securities AFS. At December 31, 2015 and 2014, the fair value of securities received totaled $38 million and $55 million, respectively.

The Company evaluated its VI securitization entities for potential consolidation under the VIE consolidation model. Notwithstanding the Company's role as servicer, the Company typically does not have power over the securitization entities as a result of rights held by the master servicer. However, in certain transactions, the Company does have power as the servicer, but does not have an obligation to absorb losses, or the right to receive benefits, that could potentially be significant. In all such cases, the Company does not consolidate the securitization entity. Total assets at December 31, 2015 and 2014, of the unconsolidated entities in which the Company has a VI were $241 million and $288 million, respectively.

The Company's maximum exposure to loss related to these unconsolidated residential mortgage loan securitizations is comprised of the loss of value of any interests it retains, which are immaterial, and any repurchase obligations or other losses it

incurs as a result of any guarantees related to these securitizations, discussed further in Note 16, "Guarantees."

Commercial and Corporate Loans

The Company holds securities issued by CLO entities that own commercial leveraged loans and bonds, certain of which were transferred to the entities by the Company. The Company has determined that the CLO entities are VIEs and that it is not the primary beneficiary of these entities because it does not possess the power to direct the activities that most significantly impact the economic performance of the entities. The Company previously acted as collateral manager for one of these CLO entities that it consolidated; however, upon the sale of RidgeWorth in May 2014, the Company was no longer the collateral manager or primary beneficiary of this CLO and the CLO was deconsolidated. At December 31, 2015 and 2014, the Company's unconsolidated VIEs had estimated assets of $525 million and $704 million and estimated liabilities of $482 million and $654 million, respectively. At December 31, 2015 and 2014, the Company's holdings included a preference share exposure valued at $2 million and $3 million, and a senior debt

exposure valued at $8 million and $18 million, respectively.

Consumer Loans

Guaranteed Student Loans

The Company has securitized government-guaranteed student loans through a transfer of loans to a securitization entity and retained the residual interest in the entity. The Company concluded that this entity should be consolidated because the Company has (i) the power to direct the activities that most significantly impact the economic performance of the VIE and (ii) the obligation to absorb losses, and the right to receive benefits, that could potentially be significant. At December 31, 2015 and 2014, the Company’s Consolidated Balance Sheets reflected $262 million and $306 million of assets held by the securitization entity and $259 million and $302 million of debt issued by the entity, respectively.

To the extent that the securitization entity incurs losses on its assets, the securitization entity has recourse to the guarantor of the underlying loan, which is backed by the Department of Education up to a maximum guarantee of 100%. When the maximum government guarantee is not realized, losses reduce the amount of available cash payable to the Company as the owner of the residual interest. To the extent that losses result from a breach of servicing responsibilities, the securitization entity has recourse to the Company, which functions as the master servicer, whereby the Company may be required to repurchase the defaulting loan(s) at par value. If the breach was caused by the subservicer, the Company would seek reimbursement from the subservicer up to the guaranteed amount. The Company’s maximum exposure to loss related to the securitization entity would arise from a breach of its servicing responsibilities. To date, loss claims filed with the guarantor that have been denied due to servicing errors have either been, or are in the process of, being cured, or reimbursement has been provided to the Company by the subservicer, or in limited cases, absorbed by the Company.

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Indirect Auto Loans

In June 2015, the Company transferred indirect auto loans to a securitization entity, which was determined to be a VIE, and accounted for the transfer as a sale. The Company retained servicing rights for the transferred loans, but did not retain any debt or equity interest in the securitization entity. While the Company has the power to direct the activities that most significantly impact the economic performance of the VIE through its servicing rights, it was determined that this entity should not be consolidated since the Company does not have the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE.

At the time of the transfer, the UPB of the transferred loans was $1.0 billion and the consideration received was $1.0 billion, resulting in an immaterial pre-tax loss for the year ended December 31, 2015, which was recorded in other noninterest income in the Consolidated Statements of Income. See Note 9,

"Goodwill and Other Intangible Assets," for additional information regarding the servicing asset recognized in this transaction.

To the extent that losses on the transferred loans are the result of a breach of representations and warranties related to either the initial transfer or the Company's ongoing servicing responsibilities, the securitization entity has recourse to the Company whereby the Company may be obligated to either cure the breach or repurchase the affected loans. The Company’s maximum exposure to loss related to the loans transferred to the securitization entity would arise from a breach of representations and warranties and/or a breach of the Company's servicing obligations. Potential losses suffered by the securitization entity that the Company may be liable for are limited to approximately $1.0 billion, which is the total of the initial UPB of transferred loans and the carrying value of the servicing asset.

The Company's total managed loans, including the LHFI portfolio and other securitized and unsecuritized loans, are presented in the following table by portfolio balance and delinquency (accruing loans 90 days or more past due and all nonaccrual loans) at December 31, 2015 and 2014, as well as the related net charge-offs for the years ended December 31, 2015 and 2014.

	Portfolio Balance [1]		Past Due and Nonaccrual [2]		Net Charge-offs	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	Year Ended December 31	
(Dollars in millions)					2015	2014
LHFI portfolio:						
Commercial	$75,252	$73,392	$344	$181	$72	$71
Residential	38,928	38,775	729	891	176	279
Consumer	22,262	20,945	580	619	93	95
Total LHFI portfolio	136,442	133,112	1,653	1,691	341	445
Managed securitized loans:						
Residential	116,990	110,591	126 [3]	183 [3]	12	16
Consumer	807	—	1	—	2	—
Total managed securitized loans	117,797	110,591	127	183	14	16
Managed unsecuritized loans [4]	3,973	4,943	597	705	—	—
Total managed loans	$258,212	$248,646	$2,377	$2,579	$355	$461

[1] Excludes $1.8 billion and $3.2 billion of LHFS at December 31, 2015 and 2014, respectively.

[2] Excludes $1 million and $39 million of past due LHFS at December 31, 2015 and 2014, respectively.

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

[4] Comprised of unsecuritized residential loans the Company originated and sold with servicing rights retained.

Other Variable Interest Entities

In addition to exposure to VIEs arising from transfers of financial assets, the Company also has involvement with VIEs from other business activities.

Total Return Swaps

The Company facilitates matched book TRS transactions on behalf of clients, whereby a VIE purchases reference assets identified by a client and the Company enters into a TRS with the VIE, with a mirror-image TRS facing the client. The TRS contract between the VIE and the Company hedges the Company's exposure to the TRS contract with its third party client. The Company provides senior financing to the VIE, in the form of demand notes to fund the purchase of the reference assets. The TRS contracts pass through interest and other cash flows on the reference assets to the third party clients, along with exposing those clients to decreases in value on the assets and providing them with the rights to appreciation on the assets. The terms of

the TRS contracts require the third parties to post initial margin collateral, in addition to ongoing margin as the fair values of the underlying assets change.

The Company evaluated the related VIEs for consolidation, noting that the Company and its third party clients are VI holders. The Company evaluated the nature of all VIs and other interests and involvement with the VIEs, in addition to the purpose and design of the VIEs, relative to the risks they were designed to create. The VIEs were designed for the benefit of the third parties and would not exist if the Company did not enter into the TRS contracts on their behalf. The activities of the VIEs are restricted to buying and selling the reference assets and the risks/benefits of any such assets owned by the VIEs are passed to the third party clients via the TRS contracts. The Company determined that it is not the primary beneficiary of the VIEs, as the design of its matched book TRS business results in the Company having

no substantive power to direct the significant activities of the VIEs, and therefore, the VIEs are not consolidated.
The outstanding notional amounts of the VIE-facing TRS contracts and the Company's related senior financing outstanding to VIEs were $2.2 billion and $2.3 billion at December 31, 2015 and 2014, respectively. These financings were classified within trading assets and derivative instruments on the Consolidated Balance Sheets and were measured at fair value. The Company entered into client-facing TRS contracts of the same outstanding notional amounts. The notional amounts of the TRS contracts with VIEs represent the Company’s maximum exposure to loss, although this exposure has been mitigated via the TRS contracts with third parties. For additional information on the Company’s TRS contracts and its involvement with these VIEs, see Note 17, “Derivative Financial Instruments.”

Community Development Investments

As part of its community reinvestment initiatives, the Company invests in multi-family affordable housing developments and other community development entities as a limited and/or general partner and/or a debt provider. The Company receives tax credits for its limited partner investments. The Company has determined that the vast majority of the related partnerships are VIEs.

In limited circumstances, the Company owns both the limited partner and general partner interests, in which case the related partnerships are not considered VIEs and are consolidated by the Company. The Company sold properties with a carrying value of $72 million for gains of $19 million during the year ended December 31, 2015, and the remaining properties held for sale at December 31, 2015 were immaterial. One property was sold during the year ended December 31, 2014 for an immaterial gain. During 2013, the Company sold properties resulting in an aggregate gain of $17 million.

The Company has concluded that it is not the primary beneficiary of affordable housing partnerships when it invests as a limited partner and there is a third party general partner. The investments are accounted for in accordance with the accounting guidance for investments in affordable housing projects. The general partner, or an affiliate of the general partner, often provides guarantees to the limited partner, which protects the Company from construction and operating losses and tax credit allocation deficits. Assets of $1.6 billion and $1.4 billion in these

and other community development partnerships were not included in the Consolidated Balance Sheets at December 31, 2015 and 2014, respectively. The Company's limited partner interests had carrying values of $672 million and $363 million at December 31, 2015 and 2014, respectively, and are recorded in other assets on the Company’s Consolidated Balance Sheets. The Company’s maximum exposure to loss for these investments totaled $1.1 billion and $776 million at December 31, 2015 and 2014, respectively. The Company’s maximum exposure to loss would result from the loss of its limited partner investments along with $268 million and $278 million of loans, interest-rate swap fair value exposures, or letters of credit issued by the Company to the entities at December 31, 2015 and 2014, respectively. The remaining exposure to loss is primarily attributable to unfunded equity commitments that the Company is required to fund if certain conditions are met.

The Company also owns noncontrolling interests in funds whose purpose is to invest in community developments. At December 31, 2015 and 2014, the Company's investment in these funds totaled $132 million and $113 million, respectively, and the Company's maximum exposure to loss on its equity investments, which is comprised of its investments in the funds plus any additional unfunded equity commitments, was $321 million and $236 million, respectively.

During the year ended December 31, 2015, 2014, and 2013, the Company recognized $68 million, $66 million, and $64 million of tax credits for qualified affordable housing projects, and $66 million, $61 million, and $49 million of amortization on qualified affordable housing projects in the provision for income taxes, respectively.

During the year ended December 31, 2015, the Company recorded $35 million of expense related to community development investments not within the scope of the accounting guidance for investments in qualified affordable housing projects. During the year ended December 31, 2014, the Company recorded $19 million of amortization related to these non-qualified investments ($5 million of which was recorded within other noninterest expense and $14 million was recorded within amortization expense in the Company's Consolidated Statements of Income). No

amortization was recorded for these non-qualified investments during the year ended December 31, 2013.

NOTE 11 - BORROWINGS AND CONTRACTUAL COMMITMENTS

Other short-term borrowings

Other short-term borrowings at December 31 were as follows:

	2015			2014		
(Dollars in millions)	Balance	Interest Rate		Balance	Interest Rate	
FHLB advances	$—	—	%	$4,000	0.23	%
Master notes	582	0.20		1,280	0.15	
Dealer collateral	442	0.20		354	0.13	
Total other short-term borrowings	$1,024			$5,634		

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Long-term debt

Long-term debt at December 31 consisted of the following:

	2015			2014
(Dollars in millions)	Maturity Date(s)	Interest Rate(s)	Balance	Balance
Parent Company Only:				
Senior, fixed rate	2016 - 2028	2.35% - 6.00%	$3,614	$3,630
Senior, variable rate	2016 - 2019	0.48 - 1.86	331	358
Subordinated, fixed rate	2026	6.00	200	200
Junior subordinated, variable rate	2027 - 2028	1.03 - 1.31	627	627
Total Parent Company debt			4,772	4,815
Subsidiaries [1]:				
Senior, fixed rate [2]	2016 - 2053	0.80 - 9.65	1,620	5,682
Senior, variable rate	2016 - 2043	0.44 - 2.23	1,097	742
Subordinated, fixed rate [3]	2017 - 2020	5.20 - 7.25	973	1,283
Subordinated, variable rate			—	500
Total subsidiaries debt			3,690	8,207
Total long-term debt			$8,462	