SUNTRUST BANKS INC
Form 10-Q
November 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015

Commission File Number 001-08918
SUNTRUST BANKS, INC.
(Exact name of registrant as specified in its charter)

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

303 Peachtree Street, N.E., Atlanta, Georgia 30308
(Address of principal executive offices) (Zip Code)
(800) 786-8787
(Registrant's telephone number, including area code)

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

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

At October 30, 2015, 509,612,975 shares of the Registrant’s Common Stock, $1.00 par value, were outstanding.

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GLOSSARY OF DEFINED TERMS

ABS — Asset-backed securities.
ACH — Automated clearing house.
AFS — Available for sale.
ALCO — Asset/Liability Committee.
ALM — Asset/Liability Management.
ALLL — Allowance for loan and lease losses.
AOCI — Accumulated other comprehensive income.
ASC — Accounting Standards Codification.
ASU — Accounting Standards Update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
Basel III — the Third Basel Accord, a comprehensive set of reform measures developed by the BCBS.
BCBS — Basel Committee on Banking Supervision.
Board — The Company's Board of Directors.
bps — Basis points.
BRC — Board Risk Committee.
CCAR — Comprehensive Capital Analysis and Review.
CCB — Capital conservation buffer.
CD — Certificate of deposit.
CDR — Conditional default rate.
CDS — Credit default swaps.
CET1 — Common Equity Tier 1 Capital.
CEO — Chief Executive Officer.
CFO — Chief Financial Officer.
CIB — Corporate and investment banking.
C&I — Commercial and industrial.
Class A shares — Visa Inc. Class A common stock.
Class B shares — Visa Inc. Class B common stock.
CLO — Collateralized loan obligation.
Company — SunTrust Banks, Inc.
CP — Commercial paper.
CPR — Conditional prepayment rate.
CRE — Commercial real estate.
CSA — Credit support annex.
CVA — Credit valuation adjustment.
DDA — Demand deposit account.
Dodd-Frank Act — Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DOJ — Department of Justice.
DTA — Deferred tax asset.
DVA — Debit valuation adjustment.
EPS — Earnings per share.
ERISA — Employee Retirement Income Security Act of 1974.
Exchange Act — Securities Exchange Act of 1934.
Fannie Mae — Federal National Mortgage Association.
FASB — Financial Accounting Standards Board.
Freddie Mac — Federal Home Loan Mortgage Corporation.

FDIC — Federal Deposit Insurance Corporation.
Federal Reserve — Federal Reserve System.
Fed funds — Federal funds.
FHA — Federal Housing Administration.
FHLB — Federal Home Loan Bank.
FICO — Fair Isaac Corporation.

Fitch — Fitch Ratings Ltd.
Form 8-K and other legacy mortgage-related items — Items disclosed in Form 8-Ks filed with the SEC on September 9, 2014 and July 3, 2014, and other legacy mortgage-related items.
FRB — Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GenSpring — GenSpring Family Offices, LLC.
Ginnie Mae — Government National Mortgage Association.
GSE — Government-sponsored enterprise.
HAMP — Home Affordable Modification Program.
HUD — U.S. Department of Housing and Urban Development.
IPO — Initial public offering.
IRLC — Interest rate lock commitment.
ISDA — International Swaps and Derivatives Association.
LCR — Liquidity coverage ratio.
LGD — Loss given default.
LHFI — Loans held for investment.
LHFS — Loans held for sale.
LIBOR — London InterBank Offered Rate.
LOCOM — Lower of cost or market.
LTI — Long-term incentive.
LTV— Loan to value.
MasterCard — MasterCard International.
MBS — Mortgage-backed securities.
MD&A — Management's Discussion and Analysis of Financial Condition and Results of Operations.
MI — Mortgage insurance.
Moody's — Moody's Investors Service.
MRA — Master Repurchase Agreement.
MRM — Market Risk Management.
MRMG — Model Risk Management Group.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NOW — Negotiable order of withdrawal account.
NPA — Nonperforming asset.
NPL — Nonperforming loan.
OCI — Other comprehensive income.
OREO — Other real estate owned.
OTC — Over-the-counter.
OTTI — Other-than-temporary impairment.
Parent Company — SunTrust Banks, Inc. (the parent Company of SunTrust Bank and other subsidiaries).
PD — Probability of default.
PWM — Private Wealth Management.
REIT — Real estate investment trust.
RidgeWorth — RidgeWorth Capital Management, Inc.

ROA — Return on average total assets.
ROE — Return on average common shareholders’ equity.
ROTCE — Return on average tangible common shareholders' equity.
RSU — Restricted stock unit.
RWA — Risk-weighted assets.
S&P — Standard and Poor’s.
SBA — Small Business Administration.

SEC — U.S. Securities and Exchange Commission.
STIS — SunTrust Investment Services, Inc.
STM — SunTrust Mortgage, Inc.
STRH — SunTrust Robinson Humphrey, Inc.
SunTrust — SunTrust Banks, Inc.
STCC — SunTrust Community Capital, LLC.
TDR — Troubled debt restructuring.
TRS — Total return swaps.
U.S. — United States.
U.S. GAAP — Generally Accepted Accounting Principles in the United States.

U.S. Treasury — The United States Department of the Treasury.
UPB — Unpaid principal balance.
UTB — Unrecognized tax benefit.
VA —Veterans Administration.
VAR —Value at risk.
VI — Variable interest.
VIE — Variable interest entity.
Visa — The Visa, U.S.A. Inc. card association or its affiliates, collectively.
Visa Counterparty — A financial institution that purchased the Company's Visa Class B shares.

PART I - FINANCIAL INFORMATION

The following unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and accordingly do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary to comply with Regulation S-X have been included. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2015.

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

SunTrust Banks, Inc.

Consolidated Statements of Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions and shares in thousands, except per share data) (Unaudited)	2015	2014	2015	2014
Interest Income				
Interest and fees on loans	$1,139	$1,152	$3,345	$3,464
Interest and fees on loans held for sale	20	30	66	61
Interest and dividends on securities available for sale	153	153	430	456
Trading account interest and other	21	18	61	55
Total interest income	1,333	1,353	3,902	4,036
Interest Expense				
Interest on deposits	54	54	165	180
Interest on long-term debt	60	74	196	198
Interest on other borrowings	8	10	23	29
Total interest expense	122	138	384	407
Net interest income	1,211	1,215	3,518	3,629
Provision for credit losses	32	93	114	268
Net interest income after provision for credit losses	1,179	1,122	3,404	3,361
Noninterest Income				
Service charges on deposit accounts	159	169	466	483
Other charges and fees	97	95	285	274
Card fees	83	81	247	239
Investment banking income	115	88	357	296
Trading income	31	46	140	141
Trust and investment management income	86	93	255	339
Retail investment services	77	76	229	224
Mortgage production related income	58	45	217	140
Mortgage servicing related income	40	44	113	143
Gain on sale of subsidiary	—	—	—	105
Net securities gains/(losses)	7	(9)	21	(11)
Other noninterest income	58	52	173	155
Total noninterest income	811	780	2,503	2,528
Noninterest Expense				
Employee compensation	641	649	1,926	1,967
Employee benefits	84	81	326	326
Outside processing and software	200	184	593	535
Net occupancy expense	86	84	255	254
Equipment expense	41	41	123	127
Regulatory assessments	32	29	104	109
Marketing and customer development	42	35	104	91
Credit and collection services	8	21	52	67
Consulting and legal fees	23	16	48	43
Operating losses	3	29	33	268
Amortization	9	7	22	14
Other noninterest expense	95	83	286	333

Total noninterest expense	1,264	1,259	3,872	4,134
Income before provision for income taxes	726	643	2,035	1,755
Provision for income taxes	187	67	579	364
Net income including income attributable to noncontrolling interest	539	576	1,456	1,391
Net income attributable to noncontrolling interest	2	—	7	11
Net income	$537	$576	$1,449	$1,380
Net income available to common shareholders	$519	$563	$1,396	$1,343
Net income per average common share:				
Diluted	$1.00	$1.06	$2.67	$2.51
Basic	1.01	1.07	2.70	2.54
Dividends declared per common share	0.24	0.20	0.68	0.50
Average common shares - diluted	518,677	533,230	522,634	535,222
Average common shares - basic	513,010	527,402	516,970	529,429

See accompanying Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Comprehensive Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions) (Unaudited)	2015	2014	2015	2014
Net income	$537	$576	$1,449	$1,380
Components of other comprehensive income/(loss):				
Change in net unrealized gains/(losses) on securities available for sale, net of tax of $70, ($21), $6, and $144, respectively	119	(37)	4	246
Change in net unrealized gains/(losses) on derivative instruments, net of tax of $50, ($48), $57, and ($98), respectively	84	(82)	94	(168)
Change related to employee benefit plans, net of tax of $1, $1, ($44), and $20, respectively	3	1	(64)	34
Total other comprehensive income/(loss), net of tax	206	(118)	34	112
Total comprehensive income	$743	$458	$1,483	$1,492

See accompanying Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Balance Sheets

(Dollars in millions and shares in thousands, except per share data)	September 30, 2015	December 31, 2014
Assets	(Unaudited)	
Cash and due from banks	$3,788	$7,047
Federal funds sold and securities borrowed or purchased under agreements to resell	1,105	1,160
Interest-bearing deposits in other banks	23	22
Cash and cash equivalents	4,916	8,229
Trading assets and derivative instruments [1]	6,537	6,202
Securities available for sale [2]	27,270	26,770
Loans held for sale ($1,883 and $1,892 at fair value at September 30, 2015 and December 31, 2014, respectively)	2,032	3,232
Loans [3] ($262 and $272 at fair value at September 30, 2015 and December 31, 2014, respectively)	133,560	133,112
Allowance for loan and lease losses	(1,786)	(1,937)
Net loans	131,774	131,175
Premises and equipment	1,430	1,508
Goodwill	6,337	6,337
Other intangible assets (MSRs at fair value: $1,262 and $1,206 at September 30, 2015 and December 31, 2014, respectively)	1,282	1,219
Other assets	5,458	5,656
Total assets	$187,036	$190,328
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits	$41,487	$41,096
Interest-bearing deposits	104,884	99,471
Total deposits	146,371	140,567
Funds purchased	1,329	1,276
Securities sold under agreements to repurchase	1,536	2,276
Other short-term borrowings	1,077	5,634
Long-term debt [4] ($986 and $1,283 at fair value at September 30, 2015 and December 31, 2014, respectively)	8,444	13,022
Trading liabilities and derivative instruments	1,330	1,227
Other liabilities	3,285	3,321
Total liabilities	163,372	167,323
Preferred stock, no par value	1,225	1,225
Common stock, $1.00 par value	550	550
Additional paid-in capital	9,087	9,089
Retained earnings	14,341	13,295
Treasury stock, at cost, and other [5]	(1,451)	(1,032)
Accumulated other comprehensive loss, net of tax	(88)	(122)
Total shareholders' equity	23,664	23,005
Total liabilities and shareholders' equity	$187,036	$190,328
Common shares outstanding [6]	514,106	524,540
Common shares authorized	750,000	750,000
Preferred shares outstanding	12	12
Preferred shares authorized	50,000	50,000

Treasury shares of common stock	35,815	25,381
[1] Includes trading securities pledged as collateral where counterparties have the right to sell or repledge the collateral	$1,152	$1,316
[2] Includes securities AFS pledged as collateral where counterparties have the right to sell or repledge the collateral	—	369
[3] Includes loans of consolidated VIEs	256	288
[4] Includes debt of consolidated VIEs	270	302
[5] Includes noncontrolling interest	106	108
[6] Includes restricted shares	1,556	2,930

See accompanying Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Statements of Shareholders' Equity

(Dollars and shares in millions, except per share data) (Unaudited)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock and Other [1]	Accumulated Other Comprehensive (Loss)/Income	Total
Balance, January 1, 2014	$725	536	$550	$9,115	$11,936	($615)	($289)	$21,422
Net income	—	—	—	—	1,380	—	—	1,380
Other comprehensive income	—	—	—	—	—	—	112	112
Common stock dividends, $0.50 per share	—	—	—	—	(266)	—	—	(266)
Preferred stock dividends [2]	—	—	—	—	(28)	—	—	(28)
Acquisition of treasury stock	—	(9)	—	—	—	(348)	—	(348)
Exercise of stock options and stock compensation expense	—	—	—	(14)	—	15	—	1
Restricted stock activity	—	—	—	13	(2)	1	—	12
Amortization of restricted stock compensation	—	—	—	—	—	21	—	21
Change in equity related to the sale of subsidiary	—	—	—	(23)	—	(16)	—	(39)
Issuance of stock for employee benefit plans and other	—	—	—	(1)	—	3	—	2
Balance, September 30, 2014	$725	527	$550	$9,090	$13,020	($939)	($177)	$22,269
Balance, January 1, 2015	$1,225	525	$550	$9,089	$13,295	($1,032)	($122)	$23,005
Net income	—	—	—	—	1,449	—	—	1,449
Other comprehensive income	—	—	—	—	—	—	34	34
Change in noncontrolling interest	—	—	—	—	—	(2)	—	(2)
Common stock dividends, $0.68 per share	—	—	—	—	(352)	—	—	(352)
Preferred stock dividends [2]	—	—	—	—	(48)	—	—	(48)
Acquisition of treasury stock	—	(11)	—	—	—	(465)	—	(465)
Exercise of stock options and stock compensation expense	—	—	—	(16)	—	25	—	9
Restricted stock activity	—	—	—	14	(3)	7	—	18
Amortization of restricted stock compensation	—	—	—	—	—	13	—	13
Issuance of stock for employee benefit plans and other	—	—	—	—	—	3	—	3
Balance, September 30, 2015	$1,225	514	$550	$9,087	$14,341	($1,451)	($88)	$23,664

[1] At September 30, 2015, includes ($1,550) million for treasury stock, ($7) million for the compensation element of restricted stock, and $106 million for noncontrolling interest.
At September 30, 2014, includes ($1,015) million for treasury stock, ($27) million for the compensation element of restricted stock, and $103 million for noncontrolling interest.
[2] For the nine months ended September 30, 2015, dividends were $3,044 per share for both Perpetual Preferred Stock Series A and B, $4,406 per share for Perpetual Preferred Stock Series E, and $4,813 per share for Perpetual Preferred Stock Series F. For the nine months ended September 30, 2014, dividends were $3,044 per share for both Perpetual Preferred Stock Series A and B, and $4,406 per share for Perpetual Preferred Stock Series E.

See accompanying Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Cash Flows

	Nine Months Ended September 30	
(Dollars in millions) (Unaudited)	2015	2014
Cash Flows from Operating Activities		
Net income including income attributable to noncontrolling interest	$1,456	$1,391
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of subsidiary	—	(105)
Depreciation, amortization, and accretion	596	504
Origination of mortgage servicing rights	(185)	(137)
Provisions for credit losses and foreclosed property	122	286
Stock-based compensation	65	50
Excess tax benefits from stock-based compensation	(18)	(5)
Net securities (gains)/losses	(21)	11
Net gain on sale of loans held for sale, loans, and other assets	(249)	(239)
Net decrease/(increase) in loans held for sale	644	(139)
Net increase in trading assets	(183)	(1,088)
Net (increase)/decrease in other assets	(26)	189
Net decrease in other liabilities	(196)	(155)
Net cash provided by operating activities	2,005	563
Cash Flows from Investing Activities		
Proceeds from maturities, calls, and paydowns of securities available for sale	4,621	2,788
Proceeds from sales of securities available for sale	2,708	793
Purchases of securities available for sale	(7,861)	(6,986)
Proceeds from sales of auction rate securities	—	59
Net increase in loans, including purchases of loans	(2,097)	(7,698)
Proceeds from sales of loans	2,048	3,029
Purchases of mortgage servicing rights	(113)	(109)
Capital expenditures	(74)	(96)
Payments related to acquisitions, including contingent consideration	(30)	(11)
Proceeds from sale of subsidiary	—	193
Proceeds from the sale of other real estate owned and other assets	179	279
Net cash used in investing activities	(619)	(7,759)
Cash Flows from Financing Activities		
Net increase in total deposits	5,804	6,748
Net (decrease)/increase in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	(5,244)	1,633
Proceeds from long-term debt	1,237	2,574
Repayments of long-term debt	(5,670)	(67)
Repurchase of common stock	(465)	(348)
Common and preferred dividends paid	(393)	(294)
Incentive compensation related activity	32	12
Net cash (used in)/provided by financing activities	(4,699)	10,258
Net (decrease)/increase in cash and cash equivalents	(3,313)	3,062
Cash and cash equivalents at beginning of period	8,229	5,263
Cash and cash equivalents at end of period	$4,916	$8,325

Supplemental Disclosures:		
Loans transferred from loans held for sale to loans	$726	$39
Loans transferred from loans to loans held for sale	1,734	3,183
Loans transferred from loans and loans held for sale to other real estate owned	52	113
Non-cash impact of the deconsolidation of CLO	—	282
Non-cash impact of debt assumed by purchaser in lease sale	129	29

See accompanying Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of operations in these financial statements, have been made.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could vary

from these estimates. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

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

These financial statements should be read in conjunction with the Company’s 2014 Annual Report on Form 10-K. In the third quarter of 2015, the Company elected to prospectively change the date of its annual goodwill impairment test from September 30 to October 1 to better align the timing of the test with the availability of key inputs. There have been no other significant changes to the Company’s accounting policies as disclosed in the 2014 Annual Report on Form 10-K.

Pending Accounting Pronouncements

The following table provides a brief description of recent accounting pronouncements that could have a material effect on the Company's financial statements:

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
Standards Not Yet Adopted			
ASU 2014-09, Revenue from Contracts with Customers	The ASU supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The core principle of the ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU may be adopted either retrospectively or on a modified retrospective basis to new contracts and existing contracts with remaining performance obligations as of the effective date.	January 1, 2018 (early adoption permitted beginning January 1, 2017)	The Company is continuing to evaluate the alternative methods of adoption and the anticipated effects on the financial statements and related disclosures.
ASU 2015-02, Amendments to the Consolidation Analysis	The ASU rescinds the indefinite deferral of previous amendments to ASC Topic 810 for certain entities and amends components of the consolidation analysis under ASC Topic 810, including evaluating limited partnerships and similar legal entities, evaluating fees paid to a decision maker or service provider as a variable interest, the effects of fee arrangements and/or	January 1, 2016	The Company will adopt this ASU on a modified retrospective basis. The Company is continuing to evaluate the impact of this ASU on the financial statements and related

related parties on the primary beneficiary determination and investment fund specific matters. The ASU may be adopted either retrospectively or on a modified retrospective basis.	disclosures; however, adoption is not expected to materially impact the Company's financial position, results of operations, or EPS.

NOTE 2 - FEDERAL FUNDS SOLD AND SECURITIES FINANCING ACTIVITIES

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

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

(Dollars in millions)	September 30, 2015	December 31, 2014
Fed funds sold	$55	$38
Securities borrowed	221	290
Securities purchased under agreements to resell	829	832
Total Fed funds sold and securities borrowed or purchased under agreements to resell	$1,105	$1,160

Securities purchased under agreements to resell are primarily collateralized by U.S. government or agency securities and are carried at the amounts at which the securities will be

subsequently resold. Securities borrowed are primarily collateralized by corporate securities. The Company borrows securities and purchases securities under agreements to resell as part of its securities financing activities. On the acquisition date of these securities, the Company and the related counterparty agree on the amount of collateral required to secure the principal amount loaned under these arrangements. The Company monitors collateral values daily and calls for additional collateral to be provided as warranted under the agreement. At both September 30, 2015 and December 31, 2014, the total market value of collateral held was $1.1 billion, of which $219 million and $222 million was repledged, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

Securities Sold Under Agreements to Repurchase

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

	September 30, 2015	December 31, 2014		
(Dollars in millions)	Overnight and Continuous	Overnight and Continuous	Up to 30 days	Total
U.S. Treasury securities	$84	$376	$—	$376
Federal agency securities	223	231	—	231
MBS - agency	868	1,059	45	1,104
CP	37	238	—	238
Corporate and other debt securities	324	327	—	327
Total securities sold under agreements to repurchase	$1,536	$2,231	$45	$2,276

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

Netting of Securities - Repurchase and Resell Agreements

The Company has various financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements. The Company's derivatives that are subject to enforceable master netting agreements or similar agreements are discussed in Note 13, "Derivative Financial Instruments." The following table presents the Company's securities borrowed or purchased under agreements to resell and securities sold under agreements to repurchase that are subject to MRAs. Under the terms of the MRA, all transactions between the Company and a counterparty constitute

a single business relationship such that in the event of default, the nondefaulting party is entitled to set off claims and apply property held against obligations owed. Any payments, deliveries, or other transfers may be applied against each other and presented net on the Company's Consolidated Balance Sheets, provided criteria are met that permit balance sheet netting. At September 30, 2015 and December 31, 2014, there were no such transactions subject to a legally enforceable MRAs that were eligible for balance sheet netting.

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

(Dollars in millions)	Gross Amount	Amount Offset	Net Amount Presented in Consolidated Balance Sheets		Held/Pledged Financial Instruments	Net Amount
September 30, 2015						
Financial assets:						
Securities borrowed or purchased under agreements to resell	$1,050	$—	$1,050	[1]	$1,043	$7
Financial liabilities:						
Securities sold under agreements to repurchase	1,536	—	1,536		1,536	—

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

[1] Excludes $55 million and $38 million of Fed funds sold, which are not subject to a master netting agreement at September 30, 2015 and December 31, 2014, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 3 - TRADING ASSETS AND LIABILITIES AND DERIVATIVE INSTRUMENTS

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

(Dollars in millions)	September 30, 2015	December 31, 2014
Trading Assets and Derivative Instruments:		
U.S. Treasury securities	$443	$267
Federal agency securities	532	547
U.S. states and political subdivisions	40	42
MBS - agency	565	545
CLO securities	2	3
Corporate and other debt securities	390	509
CP	312	327
Equity securities	65	45
Derivative instruments [1]	1,449	1,307
Trading loans [2]	2,739	2,610
Total trading assets and derivative instruments	$6,537	$6,202
Trading Liabilities and Derivative Instruments:		
U.S. Treasury securities	$584	$485
MBS - agency	4	1
Corporate and other debt securities	177	279
Derivative instruments [1]	565	462
Total trading liabilities and derivative instruments	$1,330	$1,227

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

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

interest rate and market risk from non-trading activities. The Company has policies and procedures to manage market risk associated with client trading and non-trading activities, and assumes a limited degree of market risk by managing the size and nature of its exposure.

The Company has pledged $857 million and $1.1 billion of trading securities to secure $825 million and $1.1 billion of repurchase agreements at September 30, 2015 and December 31, 2014, respectively. Additionally, the Company has pledged $298 million and $202 million of trading securities to secure certain derivative agreements at September 30, 2015 and December 31, 2014, respectively, and has pledged $40 million of trading securities under other arrangements at both September 30, 2015 and December 31, 2014.

NOTE 4 – SECURITIES AVAILABLE FOR SALE

Securities Portfolio Composition

	September 30, 2015			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$3,020	$45	$—	$3,065
Federal agency securities	408	13	1	420
U.S. states and political subdivisions	167	7	—	174
MBS - agency	22,452	511	58	22,905
MBS - private	100	2	—	102
ABS	13	2	—	15
Corporate and other debt securities	36	2	—	38
Other equity securities [1]	551	1	1	551
Total securities AFS	$26,747	$583	$60	$27,270

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

[1] At September 30, 2015, the fair value of other equity securities was comprised of the following: $32 million of FHLB of Atlanta stock, $402 million of Federal Reserve Bank of Atlanta stock, $111 million of mutual fund investments, and $6 million of other. At December 31, 2014, the fair value of other equity securities was comprised of the following: $376 million of FHLB of Atlanta stock, $402 million of Federal Reserve Bank of Atlanta stock, $138 million of mutual fund investments, and $7 million of other.

The following table presents interest and dividends on securities AFS:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2015	2014	2015	2014
Taxable interest	$143	$142	$397	$421
Tax-exempt interest	2	2	5	8
Dividends	8	9	28	27
Total interest and dividends	$153	$153	$430	$456

Securities AFS pledged to secure public deposits, repurchase agreements, trusts, and other funds had a fair value of $2.9 billion and $2.6 billion at September 30, 2015 and December 31, 2014, respectively.

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Notes to Consolidated Financial Statements (Unaudited), continued

The amortized cost and fair value of investments in debt securities AFS at September 30, 2015, by estimated average life, are shown below. Receipt of cash flows may differ from estimated average lives and contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

(Dollars in millions)	Distribution of Maturities 1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Total
Amortized Cost:					
U.S. Treasury securities	$25	$921	$2,074	$—	$3,020
Federal agency securities	159	109	14	126	408
U.S. states and political subdivisions	38	13	101	15	167
MBS - agency	2,462	11,098	3,756	5,136	22,452
MBS - private	3	89	8	—	100
ABS	—	12	1	—	13
Corporate and other debt securities	—	36	—	—	36
Total debt securities AFS	$2,687	$12,278	$5,954	$5,277	$26,196
Fair Value:					
U.S. Treasury securities	$25	$931	$2,109	$—	$3,065
Federal agency securities	163	116	14	127	420
U.S. states and political subdivisions	39	13	106	16	174
MBS - agency	2,605	11,391	3,772	5,137	22,905
MBS - private	3	91	8	—	102
ABS	—	13	2	—	15
Corporate and other debt securities	—	38	—	—	38
Total debt securities AFS	$2,835	$12,593	$6,011	$5,280	$26,719
Weighted average yield [1]	2.35 %	2.41 %	2.57 %	2.80 %	2.52 %

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

Securities AFS in an Unrealized Loss Position

The Company held certain investment securities AFS where amortized cost exceeded fair market value, resulting in unrealized loss positions. Market changes in interest rates and credit spreads may result in temporary unrealized losses as the market price of securities fluctuates. At September 30, 2015, the Company did not intend to sell these securities nor was it more-

likely-than-not that the Company would be required to sell these securities before their anticipated recovery or maturity. The Company reviewed its portfolio for OTTI in accordance with the accounting policies described in the Company's 2014 Annual Report on Form 10-K. The following tables show securities AFS in an unrealized loss position at period end.

(Dollars in millions)	September 30, 2015 Less than twelve months Fair Value	Unrealized Losses [2]	Twelve months or longer Fair Value	Unrealized Losses [2]	Total Fair Value	Unrealized Losses [2]
Temporarily impaired securities AFS:						
Federal agency securities	$33	$—	$35	$1	$68	$1
MBS - agency	3,996	35	982	23	4,978	58

ABS	—	—	9	—	9	—
Other equity securities	4	1	—	—	4	1
Total temporarily impaired securities AFS	4,033	36	1,026	24	5,059	60
OTTI securities AFS [1]:						
Total OTTI securities AFS	—	—	—	—	—	—
Total impaired securities AFS	$4,033	$36	$1,026	$24	$5,059	$60

Notes to Consolidated Financial Statements (Unaudited), continued

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

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

At September 30, 2015, unrealized losses on securities that have been in a temporarily impaired position for longer than twelve months included agency MBS, federal agency securities, and one ABS collateralized by 2004 vintage home equity loans. Unrealized losses on federal agency securities and agency MBS securities at September 30, 2015 were due to market interest rates being higher than the securities' stated yields. The ABS continues to receive timely principal and interest payments, and is evaluated quarterly for credit impairment. Cash flow analysis shows that the underlying collateral can withstand highly stressed loss assumptions without incurring a credit loss.

The portion of unrealized losses on OTTI securities that relates to factors other than credit is recorded in AOCI. Any unrealized losses related to credit impairment on these securities are determined through estimated cash flow analyses and are recorded in earnings.

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

Net securities gains/(losses) are comprised of gross realized gains, gross realized losses, and OTTI credit losses recognized in earnings. Gross realized gains of $11 million and $25 million were recognized for the three and nine months ended September 30, 2015, respectively. Gross realized losses of $3 million were recognized for both the three and nine months ended September 30, 2015, and OTTI losses recognized in earnings were immaterial for both periods. For both the three and nine months ended September 30, 2014, gross realized gains of $3 million were recognized. Gross realized losses of $12 million and $13 million were recognized for the three and nine months ended September 30, 2014, respectively, and OTTI losses recognized in earnings were immaterial for the nine months ended September 30, 2014.

Credit impairment that is determined through the use of models is estimated using cash flows on security specific collateral and the transaction structure. Future expected credit losses are determined by using various assumptions, the most significant of which include default rates, prepayment rates, and loss severities. If, based on this analysis, a security is in an unrealized loss position and the Company does not expect to recover the entire amortized cost basis of the security, the expected cash flows are then discounted at the security's initial effective interest rate to arrive at a present value amount. OTTI credit losses reflect the difference between the present value of cash flows expected to be collected and the amortized cost basis of these securities.

The Company continues to reduce existing exposure on OTTI securities primarily through paydowns. In certain instances, the amount of impairment losses recognized in earnings includes credit losses on debt securities that

exceeds the total unrealized losses, and as a result, the securities may have unrealized gains in AOCI relating to factors other than credit.
During the three and nine months ended September 30, 2015, credit impairment recognized on securities AFS still held at the end of each period was immaterial, all of which related to one private MBS with a fair value of approximately $22 million at September 30, 2015. Securities that gave rise to credit impairments recognized during the nine months ended September 30, 2014, consisted of one private MBS with a fair value of approximately $19 million at September 30, 2014. The accumulated balance of credit losses recognized in earnings on securities AFS held at period end was $25 million at both September 30, 2015 and 2014. Subsequent credit losses may be recorded on securities without a corresponding further decline in fair value when there has been a decline in expected cash flows.

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Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 5 - LOANS

Composition of Loan Portfolio

(Dollars in millions)	September 30, 2015	December 31, 2014
Commercial loans:		
C&I	$65,371	$65,440
CRE	6,168	6,741
Commercial construction	1,763	1,211
Total commercial loans	73,302	73,392
Residential loans:		
Residential mortgages - guaranteed	627	632
Residential mortgages - nonguaranteed [1]	24,351	23,443
Home equity products	13,416	14,264
Residential construction	394	436
Total residential loans	38,788	38,775
Consumer loans:		
Guaranteed student	4,588	4,827
Other direct	5,771	4,573
Indirect	10,119	10,644
Credit cards	992	901
Total consumer loans	21,470	20,945
LHFI	$133,560	$133,112
LHFS [2]	$2,032	$3,232

[1] Includes $262 million and $272 million of LHFI measured at fair value at September 30, 2015 and December 31, 2014, respectively.

[2] Includes $1.9 billion of LHFS measured at fair value at both September 30, 2015 and December 31, 2014.

During the three months ended September 30, 2015 and 2014, the Company transferred $38 million and $362 million in LHFI to LHFS, and $75 million and $19 million in LHFS to LHFI, respectively. Additionally, during the three months ended September 30, 2015 and 2014, the Company sold $178 million and $2.3 billion in loans and leases for gains of $9 million and $40 million, respectively.

During the nine months ended September 30, 2015 and 2014, the Company transferred $1.7 billion and $3.2 billion in LHFI to LHFS, and $726 million and $39 million in LHFS to LHFI, respectively. Additionally, during the nine months ended September 30, 2015 and 2014, the Company sold $2.0 billion and $3.0 billion in loans and leases for gains of $22 million and $71 million, respectively.

At September 30, 2015 and December 31, 2014, the Company had $23.3 billion and $26.5 billion of net eligible loan collateral pledged to the Federal Reserve discount window to support $17.0 billion and $18.4 billion of available, unused borrowing capacity, respectively.

At September 30, 2015 and December 31, 2014, the Company had $32.0 billion and $31.2 billion of net eligible loan collateral pledged to the FHLB of Atlanta to support $26.2 billion and $24.3 billion of available borrowing capacity, respectively. The available FHLB borrowing capacity at September 30, 2015 was used to support $408 million of long-term debt and $6.2 billion of letters of credit issued on the Company's behalf. At December 31, 2014, the available FHLB borrowing capacity was used to support $4.0 billion of long-term debt, $4.0 billion of short-term debt, and $7.9 billion of letters of credit issued on the Company's behalf.

Credit Quality Evaluation

The Company evaluates the credit quality of its loan portfolio by employing a dual internal risk rating system, which assigns both PD and LGD ratings to derive expected losses. Assignment of PD and LGD ratings are predicated upon numerous factors, including consumer credit risk scores, rating agency information, borrower/guarantor financial capacity, LTV ratios, collateral type, debt service coverage ratios, collection experience, other internal metrics/analyses, and/or qualitative assessments.

For the commercial portfolio, the Company believes that the most appropriate credit quality indicator is an individual loan’s risk assessment expressed according to the broad regulatory agency classifications of Pass or Criticized. The Company's risk rating system is granular, with multiple risk ratings in both the Pass and Criticized categories. Pass ratings reflect relatively low PDs, whereas, Criticized assets have higher PDs. The granularity in Pass ratings assists in the establishment of pricing, loan structures, approval requirements, reserves, and ongoing credit management requirements. The Company conforms to the following regulatory classifications for Criticized assets: Other Assets Especially Mentioned (or Special Mention), Adversely Classified, Doubtful, and Loss. However, for the purposes of disclosure, management believes the most meaningful distinction within the Criticized categories is between Accruing Criticized (which includes Special Mention and a portion of Adversely Classified) and Nonaccruing Criticized (which includes a portion of Adversely Classified and Doubtful and Loss). This distinction identifies those relatively higher risk loans for which there is a basis to believe that the Company will collect all amounts due from those where full collection is less certain. Commercial risk ratings are refreshed at least annually, or more frequently as appropriate, based upon considerations such as market conditions, borrower characteristics, and portfolio trends. Additionally, management routinely reviews portfolio risk ratings, trends, and concentrations to support risk identification and mitigation activities. The increase in criticized accruing C&I loans at September 30, 2015 compared to December 31, 2014, as presented in the following risk rating table, was due to loans primarily in the energy industry vertical that were downgraded to substandard during the first nine months of 2015.

Notes to Consolidated Financial Statements (Unaudited), continued

For consumer and residential loans, the Company monitors credit risk based on indicators such as delinquencies and FICO scores. The Company believes that consumer credit risk, as assessed by the industry-wide FICO scoring method, is a relevant credit quality indicator. Borrower-specific FICO scores are obtained at origination as part of the Company's formal underwriting process, and refreshed FICO scores are obtained by the Company at least quarterly.

For government-guaranteed loans, the Company monitors the credit quality based primarily on delinquency status, as it is a more relevant indicator of credit quality due to the government guarantee. At September 30, 2015 and December 31, 2014, 32% and 28%, respectively, of the guaranteed residential loan portfolio was current with respect to payments. At September 30, 2015 and December 31, 2014, 81% and 79%, respectively, of the guaranteed student loan portfolio was current with respect to payments. The Company's loss exposure on guaranteed residential and student loans is mitigated by the government guarantee.

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

	Commercial Loans					
	C&I		CRE		Commercial Construction	
(Dollars in millions)	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Risk rating:						
Pass	$63,826	$64,228	$6,033	$6,586	$1,739	$1,196
Criticized accruing	1,423	1,061	120	134	23	14
Criticized nonaccruing	122	151	15	21	1	1
Total	$65,371	$65,440	$6,168	$6,741	$1,763	$1,211

	Residential Loans [1]					
	Residential Mortgages - Nonguaranteed		Home Equity Products		Residential Construction	
(Dollars in millions)	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Current FICO score range:						
700 and above	$19,936	$18,780	$10,897	$11,475	$321	$347
620 - 699	3,330	3,369	1,827	1,991	59	70
Below 620 [2]	1,085	1,294	692	798	14	19
Total	$24,351	$23,443	$13,416	$14,264	$394	$436

	Consumer Loans [3]					
	Other Direct		Indirect		Credit Cards	
(Dollars in millions)	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Current FICO score range:						
700 and above	$5,180	$4,023	$7,053	$7,661	$690	$639
620 - 699	536	476	2,426	2,335	245	212
Below 620 [2]	55	74	640	648	57	50
Total	$5,771	$4,573	$10,119	$10,644	$992	$901

[1] Excludes $627 million and $632 million of guaranteed residential loans at September 30, 2015 and December 31, 2014, respectively.
[2] For substantially all loans with refreshed FICO scores below 620, the borrower's FICO score at the time of origination exceeded 620 but has since deteriorated as the loan has seasoned.
[3] Excludes $4.6 billion and $4.8 billion of guaranteed student loans at September 30, 2015 and December 31, 2014, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

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

	September 30, 2015				
(Dollars in millions)	Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
C&I	$65,148	$89	$12	$122	$65,371
CRE	6,150	2	1	15	6,168
Commercial construction	1,762	—	—	1	1,763
Total commercial loans	73,060	91	13	138	73,302
Residential loans:					
Residential mortgages - guaranteed	200	51	376	—	627
Residential mortgages - nonguaranteed [1]	24,081	105	9	156	24,351
Home equity products	13,189	81	—	146	13,416
Residential construction	375	3	—	16	394
Total residential loans	37,845	240	385	318	38,788
Consumer loans:					
Guaranteed student	3,724	367	497	—	4,588
Other direct	5,742	22	3	4	5,771
Indirect	10,032	83	1	3	10,119
Credit cards	978	8	6	—	992
Total consumer loans	20,476	480	507	7	21,470
Total LHFI	$131,381	$811	$905	$463	$133,560

[1] Includes $262 million of loans measured at fair value, the majority of which were accruing current.
[2] Nonaccruing loans past due 90 days or more totaled $278 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs and performing second lien loans which are classified as nonaccrual when the first lien loan is nonperforming.

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

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

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

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

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Notes to Consolidated Financial Statements (Unaudited), continued

Impaired Loans

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

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

(Dollars in millions)	September 30, 2015 Unpaid Principal Balance	Amortized Cost [1]	Related Allowance	December 31, 2014 Unpaid Principal Balance	Amortized Cost [1]	Related Allowance
Impaired loans with no related allowance recorded:						
Commercial loans:						
C&I	$59	$49	$—	$70	$51	$—
CRE	11	9	—	12	11	—
Total commercial loans	70	58	—	82	62	—
Residential loans:						
Residential mortgages - nonguaranteed	431	326	—	592	425	—
Residential construction	24	9	—	31	9	—
Total residential loans	455	335	—	623	434	—
Impaired loans with an allowance recorded:						
Commercial loans:						
C&I	14	12	7	27	26	7
CRE	—	—	—	4	4	4
Total commercial loans	14	12	7	31	30	11
Residential loans:						
Residential mortgages - nonguaranteed	1,451	1,395	181	1,381	1,354	215
Home equity products	709	637	60	703	630	66
Residential construction	128	124	14	145	145	19
Total residential loans	2,288	2,156	255	2,229	2,129	300
Consumer loans:						
Other direct	11	11	1	13	13	1
Indirect	113	112	5	105	105	5
Credit cards	24	6	1	25	8	2
Total consumer loans	148	129	7	143	126	8
Total impaired loans	$2,975	$2,690	$269	$3,108	$2,781	$319

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

Included in the impaired loan balances above at both September 30, 2015 and December 31, 2014 were $2.5 billion of accruing TDRs at amortized cost, of which 97% and 96% were current, respectively. See Note 1, “Significant Accounting Policies,” to the Company's 2014 Annual Report on Form 10-K for further information regarding the Company’s loan impairment policy.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Three Months Ended September 30				Nine Months Ended September 30			
	2015		2014		2015		2014	
	Average Amortized Cost	Interest Income Recognized[1]	Average Amortized Cost	Interest Income Recognized[1]	Average Amortized Cost	Interest Income Recognized[1]	Average Amortized Cost	Interest Income Recognized[1]
Impaired loans with no related allowance recorded:								
Commercial loans:								
C&I	$51	$—	$65	$—	$53	$1	$68	$1
CRE	9	—	15	—	10	—	16	—
Total commercial loans	60	—	80	—	63	1	84	1
Residential loans:								
Residential mortgages - nonguaranteed	330	4	454	5	335	11	467	14
Residential construction	9	—	14	—	11	—	15	—
Total residential loans	339	4	468	5	346	11	482	14
Impaired loans with an allowance recorded:								
Commercial loans:								
C&I	20	—	45	—	23	1	46	1
CRE	—	—	10	—	—	—	9	—
Total commercial loans	20	—	55	—	23	1	55	1
Residential loans:								
Residential mortgages - nonguaranteed	1,393	17	1,467	18	1,396	52	1,443	59
Home equity products	640	7	668	7	646	21	662	20
Residential construction	124	2	164	2	125	6	162	6
Total residential loans	2,157	26	2,299	27	2,167	79	2,267	85
Consumer loans:								
Other direct	12	—	14	—	12	—	14	—
Indirect	114	1	116	1	119	4	110	4
Credit cards	6	—	10	—	7	—	11	1
Total consumer loans	132	1	140	1	138	4	135	5
Total impaired loans	$2,708	$31	$3,042	$33	$2,737	$96	$3,023	$106

[1] Of the interest income recognized during the three and nine months ended September 30, 2015, cash basis interest income was $1 million and $3 million, respectively.
Of the interest income recognized during the three and nine months ended September 30, 2014, cash basis interest income was less than $1 million and $2 million, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

NPAs are shown in the following table:

(Dollars in millions)	September 30, 2015	December 31, 2014
Nonaccrual/NPLs:		
Commercial loans:		
C&I	$122	$151
CRE	15	21
Commercial construction	1	1
Residential loans:		
Residential mortgages - nonguaranteed	156	254
Home equity products	146	174
Residential construction	16	27
Consumer loans:		
Other direct	4	6
Indirect	3	—
Total nonaccrual/NPLs [1]	463	634
OREO [2]	62	99
Other repossessed assets	7	