SUNTRUST BANKS INC
Form 10-K
February 25, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

2010 FORM 10-K

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

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

or

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

Commission File Number 001-08918

SUNTRUST BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia	**58-1575035**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

303 Peachtree Street, N.E., Atlanta, Georgia 30308

(Address of principal executive offices) (Zip Code)

(404) 588-7711

(Registrant s telephone number, including area code)

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

Title of each class	**Name of exchange on which registered**

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2010 was approximately $11.6 billion, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

At February 7, 2011, 500,491,137 shares of the Registrant s Common Stock, $1.00 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Pursuant to Instruction G of Form 10-K, information in the Registrant s Definitive Proxy Statement for its 2011 Annual Shareholder s Meeting, which it will file with the SEC no later than April 26, 2011 (the Proxy Statement), is incorporated by reference into Items 10-14 of this Report.

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GLOSSARY OF DEFINED TERMS

ABS Asset-backed securities.

AFS Available for sale.

ALCO Asset/Liability Management Committee.

ALLL Allowance for loan and lease losses.

Alt-A Alternative A-paper.

AOCI Accumulated other comprehensive income.

ARM Adjustable rate mortgages.

ARRA The American Reinvestment and Recovery Act of 2009.

ARS Auction rate securities.

ASC FASB Accounting Standard Codification.

ASU Accounting standards update.

ATE Additional termination event.

ATM Automated teller machine.

Bank SunTrust Bank.

BCBS Basel Committee on Banking Supervision.

Board The Company s Board of Directors.

CDO Collateralized debt obligation.

CD Certificate of deposit.

CDS Credit default swaps.

CFPB Bureau of Consumer Financial Protection.

CIB Corporate and Investment Banking.

Class B shares Visa Inc. Class B common stock.

CLO Collateralized loan obligation.

CMBS Commercial mortgage-backed securities.

Coke The Coca-Cola Company.

Company SunTrust Banks, Inc.

CORO Corporate Operational Risk Officer.

CP Commercial paper.

CPP Capital Purchase Program.

CRA Community Reinvestment Act of 1977.

CRC Corporate Risk Committee.

CRE Commercial Real Estate.

CRO Chief Risk Officer.

CRM Corporate Risk Management.

CSA Credit support annex.

DDA Demand deposit account.

DBRS Dun and Bradstreet, Inc.

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DGP Debt Guarantee Program.

DIF Deposit Insurance Fund.

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

EAPMC Earning Asset/Portfolio Management Committee.

EESA The Emergency Economic Stabilization Act of 2008.

EPS Earnings per share.

ERISA Employee Retirement Income Security Act of 1974.

EURIBOR Euro Interbank Offered Rate.

Exchange Act Securities Exchange Act of 1934.

FASB Financial Accounting Standards Board.

FDIA Federal Deposit Insurance Act.

FDIC The Federal Deposit Insurance Corporation.

FDICIA The Federal Deposit Insurance Corporation Improvement Act of 1991.

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

Fed funds Federal funds.

FFELP Federal Family Education Loan Program.

FFIEC The Federal Financial Institutions Examination Council.

FHA Federal Housing Administration.

FHLB Federal Home Loan Bank.

FICO Fair Isaac Corporation.

FINRA Financial Industry Regulatory Authority.

Fitch Fitch Ratings Ltd.

FTE Fully taxable-equivalent.

First Mercantile First Mercantile Trust Company.

FVO Fair value option.

GB&T GB&T Bancshares, Inc.

GBP Great Britain Pound.

GenSpring GenSpring Family Offices, LLC.

GLB Act Gramm-Leach-Bliley Act.

GSE Government-sponsored enterprise.

HUD U.S. Department of Housing and Urban Development.

IIS Institutional Investment Solutions.

Inlign Inlign Wealth Management, LLC.

IPO Initial public offering.

IRLC Interest rate lock commitments.

IRS Internal Revenue Service.

ISDA International Swaps and Derivatives Associations Master Agreement.

LCR Liquidity coverage ratio.

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Lehman Brothers Lehman Brothers Holdings, Inc.

LHFI Loans held for investment.

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

LHFS Loans held for sale.

LIBOR London InterBank Offered Rate.

Lighthouse Investment Partners Lighthouse Investment Partners, LLC.

LOCOM Lower of cost or market.

LTI Long-term incentive.

LTV Loan to value.

MBS Mortgage-backed securities.

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

MIP Management Incentive Plan.

MMMF Money market mutual funds.

Moody s Moody s Investors Service.

MSR Mortgage servicing right.

MVE Market value of equity.

NCF National Commerce Financial Corporation.

NOL Net operating loss.

NOW Negotiable order of withdrawal account.

NPL Nonperforming loan.

NRSRO Nationally Recognized Statistical Rating Organization.

NSF Non-sufficient funds.

NSFR Net stable funding ratio.

NYSE New York Stock Exchange.

OCI Other comprehensive income.

OREO Other real estate owned.

OTC Over-the-counter.

OTTI Other-than-temporary impairment.

Parent Company Parent Company of SunTrust Banks, Inc.

Patriot Act The USA Patriot Act of 2001.

PUP Performance Unit Plan.

PWM Private Wealth Management.

QSPE Qualifying special-purpose entity.

RCCs Replacement capital covenants.

REITs Real estate investment trusts.

RidgeWorth RidgeWorth Capital Management, Inc.

RMBS Residential mortgage-backed securities.

ROA Return on average total assets.

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ROE Return on average common shareholders equity.

S&P Standard and Poor s.

SBA Small Business Administration.

SCAP Supervisory Capital Assessment Program.

SEC U.S. Securities and Exchange Commission.

Seix Seix Investment Advisors, Inc.

SEO Senior executive officers.

SERP Supplemental Executive Retirement Plan.

SIV Structured investment vehicles.

SPE Special purpose entity.

STIIA SunTrust Institutional Investment Advisors LLC.

STIS SunTrust Investment Services, Inc.

STM SunTrust Mortgage, Inc.

Stock Plan SunTrust Banks, Inc. 2004 Stock Plan.

STRH SunTrust Robinson Humphrey, Inc.

SunTrust SunTrust Banks, Inc.

SunTrust Community Capital SunTrust Community Capital, LLC.

TAGP Transaction Account Guarantee Program.

TARP Troubled Asset Relief Program.

TDR Troubled debt restructuring.

The Agreements Equity forward agreements.

Three Pillars Three Pillars Funding, LLC.

TransPlatinum TransPlatinum Service Corp.

TRS Total return swaps.

Twin Rivers Twin Rivers Insurance Company.

U.S. GAAP Generally Accepted Accounting Principles in the United States.

U.S. Treasury The United States Department of the Treasury.

UTB Unrecognized tax benefits.

VA Veteran s Administration.

VAR Value at risk.

VEBA Voluntary Employees Beneficiary Association.

VI Variable interest.

VIE Variable interest entity.

Visa The Visa, U.S.A. Inc. card association or its affiliates, collectively.

VRDO Variable rate demand obligation.

W&IM Wealth and Investment Management.

ZCI Zevenbergen Capital Investments, LLC.

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PART I

Item 1. BUSINESS

General

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

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

Primary Market Areas

Through its principal subsidiary, SunTrust Bank, the Company provides deposit, credit, and trust and investment services. Additional subsidiaries provide mortgage banking, asset management, securities brokerage, capital market services, and credit-related insurance. SunTrust operates primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia and enjoys strong market positions in these markets. SunTrust operated under the following business segments during 2009 and in the first quarter of 2010. These business segments were: Retail and Commercial, CIB, Household Lending, W&IM, and Corporate Other and Treasury. The Company announced certain organizational changes at the end of the first quarter of 2010, which became effective in the second quarter of 2010 and resulted in the following business segments: Retail Banking, Diversified Commercial Banking, CRE, CIB, Mortgage, W&IM, and Corporate Other and Treasury. In addition, SunTrust provides clients with a selection of technology-based banking channels, including the internet, ATMs, and twenty-four hour telebanking. SunTrust s client base encompasses a broad range of individuals and families, businesses, institutions, and governmental agencies.

Acquisition and Disposition Activity

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

During 2010, the Company s W&IM business transferred $14.1 billion in money market funds into funds managed by Federated Investors, Inc. During 2009, W&IM completed three acquisitions of family office enterprises: Epic Advisors, Inc; a division of CSI Capital Management; and Martin Kelly Capital Management LLC. We completed the sale of our minority interest in Lighthouse Investment Partners on January 2, 2008, and effective May 1, 2008, we acquired GB&T. On May 30, 2008, we sold our interests in First Mercantile, a retirement plan services subsidiary. Moreover, on September 2, 2008, we sold our fuel card business, TransPlatinum, to Fleet One Holdings LLC. Additional information on these and other acquisitions and dispositions is included in Note 2, Acquisitions/Dispositions, to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Government Supervision and Regulation

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

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

On July 21, 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act imposes new regulatory requirements and oversight over banks and other financial institutions in a number of ways, among which are (i) creating of the CFPB to regulate consumer financial products and services; (ii) creating of the Financial Stability Oversight Council to identify and impose additional regulatory oversight on large financial firms; (iii) granting orderly liquidation authority to the FDIC for the liquidation of financial corporations that pose a risk to the financial system of the U.S.; (iv) limiting debit card interchange fees; (v) adopting certain changes to shareholder rights and responsibilities, including a shareholder say on pay vote on executive compensation; (vi) strengthening the SEC s powers to regulate securities markets; (vii) regulating OTC derivative markets; (viii) restricting variable-rate lending by requiring the ability to repay to be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; and (ix) amending the Truth in Lending Act with respect to mortgage originations, including originator compensation, minimum repayment standards, and prepayment considerations. These changes have profoundly impacted our policies and procedures and will likely continue to do so as regulators adopt enacted regulations going forward in accordance with the time table for enacting regulations set forth in the Dodd-Frank Act.

In addition, there have been a number of legislative and regulatory proposals that would have an impact on the operation of bank/financial holding companies and their bank and non-bank subsidiaries. We cannot predict whether or in what form these proposals may be adopted in the future and, if adopted, what their effect will be on us.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance fund in the event the depository institution becomes in danger of default or is in default. For example, under a policy of the Federal Reserve with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and commit resources to support such institutions in circumstances where it might not do so absent such policy. In addition, the cross-guarantee provisions of federal law require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized as such terms are defined under regulations issued by each of the federal banking agencies. Under the Dodd-Frank Act, the FDIC has the authority to liquidate certain financial holding companies that are determined to pose significant risks to the financial stability of the U.S. (covered financial companies). Under this scenario, the FDIC would exercise broad powers to take prompt corrective action to resolve problems with the covered financial company. Details of this process, and the rights of shareholders and creditors of covered financial companies, are currently being formulated. The FDIC may make risk-based assessments of all bank holding companies with total consolidated assets greater than $50 billion to recover losses incurred by the FDIC in exercising its authority to liquidate covered financial companies.

The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to U.S. banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve risk-based guidelines define a tier-based capital framework. Tier 1 capital includes common shareholders equity, trust preferred securities, minority interests and qualifying preferred stock, less goodwill (net of any qualifying deferred tax liability) and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatorily convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to a certain amount and a portion of the unrealized gain on equity securities. The sum of Tier 1 and Tier 2 capital represents the Company s qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. In addition, the Company, and any bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations. The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets. Under the Dodd-Frank Act, trust preferred securities that formerly constituted Tier 1 capital will no longer be included in Tier 1 capital after a three-year phase-in period which begins January 1, 2013. Moreover, capital requirements for bank holding companies and banks change frequently and these changes are often linked to decisions made by the BCBS of the Bank for International Settlements. Capital requirements applicable to bank holding companies and banks may increase in the near-future as a result of the Dodd-Frank Act and initiatives of the BCBS.

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

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

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

Capital Framework and Basel III

In December 2009, the BCBS issued two consultative documents proposing reforms to bank capital and liquidity regulation. The BCBS s capital proposals would significantly revise the definitions of Tier 1 capital and Tier 2 capital.

The Basel III capital framework, among other things:

introduces as a new capital measure Tier 1 Common Equity, specifies that Tier 1 capital consists of Tier 1 Common Equity and Additional Tier 1 capital instruments meeting specified requirements, defines Tier 1 Common Equity narrowly by requiring that most deductions or adjustments to regulatory capital measures be made to Tier 1 Common Equity and not to the other components of capital, and expands the scope of the deductions or adjustments as compared to existing regulations;

when fully phased in on January 1, 2019, requires banks to maintain:

- as a newly adopted international standard, a minimum ratio of Tier 1 Common Equity to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer (which is added to the 4.5% Tier 1 Common Equity ratio as that buffer is phased in, effectively resulting in a minimum ratio of Tier 1 Common Equity to risk-weighted assets of at least 7%);

- a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);
- a minimum ratio of Total (that is, Tier 1 plus Tier 2) capital to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation); and
- as a newly adopted international standard, a minimum leverage ratio of 3%, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (as the average for each quarter of the month-end ratios for the quarter); and

provides for a countercyclical capital buffer, generally to be imposed when national regulators determine that excess aggregate credit growth becomes associated with a buildup of systemic risk, that would be a Tier 1 Common Equity add-on to the capital conservation buffer in the range of 0% to 2.5% when fully implemented (potentially resulting in total buffers of between 2.5% and 5%).

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Tier 1 Common Equity to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) may face constraints on dividends, equity repurchases and compensation.

The implementation of the Basel III final framework will commence January 1, 2013. On that date, banking institutions will be required to meet the following minimum capital ratios before the application of any buffer:

3.5% Tier 1 Common Equity to risk-weighted assets;
4.5% Tier 1 capital to risk-weighted assets; and
8.0% Total capital to risk-weighted assets.

The Basel III final framework provides for a number of new deductions from and adjustments to Tier 1 Common Equity. These include, for example, the requirement that MSRs, deferred tax assets dependent upon future taxable income and significant investments in non-consolidated financial entities be deducted from Tier 1 Common Equity to the extent that any one such category exceeds 10% of Tier 1 Common Equity or all such categories in the aggregate exceed 15% of Tier 1 Common Equity.

Implementation of the deductions and other adjustments to Tier 1 Common Equity will begin on January 1, 2014 and will be phased in over a five-year period (20% per year). The implementation of the capital conservation buffer will begin on January 1, 2016 at 0.625% and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

The U.S. banking agencies have indicated informally that they expect to propose regulations implementing Basel III in mid 2011 with final adoption of implementing regulations in mid 2012. Notwithstanding its release of the Basel III framework as a final framework, the Basel Committee is considering further amendments to Basel III, including the imposition of additional capital surcharges on globally systemically important financial institutions, which we expect will apply to us. In addition to Basel III, the Dodd-Frank Act requires or permits the Federal banking agencies to adopt regulations affecting banking institutions capital requirements in a number of respects, including potentially more stringent capital requirements for systemically important financial institutions. We believe our current capital levels already exceed the Basel III capital requirement, including the capital conservation buffer. The BCBS has also stated that from time to time it may require an additional, counter-cyclical capital buffer on top of Basel III standards. We intend to comply with those requirements when announced as they may apply to us.

Liquidity Ratios under Basel III

Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, both in the U.S. and internationally, without required formulaic measures. The Basel III final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward will be required by regulation. One test, referred to as the LCR, is designed to ensure that the banking entity maintains a level of unencumbered high-quality liquid assets greater than or equal to the entity s expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other, referred to as the NSFR, is designed to promote more medium and long-term funding based on the liquidity characteristics of the assets and activities of banking entities over a one-year time horizon. In order to comply with these requirements, banks will take a number of actions which may include increasing their asset holdings of U.S. Treasury securities and other sovereign debt, increasing the use of long-term debt as a funding source and adopting new business practices that may limit the provision of liquidity to clients. The LCR would be implemented subject to an observation period beginning in 2011, but would not be introduced as a requirement until January 1, 2015, and the NSFR would not be introduced as a requirement until January 1, 2018. These new standards are subject to further rulemaking and their terms may well change before implementation.

Other Regulation

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

The FDIC maintains the DIF by assessing depository institutions an insurance premium. The amount each institution is assessed is based upon statutory factors that include the average balance of insured deposits as well as the degree of risk the institution poses to the insurance fund. Pursuant to the Dodd Frank Act, the FDIC is in the process of revising its methodology for assessing insurance premiums. In 2011, we expect that the FDIC will assess deposit insurance premiums on the basis of a depository institution s average consolidated net assets and not its deposits. We also expect that in 2011 the FDIC will introduce a revised methodology for computing the rate at which each depository institution is assessed insurance premiums based on a variety of factors. The FDIC insures interest bearing deposits accounts up to $250,000, and until December 31, 2012 it insures non-interest bearing deposit accounts on an unlimited basis.

On November 12, 2009, the FDIC voted to approve a rule to require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012. An insured institution s quarterly risk-based deposit insurance assessment will continue to be calculated on a quarterly basis, but will be paid from the amount the institution prepaid until the later of the date that amount is exhausted or June 30, 2013, at which point any remaining funds would be returned to the insured institution. Consequently, the Company s prepayment of DIF premiums made on December 29, 2009 resulted in a prepaid asset of $925 million at that time.

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

The Dodd-Frank Act created the CFPB, which is separated into five units: Research, Community Affairs, Complaint Tracking and Collection, Office of Fair Lending and Equal Opportunity, and Office of Financial Literacy. The Bureau has broad power to adopt new regulations to protect consumers, which power it may exercise at its discretion and so long as it advances the general concept of the protection of consumers. In particular, such regulations may further restrict the Company s banking subsidiary from collecting overdraft fees or limit the amount of overdraft fees that may be collected by the Company s banking subsidiary beyond the limits imposed by the 2009 amendments to Regulation E discussed below.

On November 12, 1999, financial modernization legislation known as the GLB Act was signed into law. Under the GLB Act, a bank holding company which elects to become a financial holding company may engage in expanded securities activities, insurance sales, underwriting activities, and other financial activities, and may also acquire securities firms and insurance companies, subject in each case to certain conditions. The Company has elected to become a financial holding company under the GLB Act. If any of our banking subsidiaries ceases to be well capitalized or well managed under applicable regulatory standards, the Federal Reserve may, among other things, place limitations on our ability to conduct these broader financial activities or, if the deficiencies persist, require us to divest the banking subsidiary. In order to become and maintain

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its status as a financial holding company, the Company and all of its affiliated depository institutions must be well-capitalized, well-managed, and have at least a satisfactory CRA rating. Furthermore, if the Federal Reserve determines that a financial holding company has not maintained a satisfactory CRA rating, the Company will not be able to commence any new financial activities or acquire a company that engages in such activities, although the Company will still be allowed to engage in activities closely related to banking and make investments in the ordinary course of conducting merchant banking activities.

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

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

In 2009, the Federal Reserve adopted amendments to its Regulation E that restricts our ability, beginning in July of 2010, to charge our clients overdraft fees for ATM and everyday debit card transactions. Pursuant to the adopted regulation, clients must opt-in to an overdraft service in order for the banking subsidiary to collect overdraft fees. Overdraft fees have in the past represented a significant amount of noninterest fees collected by the Company s banking subsidiary.

Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, bank holding companies from any state may acquire banks located in any other state, subject to certain conditions, including concentration limits. In addition, a bank may establish branches across state lines by merging with a bank in another state, subject to certain restrictions. A bank holding company may not directly or indirectly acquire ownership or control of more than 5% of the voting shares or substantially all of the assets of any bank or merge or consolidate with another bank holding company without the prior approval of the Federal Reserve. Under the recently enacted Dodd-Frank Act, a bank holding company may not acquire another bank or engage in new activities that are financial in nature or acquire a non-bank company that engages in activities that are financial in nature unless the bank holding company is both well capitalized and deemed by the Federal Reserve to be well managed. Moreover, a bank and its affiliates may not, after the acquisition of another bank, control more than 10% of the amount of deposits of insured depository institutions in the U.S. and a financial company may not merge, consolidate or acquire another company if the total consolidated liabilities of the acquiring financial company after such acquisition exceeds 10% of the aggregated consolidated liabilities of all financial companies at the end of the year preceding the transaction. In addition, certain states may have limitations on the amount of deposits any bank may hold within that state.

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

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

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

On July 21, 2010, the Federal Reserve and other regulators jointly published final guidance for structuring incentive compensation arrangements at financial organizations. All financial institutions, not just companies that participated in the CPP and even financial institutions which have repaid their CPP investments, are subject to this guidance. The guidance does not set forth any formulas or pay caps for, but contains certain principles which companies would be required to follow with respect to employees and groups of employees that may expose the organization to material amounts of risk. The three primary principles are (i) balanced risk-taking incentives, (ii) compatibility with effective controls and risk management, and (iii) strong corporate governance. The Federal Reserve will now monitor compliance with this guidance as part of its safety and soundness oversight.

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

Competition

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

Since 2008, as a result of recent economic events, there has been an increase in the number of failures and acquisitions of commercial and investment banks, including large commercial and investment banks. Such transactions have allowed certain larger financial institutions to acquire a presence in our footprint. Additionally, certain large financial institutions that were formerly engaged primarily in investment banking activities have amended their charters to become regulated commercial banks, thereby increasing the direct competitors to the Company.

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

Employees

As of December 31, 2010, there were 29,056 full-time equivalent employees within SunTrust. None of the domestic employees within the Company are subject to a collective bargaining agreement. Management considers its employee relations to be good.

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Additional Information

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

SunTrust s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on the Company s web site at www.suntrust.com under the Investor Relations section as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to the SEC. The public may read and copy any materials the Company files with the SEC at the SEC Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC s web site address is www.sec.gov. In addition, SunTrust makes available on its website at www.suntrust.com under the heading Corporate Governance its: (i) Code of Ethics; (ii) Corporate Governance Guidelines; and (iii) the charters of SunTrust Board committees.

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

Item 1A. RISK FACTORS

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

Recent Market, Legislative, and Regulatory Events

Difficult market conditions have adversely affected our industry.

Dramatic declines in the housing market over the past several years, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of real estate related loans and resulted in significant write-downs of asset values by financial institutions. Persistent high unemployment and reduced consumer confidence, has led to widespread reduction of business activity generally and an increased level of commercial and consumer delinquencies, and increased market volatility. This has adversely affected our business, financial condition and results of operations. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry.

Concerns over market volatility continue.

The capital and credit markets experienced unprecedented volatility and disruption during the financial crisis. In some cases, the markets have produced downward pressure on asset prices and credit availability for certain issuers without regard to those issuers underlying financial strength. While markets stabilized in 2010, there can be no assurance that periods of market volatility and disruption will not occur and, if they do, that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

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

On October 14, 2008, the U.S. Treasury announced a program, the CPP, under the EESA pursuant to which it would make senior preferred stock investments in participating financial institutions. Because we participate in the CPP, we are subject to increased regulation, and we face additional regulations or changes to regulations to which we are subject as a result of our participation. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities. For example, participation in the CPP limits (without the consent of the U.S. Treasury) our ability to increase our dividend or to repurchase our common stock for so long as any securities issued under such program remain outstanding. In addition, the EESA contains, among other things, significant restrictions on the payment of executive compensation, and this may have an adverse effect on the retention or recruitment of key members of senior management. Also, the cumulative dividend payable under the preferred stock that we issued to the U.S. Treasury pursuant to the CPP increases from 5% to 9% after 5 years. Additionally, we may not deduct interest paid on our preferred stock for income tax purposes.

We have not yet received permission to repay TARP funds.

In order to repay the TARP funds we received, we must first receive approval from our primary federal regulator who will then forward our application to the U.S. Treasury. Although we believe we have sufficient capital and liquidity to repay our TARP funds, to date, we have not obtained the necessary governmental approval to repay such funds. Additionally, the Federal Reserve has required similarly-situated financial institutions to raise additional common equity as a prerequisite to repaying TARP, and there can be no assurance that we will not also be required to do so. Until we repay our TARP funds, we will continue to be subject to the constraints imposed on us by the federal government in connection with such funds.

The Dodd-Frank Act makes fundamental changes in the regulation of the financial services industry, some of which may adversely affect our business.

The Dodd-Frank Act imposes new regulatory requirements and oversight over banks and other financial institutions in a number of ways, among which are (i) creating the CFPB to regulate consumer financial products and services; (ii) creating the Financial Stability Oversight Council to identify and impose additional regulatory oversight on large financial firms; (iii) granting orderly liquidation authority to the FDIC for the liquidation of financial corporations that pose a risk to the financial system of the United States; (iv) limiting debit card interchange fees; (v) adopting certain changes to shareholder rights, including a shareholder say on pay vote on executive compensation; (vi) strengthening the SEC s powers to regulate securities markets; (vii) regulating OTC derivative markets; (viii) making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; and (ix) providing consumers a defense of set-off or recoupment in a foreclosure or collection action if the lender violates the newly created reasonable ability to repay provision; and (x) amending the Truth in Lending Act with respect to mortgage originations, including originator compensation, disallowing mandatory arbitration, and prepayment considerations. Regulators are tasked with adopting regulations that enact and define the breadth and scope of many of these changes. Many of the regulations that must be adopted under the Dodd-Frank Act have yet to be proposed, and it is difficult to gauge the impact of certain provisions of the Dodd-Frank Act because so many important details related to the concepts adopted in the Dodd-Frank Act were left within the discretion of the regulators. For example, the CFPB has the power to adopt new regulations to protect consumers, which power it may exercise at its discretion so long as it advances the general concept of the protection of consumers. Consequently, the impact of these regulations and other regulations to be adopted pursuant to the Dodd-Frank Act are unclear, but may impact our ability to meet all of our client s product needs, lead clients to seek financial solutions and products through nonbanking channels and adversely affect profits. Moreover, the increased regulatory scrutiny set forth in the bill and the various proposed mechanisms by which the regulated entities reimburse the regulatory agencies for the increased costs associated with implementing the increased regulatory scrutiny will likely increase our cost of compliance, divert our resources and may adversely affect profits.

Among those regulations that have been proposed, the following may adversely affect our business:

- Limitations on debit card interchange fees may affect our profits;
- Changing the assessment base for deposit insurance premiums from deposits to average consolidated total assets less average tangible equity, may increase our premiums and affect our profits;
- Changing the methodology for calculating deposit insurance premium rates will become more complex, less predictable and more pro-cyclical, adversely affecting our profits and diverting our resources;
- Changing the procedures for liquidation may adversely impact our credit ratings and adversely impact our liquidity, profits, and our ability to fund ourselves;
- Increases in requirements for regulatory capital while eliminating certain sources of capital may adversely affect our profits;

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The ability to pay interest on commercial demand deposit accounts may increase our interest expenses; and

The increased regulation of derivatives and proprietary trading activities may adversely affect profits.

These provisions may limit the types of products we offer, the methods of offering them, and prices at which they are offered. They may also increase the cost of offering these products. These provisions likely will affect different financial institutions in different ways, and therefore, may also affect the competitive landscape.

SunTrust Bank may be subject to higher deposit insurance assessments.

Pursuant to the Dodd-Frank Act, the FDIC amended its regulations regarding the assessment for federal deposit insurance to base such assessments on the average total consolidated assets of insured depository institutions during the assessment period, less the average tangible equity of the institution during the assessment period. Presently, we are assessed only on our domestic deposits, and this change may result in a substantial increase in the base to which the insurance rate is applied. The Dodd-Frank Act also eliminates Section 7(b)(2)(D) of the FDIA, which provided that no insured depository institution may be barred from the lowest-risk category in the FDIC s deposit insurance assessment system solely because of size. The FDIC has also proposed regulations that would change the way the deposit insurance assessment rate is applied to banks to a system that is risk-based. This makes a higher rate assessment possible. The cumulative effect of these provisions may be a significant increase in the deposit insurance assessment which may adversely affect our results.

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

Under regulatory capital adequacy guidelines and other regulatory requirements, our Company and our subsidiary bank and broker-dealers must meet guidelines subject to qualitative judgments by regulators about components, risk weightings and other factors. From time to time, the regulators implement changes to these regulatory capital adequacy guidelines. The Capital Framework and Basel III described in Item 1 under Government Supervision and Regulation, when implemented by the U.S. banking agencies and fully phased-in, will result in higher and more stringent capital requirements for our Company and our banking subsidiaries. Under the Dodd-Frank Act, the Federal Reserve, using a phased-in approach between 2013 and 2016, will no longer include trust preferred and certain other hybrid debt securities in Tier 1 Capital. At such future time, SunTrust will have approximately $2.3 billion principal amount of such securities that are currently outstanding which we expect will be affected. Such eventual loss of Tier 1 Capital, and actions to replace such capital, may adversely affect us. Additionally, the Basel III framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests, including a LCR, which is designed to ensure that the banking entity maintains a level of unencumbered high-quality liquid assets greater than or equal to the entity s expected net cash outflow for a 30-day time horizon under an acute liquidity stress scenario, and a NSFR, designed to promote more medium and long-term funding based on the liquidity characteristics of the assets and activities of banking entities over a one-year time horizon. If we fail to meet these minimum liquidity capital guidelines and other regulatory requirements, our financial condition would be materially and adversely affected. The LCR and NSFR have proposed adoption dates beginning in 2015 and 2018, respectively.

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

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

Business Risks

We are subject to credit risk.

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

Our ALLL may not be adequate to cover our eventual losses.

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

Additionally, in order to maximize the collection of loan balances, we sometimes modify loan terms when there is a reasonable chance that an appropriate modification would allow our client to continue servicing the debt. If such modifications ultimately are less effective at mitigating loan losses than we expect, we may incur losses in excess of the specific amount of ALLL associated with a modified loan, and this would result in additional provision for loan loss expense.

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

Nonperforming assets are recorded on our financial statements at the estimated net realizable value that we expect to receive from ultimately dispensing of the assets. Deteriorating market conditions could result in a realization of future losses if the proceeds we receive upon dispositions of nonperforming assets are less than the carrying value of such assets.

Weakness in the economy and in the real estate market, including specific weakness within our geographic footprint, has adversely affected us and may continue to adversely affect us.

If the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations remain weak, this could result in, among other things, a deterioration of credit quality or a reduced demand for credit, including a resultant effect on our loan portfolio and ALLL. A significant portion of our residential mortgages and commercial real estate loan portfolios are composed of borrowers in the Southeastern and Mid-Atlantic regions of the U.S., in which certain markets have been particularly adversely affected by declines in real estate value, declines in home sale volumes, and declines in new home building. These factors could result in higher delinquencies and greater charge-offs in future periods, which would materially adversely affect our financial condition and results of operations.

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

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

We are subject to certain risks related to originating and selling mortgages. We may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, borrower fraud, or certain borrower defaults, which could harm our liquidity, results of operations, and financial condition.

We originate and often sell mortgage loans. When we sell mortgage loans, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. Our whole loan sale agreements require us to repurchase or substitute mortgage loans in the event we breach any of these representations or warranties. In addition, we may be required to

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repurchase mortgage loans as a result of borrower fraud or in the event of early payment default of the borrower on a mortgage loan. Likewise, we are required to repurchase or substitute mortgage loans if we breach a representation or warranty in connection with our securitizations. While in many cases we may have a remedy available against the originating broker or correspondent, often these may not be as broad as the remedies available to a purchaser of mortgage loans against us, and we face the further risk that the originating broker or correspondent may not have the financial capacity to satisfy remedies that otherwise may be available to us. Therefore, if a purchaser enforces its remedies against us, we may not be able to recover our losses from the originating broker or correspondent. We have received a number of repurchase and indemnity demands from purchasers. These have resulted in an increase in the amount of losses for repurchases. While we have taken steps to enhance our underwriting policies and procedures, these steps will not reduce risk associated with loans sold in the past. If repurchase and indemnity demands increase materially, our results of operations may be adversely affected.

We are subject to risks related to delays in the foreclosure process.

When we originate a mortgage loan, we do so with the expectation that if the borrower defaults then our ultimate loss is mitigated by the value of the collateral which secures the mortgage loan. Our ability to mitigate our losses on such defaulted loans depends upon our ability to promptly foreclose upon such collateral after an appropriate cure period. In some states, the large number of foreclosures which have occurred has resulted in delays in foreclosing. In some instances, our practices or failures to adhere to our policies has contributed to these delays refer to Management s Discussion and Analysis Nonperforming Assets. Any delay in the foreclosure process will adversely affect us by increasing our expenses related to carrying such assets, such as taxes, insurance, and other carrying costs, and exposes us to losses as a result of potential additional declines in the value of such collateral.

Regulators and other law enforcement authorities in certain states and the U.S. Department of Justice and other federal agencies have stated they are investigating whether mortgage servicers have had irregularities in their foreclosure practices. Those investigations, as well as any other governmental or regulatory scrutiny of our foreclosure processes, could result in fines, penalties or other equitable remedies and result in significant legal costs in responding to governmental investigations and possible litigation. While we cannot predict the ultimate impact of any delay in foreclosure sales, or any issues that may arise as a result of alleged irregularities with respect to previously completed foreclosure activities, we may be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current foreclosure activities. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. We expect that our costs will increase modestly in 2011 as a result of the additional resources necessary to perform the foreclosure process assessment, revise affidavit filings and make any other operational changes. This may result in higher noninterest expense, including higher servicing costs and legal expenses, in our Mortgage line of business. In addition, process changes required as a result of our assessment could increase our default servicing costs over the longer term. Finally, the time to complete foreclosure sales temporarily may increase, and this may result in an increase in nonperforming assets and servicing advances and may impact the collectability of such advances and the value of our MSR asset. Accordingly, delays in foreclosure sales, including any delays beyond those currently anticipated, our process enhancements and any issues that may arise out of alleged irregularities in our foreclosure processes could increase the costs associated with our mortgage operations.

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

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

As a financial services company, adverse changes in general business or economic conditions could have a material adverse effect on our financial condition and results of operations.

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

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

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Changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital or liquidity.

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

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

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

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

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

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

Clients could pursue alternatives to bank deposits, causing us to lose a relatively inexpensive source of funding.

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

Consumers may decide not to use banks to complete their financial transactions, which could affect net income.

Technology and other changes now allow parties to complete financial transactions without banks. For example, consumers can pay bills and transfer funds directly without banks. This process could result in the loss of fee income, as well as the loss of client deposits and the income generated from those deposits.

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

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

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

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

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

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

The soundness of other financial institutions could adversely affect us.

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

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

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

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

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

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

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

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

Industry Risks

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

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

Competition in the financial services industry is intense and could result in losing business or margin declines.

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

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

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

Company Risks

We may not pay dividends on your common stock.

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

Our ability to receive dividends from our subsidiaries could affect our liquidity and ability to pay dividends.

We are a separate and distinct legal entity from our subsidiaries, including the Bank. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our

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

Disruptions in our ability to access global capital markets may negatively affect our capital resources and liquidity.

In managing our consolidated balance sheet, we depend on access to global capital markets to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our clients. Other sources of funding available to us, and upon which we rely as regular components of our liquidity risk management strategy, include inter-bank borrowings, repurchase agreements, and borrowings from the Federal Reserve discount window. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, our depositors or counterparties participating in the capital markets, or a downgrade of our debt rating, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity.

Any reduction in our credit rating could increase the cost of our funding from the capital markets.

Although our issuer ratings are still rated investment grade by the major rating agencies, those ratings were downgraded during 2009 and 2010 by the major rating agencies. These rating agencies regularly evaluate us and their ratings are based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the housing and financial markets, there can be no assurance that we will maintain our current ratings. Our failure to maintain those ratings could adversely affect the cost and other terms upon which we are able to obtain funding and increase our cost of capital.

In addition, on November 1, 2010, Moody s removed all systemic support assumptions from the Parent Company and the Bank s ratings while at the same time upgrading the Bank s stand-alone bank financial strength rating. The combination of these two actions resulted in the confirmation of the Parent Company s senior credit ratings at Baa1/P-2. However, the combination of the removal of systemic support assumptions and the upgrade of the stand-alone bank financial strength rating did lead to a one-notch downgrade of the long-term and short-term senior credit ratings for the Bank from A2/P-1 to A3/P-2, respectively. Moody s concurrently upgraded the outlook for the Parent Company and the Bank s ratings from Negative to Stable . This ratings action concludes Moody s review of its systemic support assumptions for certain banks following the passage of the Dodd-Frank Act. Moody s downgrade related to their previous announcement on July 27, 2010 that as a result of the passage of the Dodd-Frank Act, Moody s would reconsider its systemic support assumption for ten regional banks, including the Parent Company and the Bank, whose ratings were lifted through the recent financial crisis but may not be considered systemically supported outside of the crisis. Moody s analysis has previously included an assumption that some banks will receive extraordinary support from regulators because they are deemed systemically important. Our credit ratings remain on Stable outlook with S&P, DBRS, and Fitch, in addition to Moody s. Additional downgrades are possible although not anticipated given the Stable outlook from all four rating agencies.

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

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

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

Furthermore, we must generally receive federal regulatory approval before we can acquire a bank or bank holding company. In determining whether to approve a proposed bank acquisition, federal bank regulators will consider, among other factors,

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

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

We are from time to time subject to certain litigation in the ordinary course of our business. These claims and legal actions, including supervisory actions by our regulators, could involve large monetary claims and significant defense costs. The outcome of these cases is uncertain. However, during the current credit crisis, we have seen both the number of cases and our expenses related to those cases increase. While we do not believe that any single case will have a material adverse effect on us, the cumulative burden of these cases may adversely affect our results. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. We may be exposed to substantial uninsured liabilities, which could adversely affect our results of operations and financial condition.

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

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

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

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

Further, in June, 2010, the Federal Reserve, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the FDIC jointly issued comprehensive final guidance designed to ensure that incentive compensation policies do not undermine the safety and soundness of banking organizations by encouraging employees to take imprudent risks. This regulation significantly restricts the amount, form, and context in which we pay incentive compensation.

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

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

Management has identified certain accounting policies as being critical because they require management s judgment to ascertain the valuations of assets, liabilities, commitments, and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or recognizing or reducing a liability. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies

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and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding our judgments and the estimates pertaining to these matters, we cannot guarantee that we will not be required to adjust accounting policies or restate prior period financial statements. See the Critical Accounting Policies in the MD&A and Note 1, Significant Accounting Policies, to the Consolidated Financial Statements.

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

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

Our stock price can be volatile.

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

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

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

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

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

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

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

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

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

We generally maintain investment securities and trading positions in the fixed income, currency, commodity, and equity markets. Unrealized gains and losses associated with our investment portfolio and mark to market gains and losses associated

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

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

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

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The Company s headquarters is located in Atlanta, Georgia. As of December 31, 2010, the Bank owned 613 of its 1,668 full-service banking offices and leased the remaining banking offices. (See Note 8, Premises and Equipment, to the Consolidated Financial Statements for further discussion of its properties.)

Item 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to numerous claims and lawsuits arising in the normal course of its business activities, some of which involve claims for substantial amounts. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management that none of these matters, when resolved, will have a material effect on the Company s consolidated results of operations, cash flows, or financial condition. For additional information, see also Note 21, Contingencies, to the Consolidated Financial Statements, which is incorporated into this Item 3 by reference.

Item 4. (REMOVED AND RESERVED)

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PART II

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

The principal market in which the common stock of the Company is traded is the NYSE. See Item 6 and Table 29 in the MD&A for information on the high and the low sales prices of SunTrust common stock on the NYSE, which is incorporated herein by reference. During the twelve months ended December 31, 2010, we paid a quarterly dividend on common stock of $0.01 per common share compared to a quarterly dividend on common stock of $0.10 per common share for the first two quarters and $0.01 per common share in the third and fourth quarters of 2009. Our common stock is held of record by approximately 35,465 holders as of December 31, 2010. See Table 25 in the MD&A for information on the monthly share repurchases activity, including total common shares repurchased and announced programs, weighted average per share price, and the remaining buy-back authority under the announced programs, which is incorporated herein by reference.

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

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

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our common stock against the cumulative total return of the S&P Composite-500 Stock Index and the S&P Commercial Bank Industry Index for the five years commencing December 31, 2005 and ending December 31, 2010. The foregoing analysis assumes an initial $100 investment in our stock and each index and the reinvestment of all dividends during the periods presented.

	Cumulative total return for the year ended December 31					
	2005	2006	2007	2008	2009	2010
SunTrust Banks, Inc.	**100.00**	**119.42**	**93.25**	**51.88**	**39.47**	**52.20**
S&P 500	**100.00**	**115.61**	**121.84**	**78.85**	**97.61**	**110.85**
S&P Commercial Bank Index	**100.00**	**115.83**	**83.28**	**48.16**	**45.45**	**52.28**

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Item 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
(Dollars in millions, except per share and other data)	**2010**	2009	2008	2007	2006
Summary of Operations					
Interest income	**$6,343**	$6,710	$8,328	$10,036	$9,792
Interest expense	**1,489**	2,244	3,708	5,316	5,132
Net interest income	**4,854**	4,466	4,620	4,720	4,660
Provision for credit losses[3]	**2,651**	4,064	2,474	665	262
Net interest income after provision for credit losses	**2,203**	402	2,146	4,055	4,398
Noninterest income	**3,729**	3,710	4,473	3,429	3,468
Noninterest expense	**5,911**	6,562	5,879	5,221	4,866
Income/(loss) before provision/(benefit) for income taxes	**21**	(2,450)	740	2,263	3,000
Net income attributable to noncontrolling interest	**17**	12	11	13	14
Provision/(benefit) for income taxes	**(185)**	(898)	(67)	616	869
Net income/(loss)	**$189**	($1,564)	$796	$1,634	$2,117
Net income/(loss) available to common shareholders	**($87)**	($1,733)	$741	$1,593	$2,098
Net interest income-FTE[1]	**$4,970**	$4,589	$4,737	$4,822	$4,748
Total revenue-FTE[1]	**8,699**	8,299	9,210	8,251	8,216
Total revenue-FTE excluding net securities (gains)/losses, net[1]	**8,508**	8,201	8,137	8,008	8,266
Net income/(loss) per average common share[2]					
Diluted	**($0.18)**	($3.98)	$2.12	$4.52	$5.78
Diluted excluding goodwill/intangible impairment charges, other than MSRs[1]	**(0.18)**	(2.34)	2.19	4.39	5.77
Basic	**(0.18)**	(3.98)	2.12	4.56	5.84
Dividends paid per average common share	**0.04**	0.22	2.85	2.92	2.44
Book value per common share	**36.34**	35.29	48.74	50.72	49.12
Tangible book value per common share[1]	**23.76**	22.59	28.69	30.11	28.66
Market capitalization	**$14,768**	$10,128	$10,472	$21,772	$29,972
Market price:					
High	**31.92**	30.18	70.00	94.18	85.64
Low	**20.16**	6.00	19.75	60.02	69.68
Close	**29.51**	20.29	29.54	62.49	84.45
Selected Average Balances					
Total assets	**$172,375**	$175,442	$175,848	$177,796	$180,315
Earning assets	**147,187**	150,908	152,749	155,204	158,429
Loans	**113,925**	121,041	125,433	120,081	119,645
Consumer and commercial deposits	**117,129**	113,164	101,333	98,020	97,175
Brokered and foreign deposits	**2,916**	6,082	14,743	21,856	26,490
Total shareholders equity	**22,834**	22,286	18,596	17,928	17,698
Average common shares - diluted (thousands)	**498,744**	437,486	350,183	352,688	362,802
Average common shares - basic (thousands)	**495,361**	435,328	348,919	349,346	359,413
As of December 31					
Total assets	**$172,874**	$174,165	$189,138	$179,574	$182,162
Earning assets	**148,473**	147,896	156,017	154,397	159,064
Loans	**115,975**	113,675	126,998	122,319	121,454
Allowance for loan and lease losses	**2,974**	3,120	2,351	1,283	1,045
Consumer and commercial deposits	**120,025**	116,303	105,276	101,870	99,776
Brokered and foreign deposits	**3,019**	5,560	8,053	15,973	24,246
Long-term debt	**13,648**	17,490	26,812	22,957	18,993
Total shareholders equity	**23,130**	22,531	22,501	18,170	17,932
Financial Ratios and Other Data					
Return on average total assets	**0.11 %**	(0.89) %	0.45 %	0.92 %	1.17 %
	0.01	(0.96)	0.05	0.81	1.17

Return on average total assets less net unrealized securities (gains)/losses[1]					
Return on average common shareholders equity	**(0.49)**	(10.07)	4.20	9.14	11.95
Return on average realized common shareholders equity[1]	**(1.53)**	(11.12)	0.16	8.52	12.53
Net interest margin - FTE	**3.38**	3.04	3.10	3.11	3.00
Efficiency ratio - FTE	**67.94**	79.07	63.83	63.28	59.23
Tangible efficiency ratio[1]	**67.36**	69.35	62.51	62.11	57.97
Total average shareholders equity to total average assets	**13.25**	12.70	10.58	10.08	9.81
Tangible equity to tangible assets[1]	**10.12**	9.66	8.46	6.38	6.10
Effective tax rate (benefit)[5]	**NM**	(36.50)	(9.23)	27.21	28.97
Allowance to year-end total loans	**2.58**	2.76	1.86	1.05	0.86
Total nonperforming assets to total loans plus OREO and other repossessed assets	**4.08**	5.33	3.49	1.35	0.49
Common dividend payout ratio[4]	**N/A**	N/A	135.6	64.5	41.9
Capital Adequacy					
Tier 1 common equity	**8.08 %**	7.67 %	5.83 %	5.27 %	5.66 %
Tier 1 capital	**13.67**	12.96	10.87	6.93	7.72
Total capital	**16.54**	16.43	14.04	10.30	11.11
Tier 1 leverage	**10.94**	10.90	10.45	6.90	7.23

[1] See Non-GAAP reconcilements in Tables 30 and 31 of the Management s Discussion and Analysis of Financial Condition and Results of Operations.

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

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

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

[5] The effective tax rate was not meaningful for the year ended December 31, 2010.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Important Cautionary Statement About Forward-Looking Statements

This report may contain forward-looking statements. Statements regarding expectations regarding changes in the ALLL, charge-offs, nonperforming assets, NPLs, provision expense, early-stage delinquencies, service charge income; expectations regarding future levels of net interest margin, future repurchase related losses and reserves, our expense base, home prices, default frequency, loss severity, commercial loan growth; expectations regarding the effect on us over time of changes in the FDIC s method of assessing deposit insurance premiums; and expectations regarding the impact to us of changes to our foreclosure processes and certain remediation actions, are forward-looking statements. Also, any statement that does not describe historical or current facts is a forward-looking statement. These statements often include the words believes, expects, anticipates, estimates, intends, plans, targets, initiatives, potentially, probably, projects, outlook future conditional verbs such as may, will, should, would, and could. Such statements are based upon the current beliefs and expectatio management and on information currently available to management. Such statements speak as of the date hereof, and we do not assume any obligation to update the statements made herein or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events.

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

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

This narrative will assist readers in their analysis of the accompanying consolidated financial statements and supplemental financial information. It should be read in conjunction with the Consolidated Financial Statements and Notes. When we refer to SunTrust, the Company, we, our ar us in this narrative, we mean SunTrust Banks, Inc. and Subsidiaries (consolidated). Effective May 1, 2008, we acquired GB&T and the results of operations for GB&T were included with our results beginning on that date. Periods prior to the acquisition date do not reflect the impact of the merger.

In the MD&A, net interest income, net interest margin, and the efficiency ratio are presented on an FTE basis and the quarterly ratios are presented on an annualized basis. The FTE basis adjusts for the tax-favored status of income from certain loans and investments. We believe this measure to be the preferred industry measurement of net interest income and it enhances comparability of net interest income arising from taxable and tax-exempt sources. We also present diluted earnings per common share excluding goodwill and intangible impairment charges. We believe the exclusion of the impairment charges is more reflective of normalized operations and allows better comparability with peers throughout the industry. Additionally, we present ROE as well as a return on average realized common shareholders equity. We also present ROA as well as ROA less net realized and unrealized securities gains/losses. The return on average realized common shareholders equity and ROA less net realized and unrealized securities gains/losses exclude realized securities gains and losses and the Coke dividend from the numerator, and net unrealized securities gains from the denominator. We present a tangible efficiency ratio and a tangible equity to tangible assets ratio, which excludes the effect of intangible assets costs. We believe these measures are useful to investors because, by removing the effect of intangible asset costs (the level of which may vary from company to company), it allows investors to more easily compare our efficiency and capital adequacy to other companies in the industry. We also present a tangible book value per common share ratio which excludes the after-tax impact of purchase accounting intangible assets. These measures are utilized by management to assess our financial performance and capital adequacy. We provide reconcilements in Tables 32 and 33 in the MD&A for all non-U.S. GAAP measures. Certain reclassifications may be made to prior period financial statements and related information to conform them to the 2010 presentation.

INTRODUCTION

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

EXECUTIVE OVERVIEW

Economic and regulatory

While signs of economic recovery began in 2010, the effects of the recession continued to be felt throughout the year as economic growth was insufficient to abate elevated unemployment and to increase capital spending and consumer consumption. While the unemployment rate eased slightly during 2010, it remains elevated. Individuals and businesses were not the only ones affected during the year, as ongoing deterioration in the fiscal position of certain U.S. states and municipalities was prevalent and threatened the risk of increased local taxes and budget cuts. At the Federal government level, Congress reached a compromise and maintained lower individual tax rates for at least two years. The Federal Reserve has forecast a gradual economic recovery through 2011, and, as a result, the Federal Reserve has reaffirmed that it will maintain key interest rates at record lows for an extended period of time as long as the economic data supports these low rates. Additionally, the Federal Reserve announced towards the end of 2010 that they would further intercede in the financial markets, in the form of additional financial support, if needed. Pursuant to this, the Federal Reserve announced reinvestments of $600 billion of Treasury securities through the middle of 2011 in an attempt to maintain lower interest rates and stimulate additional growth in the economy and to spur expanded consumer and business spending. Despite the slow and uneven economic recovery, the equity markets provided some encouragement for the recovery, advancing more than 10% during 2010.

Regulatory and financial reform was a focal point during the year as the financial reform bill, known as the Dodd-Frank Act, was signed into law during the third quarter and its implementation will result in significant changes to the financial services industry. The ultimate impact to us and the financial services industry as a whole remains largely to be determined, as the work of translating legislative policies into regulation continues. However, while it is clear that financial regulation will affect our operations, compliance requirements, and, accordingly, our financial results, we believe that it will be manageable. Some of the regulations will likely have little impact on our results. Conversely, other items will have a quantifiable effect in the near term, such as new regulations regarding debit interchange fees. The regulation imposes a limitation on fees and is still in the comment period. We are hopeful that the final regulation takes into account a less narrow interpretation of the costs to operate a debit card business when establishing interchange fees. The reform bill also mandated changes in FDIC assessments and addressed a multitude of other industry supervisory matters. While this legislation dictates a number of regulatory rule changes which have the potential to adversely impact us and others within our industry, we cannot determine at the present time what the absolute impacts will be when the regulations are eventually finalized. In addition to the reform bill, during the year the Federal Reserve implemented changes to Regulation E that restricts our ability to charge our clients overdraft fees for ATM and debit card transactions. We implemented the changes to Regulation E during 2010 and the impact will continue into 2011 as clients continue to decide if they will opt-in to overdraft coverage. We are actively evaluating regulatory and legislative developments and will be in a position to comply with new requirements and take appropriate actions as warranted.

In addition to the regulatory reform items discussed above, new capital and liquidity requirements were proposed during 2010 that will impact us and our peers as they are phased in over the next several years. The Federal Reserve, under the Collins Amendment of the Dodd-Frank Act, and the BCBS, in Basel III, proposed significant changes to the regulatory capital requirements. The Federal Reserve is expected to adopt new capital requirements for certain bank holding companies that are at least as stringent as those already applicable to insured depositary institutions. As a result, certain of our capital instruments that are currently considered Tier 1 capital, will be phased out over a three year period starting on January 1, 2013. We believe this will have about a 170 basis point downward impact to our Tier 1 capital ratio over that three year period if capital doesn t increase over this same time frame as an offset to the impact. The BCBS proposed capital requirements seek to further strengthen financial institutions capital positions by mandating a higher minimum level of common equity to be held, along with a capital conservation buffer to withstand future periods of stress. Our capital position today is particularly strong, especially considering our improving credit risk profile and relatively low market risk. At present, our Tier 1 common equity is in excess of the minimum common equity and additional conservation buffer stipulated by these newly proposed requirements. Regardless, complying with these new capital requirements will likely affect our results, and the extent to which we will be affected will be known with more certainty once additional clarity is provided on the underlying details of these new requirements. These new requirements must be endorsed by the U.S. banking regulators, which is expected, and are anticipated to be phased-in through 2019 as they are currently proposed by the BCBS. In addition to the capital proposal, the BCBS also proposed standards that would increase and standardize global liquidity standards. These proposals would require us, and other financial institutions, to comply with two new liquidity measurements; the LCR and NSFR. See Liquidity Risk in this MD&A where these ratios are discussed further. Our regulators have not yet adopted these proposed standards, but the BCBS s recommended adoption dates are for the beginning of 2015 and 2018 for the respective standards. The proposed standards may lead to changes in our funding structure and/or investment portfolio, but until the proposed standards are translated into a final regulation we cannot quantify the impact.

Financial performance

While 2010 will be remembered as a year of challenge and change for our industry, we persevered through the economic and regulatory uncertainties and achieved improved financial performance compared to 2009.

- We returned to profitability during 2010 with a profit before payment of preferred dividends;
- Our low-cost deposits grew 10%, demonstrating our success in increasing client loyalty and growing market share;
- Revenue expanded and benefitted from a 34 basis point expansion in net interest margin and solid performance from several of our key businesses;
- Credit quality improved throughout the year led by declines in net charge-offs, delinquencies, and nonperforming assets;
- Capital ratios remained strong and expanded.

Throughout this economic cycle, we maintained our focus on serving our clients and managing our core business to drive better bottom line results. This focus, together with improved credit quality, resulted in net income of $189 million in 2010 compared to a net loss of $1.6 billion in 2009, which included a $751 million non-cash goodwill impairment charge as well as recessionary conditions causing elevated credit losses. Net loss available to common shareholders in 2010 was $87 million, or $0.18 per average common diluted share, which compares favorably to the net loss available to common shareholders of $1.7 billion, or $3.98 per average common share in 2009. We are pleased with the diversity of our revenue sources and continued improvement in credit quality that is driving our improved financial performance. Although our results for the year are still not near the level where we would like them to be, we are pleased with the progress that we made over the course of 2010 and our position as we enter 2011.

Asset quality improvement was broad-based in 2010, with improvements in the provision for credit losses, net charge-offs, NPLs, nonperforming assets, and early stage delinquencies. The ALLL remains elevated by historical standards at 2.58% of total loans, but declined 18 basis points compared to December 31, 2009, in part due to a $2.3 billion increase in period end loans coupled with a $146 million decrease in the ALLL due to improving asset quality trends and a reduction in the risk profile of our loan portfolio. While we experienced a reduction during the year in higher risk loan portfolio balances coupled with a broad based improvement in asset quality indicators, we are maintaining reserves that give consideration to the continued economic and real estate value uncertainty, but expect the ALLL to continue to trend downward at a pace consistent with improvements in credit quality. The provision for credit losses decreased $1.4 billion compared to 2009 while net charge-offs declined 12% during that time. For the first quarter of 2011, a stable to a modest decline in net charge-offs from fourth quarter levels is expected. Total NPLs declined 24% from 2009 as a result of charge-offs, transfers to OREO, and reduced inflows into nonaccrual. In addition, OREO declined 4% during the year as we continue to aggressively dispose of properties once we have clear title. We expect NPLs and nonperforming assets to continue to modestly decline in the near-term, subject to economic conditions remaining stable or improving. Our accruing restructured loan portfolio, which is primarily related to mortgage and consumer loans, increased 59% from 2009. The increase in accruing restructured loans is due to us taking proactive steps to modify loans in order to mitigate losses related to borrowers experiencing financial difficulty. As a result of the modifications, the current portfolio exhibits strong payment performance with 86% current on principal and interest payments at December 31, 2010. Total growth in this portfolio has slowed during the latter half of 2010 as a result of a reduced inflow of newly delinquent loans and fewer modifications of more seriously delinquent loans. A key leading indicator of asset quality, particularly for consumer loans, is early stage delinquencies. This leading indicator of future asset quality has fallen significantly since the beginning of 2009. During this time, the economy and employment conditions have improved somewhat, but remain sluggish overall. As a result, we do not expect further improvement in early stage delinquencies until economic conditions improve. See additional discussion of credit and asset quality in the Loans, Allowance for Credit Losses, and Nonperforming Assets, sections of this MD&A.

Our capital remained strong during 2010, as evidenced by the increases in our capital ratios. Our Tier 1 capital ratio was 13.67%, which was an increase from 12.96% at December 31, 2009. Our Tier 1 common equity ratio increased to 8.08% compared to 7.67% at December 31, 2009. Our total capital ratio was stable at 16.54% compared to 16.43% at December 31, 2009. With strong capital, more clarity on capital standards, lower risk, ample liquidity, and improved earnings, we believe that we are well-positioned to repay TARP at the appropriate time and in a fashion that makes the most sense from both shareholder and regulatory perspectives. We have been and will continue to invest in our people and businesses to support future growth. At the same time, we recognize the value of returning capital to shareholders, so in that regard, our priorities are repaying TARP and increasing the common dividend. See additional discussion of our liquidity and capital position in the Liquidity Risk and Capital Resources sections of this MD&A.

During the year, average loans declined 6% compared to the 2009 average loan balance, with the majority of the decline due to a reduction in our exposure to real estate-related assets and commercial loans, as well as due to weak loan demand during the year. While the total average balances have declined, our risk profile during the year has also improved as much of the decline has been in higher-risk loans while growth in certain portfolios included the addition of lower-risk loans that have attractive return and credit characteristics including an increase in government guaranteed loans. Despite recent soft loan demand we remain focused on extending credit to qualified borrowers as businesses and consumers work through the economic downturn. During 2010, we extended approximately $74.3 billion in new loan originations, commitments, and renewals of commercial and consumer loans to our clients.

Consumer and commercial deposits increased during the year and a positive shift in mix to lower cost deposits was prevalent as average balance increases were driven by lower cost noninterest-bearing and money market accounts, which increased from 2009 by 8% and 22%, respectively, providing $8.9 billion in combined average growth. Partially offsetting this growth was the decline in higher cost CD balances, which decreased an average of $6.3 billion during 2010. Due to the growth seen during 2010 in core deposits, our liquidity was enhanced. Additionally, this increase in low cost deposits has enabled us to reduce our higher-cost funding sources, helping to drive significant reductions in our funding costs and improvement in net interest margin. While we believe that a portion of the low-cost deposit growth is attributable to clients holding higher levels of liquidity, we also believe that the growth is a direct result of investments that we have made to enhance our clients banking experience and to drive household market share growth.

Our client-focused revenue generation strategies, lower cost funding mix, improved asset quality, and continued expense management discipline contributed to improved operating trends as seen in higher net interest margin, higher core fee income, and controlled operating expenses. Total revenue, on an FTE basis, increased 5% compared to the prior year due to increased earning assets, stable fee based revenue, particularly investment banking revenue, and expanded net interest margin. Net interest income, on an FTE basis, increased 8%, compared to 2009. The increase in net interest income is due to lower funding costs, improved funding mix, and a reduction in long-term debt. As a result, our net interest margin increased to 3.38% for the year ended December 31, 2010 from 3.04% in 2009. Noninterest income remained stable during 2010, most notably due to increases in trading income offset by lower mortgage production income and lower service charges on deposit accounts. Noninterest expense decreased 10% compared to 2009, driven primarily by a noncash goodwill impairment charge taken during 2009. When excluding that impairment charge, noninterest expense increased 2% in 2010 when compared to 2009. This increase was driven by increases in outside processing and software, marketing expenses, and compensation, as we sought to balance investments in our business with expense discipline. Consistent with our focus to invest in our people and grow the business, the increases in these categories related specifically to hiring in technology, mortgage, and client support areas, investing in client acquisition and risk management technology, and more broadly related to higher transaction volumes and additional investments focused on growth of our business. Partially offsetting these increases were declines in credit-related costs of $28 million. We also experienced higher losses on debt extinguishment compared to 2009 as we proactively reduced our dependency on higher cost funding as a result of excess liquidity. See additional discussion of our financial performance in the Consolidated Financial Results section of this MD&A.

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CONSOLIDATED FINANCIAL RESULTS

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

	2010			2009			2008		
(Dollars in millions; yields on taxable-equivalent basis)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets									
Loans:[1,6]									
Real estate residential mortgage 1-4 family	**$29,058**	**$1,553**	**5.35 %**	$29,588	$1,723	5.82 %	$31,859	$2,005	6.29 %
Real estate construction	**3,402**	**126**	**3.69**	5,991	198	3.31	10,828	576	5.32
Real estate home equity lines	**14,912**	**503**	**3.37**	15,685	523	3.34	15,205	797	5.24
Real estate commercial	**14,578**	**593**	**4.07**	15,573	639	4.11	13,969	790	5.65
Commercial - FTE[2]	**32,788**	**1,828**	**5.57**	36,458	1,820	4.99	38,132	2,090	5.48
Credit card	**1,058**	**89**	**8.39**	984	74	7.47	863	34	4.00
Consumer - direct	**5,812**	**251**	**4.32**	5,101	207	4.06	4,542	254	5.60
Consumer - indirect	**7,530**	**423**	**5.62**	6,594	418	6.34	7,262	460	6.33
Nonaccrual[3]	**4,787**	**39**	**0.81**	5,067	36	0.72	2,773	25	0.92
Total loans	**113,925**	**5,405**	**4.74**	121,041	5,638	4.66	125,433	7,031	5.61
Securities available for sale:									
Taxable	**24,994**	**785**	**3.14**	18,960	790	4.17	12,220	731	5.98
Tax-exempt - FTE[2]	**783**	**42**	**5.34**	1,003	55	5.46	1,038	63	6.07
Total securities available for sale - FTE	**25,777**	**827**	**3.21**	19,963	845	4.23	13,258	794	5.99
Funds sold and securities purchased under agreements to resell	**969**	**1**	**0.08**	794	2	0.27	1,318	25	1.91
Loans held for sale	**3,295**	**136**	**4.14**	5,228	233	4.45	5,106	290	5.68
Interest-bearing deposits	**26**		**0.17**	25	-	0.91	25	1	3.18
Interest earning trading assets	**3,195**	**90**	**2.79**	3,857	115	2.99	7,609	304	4.00
Total earning assets	**147,187**	**6,459**	**4.39**	150,908	6,833	4.53	152,749	8,445	5.53
Allowance for loan and lease losses	**(3,045)**			(2,706)			(1,815)		
Cash and due from banks	**4,821**			4,844			3,093		
Other assets	**18,268**			17,355			17,270		
Noninterest earning trading assets	**2,913**			3,429			2,642		
Unrealized gains on securities available for sale, net	**2,231**			1,612			1,909		
Total assets	**$172,375**			$175,442			$175,848		
Liabilities and Shareholders Equity									
Interest-bearing deposits:									
NOW accounts	**$24,668**	**$58**	**0.24 %**	$23,601	$99	0.42 %	$21,081	$253	1.20 %
Money market accounts	**38,893**	**227**	**0.58**	31,864	315	0.99	26,565	520	1.96
Savings	**4,028**	**9**	**0.22**	3,664	10	0.27	3,771	16	0.43
Consumer time	**14,232**	**267**	**1.87**	16,718	479	2.87	16,770	639	3.81
Other time	**9,205**	**189**	**2.05**	13,068	382	2.92	12,197	479	3.92
Total interest-bearing consumer and commercial deposits	**91,026**	**750**	**0.82**	88,915	1,285	1.45	80,384	1,907	2.37
Brokered deposits	**2,561**	**110**	**4.29**	5,648	154	2.69	10,493	392	3.73
Foreign deposits	**355**		**0.13**	434	1	0.12	4,250	79	1.85
Total interest-bearing deposits	**93,942**	**860**	**0.92**	94,997	1,440	1.52	95,127	2,378	2.50
Funds purchased	**1,226**	**2**	**0.19**	1,670	3	0.19	2,622	52	1.96
Securities sold under agreements to repurchase	**2,416**	**4**	**0.15**	2,483	5	0.18	4,961	79	1.59
Interest-bearing trading liabilities	**833**	**30**	**3.58**	487	20	4.14	786	27	3.46

Other short-term borrowings	**3,014**	**13**	**0.43**	2,704	15	0.54	3,057	55	1.80
Long-term debt	**16,096**	**580**	**3.60**	20,119	761	3.78	22,893	1,117	4.88
Total interest-bearing liabilities	**117,527**	**1,489**	**1.27**	122,460	2,244	1.83	129,446	3,708	2.86
Noninterest-bearing deposits	**26,103**			24,249			20,949		
Other liabilities	**4,097**			4,387			5,061		
Noninterest-bearing trading liabilities	**1,814**			2,060			1,796		
Shareholders equity	**22,834**			22,286			18,596		
Total liabilities and shareholders equity	**$172,375**			$175,442			$175,848		
Interest Rate Spread			**3.12 %**			2.70 %			2.67 %
Net Interest Income - FTE[4]		**$4,970**			$4,589			$4,737	
Net Interest Margin[5]			**3.38 %**			3.04 %			3.10 %

[1]Interest income includes loan fees of $146 million, $148 million, and $142 million for the three years ended December 31, 2010, 2009, and 2008, respectively. Nonaccrual loans are included in average balances and income on such loans, if recognized, is recorded on a cash basis.

[2]Interest income includes the effects of taxable-equivalent adjustments using a federal income tax rate of 35% and, where applicable, state income taxes to increase tax-exempt interest income to a taxable-equivalent basis. The net taxable-equivalent adjustment amounts included in the above table aggregated $116 million, $123 million, and $117 million for the three years ended December 31, respectively.

[3]Accruing TDRs were classified in nonaccruals during prior periods. Due to sustained performance, accruing TDRs have been reclassified to the applicable loans category where the related interest income is being classified in all periods presented.

[4]The Company obtained derivative instruments to manage the Company s interest-sensitivity position that increased net interest income $617 million, $488 million and $181 million in the periods ended December 31, 2010, 2009 and 2008, respectively.

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

[6]Loan categories in this table are presented using pre-adoption classifications due to an inability to produce average balances using post-adoption classifications.

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

	2010 Compared to 2009 Increase (Decrease) Due to			2009 Compared to 2008 Increase (Decrease) Due to		
(Dollars in millions on a taxable-equivalent basis)	**Volume**	**Rate**	**Net**	Volume	Rate	Net
Interest Income						
Loans:						
Real estate 1-4 family	**($31)**	**($138)**	**($169)**	($138)	($144)	($282)
Real estate construction	**(93)**	**21**	**(72)**	(205)	(173)	(378)
Real estate home equity lines	**(25)**	**4**	**(21)**	24	(298)	(274)
Real estate commercial	**(40)**	**(6)**	**(46)**	83	(233)	(150)
Commercial - FTE[2]	**(193)**	**201**	**8**	(89)	(181)	(270)
Credit card	**6**	**9**	**15**	5	34	39
Consumer - direct	**30**	**14**	**44**	29	(76)	(47)
Consumer - indirect	**56**	**(51)**	**5**	(42)	-	(42)
Nonaccrual	**(2)**	**5**	**3**	17	(6)	11
Securities available for sale:						
Taxable	**217**	**(222)**	**(5)**	324	(265)	59
Tax-exempt [2]	**(12)**	**(1)**	**(13)**	(2)	(6)	(8)
Funds sold and securities purchased under agreements to resell	**1**	**(2)**	**(1)**	(7)	(16)	(23)
Loans held for sale	**(81)**	**(15)**	**(96)**	7	(64)	(57)
Interest-bearing deposits	**-**	**-**	**-**	-	(1)	(1)
Interest earning trading assets	**(19)**	**(7)**	**(26)**	(125)	(64)	(189)
Total interest income	**(186)**	**(188)**	**(374)**	(119)	(1,493)	(1,612)
Interest Expense						
NOW accounts	**4**	**(45)**	**(41)**	27	(181)	(154)
Money market accounts	**61**	**(148)**	**(87)**	89	(295)	(206)
Savings	**1**	**(2)**	**(1)**	-	(6)	(6)
Consumer time	**(63)**	**(149)**	**(212)**	(2)	(158)	(160)
Other time	**(97)**	**(97)**	**(194)**	32	(128)	(96)
Brokered deposits	**(108)**	**64**	**(44)**	(150)	(87)	(237)
Foreign deposits	**-**	**-**	**-**	(38)	(40)	(78)
Funds purchased	**(1)**	**-**	**(1)**	(14)	(34)	(48)
Securities sold under agreements to repurchase	**-**	**(1)**	**(1)**	(27)	(48)	(75)
Interest-bearing trading liabilities	**13**	**(3)**	**10**	(12)	5	(7)
Other short-term borrowings	**1**	**(3)**	**(2)**	(6)	(35)	(41)
Long-term debt	**(147)**	**(35)**	**(182)**	(124)	(232)	(356)
Total interest expense	**(336)**	**(419)**	**(755)**	(225)	(1,239)	(1,464)
Net change in net interest income	**$150**	**$231**	**$381**	$106	($254)	($148)

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

[2]Interest income includes the effects of the taxable-equivalent adjustments to increase tax-exempt interest income to a taxable-equivalent basis.

Net Interest Income/Margin

Net interest income, on an FTE basis, was $5.0 billion during 2010, an increase of $381 million, or 8%, from 2009. This increase was driven mainly by a continued positive trend in net interest margin, which increased 34 basis points to 3.38% in 2010 from 3.04% in 2009. Earning asset yields declined 14 basis points compared to 2009 from 4.53% to 4.39%, but the cost of interest-bearing liabilities decreased 56 basis points over the same period. The biggest contributors to the net interest margin increase were growth in low cost deposits, lower rates paid on time deposits, and a reduction in higher-cost long-term debt coupled with a strong focus on loan pricing and higher commercial loan yields due to our commercial loan swap position. These favorable margin contributors were partially offset by a reduction in residential mortgage loan yields and an increase in lower-yielding securities.

We currently expect margin to be relatively stable in the near-term. Risks to this expectation include the potential impacts of a prolonged low rate environment, yield curve flattening, a shift in deposit mix and volume, and loan pricing, while opportunities include continued deposit re-pricing, further steepening of the yield curve, and lower nonperforming assets. As a result of the consolidation of off-balance sheet entities under new accounting guidance effective January 1, 2010, we realized an additional $45 million in net interest income during the year. The consolidations resulted in the re-characterization of fees earned by certain of our newly consolidated entities from noninterest income to net interest income. The effect of this consolidation resulted in a small dilutive impact to net interest margin. Previously, we recorded income on these off-balance sheet entities primarily within investment banking income in noninterest income.

Average earning assets decreased $3.7 billion, or 2%, from 2009, while average interest-bearing liabilities declined $4.9 billion, or 4%. Average loans decreased $7.1 billion, or 6%. The decline in loans was attributable to a $3.7 billion, or 10%, reduction in commercial loans, a $2.6 billion, or 43%, reduction in real estate construction loans, a $995 million, or 6%, reduction in real estate commercial, and a $773 million, or 5%, reduction in real estate home equity loans. These decreases were partially offset by increases of $936 million, or 14%, in consumer-indirect loans, driven by purchases of high quality auto loan portfolios and $711 million, or 14%, in consumer-direct loans. Average LHFS were $3.3 billion, a decrease of $1.9 billion, or 37%, from 2009. The decrease in LHFS occurred as a result of decreased mortgage loan production refinance activity during the year, as well as a reduction in student loans held for sale due to recently enacted legislation eliminating our ability to originate and sell this product. Reduced demand in borrowing among credit-worthy clients coupled with our efforts to reduce higher-risk loan portfolios has resulted in an overall decrease in loan balances, which coupled with higher deposit levels, has led us to seek other investment opportunities, causing an increase in average securities AFS. Average securities AFS increased $5.8 billion, or 29%, due to increases of $4.5 billion in U.S. Treasury and agency securities, $930 million in MBS, and $711 million in ABS. These positions were added during a declining rate environment resulting in a 102 basis point decline in the weighted average yield on securities AFS compared to 2009. See additional discussion in the Securities Available for Sale section included in this MD&A for more information on the repositioning of our securities AFS portfolio.

Our loan portfolio yielded 4.74% for the year, up 8 basis points from 2009. Since a large percentage of our commercial loans are variable rate indexed to one month LIBOR, we utilize receive fixed/pay floating interest rate swaps to manage interest rate risk. As of December 31, 2010, the outstanding notional balance of swaps was $15.9 billion, which qualified as cash flow hedges on variable rate commercial loans compared to $18.6 billion as of December 31, 2009. Swap income increased from $539 million in 2009 to $617 million in 2010, primarily due to increased realized gains on terminated swaps during 2010 and one month LIBOR being lower in 2010 compared to 2009. While the underlying loans swapped to fixed rates are classified as both CRE and commercial, all of the swap income is recorded as interest on commercial loans. The classification of all swap income in the commercial loan category and the declining balance of average commercial loans produced an increase in reported commercial loan yields as compared to a decrease in underlying rate indices. In addition, loan-related interest income has been augmented by improved risk-based pricing discipline.

Average consumer and commercial deposits increased $4.0 billion, or 4%, in 2010 compared to 2009. This growth consisted of increases of $7.0 billion, or 22%, in money market accounts, $1.1 billion, or 5%, in NOW accounts, and $1.9 billion, or 8%, in demand deposits, partially offset by a decline of $6.3 billion, or 21%, in consumer and commercial time deposits. Low cost deposit growth was the result of marketing campaigns, competitive pricing and clients increased preference for more liquid products. However, a portion of the deposit growth is related to reduced client demand for sweep accounts due to the low interest rate environment. The overall growth in consumer and commercial deposits allowed for a reduction in other funding sources, including $4.0 billion of long-term debt and $3.1 billion of brokered deposits. Overall, average interest-bearing liabilities declined $4.9 billion, or 4%. We continue to pursue deposit growth initiatives to increase our presence in specific markets within our footprint. Competition for deposits remains strong, and as a result, deposit pricing pressure remains across our footprint. Despite these challenging market conditions, we have used a combination of regional and product-specific pricing initiatives to balance margin and volume, while still growing our average deposit balances. While we acknowledge some of this growth is seasonal and influenced by the current economic environment, we also believe that the growth is the direct result of investments that we have made to enhance our clients banking experience and to drive household and market share growth.

During 2010, the interest rate environment was characterized by flat short-term rates and lower medium- and long-term rates, resulting in a flatter yield curve versus 2009. More specifically, the Fed funds target rate averaged 0.25%, unchanged from last year, the Prime rate averaged 3.25%, unchanged from last year, one-month LIBOR averaged 0.27%, a decrease of 6 basis points, three-month LIBOR averaged 0.34%, a decrease of 31 basis points, five-year swaps averaged 2.10%, a decrease of 55 basis points, and ten-year swaps averaged 3.18%, a decrease of 26 basis points.

Foregone interest income from NPLs reduced net interest margin by 20 basis points for 2010, compared to 21 basis points in 2009, as average nonaccrual loans decreased $280 million, or 6% from 2009. See additional discussion of our expectations

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for future levels of credit quality in the Allowance for Credit Losses , and Nonperforming Assets sections of this MD&A. Tables 1 and 2 contain more detailed information concerning average balances, yields earned, and rates paid.

Table 3 - Noninterest Income

	Year Ended December 31		
(Dollars in millions)	**2010**	2009	2008
Service charges on deposit accounts	**$760**	$848	$904
Other charges and fees	**534**	523	511
Trust and investment management income	**503**	486	592
Card fees	**376**	324	308
Mortgage production related income	**127**	376	171
Mortgage servicing related income/(loss)	**358**	330	(212)
Investment banking income	**313**	272	237
Retail investment services	**205**	218	289
Net securities gains	**191**	98	1,073
Trading account profits/(losses) and commissions	**173**	(41)	38
Gain from ownership in Visa	**-**	112	86
Gain on sale of businesses	**-**	-	198
Net gain on sale/leaseback of premises	**-**	-	37
Other noninterest income	**189**	164	241
Total noninterest income	**$3,729**	$3,710	$4,473

Noninterest Income

Noninterest income increased by $19 million, essentially flat, versus the year ended December 31, 2009. The increase was attributable to increases in investment banking income, trading account profits/(losses) and commissions, and card fees, largely offset by a decline in mortgage production related income and service charges on deposit accounts.

Investment banking income increased by $41 million, or 15%, versus the year ended December 31, 2009. Strong loan syndication, bond originations, and mergers and acquisitions revenues drove the increase, which was partially offset by the re-characterization of fees earned by certain of our newly consolidated entities from noninterest income to net interest income.

Trading account profits/(losses) and commissions improved during the year ended December 31, 2010 by $214 million, primarily due to mark to market valuations on our public debt and related hedges carried at fair value. We recorded valuation gains of $36 million for the year December 31, 2010 on our public debt versus losses of $153 million during the year ended December 31, 2009. These market valuation changes were driven by changes in our credit spreads and changes in interest rates. Additionally, as liquidity returned to the market for certain illiquid assets, including ARS, net market valuation adjustments and net gains on the disposition of such assets improved by $47 million versus the year ended December 31, 2009. Other core trading results were essentially flat year over year. We do not currently believe that the legislative and regulatory changes related to derivatives will have a material impact on our revenue related to trading account activities.

Net securities gains increased by $93 million versus the year ended December 31, 2009. The gains were the result of certain portfolio repositioning initiatives undertaken during 2010. See Securities Available for Sale in this MD&A for further discussion of our portfolio repositioning initiatives. Additionally, we recorded $2 million in credit-related OTTI losses on securities AFS during the year ended December 31, 2010 versus $20 million in losses during the year ended December 31, 2009.

Card fees increased by $52 million, or 16%, versus the year ended December 31, 2009. Card fees increased due to check card interchange fees. Growth was driven by household expansion, higher product penetration, and increasing consumer usage patterns which will help offset the potential impact of lower interchange rates. However, the Federal Reserve s recent proposal on debit card interchange could significantly impact this source of revenue going forward. For 2010, we recorded approximately $332 million of interchange income; our current estimate is that provisions of the Dodd-Frank Act may cause future annual interchange income to decline by as much as 75% from 2010 levels, beginning in the second half of 2011. However, this estimate is based upon the current proposal and does not take into account any actions that we will pursue to alter our fee structure to clients or to alter the costs of operating the debit card business.

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Trust and investment management income increased by $17 million, or 3%, versus the year ended December 31, 2009. The increase was attributable to higher market valuations on managed equity assets and fixed income asset inflows, partially offset by lower money market mutual fund revenue.

Mortgage servicing related income increased $28 million, or 8%, versus the year ended December 31, 2009, due to higher servicing fees, partially offset by the negative impact of increased prepayments during 2010.

Mortgage production related income decreased by $249 million, or 66%, versus the year ended December 31, 2009. The decrease was due to a $21 billion, or 42%, decline in loan production. The provision for mortgage repurchase related losses for the year ended December 31, 2010 increased by 3% to $456 million versus $444 million for the year ended December 31, 2009. As of December 31, 2010, the reserve for mortgage repurchase losses was $265 million, an increase of $65 million versus the prior year. The increase in the reserve was due to a continued increase in repurchase requests during 2010 and expected elevated levels for the foreseeable future.

We expect future repurchase related losses and reserves will be largely driven by the volume of repurchase requests received from the GSEs, which have exhibited considerable month to month volatility. To date, the majority of our repurchase requests have been associated with 2006 and 2007 vintages, which produce higher losses. We expect that normal seasoning patterns for origination vintages, over time, will shift new repurchase requests to newer production vintages which have a lower risk profile. As that occurs, we expect lower aggregate request volumes and lower loss frequencies and severities, as the newer vintages exhibit more favorable characteristics, such as higher FICOs and lower original LTVs, as they were originated during or after periods that experienced the most significant home price depreciation. If our assumptions are correct, we expect a favorable impact on noninterest income from curtailed mortgage repurchases losses in 2011.

With respect to non-agency loan sales, we have sold $30.3 billion of such loans since 2005, with an insignificant amount of such sales occurring after 2007. Of this amount, we estimate that $16.7 billion is still outstanding. In addition to outstanding loans, our repurchase exposure includes loans no longer outstanding due to foreclosures or short sales. To date, we have received a modest number of repurchase requests regarding such loans, which have not resulted in any material repurchase related losses. While our losses have not been significant, we have been factoring our non-agency loss experience into our mortgage repurchase reserve process. However, if such repurchase requests increase materially in the future, we could suffer additional losses. See Part I, Item 1A, Risk Factors to this Annual Report on Form 10-K and Note 18, Reinsurance Arrangements and Guarantees Loan Sales, to the Consolidated Financial Statements for additional information.

Service charges on deposit accounts decreased by $88 million, or 10%, versus the year ended December 31, 2009. The decreases were attributable to the implementation of Regulation E changes and a voluntary decision to eliminate overdraft fees on very small individual transactions, as well as reducing the maximum number of daily overdraft fees. The voluntary changes were in place for the entire third quarter while the Regulation E changes became effective in the middle of the third quarter. Until clients have fully exercised their opt-in opportunity and reacted to our client satisfaction initiatives around overdraft fees, we expect service charge income to decline over the next few quarters, with the reduction gradually moderating over time. The effects of adopting Regulation E and our voluntary overdraft changes impacted our fourth quarter results and are expected to have a full-year impact within the range of $120 to $170 million. This estimate, however, does not consider any mitigating actions that we may take.

Retail investment services income decreased by $13 million, or 6%, versus the year ended December 31, 2009. The decrease was attributable to declines to fixed annuity revenue, partially offset by increased recurring brokerage revenue linked to the equity markets and increased transactional revenue from variable annuity and mutual fund sales.

Other income increased by $25 million, or 15%, versus the year ended December 31, 2009. The increase was largely attributable to a $24 million reduction in net losses recognized on certain private equity investments as compared to the prior year.

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Table 4 - Noninterest Expense

	Year Ended December 31		
(Dollars in millions)	**2010**	2009	2008
Employee compensation	**$2,364**	$2,258	$2,327
Employee benefits	**457**	542	434
Personnel expense	**2,821**	2,800	2,761
Other real estate expense	**300**	244	105
Credit and collection services	**279**	259	156
Operating losses	**83**	99	446
Mortgage reinsurance	**27**	115	180
Credit-related costs	**689**	717	887
Outside processing and software	**638**	579	493
Net occupancy expense	**361**	357	347
Regulatory assessments	**265**	302	55
Marketing and customer development	**177**	152	372
Equipment expense	**174**	172	203
Consulting and legal	**84**	57	59
Postage and delivery	**83**	84	90
Net loss on debt extinguishment	**70**	39	12
Communications	**64**	67	70
Other staff expense	**55**	51	70
Amortization of intangible assets	**51**	56	76
Operating supplies	**47**	41	44
Impairment of goodwill/intangible assets	**-**	751	45
Visa litigation	**-**	7	(33)
Merger expense	**-**	-	13
Other expense	**332**	330	315
Total noninterest expense	**$5,911**	$6,562	$5,879

Noninterest Expense

Noninterest expense decreased by $651 million, or 10%, versus the year ended December 31, 2009. Included in noninterest expense for the year ended December 31, 2009 was a $751 million non-cash goodwill impairment charge recognized in the first quarter of 2009. Excluding the impact of the goodwill impairment charge, noninterest expense increased by $100 million, or approximately 2%, versus the year ended December 31, 2009. The impact of excluding the non-cash goodwill impairment charge provides a more meaningful comparison to the results in the current year by removing this nonrecurring item. The increase in 2010 expenses excluding the prior year goodwill impairment charge was reflective of our desire to balance investments in the business with our expense discipline. Specifically, the increase in core noninterest expense was primarily attributable to higher outside processing and software costs, increased marketing and customer development costs, higher consulting and legal expenses, higher personnel expense, and increased net loss on debt extinguishment, partially offset by a decline in regulatory expenses and credit-related costs.

Credit-related costs decreased by $28 million, or 4%, versus the year ended December 31, 2009. The decrease was due to decline in mortgage reinsurance losses of $88 million, partially offset by an increase in other real estate expenses of $56 million. Mortgage reinsurance expenses relate to the activities of our mortgage reinsurance guaranty subsidiary, Twin Rivers, whose loss exposure arises from third party mortgage insurers transferring a portion of their first loss exposure when losses by mortgage origination year exceed certain thresholds. Since the first quarter of 2009, our exposure to reinsurance losses has been limited to incremental insurance premium contributions, which has caused the steady decline in this expense as we ceased writing new contracts in 2009. Other real estate expense increased compared to 2009 primarily due to an increase in net losses on the sale of OREO properties.

Regulatory assessments decreased by $37 million, or 12%, compared to the year ended December 31, 2009, attributable to the decline in FDIC insurance premiums, primarily due to the payment of the special assessment levied on all banks during the second quarter of 2009, offset by higher deposit balances in 2010. With respect to the current FDIC deposit insurance

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proposal, the calculation will be based on net assets, not on deposits, which will raise our assessment base beginning in the second quarter of 2011; however, we expect that over time, the higher assessment base will be mitigated as improving operating trends, such as asset quality and earnings, favorably impact future premium calculations. While all of this may lead to some volatility in our quarterly expense, we do not expect a significant increase in our 2011 expense base.

Personnel expense increased by $21 million, or 1%, versus the year ended December 31, 2009. The increase was attributable to higher salaries, incentive compensation, and contract labor expenses, offset by a reduction in pension and other postretirement benefit expenses as a result of improved performance in the underlying plan assets in 2010. Full-time equivalent employees increased by 1,055 compared to December 31, 2009, with the majority of the increase resulting from hiring within our technology, mortgage, retail branches, and client support areas. These increases are a direct result of our commitment to investing in our business. Higher incentive compensation expense resulted from the strong revenue performance of certain business lines during 2010.

Outside processing and software costs increased by $59 million, or 10%, versus the year ended December 31, 2009, related to increased transaction volumes along with client acquisition and risk management technology investments made to enhance the client experience.

Marketing and customer development costs increased by $25 million, or 16%, versus the year ended December 31, 2009. The increase was attributable to higher promotional and advertising spending and more broadly as a result of investments made during the year to aid in the overall growth of our business.

Consulting and legal expenses increased by $27 million, or 47%, versus the year ended December 31, 2009. The increase was attributable to increases in litigation fees and expenses, coupled with an increase in consulting activities.

Net losses on debt extinguishment increased by $31 million versus the year ended December 31, 2009. Net losses on debt extinguishment in the current year were primarily due to early termination fees on the extinguishments of $1.7 billion in FHLB borrowings, in addition to the fees paid to repurchase $750 million of our debt in a tender offer during the third quarter. Net losses in the prior year primarily resulted from early termination fees for FHLB advances repaid during the year, net of gains on extinguishment of other long-term debt.

Provision for Income Taxes

The provision for income taxes includes both federal and state income taxes. In 2010, the provision for income taxes was a benefit of $185 million, compared to a benefit of $898 million in 2009. The 2010 effective tax rate was primarily driven by net favorable permanent tax items such as tax exempt interest income and tax credits significantly exceeding the positive pre-tax earnings. The 2009 effective tax rate was primarily attributable to the pre-tax loss and further increased by net favorable permanent tax items such as tax-exempt interest income, federal tax credits and the release of UTBs related to the completion of audit examinations by several taxing authorities; it was, however, reduced by a non-tax deductible goodwill impairment. For additional information on the reconciliation of the effective tax rate, refer to Note 15, Income Taxes, to the Consolidated Financial Statements.

Loans

As discussed in Note 1, Significant Accounting Policies, to the Consolidated Financial Statements, we recently adopted new accounting guidance that requires additional disclosures about the credit quality of our loan portfolios and the credit reserves held against them. These new disclosures are intended to 1) describe the nature of credit risk inherent in our loan portfolio, 2) determine how we analyze and assess that risk in arriving at an adequate and appropriate ALLL, and 3) explain the changes in the ALLL and reasons for those changes. Additionally, the new disclosures are required to be made on a disaggregated basis by loan portfolio segment and/or by type of loan. A portfolio segment is defined as the level at which we develop and document our method for determining our ALLL. Loan types are further categories of our portfolio segments. In conjunction with adopting the new accounting guidance, we have adjusted prior year loan classifications to align with the current year loan classifications. While the reclassification had no effect on the carrying value of our LHFI or LHFS, SEC regulations require us, in some instances, to present five years of comparable data where trend information may be deemed relevant, in which case we have provided the pre-adoption loan classifications due to the inability to restate all prior periods under the new loan classifications.

Under the post-adoption classification, we have included commercial and construction loans secured by owner-occupied properties as part of commercial and industrial loans, as the primary source of loan repayment for owner-occupied properties is business income and not real estate operations.

Table 5 - Loan Portfolio by Types of Loans (Post-Adoption)

(Dollars in millions)	**December 31, 2010**	December 31, 2009	% Change
Commercial loans:			
Commercial & industrial[1]	**$44,753**	$44,008	2
Commercial real estate	**6,167**	6,694	(8)
Commercial construction	**2,568**	4,984	(48)
Total commercial loans	**53,488**	55,686	(4)
Residential loans:			
Residential mortgages - guaranteed	**4,520**	949	376
Residential mortgages - nonguaranteed[2]	**23,959**	25,847	(7)
Home equity products	**16,751**	17,783	(6)
Residential construction	**1,291**	1,909	(32)
Total residential loans	**46,521**	46,488	-
Consumer loans:			
Guaranteed student loans	**4,260**	2,786	53
Other direct	**1,722**	1,484	16
Indirect	**9,499**	6,665	43
Credit cards	**485**	566	(14)
Total consumer loans	**15,966**	11,501	39
LHFI	**$115,975**	$113,675	2 %
LHFS	**$3,501**	$4,670	(25) %

[1]Includes $4 million and $12 million of loans previously acquired from GB&T and carried at fair value at December 31, 2010 and 2009, respectively.
[2]Includes $488 million and $437 million of loans carried at fair value at December 31, 2010 and 2009, respectively.

Loans Held for Investment

LHFI increased by $2.3 billion, or 2%, during the year ended December 31, 2010. The increase was attributable to an increase in consumer loans, partially offset by a decrease in commercial loans. Residential loans were relatively flat year over year, although the risk profile of the residential profile improved during the period.

Commercial loans decreased by $2.2 billion, or 4%, during the year ended December 31, 2010, which was largely attributable to a decline in commercial construction loans. Commercial construction loans decreased by $2.4 billion, or 48%, primarily as a result of our efforts to reduce risk levels by aggressively managing existing construction exposure and significantly limiting new production. Partially offsetting this decline was growth from our asset-backed commercial paper conduit, which we consolidated effective January 1, 2010 as a result of new accounting guidance. Line of credit utilization rates among our corporate clients have stabilized, although they remain low overall. We continue to expect that broad-based commercial loan growth will return with an improving economy. However, the evidence to date suggests that growth will occur gradually. As this occurs, we will continue to grow commercial loans in client segments and products that offer opportunities.

Residential loans increased by $33 million, or less than 1%, during the year ended December 31, 2010. However, the composition of the residential loan portfolio changed during the year, as we continued to reduce our exposure to higher risk loans. Nonguaranteed residential mortgages declined by $1.9 billion, or 7%, due to paydowns and charge-offs. Additionally, we reduced our home equity loan portfolio by $1.0 billion, or 6%, and our residential construction portfolio by $618 million, or 32%, while increasing the amount of government guaranteed mortgages by $3.6 billion, or 376%, as part of our efforts to reduce overall risk and further diversify our loan portfolio.

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Consumer loans increased by $4.5 billion, or 39%, during the year ended December 31, 2010. The increase was primarily attributable to a $1.5 billion increase in guaranteed student loans, which included the $0.5 billion impact of consolidating a student loan trust during the year, and a $2.8 billion increase in indirect consumer loans, which included purchases of $1.7 billion in automobile loans during the year. We have been opportunistic with consumer loan purchases completed to date, as we have found them to have attractive returns and credit characteristics.

Loans Held for Sale

LHFS decreased by $1.2 billion, or 25%, during year ended December 31, 2010. The decline is attributable to recently enacted legislation that prohibits us from originating federally-guaranteed student loans and to lower levels of mortgage loan originations, partially offset by the addition of LHFS related to a CLO entity that was consolidated as of January 1, 2010.

Table 6 - Loan Portfolio by Types of Loans (Pre-Adoption)

	As of December 31				
(Dollars in millions)	**2010**	2009	2008	2007	2006
Commercial[1]	**$34,064**	$32,494	$41,040	$35,929	$34,614
Real estate:					
Home equity lines	**15,040**	15,953	16,454	14,912	14,103
Construction	**3,848**	6,647	9,864	13,777	13,893
Residential mortgages[2]	**31,572**	30,790	32,066	32,780	33,830
Commercial real estate:					
Owner occupied	**8,674**	8,915	8,758	7,948	7,709
Investor owned	**5,868**	6,159	6,199	4,661	4,859
Consumer:					
Direct	**6,638**	5,118	5,139	3,964	4,160
Indirect	**9,291**	6,531	6,508	7,494	7,936
Credit card	**980**	1,068	970	854	350
LHFI	**$115,975**	$113,675	$126,998	$122,319	$121,454
LHFS	**$3,501**	$4,670	$4,032	$8,852	$11,790

[1]For the years ended December 31, 2010, 2009, and 2008, includes $4 million, $12 million, and $31 million of loans previously acquired from GB&T and carried at fair value.

[2]For the years ended December 31, 2010, 2009, 2008, and 2007, includes $488 million, $437 million, $239 million, and $221 million, respectively, of loans carried at fair value.

Table 7 Selected Loan Maturity Data

	As of December 31, 2010			
		Remaining Maturities of Selected Loans		
(Dollars in millions)	**Total**	**Within 1 Year**	**1-5 Years**	**After 5 Years**
Loan Maturity				
Commercial and commercial real estate[1]	**$45,577**	**$25,037**	**$18,349**	**$2,191**
Real estate - construction	**2,568**	**1,860**	**653**	**55**
Total	**$48,145**	**$26,897**	**$19,002**	**$2,246**
Interest Rate Sensitivity				

Selected loans with:		
Predetermined interest rates	**$5,010**	**$1,733**
Floating or adjustable interest rates	**13,992**	**513**
Total	**$19,002**	**$2,246**

[1]Excludes $4,298 million in lease financing and $1,045 million in installment loans.

Asset Quality

Our overall asset quality has improved significantly since December 31, 2009, as nonperforming assets, nonaccrual loans and net charge-offs all declined compared to the prior year.

The commercial and industrial loan portfolio continues to perform well, as evidenced by improving trends in our credit quality indicators. Delinquencies, net charge-offs, and nonperforming loans all decreased year over year within this portfolio.

Under the post-adoption classification, our commercial real estate portfolio consists of investor-owned properties. We believe that our investor-owned portfolio is appropriately diversified by borrower, geography, and property type. We typically underwrite commercial projects to credit standards that are more stringent than historical CMBS guidelines. Given the stresses in the commercial real estate market, we have performed a thorough analysis of our commercial real estate portfolio in order to identify loans with an increased risk of default. Where appropriate, we have taken prudent actions with the client to strengthen our credit position. These actions reflect market terms and structures and are intended to improve the client s financial ability to perform. Impaired loans are assessed relative to the client s and guarantor s, if any, abilities to service the debt, the loan terms, and the value of the property. These factors are taken into consideration when formulating our ALLL through our credit risk rating and/or specific reserving processes. We believe the current commercial real estate cycle is not over, and we expect some elevated risk and variability in performance through the credit cycle. We continue to believe that this portfolio will perform comparatively well given its composition, the quality of our underwriting, and our ongoing management disciplines.

For our commercial construction portfolios, we continue to be proactive in our credit monitoring and management processes to provide early warning for problem loans. For example, we use an expanded liquidity and contingency analysis to provide a thorough view of borrower capacity and their ability to service obligations in a steep market decline. We also have strict limits and exposure caps on specific projects and borrowers for risk diversification. Due to the lack of new construction projects and the completion of many that were previously started, the aggregate amount of interest reserves that we are obligated to fund has declined from prior periods and are not considered material relative to total loans outstanding. We expect quarterly variability in losses as we continue to work through the remaining risk in this runoff portfolio.

The residential mortgages portfolio continued to show overall improvement in terms of declines in NPLs and net charge-offs, as well as stable but continued elevated delinquencies. Certain products within this portfolio are insured through third-party pool level insurance; however, the dollar amount of claims received has declined during 2010 and we expect fewer claim payments going forward as we approach the insurance stop loss limits. Our outlook for the residential mortgage portfolio, based on past delinquency trends, is for reduced frequency of default over the next few quarters. We expect home prices to remain soft overall, trending down in some markets and stable to modestly up in other markets. We believe that lower expected default frequency and moderating loss severity will produce stable to modestly declining nonperforming loan and charge-off levels over the near term.

Asset quality in the home equity portfolio was slightly improved during the year, while higher risk balances continued to decline. Net charge-offs, early stage delinquencies, and nonperforming loans all showed modest year over year declines. Runoff in this portfolio has been concentrated in the higher risk portfolios, where no new production has occurred and little to no line availability exists.

The residential construction portfolio also showed improvement in terms of declines in NPLs and net charge-offs. Net charge-offs are expected to remain elevated and uneven as we work through the remainder of the risk in this portfolio. Further, while there may be some variability, we generally expect this trend of declining nonperforming loans to continue as we aggressively pursue workouts and transition foreclosed assets to OREO, and ultimately, disposition.

For the consumer portfolios, asset quality improved during the year. For all consumer portfolios, the net charge-off ratio declined in 2010 versus 2009. Likewise, early stage delinquencies declined across all portfolios except student loans, which are largely government guaranteed. Meanwhile, the level of nonperforming consumer loans remained relatively flat.

We believe that our loan portfolio is well diversified by product, client, and geography throughout our footprint. However, our loan portfolio may be exposed to certain concentrations of credit risk which exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, certain loan products, or certain regions of the country. See Note 19, Concentrations of Credit Risk, to the Consolidated Financial Statements for more information.

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The following table shows our wholesale lending exposure at December 31, 2010 and 2009 to selected industries.

Table 8 - Funded Exposures by Selected Industries

	As of December 31, 2010		As of December 31, 2009[1]	
(Dollars in millions)	**Loans**	**% of Total**	Loans	% of Total
Real Estate	**$9,828**	**18 %**	$12,776	23 %
Consumer Products and Services	**6,924**	**13**	6,945	12
Diversified Financials and Insurance	**4,960**	**9**	3,600	6
Health Care and Pharmaceuticals	**4,576**	**9**	4,229	8
Retailing	**3,576**	**7**	3,088	6
Automotive	**3,296**	**6**	3,119	6
Government	**3,227**	**6**	3,606	6
Diversified Commercial Services and Supplies	**2,917**	**5**	3,052	5
Capital Goods	**2,700**	**5**	2,595	5
Religious Organizations/Non-Profits	**1,961**	**4**	2,005	4
Energy and Utilities	**1,746**	**3**	2,357	4
Media and Telecommunication Services	**1,519**	**3**	1,612	3
Materials	**1,447**	**3**	1,437	3
Individuals, Investments, and Trusts	**1,399**	**3**	1,665	3
Transportation	**1,155**	**2**	1,393	2
Technology (Hardware and Software)	**659**	**1**	572	1
Other Industries	**1,598**	**3**	1,635	3
Total	**$53,488**	**100 %**	$55,686	100 %

[1]Industry groupings have been modified from the prior year presentation. The new presentation presents exposure to industries as a result of repayment risk of the loan and allows for better comparability with industry peers who use a similar presentation.

The following table shows our LHFI portfolio at December 31, 2010 and 2009 by geographical region.

Table 9 Loan Types by Geography

	Commercial		**Residential**		**Consumer[4]**	
(Dollars in millions)	**2010**	2009	**2010**	2009	**2010**	2009
Geography:						
Central[1]	**$15,466**	$14,711	**$9,083**	$9,551	**$1,858**	$1,372
Florida[2]	**11,300**	11,935	**13,179**	14,951	**3,018**	2,648
MidAtlantic[3]	**15,058**	16,703	**14,659**	15,446	**3,676**	2,940
Other	**11,664**	12,337	**5,080**	5,591	**2,741**	1,400
Total	**$53,488**	$55,686	**$42,001**	$45,539	**$11,293**	$8,360

[1]The Central region includes Alabama, Arkansas, Georgia, Mississippi, and Tennessee.

[2]The Florida region includes Florida only.

[3]The MidAtlantic region includes the District of Columbia, Maryland, North Carolina, South Carolina, and Virginia.

[4]Excludes $413 million and $355 million as of December 31, 2010 and December 31, 2009, respectively, of private-label student loans with third-party insurance.

Additionally, the table above excludes student loans and residential mortgages that were guaranteed by government agencies and for which there was nominal risk of principal loss.

Allowance for Credit Losses

At December 31, 2010, the allowance for credit losses was $3.0 billion, which includes both the ALLL as well as the reserve for unfunded commitments. See Note 1, Significant Accounting Policies, and Note 7, Allowance for Credit Losses, to the Consolidated Financial Statements, as well the Allowance for Credit Losses section within the Critical Accounting

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Policies in this MD&A for further information regarding our ALLL accounting policy, determination, and allocation. As previously noted, while the reclassification of our loan types had no effect on total loan charge-offs and loan recoveries, SEC regulations require us, in some instances, to present five years of comparable data where trend information may be deemed relevant, in which case we have provided the pre-adoption charge-off and recovery classifications due to the inability to restate prior periods under the new classifications.

A rollforward of our allowance for credit losses, along with our summarized credit losses experience, is shown in the tables below:

Table 10 - Summary of Credit Losses Experience (Post-Adoption)

	For the Years Ended December 31			
(Dollars in millions)	**2010**		2009	
Allowance for Credit Losses				
Balance - beginning of period	**$3,235**		$2,379	
Allowance recorded upon VIE consolidation	**1**		-	
Provision for loan losses	**2,708**		4,007	
Provision for unfunded commitments[1]	**(57)**		87	
Charge-offs:				
Commercial loans	**(1,087)**		(1,432)	
Residential loans	**(1,736)**		(1,707)	
Consumer loans	**(195)**		(259)	
Total charge-offs	**(3,018)**		(3,398)	
Recoveries:				
Commercial loans	**99**		84	
Residential loans	**20**		17	
Consumer loans	**44**		59	
Total recoveries	**163**		160	
Net charge-offs	**(2,855)**		(3,238)	
Balance - end of period	**$3,032**		$3,235	
Components:				
ALLL	**$2,974**		$3,120	
Unfunded commitments reserve[2]	**58**		115	
Allowance for credit losses	**$3,032**		$3,235	
Average loans	**$113,925**		$121,041	
Year-end loans outstanding	**115,975**		113,675	
Ratios:				
Allowance to year-end loans[3,4]	**2.58**	**%**	2.76	%
Allowance to nonperforming loans[3]	**72.86**		58.86	
Allowance to net charge-offs[3]	**1.04**	**x**	0.96	x
Net charge-offs to average loans	**2.51**	**%**	2.67	%
Provision for loan losses to average loans	**2.38**		3.31	
Recoveries to total charge-offs	**5.4**		4.7	

[1]Beginning in the fourth quarter of 2009, SunTrust began recording the provision for unfunded commitments within the provision for credit losses in the Consolidated Statements of Income/(Loss). Given the immateriality of this provision, prior to the fourth quarter of 2009, the provision for unfunded commitments remains classified within other noninterest expense in the Consolidated Statements of Income/(Loss).

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

[3]This ratio is calculated using the ALLL.

[4]For this ratio, $492 million and $449 million at December 31, 2010 and 2009, respectively, of LHFI carried at fair value were excluded from year-end loans.

The ALLL decreased by $146 million, or 5%, during the year ended December 31, 2010. The decrease in ALLL reflects improvements in asset quality during the year, partially mitigated by the continued uncertainty in the overall economic outlook.

The ratio of the ALLL to total NPLs increased to 72.86% as of December 31, 2010 from 58.86% as of December 31, 2009. The increase in this ratio was attributable to the $1.3 billion decrease in NPLs, partially offset by the decline in ALLL. The decrease in NPLs was due to charge-offs recognized, the migration of loans to OREO, and reduced inflows into nonaccrual status. See additional discussion regarding NPL trends in the Nonperforming Assets section of the MD&A.

The variables most impacting the ALLL continue to be unemployment, residential real estate property values, and the variability and relative strength of the housing market. At this point in the cycle, we expect the ALLL to continue to trend downward at a pace consistent with improvements in credit quality and overall economic conditions. As of December 31, 2010, the allowance to period-end loans ratio was 2.58%, down 18 basis points from December 31, 2009. Loan loss reserves are declining on both an absolute and relative basis for three primary reasons. First, higher risk portfolio balances continue to decline. Second, charge-offs associated with some of the higher risk portfolios, such as construction, are reducing reserves. Third, emerging risks have moderated. The loan production that has replaced recent runoff and charge-offs is higher quality commercial and consumer loans, as well as government guaranteed student and mortgage loans. Government guaranteed loans represented 8% of our total LHFI portfolio at December 31, 2010 versus 3% of the total LHFI portfolio at December 31, 2009.

The reserve for unfunded commitments was $58 million as of December 31, 2010, a decrease of $57 million from December 31, 2009. The decrease in the reserve was attributed to improved credit quality related to certain commercial and large corporate borrowers and secondarily as a result of a decrease in off balance sheet exposure.

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Table 11 - Summary of Credit Losses Experience (Pre-Adoption)

	Year Ended December 31				
(Dollars in millions)	**2010**	2009	2008	2007	2006
Allowance for Credit Losses					
Balance - beginning of period	**$3,235**	$2,379	$1,290	$1,047	$1,032
Allowance associated with loans at fair value[1]	**-**	-	-	(4)	-
Allowance from acquisitions & other activity, net	**1**	-	159	-	-
Provision for loan losses	**2,708**	4,007	2,474	665	263
Provision for unfunded commitments[2]	**(57)**	87	20	5	(1)
Charge-offs:					
Commercial	**(386)**	(613)	(219)	(134)	(179)
Real estate:					
Home equity lines	**(591)**	(715)	(449)	(116)	(29)
Construction	**(447)**	(507)	(194)	(12)	(2)
Residential mortgages[3]	**(1,281)**	(1,236)	(525)	(113)	(30)
Commercial real estate	**(92)**	(32)	(25)	(2)	(8)
Consumer loans:					
Direct	**(50)**	(57)	(42)	(24)	(22)
Indirect	**(84)**	(152)	(193)	(107)	(82)
Credit cards	**(87)**	(86)	(33)	(7)	(5)
Total charge-offs	**(3,018)**	(3,398)	(1,680)	(515)	(357)
Recoveries:					
Commercial	**46**	40	24	23	29
Real estate:					
Home equity lines	**40**	30	16	8	7
Construction	**12**	8	3	1	2
Residential mortgages	**21**	18	8	6	8
Commercial real estate	**(2)**	4	1	2	6
Consumer loans:					
Direct	**8**	8	8	10	12
Indirect	**33**	49	54	41	45
Credit cards	**5**	3	2	1	1
Total recoveries	**163**	160	116	92	110
Net charge-offs	**(2,855)**	(3,238)	(1,564)	(423)	(247)
Balance-end of period	**$3,032**	$3,235	$2,379	$1,290	$1,047
Components:					
ALLL	**$2,974**	$3,120	$2,351	$1,282	$1,045
Unfunded commitments reserve	**58**	115	28	8	2
Allowance for credit losses	**$3,032**	$3,235	$2,379	$1,290	$1,047
Average loans	**$113,925**	$121,041	$125,433	$120,081	$119,645
Year-end loans outstanding	**115,975**	113,675	126,998	122,319	121,454
Ratios:					
Allowance to year-end loans[4,5]	**2.58 %**	2.76 %	1.86 %	1.05 %	0.86 %
Allowance to nonperforming loans[4,6]	**72.9**	58.9	61.7	101.9	216.9
Allowance to net charge-offs[4]	**1.04 x**	0.96 x	1.50 x	3.03 x	4.24 x
Net charge-offs to average loans	**2.51 %**	2.67 %	1.25 %	0.35 %	0.21 %
Provision to average loans	**2.38**	3.31	1.97	0.55	0.22
Recoveries to total charge-offs	**5.4**	4.7	6.9	17.8	31.0

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

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

[3] Prior to 2009, borrower misrepresentation and denied insurance claim losses were recorded as operating losses in the Consolidated Statements of Income/(Loss). These credit-related operating losses totaled $160 million and $78 million during the years ended December 31, 2008 and 2007, respectively. Prior to 2007, credit-related operating losses were immaterial. During 2009, credit-related operating losses charged-off against previously established reserves within other liabilities total $195 million.

[4] This ratio is calculated using the ALLL.

[5] For this ratio, $492 million, $449 million, $270 million, and $221 million at December 31, 2010, 2009, 2008, and 2007, respectively, of LHFI carried at fair value were excluded from year-end loans.

[6] During the second quarter of 2008, the Company revised its method of calculating this ratio to include, within the period-end loan amount, only loans measured at amortized cost. Previously, period-end loans included loans measured at fair value or the lower of cost or market. The Company believes this is an improved method of calculation due to the fact that the ALLL relates solely to the loans measured at amortized cost. Loans measured at fair value or LOCOM that have been excluded from the prior period calculation were $172 million, which increased the calculation by approximately 12 basis points as of December 31, 2007. Amounts excluded in years prior to 2007 were immaterial and resulted in no basis point change in the respective calculation.

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As previously noted, while the reclassification of our loan types had no effect on total loans or total ALLL, SEC regulations require us, in some instances, to present five years of comparable data where trend information may be deemed relevant, in which case we have provided the pre-adoption ALLL by loan type classifications due to the inability to restate prior periods under the new classifications.

The allocation of our ALLL by loan type is shown in the tables below:

Table 12 - Allowance for Loan Losses by Loan Type (Post-Adoption)

	December 31, 2010		December 31, 2009	
(Dollars in millions)	**ALLL**	**Loan types as a % of total loans**	ALLL	Loan types as a % of total loans
Commercial loans	**$1,303**	**46 %**	$1,353	49 %
Residential loans	**1,498**	**40**	1,592	41
Consumer loans	**173**	**14**	175	10
Total	**$2,974**	**100 %**	$3,120	100 %

Table 13 - Allowance for Loan Losses by Loan Type (Pre-Adoption)

(Dollars in millions)			**As of December 31**		
Allocation by Loan Type	**2010**	2009	2008	2007	2006
Commercial loans	**$477**	$650	$631	$423	$416
Real estate loans	**2,238**	2,268	1,523	664	443
Consumer loans	**259**	202	197	110	96
Unallocated [1]	**-**	-	-	85	90
Total	**$2,974**	$3,120	$2,351	$1,282	$1,045

Year-end Loan Types as a Percent of Total Loans			**As of December 31**		
	2010	2009	2008	2007	2006
Commercial loans	**29 %**	29 %	32 %	29 %	29 %
Real estate loans	**56**	60	58	61	61
Consumer loans	**15**	11	10	10	10
Total	**100 %**	100 %	100 %	100 %	100 %

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

Charge-offs

Net charge-offs for the years ended December 31, 2010 and 2009 were $2.9 billion and $3.2 billion, respectively. As a percentage of average annualized loans, net charge-offs were 2.51% and 2.67% during the years ended December 31, 2010 and 2009, respectively. Factors which could affect general asset quality and charge-off levels include macro or regional economic volatility, specific borrower performance, and trends within specific sectors, such as construction and commercial real estate.

Total charge-offs for the year ended December 31, 2010 declined for the majority of our loan portfolios compared to the same period in 2009. However, commercial real estate charge-offs increased during the latter half of 2010 as specific loans were resolved. Given continuing stress in this segment, the timing and amount of future commercial real estate charge-offs will remain variable. For the first quarter of 2011, a stable to a modest decline in net charge-offs from fourth quarter levels is expected.

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Provision for Credit Losses

The total provision for credit losses includes the provision for loan losses as well as the provision for unfunded commitments. The provision for loan losses is the result of a detailed analysis performed to estimate an appropriate and adequate ALLL.

For the year ended December 31, 2010, the provision for loan losses decreased by $1.3 billion, or 32%, to $2.7 billion, compared to $4.0 billion for the year ended December 31, 2009. The decrease in the provision continued a trend of declining loan loss provisions over the last year, reflecting an improvement in overall asset quality and a gradually improving economy.

For the year ended December 31, 2010, the provision for unfunded commitments decreased by $144 million to a $57 million benefit, compared to an $87 million provision for the year ended December 31, 2009. The provision decrease for the year is primarily attributable to improved credit quality related to certain commercial and large corporate borrowers and secondarily as a result of a decrease in unfunded commitment exposure.

Although net charge-offs and provisions have recently declined, and despite indications of an improving economy, we expect net charge-offs and the provision for loan losses to remain elevated until we experience a sustained improvement in economic conditions. We believe the amount of future changes in the ALLL remains highly correlated to unemployment levels, changes in home prices within our markets, especially Florida, as well as sustained improvement in our portfolio-specific asset quality indicators. See the Allowance for Credit Losses, Charge-offs, and Nonperforming Assets sections within this MD&A for additional discussion of our expectations for asset quality.

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Nonperforming Assets

As previously noted, while the reclassification of our loan types had no effect on total NPLs, SEC regulations require us, in some instances, to present five years of comparable data where trend information may be deemed relevant, in which case we have provided the pre-adoption NPL classifications due to the inability to restate prior periods under the new classifications.

Table 14 - Nonperforming Assets (Post-Adoption)

(Dollars in millions)	**December 31, 2010**	December 31, 2009	% Change
Nonaccrual/NPLs:			
Commercial loans			
Commercial & industrial[1]	**$584**	$732	(20)
Commercial real estate	**342**	191	79
Commercial construction	**961**	1,247	(23)
Total commercial NPLs	**1,887**	2,170	(13)
Residential loans			
Residential mortgages - nonguaranteed[2]	**1,543**	2,283	(32)
Home equity products	**355**	367	(3)
Residential construction	**290**	529	(45)
Total residential NPLs	**2,188**	3,179	(31)
Consumer loans			
Other direct	**10**	8	25
Indirect	**25**	45	(44)
Total consumer NPLs	**35**	53	(34)
Total nonaccrual/NPLs	**4,110**	5,402	(24)
OREO[3]	**596**	620	(4)
Other repossessed assets	**52**	79	(34)
Total nonperforming assets	**$4,758**	$6,101	(22) %
Accruing loans past due 90 days or more[4]	**$1,565**	$1,500	4 %
TDRs:			
Accruing restructured loans	**2,613**	1,641	59
Nonaccruing restructured loans[5]	**1,005**	913	10
Ratios:			
NPLs to total loans	**3.54 %**	4.75 %	
Nonperforming assets to total loans plus OREO and other repossessed assets	**4.08**	5.33	

[1]Includes $4 million and $12 million of loans carried at fair value at December 31, 2010 and 2009, respectively.

[2]Includes $24 million and $34 million of loans carried at fair value at December 31, 2010 and 2009, respectively.

[3]Does not include foreclosed real estate related to serviced loans insured by the FHA or the VA. Insurance proceeds due from the FHA and the VA are recorded as a receivable in other assets until the funds are received and the property is conveyed.

[4]Includes $979 million of consolidated loans eligible for repurchase from Ginnie Mae and classified as held for sale at December 31, 2009.

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

Nonperforming assets decreased by $1.3 billion, or 22%, during the year ended December 31, 2010. The decrease was attributable to a $1.3 billion reduction in NPLs as a result of our problem resolution efforts and the continued trend of lower NPL inflows.

Nonperforming commercial loans decreased by $283 million, or 13%, during the year ended December 31, 2010, primarily as a result of a $286 million decrease in commercial construction NPLs and a $148 million decrease in commercial and industrial NPLs, partially offset by a $151 million increase in commercial real estate NPLs. The overall decrease was driven primarily by net charge-offs of existing nonperforming commercial loans, partially offset by the migration of delinquent commercial loans to nonaccrual status. We believe that the increase in commercial real estate NPLs is related to a continuation of the current commercial real estate correction, and we expect some variability in the performance as this cycle plays out.

Nonperforming residential loans decreased by $991 million, or 31%, during the year ended December 31, 2010, primarily as a result of a $740 million decrease in nonguaranteed residential mortgage NPLs. The decrease was attributable to lower inflows of NPLs, net charge-offs, and the sale of certain residential NPLs in the second quarter of 2010.

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Nonperforming consumer loans decreased by $18 million, or 34%, during the year ended December 31, 2010, primarily as a result of a $20 million decrease in indirect consumer NPLs. The decrease was driven by net charge-offs of existing nonperforming consumer loans during the year, partially offset by the migration of delinquent consumer loans to nonaccrual status.

OREO decreased by $24 million, or 4%, during the year ended December 31, 2010. The decline consisted of a $7 million decrease in residential construction related properties and a decrease in commercial properties of $20 million, partially offset by a $3 million increase in residential homes. During the years ended December 31, 2010 and 2009, sales of OREO resulted in proceeds of $769 million and $544 million, respectively, and net losses on sales of $55 million and net gains on sales of $26 million, respectively, excluding changes in the valuation reserve attributable to lots and land for which current property-specific values were not available prior to sale. Sales of OREO and the related gains or losses are highly dependent on our disposition strategy and buyer opportunities. See Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements for more information. Gains and losses on sale of OREO are recorded in other real estate expense in the Consolidated Statements of Income/(Loss). Geographically, most of our OREO properties are located in Georgia, Florida, and North Carolina. Residential properties and land comprised 52% and 36%, respectively, of OREO; the remainder is related to commercial and other properties. Upon foreclosure, these properties were re-evaluated and, if necessary, written down to their then-current estimated value, less costs to sell. Further declines in home prices could result in additional losses on these properties. We are actively managing and disposing of these foreclosed assets to minimize future losses.

Other repossessed assets decreased by $27 million, or 34%, during the year ended December 31, 2010. The decrease is largely attributable to impairment charges and sales of repossessed assets during the year, partially offset by additional repossessions during the year.

Accruing loans past due ninety days or more increased by $65 million, or 4%, during the year ended December 31, 2010. Included in the accruing loan population were $884 million and $979 million of residential mortgages at December 31, 2010 and 2009, respectively, which were fully insured by the FHA or the VA. Also included in the population of accruing loans past due ninety days or more were $596 million and $365 million of federally guaranteed student loans at December 31, 2010 and 2009, respectively.

Interest income on nonaccrual loans, if recognized, is recorded using the cash basis method of accounting. Such interest income recorded was $39 million and $36 million for the years ended December 31, 2010 and 2009, respectively. If all such loans had been accruing interest according to their original contractual terms, estimated interest income of $340 million and $354 million for the years ended December 31, 2010 and 2009, respectively, would have been recorded.

Review of Foreclosure Practices

We have observed an increase in the amount of time it takes us to foreclose upon residential real estate collateral in certain states, primarily Florida, which we believe is attributable to delays in the foreclosure process.

We recently conducted an assessment of our foreclosure process in all states. Our review indicated approximately 4,000 files, or less than 15% of active foreclosure proceedings, contained documents with technical issues in the foreclosure complaint verification, affidavit preparation and notary processes, which we describe in greater detail below. We do not believe that any potential deficiency identified violated applicable law. Below, we explain the issues we identified, what we have done and what we are doing to remediate potential deficiencies identified, and our expectations as to the effect these remedial efforts will have on our financial results. As explained below, we do not expect these concerns to have a material adverse affect upon our financial condition, results of operations, or cash flows.

Filing requirements in Florida require a foreclosure complaint to be verified when filed with a court. In this context, verified means that the complaint includes a signed statement to the effect that the signer has read the document and believes the facts alleged in the complaint to be true and correct to the best of the signer s knowledge and belief. Similarly, filing requirements in some judicial foreclosure states, including Florida, require an affidavit of indebtedness, or a sworn statement, which includes, among other things, a description of the loan, a statement that the loan is in default, the current principal balance and accrued interest, and an itemization of the amounts owed. In many states, affidavits, as well as certain other documents prepared and submitted in the foreclosure processes, are required to be notarized.

Our review identified instances in which the verified complaints may not have been fully reviewed by the signer prior to the filing of the complaint. In those instances, the signer relied upon review work performed by others. Similarly, with a population of affidavits of indebtedness, our review indicated certain circumstances where officers signed affidavits based

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upon a review performed by a foreclosure processor, rather than based on their review. As to the process of notarizing documents, while signatures were notarized by notaries who worked on the same floor and in the same general area as the signer, and while the notary had personal knowledge and awareness of the person who signed the documents, the process could be improved. We have completed notary training and the process is now more regimented and tightly managed.

To address all issues identified, we have elected to replace any documents containing one or more of the issues identified on file with a court in any pending foreclosure action not yet reduced to judgment. All replacement documentation has been and will be prepared in compliance with all applicable rules and required formalities. We estimate this process of resubmitting affidavits will be substantially completed during the first quarter of 2011. Once these affidavits are resubmitted, there may be prolonged adversary proceedings that delay certain foreclosure sales. We are undertaking similar remedial action in non-judicial foreclosure states as necessary and appropriate.

Given the time required to bring a foreclosure filing to a judicial hearing, which exceeds one year in many jurisdictions, we expect that our remediation efforts will delay only a relatively small number of foreclosure proceedings or sales. Also, we expect the cost of resubmitting legal documents to be modest. However, any delay in the foreclosure process will adversely affect us by increasing our expenses related to carrying such assets, such as taxes, insurance, and other carrying costs, and exposes us to losses as a result of potential additional declines in the value of such collateral. Nevertheless, we believe these additional costs will have an immaterial effect on our financial condition, results of operations, and cash flows.

In addition to our own review, various regulators, including the Federal Reserve, have conducted a review of our mortgage servicing practices, as well as all other large servicers in the U.S. We expect these regulators to ask us and other servicers to consent to an order possibly related to (i) the filing of affidavits without personal knowledge, (ii) the filing of improperly notarized documents, (iii) failing to ensure that the promissory note and all necessary mortgage documents were properly endorsed or assigned and, if necessary, in the possession of the appropriate party at the time foreclosure proceedings were instituted, (iv) failing to devote sufficient financial, staffing, and managerial resources, and (v) failing to develop related processes and operational controls to prevent these problems. We expect that such a consent order will require us to implement substantial additional operational processes and reviews within a certain time frame. We also expect that such regulators may seek civil monetary penalties at a later time. At this time, we do not know the amount of such penalties, the extent of such required actions, or whether other regulators and law enforcement agencies will seek other remedies.

Regulators and other law enforcement authorities in certain states and the United States Department of Justice and other federal agencies have stated they are investigating whether mortgage servicers have had irregularities in their foreclosure practices. Those investigations, as well as any other governmental or regulatory scrutiny of our foreclosure processes, could result in fines, penalties or other equitable remedies and result in significant legal costs in responding to governmental investigations and possible litigation. While we cannot predict the ultimate impact of any delay in foreclosure sales, or any issues that may arise as a result of alleged irregularities with respect to previously completed foreclosure activities, we may be subject to additional borrower and non-borrower litigation, investor scrutiny as to compliance with contracts, and governmental and regulatory scrutiny related to our past and current foreclosure activities. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. We expect that our costs will increase in 2011 as a result of the additional resources necessary to perform the foreclosure process assessment, revise affidavit filings and make any other operational changes. This may result in higher noninterest expense, including higher servicing costs and legal expenses, in our Mortgage line of business. In addition, process changes required as a result of our assessment could increase our default servicing costs over the longer term. Finally, the time to complete foreclosure sales temporarily may increase, and this may result in an increase in nonperforming assets and servicing advances and may impact the collectability of such advances and the value of our mortgage servicing rights asset. Accordingly, delays in foreclosure sales, including any delays beyond those currently anticipated, our process enhancements, and any issues that may arise out of alleged irregularities in our foreclosure processes could increase the costs associated with our mortgage operations.

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Table 15 - Nonperforming Assets (Pre-Adoption)

	As of December 31				
(Dollars in millions)	**2010**	2009	2008	2007	2006
Nonperforming Assets					
Nonaccrual/NPLs:					
Commercial[1]	**$255**	$484	$322	$75	$107
Real estate:					
Construction loans	**1,013**	1,485	1,277	295	39
Residential mortgages[2]	**1,988**	2,716	1,847	841	266
Home equity lines	**285**	289	272	136	13
Commercial real estate	**531**	392	177	44	55
Consumer loans	**38**	37	45	39	24
Total nonaccrual/NPLs	**4,110**	5,403	3,940	1,430	504
OREO[3]	**596**	620	500	184	55
Other repossessed assets	**52**	79	16	12	7
Total nonperforming assets	**$4,758**	$6,102	$4,456	$1,626	$566
Accruing loans past due 90 days or more[4]	**$1,565**	$1,500	$1,032	$611	$352
TDRs:					
Accruing restructured loans	**2,613**	1,641	463	30	28
Nonaccruing restructured loans[5]	**1,005**	913	268	-	-
Ratios:					
NPLs to total loans	**3.54 %**	4.75 %	3.10 %	1.17 %	0.41 %
Nonperforming assets to total loans plus OREO and other repossessed assets	**4.08**	5.33	3.49	1.33	0.47

[1]Includes $4 million, $12 million, and $31 million of loans carried at fair value at December 31, 2010, 2009, and 2008, respectively.

[2]Includes $24 million, $22 million, and $12 million of loans carried at fair value at December 31, 2010, 2009, and 2008 respectively.

[3]Does not include foreclosed real estate related to serviced loans insured by the FHA or the VA. Insurance proceeds due from the FHA and the VA are recorded as a receivable in other assets until the funds are received and the property is conveyed.

[4]Includes $979 million, $494 million, $236 million, and $162 million of consolidated loans eligible for repurchase from GNMA and classified as held for sale at December 31, 2009, 2008, 2007, and 2006, respectively.

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

Restructured Loans

In order to maximize the collection of loan balances, we evaluate troubled loans on a case-by-case basis to determine if a loan modification would be 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 even a modified loan, we may pursue short sales and/or deed-in-lieu arrangements. For loans secured by income producing commercial properties, we perform a rigorous and ongoing review that is programmatic in nature. 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 these 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 and extensions in terms. For commercial loans, the primary restructuring method is the extensions of terms. Accruing loans with modifications deemed to be economic concessions resulting from borrower difficulties are reported as TDRs. Nonaccruing loans that are modified and demonstrate a history of repayment performance in accordance with their modified terms are reclassified to accruing restructured status, typically after six months of repayment performance. See Note 1, Significant Accounting Policies, and Note 6, Loans, to the Consolidated Financial Statements for further information regarding our accounting policy for TDRs.

Accruing restructured loans increased by $972 million, or 59%, during the year ended December 31, 2010. The increase in accruing restructured loans was attributed to a general increase in the number of loan modifications, as well as an increase in the number of previously nonaccruing restructured loans meeting sustained repayment performance criteria and therefore transferring to accrual status. Nonaccruing restructured loans increased by $92 million, or 10%, during the year ended December 31, 2010, reflecting the overall increase in loan modifications despite such loans not yet meeting the repayment performance criteria.

Interest income on restructured loans that have met sustained performance criteria and have been returned to accruing status is recognized according to the terms of the restructuring. Such interest income recorded was $96 million and $52 million for the years ended December 31, 2010 and 2009, respectively. If all such loans had been accruing interest according to their original contractual terms, estimated interest income of $140 million and $75 million for the years ended December 31, 2010 and 2009, respectively, would have been recorded.

Our total TDR portfolio is composed of $3.2 billion in residential loans, which are predominately first and second lien residential mortgages and home equity lines of credit, $437 million in commercial loans, which are predominately income-producing properties, and $11 million in direct consumer loans. At December 31, 2010, 70% of our total TDR portfolio was current with respect to principal and interest.

The following table displays our residential real estate TDR portfolio by modification type and payment status at December 31, 2010.

Table 16 Selected Residential TDR Data

	Accruing TDRs			Nonaccruing TDRs		
(Dollars in millions)	Current	Delinquent[1]	Total	Current	Delinquent[1]	Total
Rate reduction	$375	$48	$423	$26	$68	$94
Rate reduction and term extension	1,722	305	2,027	66	465	531
Other[2]	42	15	57	3	31	34
Total	$2,139	$368	$2,507	$95	$564	$659

[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.

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 have been factored into our overall ALLL estimate. The level of re-defaults will likely be affected by future economic conditions. Generally, once a residential loan becomes a TDR, it is probable that the loan will likely continue to be reported as TDR until it is ultimately repaid in full, or foreclosed and sold. At December 31, 2010, specific reserves included in the ALLL for residential TDRs were $428 million. In addition, we have recorded approximately $240 million in charge-offs on residential TDRs and recorded $14 million in mark-to-market losses on residential TDRs carried at fair value, life to date.

SELECTED FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

Certain financial instruments such as trading securities, derivatives, and securities AFS are required to be carried at fair value. Companies are also permitted to elect to carry specific financial assets and financial liabilities at fair value. Reasons that a company may choose to elect fair value include: (i) to more accurately align its financial performance with the economic value of actively traded or hedged assets or liabilities, (ii) to mitigate the non-economic earnings volatility caused from financial assets and financial liabilities being carried at different bases of accounting and/or (iii) to more accurately portray the active and dynamic management of a company s balance sheet. Based on our balance sheet management strategies and objectives, we have elected to carry certain financial assets and financial liabilities at fair value; these instruments include all, or a portion, of the following: long-term debt, LHFS, brokered deposits, MSRs, trading assets, and a small portion of LHFI.

The following is a discussion of the more significant financial assets and financial liabilities that are currently carried at fair value on the Consolidated Balance Sheets at December 31, 2010 and December 31, 2009. For a complete discussion of our fair value elections and the methodologies used to estimate the fair values of our financial instruments, refer to Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements.

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Table 17 - Trading Assets and Liabilities

	As of December 31		
(Dollars in millions)	**2010**	2009	2008
Trading Assets			
U.S. Treasury securities	**$187**	$499	$143
Federal agency securities	**361**	474	803
U.S. states and political subdivisions	**123**	59	2,166
RMBS - agency	**301**	94	59
MBS - private	**15**	6	16
CDO securities	**55**	175	278
ABS	**59**	51	172
Corporate and other debt securities	**743**	466	590
CP	**14**	1	400
Equity securities	**221**	256	193
Derivative contracts	**2,743**	2,610	4,699
Trading loans	**1,353**	289	877
Total trading assets	**$6,175**	$4,980	$10,396
Trading Liabilities			
U.S. Treasury securities	**$439**	$190	$395
Federal agency securities	**-**	3	46
Corporate and other debt securities	**398**	144	147
Equity securities	**-**	8	13
Derivative contracts	**1,841**	1,844	2,640
Total trading liabilities	**$2,678**	$2,189	$3,241

Trading Assets and Liabilities

Trading assets increased $1.2 billion, or 24%, since December 31, 2009. This increase was primarily driven by an increase in trading loans and corporate debt securities.

Trading loans increased during the year ended December 31, 2010 primarily as a result of the resumption of our TRS business. There were no TRS-related trading loans outstanding as of December 31, 2009, but as of December 31, 2010, the business had $972 million in outstanding trading loans. The increase in corporate debt securities was due to market movements and normal client business activity.

Certain securities were purchased during the fourth quarter of 2007 from affiliates which included SIVs that are collateralized by various domestic and foreign assets, residential MBS, including Alt-A and subprime collateral, CDOs, and commercial loans, as well as senior interests retained from Company-sponsored securitizations. During the year ended December 31, 2010, we recognized approximately $37 million in net market valuation gains related to these securities. During the year ended December 31, 2010, we received approximately $136 million in cash from paydowns, maturities, calls and restructurings related to these securities, reducing our exposure to these distressed assets to approximately $60 million as of December 31, 2010. In January 2011, we were able to sell all but an insignificant piece of the remaining exposure to these acquired assets.

The Company also purchased ARS primarily in the fourth quarter of 2008 and first quarter of 2009. We discuss FINRA s ARS investigation in Note 21, Contingencies, to the Consolidated Financial Statements. The amount of ARS recorded in trading assets at fair value totaled $147 million as of December 31, 2010 compared to $176 million as of December 31, 2009. The majority of these ARS are preferred equity securities, and the remaining securities are backed by trust preferred bank debt or student loans.

Trading liabilities increased $489 million, or 22%, since December 31, 2009 due primarily to an increase in U.S. Treasury and corporate and other debt securities that act as a hedge for some of the trading assets we own.

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Table 18 Securities Available for Sale

	As of December 31, 2010			
(Dollars in millions)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. Treasury securities	**$5,446**	**$115**	**$45**	**$5,516**
Federal agency securities	**1,883**	**19**	**7**	**1,895**
U.S. states and political subdivisions	**565**	**17**	**3**	**579**
RMBS - agency	**14,014**	**372**	**28**	**14,358**
RMBS - private	**378**	**3**	**34**	**347**
CDO securities	**50**	**-**	**-**	**50**
ABS	**798**	**15**	**5**	**808**
Corporate and other debt securities	**464**	**19**	**1**	**482**
Coke common stock	**-**	**1,973**	**-**	**1,973**
Other equity securities[1]	**886**	**1**	**-**	**887**
Total securities AFS	**$24,484**	**$2,534**	**$123**	**$26,895**

[1]At December 31, 2010, other equity securities included $298 million in FHLB of Atlanta stock (par value), $391 million in Federal Reserve Bank stock (par value), and $197 million in mutual fund investments (par value).

	As of December 31, 2009			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$5,206	$1	$30	$5,177
Federal agency securities	2,733	13	9	2,737
U.S. states and political subdivisions	928	28	11	945
RMBS - agency	15,705	273	62	15,916
RMBS - private	472	1	95	378
ABS	310	10	5	315
Corporate and other debt securities	505	10	3	512
Coke common stock	-	1,710	-	1,710
Other equity securities[1]	786	1	-	787
Total securities AFS	$26,645	$2,047	$215	$28,477

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

	As of December 31, 2008			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$126	$1	$-	$127
Federal agency securities	339	20	-	359
U.S. states and political subdivisions	1,019	25	6	1,038
RMBS - agency	14,424	136	10	14,550
RMBS - private	629	8	115	522
Corporate and other debt securities	303	5	14	294
Coke common stock	-	1,358	-	1,358

Other equity securities[1]	1,443	5	-	1,448
Total securities AFS	$18,283	$1,558	$145	$19,696

[1]At December 31, 2008, other equity securities included $493 million in FHLB of Cincinnati and FHLB of Atlanta stock (par value), $361 million in Federal Reserve Bank stock (par value), and $589 million in mutual fund investments (par value).

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Table 19 Maturity Distribution of Securities Available for Sale

	As of December 31, 2010				
(Dollars in millions)	1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Total
Distribution of Maturities:					
Amortized Cost					
U.S. Treasury securities	$1	$3,390	$2,055	$-	$5,446
Federal agency securities	62	1,608	184	29	1,883
U.S. states and political subdivisions	114	290	63	98	565
RMBS - agency	459	12,738	781	36	14,014
RMBS - private	35	188	155	-	378
CDO securities	-	50	-	-	50
ABS	290	504	4	-	798
Corporate and other debt securities	9	307	123	25	464
Total debt securities	$970	$19,075	$3,365	$188	$23,598
Fair Value					
U.S. Treasury securities	$1	$3,505	$2,010	$-	$5,516
Federal agency securities	63	1,613	190	29	1,895
U.S. states and political subdivisions	116	303	64	96	579
RMBS - agency	470	13,039	810	39	14,358
RMBS - private	32	175	140	-	347
CDO securities	-	50	-	-	50
ABS	297	508	3	-	808
Corporate and other debt securities	9	314	135	24	482
Total debt securities	$988	$19,507	$3,352	$188	$24,035
Weighted average yield (FTE):					
U.S. Treasury securities	0.74 %	2.44 %	2.92 %	- %	2.62 %
Federal agency securities	3.41	1.92	4.14	4.02	2.22
U.S. states and political subdivisions	6.87	6.09	5.93	5.14	6.11
RMBS - agency	2.23	3.20	4.56	5.38	3.23
RMBS - private	1.70	7.59	7.54	4.35	7.03
CDO securities	-	3.86	-	-	3.86
ABS	1.73	2.47	13.43	-	2.15
Corporate and other debt securities	4.82	2.09	5.74	1.13	3.15
Total debt securities	2.84 %	3.01 %	3.76 %	4.91 %	3.10 %

Securities Available for Sale

The securities AFS portfolio is managed as part of the overall asset and liability management process to optimize income and portfolio value over an entire interest rate cycle while mitigating the associated risks. The size of the securities portfolio, at fair value, was $26.9 billion as of December 31, 2010, a decrease of $1.6 billion, or 6%, versus December 31, 2009. Changes in the size and composition of the portfolio during the year reflect our efforts to maintain a high quality portfolio and manage our interest rate risk profile. These changes included increasing the size and extending the duration of the U.S. Treasury position, decreasing the agency MBS positions, reducing federal agency securities, reducing the municipal position by selling lower rated securities, and purchasing high quality ABS backed by newly-originated consumer automobile loans. For additional information on composition and valuation assumptions related to securities AFS, see the Trading Assets and Securities Available for Sale section of Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements.

At December 31, 2010, the carrying value of securities AFS reflected $2.4 billion in net unrealized gains, which were comprised of a $2.0 billion unrealized gain from our remaining 30 million shares of Coke common stock and a $438 million net unrealized gain on the remainder of the portfolio. At December 31, 2009, the carrying value of securities AFS reflected $1.8 billion in net unrealized gains, which were comprised of a $1.7 billion unrealized gain from our remaining 30 million shares of Coke common stock and a $122 million net unrealized gain on the remainder of the portfolio. During the years ended December 31, 2010 and 2009, we recorded $193 million and $118 million in net realized gains from the sale of securities AFS as a result of the aforementioned repositioning activities.

For the year ended December 31, 2010, the average yield on a FTE basis for the securities AFS portfolio declined to 3.21% compared to 4.23% for the year ended December 31, 2009. The yield decline was largely due to security maturities, prepayments, and sales, with the proceeds generally reinvested at current lower yields. Additionally, the portfolio s yield was impacted by the purchase of lower yielding U.S. Treasury securities in late 2009.

The portfolio s effective duration increased to 3.3% as of December 31, 2010 from 3.0% as of December 31, 2009. Effective duration is a measure of price sensitivity of a bond portfolio to an immediate change in market interest rates, taking into consideration embedded options. An effective duration of 3.3% suggests an expected price change of 3.3% for a one percent instantaneous change in market interest rates.

The credit quality of the securities portfolio remained strong at December 31, 2010. Excluding the $2.9 billion of fair value represented by equity securities, $23.0 billion, or 96%, of the remaining $24.0 billion in securities AFS carried an actual or implied AAA rating, the highest possible, as designated by at least one NRSRO. The amount of ARS recorded in the securities AFS portfolio totaled $128 million as of December 31, 2010 and $156 million as of December 31, 2009. Included in ARS are tax-exempt municipal securities as well as student loan ABS.

Due to the high quality and highly liquid nature of the portfolio, 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 against investment returns. Going forward, we will continue to evaluate opportunities to reduce our risk to a further steepening of the yield curve. Over the longer term, we continue to expect that a growing economy will result in loan balances trending up and deposits trending down. Accordingly, we may eventually decrease the size of our securities portfolio in response to loan growth and/or declining deposits.

INVESTMENT IN COMMON SHARES OF THE COCA-COLA COMPANY

Background

We have owned common shares of Coke since 1919, when one of our predecessor institutions participated in the underwriting of Coke s IPO and received common shares of Coke in lieu of underwriting fees. These shares have grown in value over the past 91 years and have been classified as securities AFS, with unrealized gains, net of tax, recorded as a component of shareholders equity. Because of the low accounting cost basis of these shares, we have accumulated significant unrealized gains in shareholders equity. As of December 31, 2010, we owned 30 million Coke shares with an accounting cost basis of $69,295 and a fair market value of $2.0 billion.

We commenced a comprehensive balance sheet review initiative in early 2007 in an effort to improve liquidity and capital efficiency. As part of this initiative, we began to formally evaluate the capital efficiency of our holdings of Coke common shares, as we were prohibited from including the market value of our investment in Coke common shares in Tier 1 capital in accordance with Federal Reserve capital adequacy rules. As a result of this initiative, at various times during 2007 and 2008 we sold and made a charitable contribution of all but 30 million shares of our Coke stock. Additionally, during the second half of 2008, we executed The Agreements on the remaining 30 million shares that we owned. Our primary objective in executing these transactions was to optimize the benefits we obtained from our long-term holding of this asset, including the capital treatment by bank regulators.

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

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

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

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

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

The Federal Reserve determined that we may include in Tier 1 capital, as of the effective date of The Agreements, an amount equal to the Minimum Proceeds minus the deferred tax liability associated with the ultimate sale of the 30 million Coke common shares. Accordingly, The Agreements resulted in an increase in Tier 1 capital during the third quarter of 2008 of approximately $728 million.

DEPOSITS

Table 20 Composition of Average Deposits

	Year Ended December 31			Percent of Total		
(Dollars in millions)	**2010**	2009	2008	**2010**	2009	2008
Noninterest-bearing	**$26,103**	$24,249	$20,949	**22 %**	20 %	18 %
NOW accounts	**24,668**	23,601	21,081	**21**	20	18
Money market accounts	**38,893**	31,864	26,565	**32**	27	23
Savings	**4,028**	3,664	3,771	**3**	3	3
Consumer time	**14,232**	16,718	16,770	**12**	14	14
Other time	**9,205**	13,068	12,197	**8**	11	11
Total consumer and commercial deposits	**117,129**	113,164	101,333	**98**	95	87
Brokered deposits	**2,561**	5,648	10,493	**2**	5	9
Foreign deposits	**355**	434	4,250	**-**	-	4
Total deposits	**$120,045**	$119,246	$116,076	**100 %**	100 %	100 %

During 2010, we continued to experience deposit growth as well as improving deposit mix, as the relative proportion of lower cost deposit accounts increased. These favorable trends were major drivers of the growth in net interest margin that we were able to achieve during the year. Average consumer and commercial deposits increased during 2010 by $4.0 billion, or 3.5%, compared to 2009. The growth was concentrated in noninterest bearing DDA, NOW, money market, and savings

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accounts which increased $10.3 billion, or 12%. The increase was partially offset by declines in consumer time and other time deposit account balances which decreased by $6.3 billion, or 21%. These positive trends resulted from our continued marketing efforts, pricing discipline in the context of a low and declining rate environment, improving operational execution, as well as an industry-wide preference for greater liquidity.

Consumer and commercial deposit growth remains one of our key initiatives. During 2010, we focused on growing our client base, number of households, and deposit share while managing the rates we pay on our deposits. Overall growth was accomplished through a judicious use of competitive rates in select products and select geographies. We experienced mixed results across our 16 regions due to competitive forces, unusual deposit flows resulting from the FDIC s TAGP, and concentrations of time deposit clients. Other initiatives to attract deposits included innovative product and features offerings, enhanced programs and initiatives, customer-targeted offers, and advanced analytics that leverage product offerings with customer segmentation. We continued to leverage the Live Solid. Bank Solid. brand to improve our visibility in the marketplace. It is designed to speak to what is important to clients in the current environment and to inspire customer loyalty and capitalize on some of the opportunities presented by the new banking landscape. We continue to manage judiciously through the implications of impending or executed regulatory change and evaluate the impacts to our deposit products and clients. Average brokered and foreign deposits decreased by $3.2 billion, or 52%, during 2010 compared to 2009. This decrease was due to our ability to grow deposits and, in turn, reduce our reliance upon wholesale funding sources. As of December 31, 2010 securities pledged as collateral for deposits totaled $3.9 billion.

Table 21 Maturity of Consumer Time and Other Time Deposits in Amounts of $100,000 or More

	At December 31, 2010			
(Dollars in millions)	Consumer Time	Brokered Time	Foreign Time	Total
Months to maturity:				
3 or less	$1,558	$140	$654	$2,352
Over 3 through 6	953	29	-	982
Over 6 through 12	2,016	52	-	2,068
Over 12	3,115	2,144	-	5,259
Total	$7,642	$2,365	$654	$10,661

SHORT-TERM BORROWINGS

Table 22 Short-Term Borrowings

	As of December 31			Daily Average			Maximum Outstanding at any Month-End
(Dollars in millions)	**Balance**	**Rate**		**Balance**	**Rate**		
2010							
Federal funds purchased [1]	**$951**	**0.18**	**%**	**$1,226**	**0.19**	**%**	**$3,163**
Securities sold under agreement to repurchase [1]	**2,180**	**0.17**		**2,416**	**0.15**		**2,830**
CP issued	**99**	**0.62**		**458**	**0.48**		**1,009**
Other short-term borrowings	**2,591**	**0.71**		**2,556**	**0.42**		**4,608**
2009							
Federal funds purchased [1]	$1,433	0.15	%	$1,670	0.19	%	$3,920
Securities sold under agreement to repurchase [1]	1,871	0.11		2,483	0.18		3,333
CP issued	-	N/A		15	0.40		150
Other short-term borrowings	2,062	1.08		2,689	0.54		5,676
2008							
Federal funds purchased [1]	$1,120	0.32	%	$2,622	1.96	%	$5,693
Securities sold under agreement to repurchase [1]	3,193	0.19		4,961	1.59		6,318
CP issued	-	N/A		52	2.40		148

Other short-term borrowings	5,166	0.48	3,005	1.79	5,166

[1] Federal 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 borrowings.

Short-term borrowings increased $455 million, or 8%, from December 31, 2009 to $5.8 billion as of December 31, 2010. The increase was primarily attributable to an incremental $309 million of securities sold under agreement to repurchase and $300 million of dealer collateral held by the Company as of December 31, 2010. Additionally, the $99 million of CP issued during 2010 contributed to the rise in short-term borrowings. These increases were slightly offset by a decrease of $482 million in Fed funds purchased overnight to $951 million as of December 31, 2010.

LONG-TERM DEBT

Table 23 Long-Term Debt

	As of December 31	
(Dollars in millions)	**2010**	2009
Parent Company Only		
Senior, fixed rate	**$922**	$947
Senior, variable rate	**1,512**	1,512
Subordinated, fixed rate	**200**	505
Junior subordinated, fixed rate	**1,693**	1,693
Junior subordinated, variable rate	**651**	657
Total Parent Company debt	**4,978**	5,314
Subsidiaries		
Senior, fixed rate	**2,640**	5,177
Senior, variable rate	**3,443**	3,671
Subordinated, fixed rate	**2,087**	2,828
Subordinated, variable rate	**500**	500
Total subsidiaries debt	**8,670**	12,176
Total long-term debt	**$13,648**	$17,490

Long-term debt decreased $3.8 billion, or 22%, from December 31, 2009 to $13.6 billion at December 31, 2010. The decline in long-term debt was primarily the result of the repayment of $2.7 billion of FHLB advances, $500 million of which was issued during 2010 and $1.1 billion matured during 2010. We terminated $103 million of senior fixed rate debt and $929 million of senior floating rate debt, of which $750 million matured during 2010. Slightly offsetting the termination of the aforementioned senior debt was the increase in senior variable rate debt of $474 million and $290 million related to consolidation of the Student Loan entity and the CLO entity, respectively. The CLO debt is carried at fair value. See Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements for additional information related to the consolidation. Additionally, we performed a cash tender offer to purchase $750 million aggregate principal amount of our outstanding subordinated debt securities carried at fair value that were to mature between 2015 and 2020. Following the tender offer, we repurchased an additional $99 million of these subordinated debt securities in the secondary market. We also repurchased $34 million of Parent Company senior fixed rate debt and $6 million of Parent Company Junior Subordinated variable rate debt. During 2010, $300 million of Parent Company subordinated fixed rate debt recorded at fair value matured. Repayment was assisted by the continued growth during the year of our core deposit portfolio.

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CAPITAL RESOURCES

Table 24 Capital Ratios

	As of December 31		
(Dollars in millions)	**2010**	2009	2008
Tier 1 capital	**$18,156**	$18,069	$17,614
Total capital	**21,967**	22,895	22,743
Risk-weighted assets	**132,819**	139,380	162,046
Tier 1 capital	**$18,156**	$18,069	$17,614
Less:			
Qualifying trust preferred securities	**2,350**	2,356	2,847
Preferred stock	**4,942**	4,917	5,222
Allowable minority interest	**127**	104	102
Tier 1 common equity	**$10,737**	$10,692	$9,443
Risk-based ratios:			
Tier 1 common equity	**8.08 %**	7.67 %	5.83 %
Tier 1 capital	**13.67**	12.96	10.87
Total capital	**16.54**	16.43	14.04
Tier 1 leverage ratio	**10.94**	10.90	10.45
Total shareholders equity to assets	**13.38**	12.94	11.90

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

Both the Company and the Bank are subject to a minimum Tier 1 capital and total capital ratios of 4% and 8%, respectively, of risk weighted assets. To be considered well-capitalized, ratios of 6% and 10%, respectively, are required. Additionally, the Company and the Bank are subject to Tier 1 leverage ratio requirements, which measures Tier 1 capital against average assets for leverage purposes, which is a regulatory exposure measure with adjustments similar to those used to calculate Tier 1 capital. The minimum and well-capitalized ratios are 3% and 5%, respectively.

In September 2010, the BCBS announced new regulatory capital requirements (commonly referred to as Basel III) aimed at substantially strengthening existing capital requirements, through a combination of higher minimum capital requirements, new capital conservation buffers and more stringent definitions of capital and exposure. Basel III would impose a new common equity requirement of 7%, comprised of a minimum of 4.5% plus a capital conservation buffer of 2.5%. The transition period for banks to meet the revised common equity requirement will begin in 2013, with full implementation in 2019. Our current proforma Tier 1 common ratio is in excess of 8%, which is above the 2019 Basel III 7% requirement. The BCBS has also stated that from time to time it may require an additional, counter-cyclical capital buffer on top of Basel III standards. We intend to comply with those requirements when announced as they may apply to us. The new rule also proposes the deduction of certain assets in measuring Tier 1 capital. It is anticipated that U.S. regulators will adopt new regulatory capital requirements similar to those proposed by the BCBS and the new requirements are anticipated to be phased in over the period from 2013 to 2015. We will continue to monitor the Federal Reserve s implementation of the Basel III standards.

The composition of our capital elements is likely to be impacted by the Dodd-Frank Act in at least two ways over the next several years. First, the Dodd-Frank Act authorizes the Federal Reserve to enact prudential capital requirements which may require greater capital levels than presently required and which may vary among financial institutions based on size, risk, complexity, and other factors. We expect the Federal Reserve to use this authority to implement the Basel III capital requirements, although this authority is not limited to the Basel III requirements. See additional discussion of newly proposed Basel III capital rules in the Executive Overview section of this MD&A. Second, a portion of the Dodd-Frank Act (sometimes referred to as the Collins Amendment) directs the Federal Reserve to adopt new capital requirements for certain bank holding companies (including SunTrust Banks, Inc.) which are at least as stringent as those applicable to insured

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depositary institutions, such as SunTrust Bank. We expect that the Federal Reserve will apply these to us over a 3-year period beginning January 1, 2013 and that, as a result, approximately $2.3 billion in principal amount of Parent Company trust preferred and other hybrid capital securities that will be outstanding at such future time, will no longer qualify for Tier 1 capital treatment at that time. We will consider changes to our capital structure as these new regulations are published and become applicable to us.

In connection with the SCAP in 2009, our regulators began focusing on Tier 1 common equity which is the portion of Tier 1 capital that is common equity. Tier 1 common equity and the Tier 1 common equity ratio are not determined in accordance with U.S. GAAP and are not defined in federal banking regulations. As a result, our calculation of these measures may be different than those of other financial service companies who calculate them. However, Tier 1 common equity and the Tier 1 common equity ratio continue to be factors which regulators examine in evaluating financial institutions; therefore, we present these measures to allow for evaluations of our capital.

Our capital levels increased with Tier 1 common equity, Tier 1 capital, and Total capital ratios at 8.08%, 13.67%, and 16.54%, respectively, at December 31, 2010 compared to 7.67%, 12.96%, and 16.43%, respectively, at December 31, 2009. The increase in Tier 1 common equity and Tier 1 capital ratios was due to stable Tier 1 capital and Tier 1 common equity and the decline in risk weighted assets. Our Total capital ratio was stable as a result of lower risk weighted assets, offset by the tender for subordinated debt that we completed in the third quarter. See additional discussion related to the repurchase of debt securities in the Liquidity Risk section of this MD&A. Our capital position remains strong relative to current regulatory requirements. Our Tier 1 common ratio also exceeds the guidelines recently published by the BCBS and anticipated to be endorsed by the U.S. regulatory agencies.

We declared and paid common dividends totaling $20 million during the year ended December 31, 2010, or $0.04 per common share, compared to $83 million, or $0.22 per common share, during 2009. In addition, we declared dividends payable during the years ended December 31, 2010 and 2009 of $7 million and $14 million, respectively, on our Series A preferred stock. Further, during the years ended December 31, 2010 and 2009, we declared dividends payable of $242 million and $243 million, respectively, to the U.S. Treasury on the Series C and D Preferred Stock issued to the U.S. Treasury under the TARP s CPP. Given our capital position and our current liquidity, we believe are well positioned to repay TARP when regulatory approval is received. However, the Federal Reserve has required similarly-situated financial institutions to raise additional common equity as a prerequisite to repaying TARP, and there can be no assurance that we will not also be required to do so.

During 2009, we reduced the common share dividend to $0.01 per share, per quarter where it remained as of the most recent common share dividend declaration in February 2011. It is not likely that we will increase our dividend until we have obtained the consent of our applicable regulators as further described below.

The Federal Reserve is currently conducting a comprehensive review process (the Comprehensive Capital Plan Review) to evaluate the repayment of TARP by bank holding companies, as well as other capital related items such as common dividends and share repurchases, which will be completed by late March. Once the review process is completed, we will be in a better position to reevaluate our repayment options and the appropriate timing. We expect that our current Tier 1 common ratio of 8.1%, proforma Basel III Tier 1 common ratio of 8.4%, and our reduced risk profile will serve us well in this process.

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

In connection with the issuance of the Series C and D Preferred Stock of SunTrust, we agreed to certain terms affecting repurchase, redemption, and repayment of the preferred stock and restriction on payment of common stock dividends, among other terms. Included with the issuance of the Series C and D preferred stock was issuance of ten-year warrants to the U.S. Treasury to purchase approximately 12 million and 6 million shares of our common stock at initial exercise prices of $44.15 and $33.70. The preferred stock and related warrants were issued at a total discount of approximately $132 million, which

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will be accreted into U.S. Treasury preferred dividend expense using the effective yield method over a five year period from each respective issuance date. The terms of the warrants as well as the restrictions related to the issuance of the preferred stock is more fully described in Current Reports on Form 8-K filed on November 17, 2008 and January 2, 2009.

We are subject to certain restrictions on our ability to increase the dividend as a result of participating in the U.S. Treasury s CPP. Generally, we may not pay a regular quarterly cash dividend of more than $0.77 per share of common stock prior to November 14, 2011, unless either (i) we have redeemed the Series C and Series D Preferred Stock, (ii) the U.S. Treasury has transferred the Series C and Series D Preferred Stock to a third party, or (iii) the U.S. Treasury consents to the payment of such dividends in excess of such amount. Additionally, if we increase our quarterly dividend above $0.54 per share prior to the tenth anniversary of our participation in the CPP, then the exercise price and the number of shares to be issued upon exercise of the warrants issued in connection with our participation in the CPP will be proportionately adjusted. The amount of such adjustment will be determined by a formula and depends in part on the extent to which we raise our dividend. The formulas are contained in the warrant agreements. There also exists limits on the ability of the Bank to pay dividends to the Parent Company. Substantially all of our retained earnings are undistributed earnings of the Bank, which are restricted by various regulations administered by federal and state bank regulatory authorities. There was no capacity for payment of cash dividends to the Parent Company under these regulations at December 31, 2010.

Table 25 Share Repurchases in 2010

	Common Stock				Series A Preferred Stock Depositary Shares[1]			
	Total number of shares purchased[2]	Average price paid per share	Number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs[3]	Total number of shares purchased	Average price paid per share	Number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs[4]
Total first quarter 2010	-	-	-	30,000,000	-	-	-	9,469,530
Total second quarter 2010	-	-	-	30,000,000	-	-	-	9,469,530
Total third quarter 2010	-	-	-	30,000,000	-	-	-	9,469,530
Total fourth quarter 2010	-	-	-	30,000,000	-	-	-	9,469,530

[1]On September 12, 2006, SunTrust issued and registered under Section 12(b) of the Exchange Act 20 million Depositary Shares, each representing a 1/4,000th interest in a share of Perpetual Preferred Stock, Series A.

[2]Includes shares repurchased pursuant to SunTrust s employee stock option plans, pursuant to which participants may pay the exercise price upon exercise of SunTrust stock options by surrendering shares of SunTrust common stock which the participant already owns. SunTrust considers shares so surrendered by participants in SunTrust s employee stock option plans to be repurchased pursuant to the authority and terms of the applicable stock option plan rather than pursuant to publicly announced share repurchase programs. For the twelve months ended December 31, 2010, zero shares of SunTrust common stock were surrendered by participants in SunTrust s employee stock option plans.

[3]On August 14, 2007, the Board authorized the Company to repurchase up to 30 million shares of common stock and specified that such authorization replaced (terminated) existing unused authorizations. This authority was terminated on January 5, 2011.

[4]The Company may repurchase up to $250 million face amount of various tranches of its hybrid capital securities, including its Series A Preferred Stock. The amount disclosed reflects the maximum number of Series A Preferred Shares which the Company may repurchase at par under this authority assuming it is used solely to repurchase Series A Preferred Stock, although only 6,900,426 shares of Series A Preferred Stock remain outstanding as of December 31, 2010. This authority was terminated on January 5, 2011.

ENTERPRISE RISK MANAGEMENT

In the normal course of business, we are exposed to various risks. We have established an enterprise risk governance framework to manage these risks and to provide reasonable assurance that key business objectives will be achieved. Underlying this framework are limits, policies, processes and procedures designed to effectively identify, monitor and manage risk.

The Board is wholly responsible for oversight of our corporate risk governance framework. The Risk Committee of the Board 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 Chief Executive Officer, and provides overall vision, direction and leadership regarding our enterprise risk management framework. In addition, the CRO provides regular risk assessments to Executive Management, the Risk Committee of the Board, Audit Committee of the Board and the full Board, and provides other information to Executive Management and the Board, as requested.

The enterprise risk governance framework incorporates a variety of senior management risk-related committees. These committees are responsible for ensuring effective risk measurement and management in their respective areas of authority. These committees include: CRC, ALCO, and the EAPMC. The CRC is chaired by the CRO and supports the CRO in measuring and managing our aggregate risk profile. The CRC consists of various senior executives and meets on a monthly basis. The CRO is an active member of the other oversight committees.

The CRO and, by extension CRM, establishes sound corporate risk processes that focus on identifying, measuring, monitoring, reporting and managing the risks which face the Company. At its core, CRM s objective is to:

Deliver sophisticated risk management capabilities throughout SunTrust that:

- Identify, measure, analyze, manage and report risk at the transaction, portfolio and corporate levels;
- Optimize decision making;
- Promote sound processes and regulatory compliance;
- Maximize shareholder value; and
- Help people and institutions prosper.

To achieve this objective, we continually refine our risk governance and management limits, policies, processes and procedures to reflect changes in external conditions and/or corporate goals and strategies. Similarly, risk management systems, processes and applications are routinely enhanced to support our risk and business objectives. Risk information is available at both an enterprise and a detailed level. Senior management and Board reports provide a holistic picture of the organization s risk profile and trends, whereas detailed information provides insight at a more granular level to line managers. We actively work to balance our strategic goals, including revenue and profitability objectives, with the risks associated with achieving these goals. Effective risk management is an important element supporting our business decision making.

Organizationally, CRM measures and manages risk along four dimensions: credit risk, market risk (including liquidity risk), operational risk and compliance/legal risk; reputational risk, which can be influenced by any of the other risk disciplines, is also evaluated. Credit risk programs are overseen by the Chief Wholesale Credit Officer and the Chief Retail Credit Officer; market risk programs are overseen by the Corporate Market Risk Officer; operational risk programs are overseen by the CORO; and Compliance/Legal Risk programs are overseen by the Corporate Compliance and Regulatory Liaison Officer. Other activities overseen by CRM include risk information and reporting; risk analytics, including stress testing and the ALLL; and other assurance and risk administration functions.

Credit Risk Management

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

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

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

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

Operational Risk Management

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

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

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

Market Risk Management

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

Market Risk from Non-Trading Activities

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

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

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

As the future path of interest rates cannot be known in advance, we use simulation analysis to project net interest income under various interest rate scenarios including implied forward and deliberately extreme and perhaps unlikely scenarios. The analyses may include rapid and gradual ramping of interest rates, rate shocks, basis risk analysis, and yield curve twists. Each

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analysis incorporates what management believes to be the most appropriate assumptions about client behavior in an interest rate scenario. Specific strategies are also analyzed to determine their impact on net interest income levels and sensitivities.

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

Economic Perspective

Rate Change (Basis Points)	Estimated % Change in Net Interest Income Over 12 Months	
	December 31, 2010	December 31, 2009
+100	**0.2%**	0.0%
-100	**(0.9%)**	0.1%

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

Financial Reporting Perspective

Rate Change (Basis Points)	Estimated % Change in Net Interest Income Over 12 Months	
	December 31, 2010	December 31, 2009
+100	**0.5%**	0.5%
-100	**(1.0%)**	(0.3%)

The difference from December 31, 2009 to December 31, 2010 seen above in both the economic and financial reporting perspectives related to a 100 basis point shock is primarily due to interest rates being at or near terminally low levels as well as reaching floors of essentially zero percent in downward rate shocks.

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

As of December 31, 2010, the MVE profile indicates modest changes with respect to an instantaneous 100 basis point change in rates.

Rate Shock	Estimated % Change in MVE

(Basis Points)		
	December 31, 2010	December 31, 2009
+100	**(3.4%)**	(4.2%)
-100	**1.1%**	2.3%

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

Trading Activities

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

Under established policies and procedures we manage market risk associated with trading, capital markets and foreign exchange activities using a VAR approach that determines total exposure arising from interest rate risk, equity risk, foreign exchange risk, spread risk, and volatility risk. For trading portfolios, VAR measures the estimated maximum loss from a trading position, given a specified confidence level and time horizon. VAR exposures and actual results are monitored daily for each trading portfolio. Our VAR calculation measures the potential losses using a 99% confidence level with a one day holding period. This means that, on average, losses are expected to exceed VAR two or three times per year. We had no backtest exceptions to our overall VAR during the last twelve months. The following table displays high, low, and average VAR for the years ended December 31, 2010 and 2009.

(Dollars in millions)	**2010**	2009
Average VAR	**$9**	$21
High VAR	**$15**	$28
Low VAR	**$6**	$15

Average VAR during the year ended December 31, 2010 was lower compared to the year ended December 31, 2009 primarily due to sales, paydowns and maturities of illiquid trading assets. This is a result of continuing to manage down illiquid asset holdings where possible, as they are not part of our core business activities. Trading assets net of trading liabilities averaged $3.5 billion and $4.7 billion for the years ended December 31, 2010 and 2009, respectively. The decline in average trading balances is primarily a result of balance sheet management activities. Trading assets net of trading liabilities were $3.5 billion and $2.8 billion at December 31, 2010 and 2009, respectively. The increase in trading assets net of trading liabilities was primarily due to increases in the TRS portfolio at year end.

Liquidity Risk

Liquidity risk is the risk of being unable to meet obligations as they come due at a reasonable funding cost. We mitigate this risk by structuring our balance sheet prudently and by maintaining diverse borrowing resources to fund potential cash needs. For example, we structure our balance sheet so that we fund less liquid assets, such as loans, with stable funding sources, such as retail and wholesale deposits, long-term debt and capital.

We assess liquidity needs in both the normal course of business and times of unusual events, considering both on and off balance sheet arrangements and commitments that may impact liquidity in certain business environments. We have contingency funding plans that assess liquidity needs that may arise from certain stress events such as credit rating downgrades, rapid asset growth, and financial market disruptions. Our contingency plans also provide for continuous monitoring of net borrowed funds dependence and available sources of contingent liquidity. These sources of contingent liquidity include available cash reserves, capacity to borrow from the FHLB system, the ability to sell, pledge, or borrow against unencumbered securities in the Bank s investment portfolio and the capacity to borrow at the Federal Reserve discount window. As of December 31, 2010, the potential liquidity from these four sources totaled $43.0 billion, which we believe exceeds any contingent liquidity needs.

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

Uses of Funds. Our primary uses of funds include the extension of loans and credit, the purchase of investment securities, working capital, and debt and capital service. In addition, contingent uses of funds may arise from events such as financial market disruptions or credit rating downgrades. Factors that affect our credit ratings include, but are not limited to, the credit risk profile of our assets, the adequacy of our ALLL, earnings, the liquidity profile of both the Bank and the Parent Company, the economic environment, and the adequacy of our capital base. During 2010, SunTrust received one-notch credit ratings downgrades from each of the four primary NRSROs (Moody s, Standard & Poor s, Fitch and DBRS). The incremental impact of these downgrades to our daily business operations was immaterial given that our credit ratings remained investment grade, many peer banks received similar downgrades, our capital ratios remained well above regulatory standards for being well-capitalized, and most of our fundamental credit metrics improved during the course of the year. As of December 31, 2010, all of the primary NRSROs maintained a Stable outlook on our credit ratings. Given the Stable outlooks, additional downgrades are possible although not anticipated; see Part I, Item 1A, Risk Factors, for additional information.

The Bank and the Parent Company borrow in the money markets using instruments such as Fed funds, Eurodollars, and CP. As of December 31, 2010, the Parent Company had no CP outstanding and the Bank retained a material cash position in the form of excess reserves in its Federal Reserve account. In the absence of robust loan demand, we have chosen to deploy some of this excess liquidity to purchase and retire certain high-cost debt securities or other borrowings. During 2010, we repurchased $2.8 billion of Bank and Parent Company debt securities, including senior and subordinated notes, senior notes guaranteed under the FDIC s DGP, and FHLB advances. As of December 31, 2010, the Bank had just $34 million of outstanding FHLB advances.

Sources of Funds. Our primary source of funds is a large, stable retail deposit base. Core deposits, primarily gathered from our retail branch network, are our largest and most cost-effective source of funding. Core deposits totaled $120.0 billion as of December 31, 2010, up from $116.3 billion as of December 31, 2009. The Bank used core deposit growth to replace some of the $4.1 billion of term wholesale funding, which matured during the year ended December 31, 2010, bolstering the quality and depth of the Bank s already strong liquidity position.

We also maintain access to a diversified collection of wholesale funding sources. 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 totaled $22.9 billion as of December 31, 2010, down from $28.2 billion as of December 31, 2009. Net short-term unsecured borrowings, which includes wholesale domestic and foreign deposits and Fed funds purchased, totaled $7.1 billion as of December 31, 2010, down from $8.9 billion as of December 31, 2009.

We also have access to wholesale liquidity via the capital markets. The Parent Company maintains an SEC shelf registration statement from which it may issue senior or subordinated notes and various capital securities such as common or preferred stock. Our Board has authorized the issuance of up to $5.0 billion of such securities. The Bank maintains a Global Bank Note program under which it may issue senior or subordinated debt with various terms. As of December 31, 2010, the Bank had capacity to issue $32.1 billion of notes under the Global Bank Note program. Borrowings under these programs are designed to appeal primarily to domestic and international institutional investors. Institutional investor demand for these securities is dependent upon numerous factors, including but not limited to our credit ratings and investor perception of financial market conditions and the health of the banking sector. Our capacity under these programs refers to authorization granted by our Board, and does not refer to a commitment to purchase by any investor.

Parent Company Liquidity. Our primary measure of Parent Company liquidity is the length of time the Parent Company can meet its existing obligations using its present cash balance without the support of dividends from the Bank or new debt issuance. In accordance with risk limits established by ALCO and the Board, we manage the Parent Company s liquidity by structuring its maturity schedule to minimize the amount of debt maturing within a short period of time. Approximately $300 million of Parent Company debt matured during the year ended December, 2010 and none is scheduled to mature during 2011. Much of the Parent Company s liabilities are long-term in nature, coming from the proceeds of our capital securities and long-term senior and subordinated notes.

The primary uses of Parent Company liquidity include debt service, dividends on capital instruments, the periodic purchase of investment securities, and loans to our subsidiaries. We fund corporate dividends primarily with dividends from our banking subsidiary. We are subject to both state and federal banking regulations that limit our ability to pay common stock dividends in certain circumstances. In September 2009 amidst the economic recession and credit market turmoil, we reduced our quarterly common stock dividend to its current level of $0.01 per share. An increase in our quarterly dividend will be dependent upon, among other factors, a sustained return to profitability and the consent of our applicable bank regulators.

Recent Developments. Additional regulatory standards for bank liquidity were proposed during 2010. In December of 2010, the BCBS reached final agreement on these proposals to strengthen and standardize global liquidity standards. The proposed standards would require banks to comply with two new liquidity ratios the LCR and the NSFR. The LCR is the ratio of a bank s stock of high-quality liquid assets to estimated net cash outflows during an acute 30-day stress scenario. The NSFR measures the amount of a bank s long-term stable funding relative to the liquidity profile of its funded assets and the potential for contingent liquidity needs arising from off-balance sheet commitments. The intent of the LCR and NSFR is to promote the retention of significant liquidity reserves and the increased use of stable funding sources such as core deposits and long-term debt.

Our regulators have not yet adopted these new standards, although we expect the Federal Reserve will issue a Notice of Proposed Rulemaking later in 2011 that will define how U.S. banks will be required to implement them. The BCBS s recommended adoption dates for these new standards are January 1, 2015 for the LCR and January 1, 2018 for the NSFR. In the meantime, we continue to refine our methodologies for calculating these new liquidity ratios and develop plans for compliance with the new standards. We believe the goals of these standards are consistent with our existing liquidity management framework, policies and practices.

It is possible that these liquidity requirements will continue to evolve in the coming months, making it difficult to quantify precisely the costs and other business impacts of these proposed measures at this time. In general, however, these standards may lead to changes in the cost and maturity profile of our funding and/or the size and composition of our investment portfolio. We believe the Company will be well positioned to comply with the new standards given our strong core banking franchise and conservative liquidity management practices.

Other Liquidity Considerations. As detailed in Table 27, we had an aggregate potential obligation of $63.3 billion to our clients in unused lines of credit at December 31, 2010. Commitments to extend credit are arrangements to lend to clients who have complied with predetermined contractual obligations. As of December 31, 2009, the Bank had unused lines of credit issued in support of Three Pillars as shown in the CP conduit line in Table 27. As of January 1, 2010 we consolidated Three Pillars. Therefore, as of December 31, 2010, the amount of the CP conduit line depicted in Table 27 represents the unused lines of credit that Three Pillars has extended to its clients, as opposed to the lines of credit that the Bank has extended to Three Pillars, which are still legally outstanding. For more information about Three Pillars, see Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements.

We also had $6.4 billion in letters of credit as of December 31, 2010, most of which are standby letters of credit, which require that we provide funding if certain future events occur. Approximately $4.0 billion of these letters as of December 31, 2010 supported VRDOs. Our lines and letters of credit have declined since December 31, 2009 due to our decision to reduce exposure to certain higher risk areas, as well as our clients decision not to renew their lines and letters of credit as a result of their decreased need for these facilities as they pay down their debt and reduce their need for working capital.

Certain provisions of long-term debt agreements and the lines of credit prevent us from creating liens on, disposing of, or issuing (except to related parties) voting stock of subsidiaries. Further, there are restrictions on mergers, consolidations, certain leases, sales or transfers of assets, and minimum shareholders equity ratios. As of December 31, 2010, we were and expect to remain in compliance with all covenants and provisions of these debt agreements.

As of December 31, 2010, our cumulative UTBs amounted to $102 million. Interest related to UTBs was $21 million as of December 31, 2010. These UTBs represent the difference between tax positions taken or expected to be taken in our tax returns and the benefits recognized and measured in accordance with the relevant accounting guidance for income taxes. The UTBs are based on various tax positions in several jurisdictions and, if taxes related to these positions are ultimately paid, the payments would be made from our normal, operating cash flows, likely over multiple years.

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Other Market Risk

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

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

MSRs are the present value of future net cash flows that are expected to be received from the mortgage servicing portfolio. The value of MSRs is highly dependent upon the assumed prepayment speed of the mortgage servicing portfolio which is driven by the level of certain key interest rates, primarily the 30-year current coupon par mortgage rate known as the par mortgage rate. Future expected net cash flows from servicing a loan in the mortgage servicing portfolio would not be realized if the loan pays off earlier than anticipated. Prepayment speeds have generally been slowing down given the current economic environment; however, the level of prepayments began to pick up towards the second half of 2010, but the impact from increasing prepayments was offset by additions to the MSR portfolio from new origination activity.

We historically have not actively hedged MSRs, but have managed the market risk through our overall asset/liability management process with consideration to the natural counter-cyclicality of servicing and production that occurs as interest rates rise and fall over time with the economic cycle as well as with securities AFS. However, as of January 1, 2009, we designated the 2008 MSRs vintage and all future MSRs production at fair value. In addition, as of January 1, 2010, we designated at fair value the remaining MSR portfolio of $604 million being carried at LOCOM. Upon designating the remaining MSRs at fair value, we increased the carrying value of these MSRs by $145 million and recorded an increase in retained earnings, net of taxes, of $89 million. The decision to designate the MSR portfolio at fair value, key economic assumptions, and the sensitivity of the current fair value of the MSRs as of December 31, 2010 and 2009 is discussed in greater detail in Note 9, Goodwill and Other Intangible Assets and Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities , to the Consolidated Financial Statements.

The MSRs being carried at fair value total $1.4 billion and $936 million as of December 31, 2010 and 2009, respectively, and are managed within established risk limits and are monitored as part of various governance processes. We originated MSRs with a fair value of $289 million and $682 million, at the time of origination, during the years ended December 31, 2010 and 2009, respectively. We recorded a decrease in fair value of $513 million for the year ended December 31, 2010, and an increase in fair value of $66 million for the year ended December 31, 2009, including decay resulting from the realization of expected monthly net servicing cash flows.

During the years ended December 31, 2010 and 2009, we recorded a loss in the Consolidated Statements of Income/(Loss) related to fair value MSRs of $69 million (including decay of $240 million) and $22 million (including decay of $95 million), respectively, inclusive of the mark to market adjustments on the related hedges. We also recorded an impairment recovery in the Consolidated Statements of Income/(Loss) of $199 million during the year ended December 31, 2009, related to MSRs carried at LOCOM at the time.

We also have market risk from capital stock we hold in the FHLB of Atlanta and from capital stock we hold in the Federal Reserve Bank. In order to be an FHLB member, we are required to purchase capital stock in the FHLB. In exchange, members take advantage of competitively priced advances as a wholesale funding source and access grants and low-cost loans for affordable housing and community-development projects, amongst other benefits. As of December 31, 2010, we held a total of $298 million of capital stock in the FHLB. During 2010, we reduced our capital stock holdings in the FHLB by $45 million. In order to become a member of the Federal Reserve System, regulations require that we hold a certain amount of capital stock as a percentage of the Bank s capital. During 2010, we held $391 million of Federal Reserve Bank capital stock.

For a detailed overview regarding actions taken to address the risk from changes in equity prices associated with our investment in Coke common stock, see Investment in Common Shares of the Coca-Cola Company, in this MD&A. We

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also hold, as of December 31, 2010, a total of approximately $215 million of private equity investments that include direct investments and limited partnerships. We hold these investments as long-term investments and make additional contributions based on our contractual commitments but have decided to limit investments into new private equity investments.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTRACTUAL COMMITMENTS

In the normal course of business, we enter into certain contractual obligations, including obligations to make future payments on debt and lease arrangements, contractual commitments for capital expenditures, and service contracts. Table 26 summarizes our significant contractual obligations as of December 31, 2010, except for pension and other postretirement benefit plans, included in Note 16, Employee Benefit Plans, to the Consolidated Financial Statements. Table 27 illustrates our unfunded lending commitments as of December 31, 2010 and December 31, 2009.

Table 26 Contractual Commitments

	As of December 31, 2010				
(Dollars in millions)	**1 year or less**	**1-3 years**	**3-5 years**	**After 5 years**	**Total**
Time deposit maturities [1]	$12,319	$6,357	$4,754	$110	$23,540
Short-term borrowings [1]	5,821	-	-	-	5,821
Long-term debt [1,2]	4,571	2,043	811	6,209	13,634
Operating lease obligations	209	379	327	561	1,476
Capital lease obligations [1]	2	2	3	7	14
Purchase obligations [3]	143	372	226	304	1,045
Total	$23,065	$9,153	$6,121	$7,191	$45,530

[1] Amounts do not include accrued interest.
[2] Amounts do not include capital lease obligations.
[3] Includes contracts with a minimum annual payment of $5 million.

Table 27 Unfunded Lending Commitments

	As of December 31,	
(Dollars in millions)	**2010**	2009
Unused lines of credit		
Commercial	**$34,363**	$35,028
Mortgage commitments [1]	**9,159**	12,227
Home equity lines	**13,557**	15,208
CRE	**1,579**	1,922
CP conduit	**1,091**	3,787
Credit card	**3,561**	3,946
Total unused lines of credit	**$63,310**	$72,118

Letters of credit		
Financial standby	**$6,263**	$8,778
Performance standby	**108**	140
Commercial	**68**	83
Total letters of credit	**$6,439**	$9,001

[1] Includes $4 billion and $3 billion in IRLCs accounted for as derivatives as of December 31, 2010 and December 31, 2009, respectively.

As of December 31, 2010, our cumulative UTBs amounted to $102 million. Interest related to UTBs was $21 million as of December 31, 2010. These UTBs represent the difference between tax positions taken or expected to be taken in our tax returns and the benefits recognized and measured in accordance with the relevant accounting guidance for income taxes. The UTBs are based on various tax positions in several jurisdictions and, if taxes related to these positions are ultimately paid, the payments would be made from our normal, operating cash flows, likely over multiple years.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in detail in Note 1, Significant Accounting Policies, to the Consolidated Financial Statements and are integral to understanding 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, valuing an asset or liability, or reducing a liability. Our accounting and reporting policies are in accordance with U.S. GAAP, and they conform to general practices within the financial services industry. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a description of our current critical accounting policies.

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

Large commercial nonaccrual loans and certain commercial, consumer, and residential loans whose terms have been modified in a TDR, are individually evaluated to determine the amount of specific allowance required using the most probable source of repayment, including the present value of the loan s expected future cash flows, the fair value of the underlying collateral less costs of disposition, or the loan s estimated market value. In these measurements, we use assumptions and methodologies that are relevant to estimating the level of impaired and unrealized losses in the portfolio. To the extent that the data supporting such assumptions has limitations, our judgment and experience play a key role in enhancing the specific ALLL estimates. Key judgments used in determining the 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, including smaller balance homogeneous loans. 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 loans, 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.

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 our internal property valuation professionals. The value estimate is based on an orderly disposition and marketing period of the property. In limited instances, we adjust 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.

Our determination of the ALLL for commercial loans is sensitive to the assigned internal risk ratings and inherent loss rates at December 31, 2010. In the event that 10 percent of loans within this portfolio segment experienced downgrades of two internal risk ratings, the ALLL for the commercial portfolio would increase by approximately $150 million at December 31, 2010. In the event that estimated loss severity rates for the entire commercial loan portfolio increased by 10 percent, the ALLL for the commercial portfolio would increase by approximately $129 million at December 31, 2010. Our determination of the allowance for residential and consumer loans is also sensitive to changes in estimated loss severity rates. In the event that estimated loss severity rates for the residential and consumer loan portfolio increased by 10 percent, the ALLL for the residential and consumer portfolios would increase, in total, by approximately $154 million at December 31, 2010. Because several quantitative and qualitative factors are considered in determining the ALLL, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the ALLL. They 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, may at any point in time reach different reasonable conclusions that could be significant to our financial statements.

In addition to the ALLL, we also 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 similar to funded loans based on our internal risk rating scale. These risk classifications, in combination with an analysis of historical loss experience, probability of commitment usage, and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments.

Our financial results are affected by the changes in and the absolute level of 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. As a result of the uncertainty associated with this subjectivity, we cannot assure the precision of the amount reserved should we experience sizeable loan or lease losses in any particular period. For example, changes in the financial condition of individual borrowers, economic conditions, or the condition of various markets in which collateral may be sold could require us to significantly decrease or increase the level of the Allowance for Credit Losses. Such an adjustment could materially affect net income as a result of the change in provision for credit losses. During 2009 and 2010, we experienced elevated delinquencies and net charge-offs in residential real estate loans due to the deterioration of the housing market. These market conditions were considered in deriving the estimated Allowance for Credit Losses; however, given the continued economic challenges and uncertainties, the ultimate amount of loss could vary from that estimate. 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.

Mortgage Repurchase Reserve

We sell residential mortgage loans to investors through securitizations or whole loan sales in the normal course of our business. In association with these transactions, we provide representations and warranties to the buyers that these loans meet certain requirements. In the last few years, we have seen a significant increase in buyer claims regarding material breaches of these representations and warranties resulting in a significant increase in the repurchase liability. The increase in repurchase losses has primarily related to loans sold from 2005 to 2008. We have received fewer repurchase requests related to loans sold prior to 2005 and after 2008 due to the stronger credit performance of these loans and improvements in credit guidelines and underwriting process implemented progressively, beginning in 2007. The increase in repurchase requests has been driven by loans sold to the GSEs, with a limited number of requests having been received related to non-agency investors.

We maintain a liability for losses resulting from loan repurchases and indemnifications that is initially based upon the fair value of these guarantees. Subsequently, the liability is reduced in proportion to the reduction in risk as actual losses are incurred, and additions to the liability are made for our estimate of incurred losses. The liability is calculated by sales vintage based on various factors including:

- existing repurchase demands,
- the population of loans that have ever been 120 or more days past due, including loans currently delinquent that are expected to migrate to 120 days past due,
- the probability that a repurchase request related to a defaulted loan will be received,

- the probability that a loan demanded for repurchase will be repurchased, and
- historical loss experience.

Some of the assumptions used in this process contain a level of uncertainty since these assumptions are largely derived from historical experience that is limited and highly variable. As such, provision expense will vary as the estimates used to measure the liability continue to be updated based on the level of repurchase requests, the latest experience gained on repurchase requests and other relevant facts and circumstances. One of the most critical and judgmental assumptions is the repurchase request rate because it requires us to make assessments regarding the actions that will be taken by third party purchasers in the context of the limited and highly variable history we have experienced with their current volume of requests.

Once we estimate the level of requests that we expect to receive by vintage, we apply factors for the probability that a loan will be repurchased as well as the loss severity expected. Based on our experience during 2010, we estimate that our actual repurchase rate relative to our demands will be approximately 50%. With regard to losses experienced on loan repurchases, including make-whole settlements, our current experience has averaged approximately 50% of our demands. The experience varies by vintage and will be affected by future housing price changes. We expect future repurchase related losses and reserves will be largely driven by the volume of repurchase requests received from the GSEs, which have exhibited considerable monthly volatility. To date, the majority of our repurchase requests have been associated with 2006 and 2007 vintages, which produce higher losses. However, we expect that normal seasoning patterns for origination vintages, over time, will shift new repurchase requests to newer production vintages which have a lower risk profile. As that occurs, we expect lower aggregate request volumes and lower loss frequencies and severities, as the newer vintages exhibit more favorable characteristics, such as higher FICOs and lower original LTVs, as they were originated during or after periods that experienced the most significant home price depreciation.

Assuming a simultaneous 10% adverse change in all three of our key assumptions, our reserve estimate would increase by approximately $75 million. This sensitivity analysis is hypothetical in nature and intended to provide perspective on the potential impact that changes in key assumptions would have upon our estimate. It is highly unlikely that future developments would lead us to change key assumptions by the same relative percentage because they are likely to move independently to some degree.

Various factors could potentially impact the accuracy of the assumptions underlying our mortgage repurchase reserve estimate. As previously discussed, the level of repurchase and indemnification requests we receive is dependent upon the actions of third parties and could differ significantly 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 negatively impacted by delays in the foreclosure process which is a heightened risk in some of the states where our loans sold were originated. Approximately 15% of the population of loans sold between January 1, 2005 and December 31, 2010 were sold to non-agency investors, some in the form of securitizations. Due to the nature of these structures and the indirect ownership interests, the potential exists that investors, over time, will become more successful in forcing additional repurchase demands. While we have used 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.

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 when a loss is considered probable and the amount can be reasonably estimated. Significant judgment may be required in the determination of both probability 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 conditions and results of operations. However, it is the opinion of management that liabilities arising from these claims in excess of the amounts currently accrued, if any, will not have a material adverse impact to the Company s financial condition, results of operations, or cash flows. See Note 21, Contingencies, to the Consolidated Financial Statements for further discussion.

Estimates of Fair Value

Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Certain of our assets and liabilities are measured at fair value on a recurring basis. Examples of recurring uses of fair value include derivative instruments, AFS and trading securities, certain LHFI and LHFS, certain issuances of long-term debt, and MSRs. We also measure certain assets at fair value on a non-recurring basis either when such assets are carried at the LOCOM, to evaluate assets for impairment, or for disclosure purposes. Examples of these non-recurring uses of fair value include certain LHFS, OREO, goodwill, intangible assets, nonmarketable equity securities, and long-lived assets. Depending on the nature of the asset or liability, we use various valuation techniques and assumptions when estimating fair value.

The objective of fair value 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. Where observable market prices from transactions for identical assets or liabilities are not available, we identify what we believe to be similar assets or liabilities. If observable market prices are unavailable or impracticable to obtain for any such similar assets or liabilities, we look to other techniques such as obtaining third party quotes or using modeling techniques, such as discounted cash flows, while attempting to utilize market observable assumptions to the extent available. Absent current market activity in that specific security or a similar security, the resulting valuation approach will require making a number of significant judgments in the estimation of fair value. Market conditions during the credit crisis led to limited or nonexistent trading in certain of the financial asset classes that we have owned. The lack of liquidity and low level of activity in these markets creates additional challenges when estimating the fair value of related financial instruments.

Generally, the assets and liabilities most affected by the lack of liquidity are those required to be classified as level 3 in the fair value hierarchy. As a result, various processes and controls have been adopted to determine that appropriate methodologies, techniques and assumptions are used in the development of fair value estimates, particularly related to those instruments that require the use of significant, unobservable inputs. 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 a consensus estimate of the instrument s fair value after evaluating all available information pertaining to fair value. This process has involved the gathering of multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other similar securities, market indices, pricing matrices along with employing various modeling techniques, such as discounted cash flow analyses, in arriving at the best estimate of fair value. Modeling techniques incorporate our assessments regarding assumptions that market participants would use in pricing the asset or the liability, including market-based assumptions, such as interest rates, as well as assumptions about the risks inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, market liquidity, and the risk of nonperformance. In certain cases, our assessments with respect to assumptions that market participants would make may be inherently difficult to determine and the use of different assumptions could result in material changes to these fair value measurements. We used significant unobservable inputs to fair value, on a recurring basis, certain trading assets, securities AFS, portfolio loans accounted for at fair value, IRLCs, LHFS, MSRs and certain derivatives. The following table discloses assets and liabilities that have been impacted by level 3 fair value determinations.

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Table 28 Level 3 Assets and Liabilities

	As of December 31,	
(Dollars in millions)	**2010**	2009
Trading assets	**$209**	$390
Securities AFS	**1,136**	1,322
LHFS	**7**	151
LHFI	**492**	449
Other intangible assets [1]	**1,439**	936
Other assets [2]	**18**	13
Total level 3 assets	**$3,301**	$3,261
Total assets	**$172,874**	$174,165
Total assets measured at fair value	**$38,410**	$37,915
Level 3 assets as a percent of total assets	**1.9** %	1.9 %
Level 3 assets as a percent of total assets measured at fair value	**8.6**	8.6
Long-term debt	**$-**	$-
Trading liabilities	**145**	46
Other liabilities [2,3]	**42**	48
Total level 3 liabilities	**$187**	$94
Total liabilities	**$149,744**	$151,634
Total liabilities measured at fair value	**$6,842**	$7,161
Level 3 liabilities as a percent of total liabilities	**0.1** %	0.1 %
Level 3 liabilities as a percent of total liabilities measured at fair value	**2.7**	1.3

[1] MSRs carried at fair value.
[2] Includes IRLCs.
[3] Includes derivative related to sale of Visa shares during the second quarter of 2009.

Overall, the financial impact of the level 3 financial instruments did not have a significant impact on our liquidity or capital. Some fair value assets are pledged for corporate borrowings or other liquidity purposes. Most of these arrangements provide for advances to be made based on the market value and not the principal balance of the assets, and therefore whether or not we have elected fair value accounting treatment does not impact our liquidity. If the fair value of assets posted as collateral declines, we will be required to post more collateral under our borrowing arrangements which could negatively impact our liquidity position on an overall basis. For purposes of computing regulatory capital, mark to market adjustments related to our own creditworthiness for debt and index linked CDs accounted for at fair value are excluded from regulatory capital.

The following discussion provides further information on fair value accounting by balance sheet category including the difficult to value assets and liabilities displayed in the table above.

Trading Assets and Liabilities and Securities AFS

In estimating the fair values for the majority of securities AFS and trading instruments, including residual and certain other retained securitization interests, fair values are based on observable market prices of the same or similar instruments. We also gather third-party broker quotes or use industry-standard or proprietary models to estimate the fair value of these instruments. For certain securities and trading instruments, the distressed market conditions associated with this economic recession over the past few years have impacted our ability to obtain market pricing data on certain portfolios of securities. Even when market pricing has been available, the reduced trading activity resulting from current market conditions has challenged the observability of these quotations. However, we have seen certain markets begin to recover and have also been able to liquidate many of our level 3 assets through sales, maturities, or other distributions at prices approximating our previous estimates. When fair values are estimated based on internal models, we will consider relevant market indices that correlate to the underlying collateral, along with assumptions such as liquidity discounts, interest rates, prepayment speeds, default rates, loss severity rates, and discount rates.

Pricing services and broker quotes were obtained, when available, to assist in estimating the fair value of level 3 instruments. We evaluate third party pricing to determine the reasonableness of the information relative to changes in market data such as any recent trades we executed, market information received from outside market participants and analysts, and/or changes in the underlying collateral performance. The number of quotes we obtained varied based on the number of brokers following a particular security, but we generally attempt to obtain two to four quotes to determine reasonableness and comparability on a relative basis. In most cases, the current market conditions caused the broker quotes to be indicative and the price indications and broker quotes to be supported by very limited to no recent market activity. In those instances, we weighted the third party information according to our judgment of it being a reasonable indication of the instrument s fair value.

When actual trades are not available to corroborate pricing information received, we will use industry standard or proprietary models to estimate fair value, and will consider assumptions such as relevant market indices that correlate to the underlying collateral, prepayment speeds, default rates, loss severity rates, and discount rates. While it is difficult to accurately predict the ultimate cash value of these securities, we believe the amount that would be ultimately realized if the securities were held to settlement or maturity will generally be greater than the current fair value of the securities classified as level 3. This assessment is based on the current performance of the underlying collateral, which is experiencing elevated losses but generally not to the degree that correlates to current market values, which is pressured downward due to liquidity issues and other broad macroeconomic conditions. It is reasonably likely that market volatility for certain instruments will continue as a result of a variety of external factors. This lack of liquidity has caused us to evaluate the performance of the underlying collateral and use a discount rate commensurate with the rate a market participant would use to value the instrument in an orderly transaction, but that also acknowledges illiquidity premiums and required investor rates of return that would be demanded under current market conditions. The discount rate considered the capital structure of the instrument, market indices, and the relative yields of instruments for which third party pricing information and/or market activity was available. In certain instances, the interest rate and credit risk components of the valuation indicated a full return of expected principal and interest; however, the lack of liquidity resulted in wide ranges of discounts in valuing certain level 3 instruments. The illiquidity that continues to persist in certain markets are requiring discounts of this degree to drive a market competitive yield, as well as account for the anticipated extended tenor. The discount rates selected derived reasonable prices when compared to (i) observable transactions, when available, (ii) other securities on a relative basis, (iii) the bid/ask spread of non-binding broker indicative bids and/or (iv) our professional judgment.

All of the techniques used and information obtained in the valuation process provides a range of estimated values, which were evaluated and compared in order to establish an estimated value that, based on management s judgment, represented a reasonable estimate of the instrument s fair value. It was not uncommon for the range of value of these instruments to vary widely; in such cases, we selected an estimated value that we believed was the best indication of value based on the yield a market participant in this current environment would expect. Due to the continued illiquidity and credit risk of level 3 securities, these market values are highly sensitive to assumption changes and market volatility. Improvements may be made to our pricing methodologies on an ongoing basis as observable and relevant information becomes available to us. See Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements for a detailed discussion regarding level 2 and 3 securities and valuation methodologies for each class of securities.

Most derivative instruments are level 1 or level 2 instruments, except for the IRLCs, the Visa litigation related derivative, discussed below, and The Agreements we entered into related to our investment in Coke common stock, which are level 3 instruments. Because the value of The Agreements is primarily driven by the embedded equity collars on the Coke common shares, a Black-Scholes model is the appropriate valuation model. Most of the assumptions are directly observable from the market, such as the per share market price of Coke common stock, interest rates, and the dividend rate on Coke common stock. Volatility is a significant assumption and is impacted both by the unusually large size of the trade and the long tenor until settlement. The Agreements carry scheduled terms of approximately six and a half and seven years from the effective date, and as such, the observable and active options market on Coke does not provide for any identical or similar instruments. As a result, we receive estimated market values from a market participant who is knowledgeable about Coke equity derivatives and is active in the market. Based on inquiries of the market participant as to their procedures as well as our own valuation assessment procedures, we have satisfied ourselves that the market participant is using methodologies and assumptions that other market participants would use in arriving at the fair value of The Agreements. At December 31, 2010, the Coke derivative liability was valued at $145 million and was included within the level 3 trading liabilities portfolio.

At December 31, 2010, level 3 trading assets and level 3 securities AFS totaled $209 million and $1.1 billion, respectively. Our level 3 securities AFS portfolio included FHLB and Federal Reserve Bank stock, as well as certain municipal bond securities, some of which are only redeemable with the issuer at par and cannot be traded in the market; as such, no significant observable market data for these instruments is available. These nonmarketable securities AFS totaled approximately $728 million at December 31, 2010. The remaining level 3 securities, both trading assets and securities AFS, are predominantly private ABS and MBS and CDOs, including interests retained from Company-sponsored securitizations or purchased from third party securitizations. We also have exposure to bank trust preferred ABS, student loan ABS, and municipal securities due to our purchase of certain ARS as a result of failed auctions. For all level 3 securities, little or no market activity exists for either the security or the underlying collateral and therefore the significant assumptions used to value the securities are not market observable.

Level 3 trading assets declined by $181 million, or 46%, during the year ended December 31, 2010, primarily due to sales, paydowns, redemptions, and maturities of securities, partially offset by net unrealized mark to market gains and a small amount of purchases. Level 3 securities AFS declined by $186 million, or 14%, during the year ended December 31, 2010, due to continued paydowns and redemptions by issuers of securities, partially offset by net unrealized mark to market gains and a small amount of ARS purchases. Both level 3 securities AFS and trading assets were also reduced by a transfer of senior level student loan ARS and a CLO preference share position out of level 3 into level 2 totaling $93 million of securities AFS and $34 million of trading assets during the year ended December 31, 2010. During the year ended December 31, 2010, we recognized through earnings $84 million in net gains related to trading assets and liabilities and securities AFS classified as level 3.

Loans

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

Level 3 loans are primarily non-agency residential mortgage loans for which there are little to no observable trades in either the new issuance or secondary loan markets as either whole loans or as securities. Prior to the disruption in the non-agency residential loan market, we were able to obtain certain observable pricing from either the new issuance or secondary loan market. However, as the markets deteriorated and certain loans were not actively trading as either whole loans or as securities, we began employing the same alternative valuation methodologies used to value level 3 residential MBS to fair value the mortgage loans. Transfers of certain mortgage LHFS into level 3 during 2010 were largely due to borrower defaults or the identification of other loan defects impacting the marketability of the loans.

During the year ended December 31, 2010, we transferred $160 million of NPLs that were previously designated as LHFI to LHFS; we subsequently sold the transferred NPLs at prices that approximated fair value. These loans were predominantly reported at amortized cost prior to their transfer to LHFS. During the year ended December 31, 2010, we transferred $213 million of loans that were previously designated as LHFS to LHFI, as they were determined to be no longer marketable. Of this amount, $147 million were loans for which fair value accounting had been elected; these loans will continue to be reported at fair value within LHFI.

Other Intangible Assets and Other Assets

Beginning January 1, 2010, we began recording 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 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements. This sensitivity analysis does not take into account hedging activities discussed in the Other Market Risk section of this MD&A.

The fair values of OREO and other repossessed assets are typically determined based on recent appraisals by third parties and other market information. Our OREO properties are concentrated in Georgia, Florida, and North Carolina, therefore further deterioration in property values in those states or changes to our disposition strategies could cause our estimates of OREO values to decline which would result in further write-downs. Estimates of fair value are also required when performing an impairment analysis of goodwill, intangible assets and long-lived assets. For long-lived assets, including intangible assets subject to amortization, an impairment loss is recognized if the carrying amount of the asset is not recoverable and exceeds its fair value. In determining the fair value, management uses models which require assumptions about growth rates, the life of the asset, and/or the market value of the assets. We test long-lived assets for impairment whenever events or changes in circumstances indicate that our carrying amount may not be recoverable.

Other Liabilities

During the second quarter of 2009, in connection with our sale of Visa Class B shares, we entered into a derivative contract whereby the ultimate cash payments received or paid, if any, under the contract are based on the ultimate resolution of litigation involving Visa. The value of the derivative is estimated based on our expectations regarding the ultimate resolution of that litigation, which involves a high degree of judgment and subjectivity. As a result, the value of the derivative liability was classified as a level 3 instrument. At December 31, 2010, the Visa derivative liability was valued at $23 million and was included within other liabilities. See Note 18, Reinsurance Arrangements and Guarantees , to the Consolidated Financial Statements for further discussion.

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

Goodwill

In 2009, our reporting units were comprised of Retail, Commercial, CRE, Household Lending, CIB, W&IM, and Affordable Housing. In the first quarter of 2009, we wrote off all of the goodwill of the CRE, Household Lending, and Affordable Housing reporting units in connection with our goodwill impairment analysis. In the second quarter of 2010, we changed our business segments. Among other changes, portions of the CIB segment, such as Middle Market, Asset-Based Lending, and Equipment Leasing were moved to the Diversified Commercial Banking segment, resulting in the allocation of approximately $43 million in goodwill from the CIB reporting unit to the Commercial reporting unit, which was renamed the Diversified Commercial Banking reporting unit. The Retail reporting unit was renamed Branch Banking; however, the composition of the reporting unit did not change. Branch Banking is a component of the Retail Banking reportable segment. As of December 31, 2010, the reporting units with goodwill balances are Branch Banking, Diversified Commercial Banking, CIB, and W&IM. See Note 22, Business Segment Reporting, to the Consolidated Financial Statements for a further discussion of the changes to our reportable segments.

We review the goodwill of each reporting unit for impairment on an annual basis, or more often, if events or circumstances indicate that it is more likely than not that the fair value of the reporting unit is below the carrying value of its equity. The goodwill impairment analysis estimates the fair value of equity using discounted cash flow analyses which require assumptions, as well as guideline company and guideline transaction information, where available. The inputs and assumptions specific to each reporting unit are incorporated in the valuations including projections of future cash flows, discount rates, the fair value of tangible and intangible assets and liabilities, and applicable valuation multiples based on the guideline information. We assess the reasonableness of the estimated fair value of the reporting units by giving consideration to our market capitalization over a reasonable period of time; however, supplemental information is applied based on observable multiples from guideline transactions, adjusting to reflect our specific factors, as well as current market conditions. Based on our annual impairment analysis of goodwill as of September 30, 2010, we believe that the fair value for all reporting units is substantially in excess of the respective reporting unit s carrying value.

Valuation Techniques

In determining the fair value of our reporting units, we primarily use discounted cash flow analyses, which require assumptions about short and long-term net cash flow growth rates for each reporting unit, as well as discount rates. In addition, we consider guideline company and guideline transaction information, where available, to aid in the valuation of certain reporting units.

Growth Assumptions

Multi-year financial forecasts are developed for each reporting unit by considering several key business drivers such as new business initiatives, client service and retention standards, market share changes, anticipated loan and deposit growth, forward interest rates, historical performance, and industry and economic trends, among other considerations. The long-term growth rate used in determining the terminal value of each reporting unit was estimated at 4% in 2009 and 2010 based on management s assessment of the minimum expected terminal growth rate of each reporting unit, as well as broader economic considerations such as gross domestic product and inflation.

Discount Rate Assumptions

Discount rates are estimated based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and in some cases, unsystematic risk and size premium adjustments specific to a particular reporting unit. The discount rates are also calibrated based on the assessment of the risks related to the projected cash flows of each reporting unit. In the annual analysis as of September 30, 2010, the discount rates ranged from 12% to 16%.

Estimated Fair Value and Sensitivities

The estimated fair value of each reporting unit is derived from the valuation techniques described above. The estimated fair value of each reporting unit is analyzed in relation to numerous market and historical factors, including current economic and market conditions, marketplace dynamics such as level of short selling, company-specific growth opportunities, and guideline company and guideline transaction information.

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

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

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

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

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

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

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

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

Income Taxes

We are subj