SUNTRUST BANKS INC
Form 10-K
February 24, 2014

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

2013 FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
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 |
| Depositary Shares, Each Representing 1/4000th Interest in a Share of Perpetual Preferred Stock, Series A | New York Stock Exchange |
| Depositary Shares, Each Representing 1/4000th Interest in a Share of Perpetual Preferred Stock, Series E | New York Stock Exchange |
| 5.853% Fixed-to Floating Rate Normal Preferred Purchase Securities of SunTrust Preferred Capital I | New York Stock Exchange |
| Warrants to Purchase Common Stock at $44.15 per share, expiring November 14, 2018 | New York Stock Exchange |
| Warrants to Purchase Common Stock at $33.70, expiring December 31, 2018 | 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 ý 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 ý
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 ý 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). ý Yes ¨ No

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

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

Large accelerated filer ý 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 ý

The aggregate market value of the voting and non-voting Common Stock held by non-affiliates at June 28, 2013, was approximately $17.0 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 19, 2014, 534,671,799 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 2014 Annual Shareholder's Meeting, which it will file with the SEC no later than April 22, 2014 (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.
ACH — Automated clearing house.
AFS — Available for sale.
Agreements — Equity forward agreements.
AIP — Annual Incentive Plan.
ALCO — Asset/Liability Management Committee.
ALM — Asset/Liability Management.
ALLL — Allowance for loan and lease losses.
AOCI — Accumulated other comprehensive income.
ARM — Adjustable rate mortgage.
ARS — Auction rate securities.
ASU — Accounting standards update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
Basel III — The third Basel Accord developed by the BCBS to strengthen existing regulatory capital requirements.
BCBS — Basel Committee on Banking Supervision.
BHC — Bank Holding Company.
BHC Act — The Bank Holding Company Act of 1956.
Board — The Company’s Board of Directors.
BPS — Basis points.
BRC — Board Risk Committee.
CC — Capital Committee.
CCAR — Comprehensive Capital Analysis and Review.
CDO — Collateralized debt obligation.
CD — Certificate of deposit.
CDR — Conditional default rate.
CDS — Credit default swaps.
CET 1 — Common Equity Tier 1 Capital.
CEO — Chief Executive Officer.
CFO — Chief Financial Officer.
CFPB — Bureau of Consumer Financial Protection.
CFTC — Commodities Futures Trading Commission.
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.
Coke — The Coca-Cola Company.
Company — SunTrust Banks, Inc.
CORO — Corporate Operations Risk Officer.
CP — Commercial paper.
CPP — Capital Purchase Program.

CPR — Conditional prepayment rate.
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.
DFAST — Dodd-Frank Act Stress Testing.
DIF — Deposit Insurance Fund.
Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DOJ — Department of Justice.
DTA — Deferred tax asset.
DTL — Deferred tax liability.
EPS — Earnings per share.
ERISA — Employee Retirement Income Security Act of 1974.
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 — Federal Financial Institutions Examination Council.
FHA — Federal Housing Administration.
FHFA — Federal Housing Finance Agency.
FHLB — Federal Home Loan Bank.
FICO — Fair Isaac Corporation.
FINRA — Financial Industry Regulatory Authority.
Fitch — Fitch Ratings Ltd.
Form 8-K items - Items disclosed in Form 8-K that was filed with the SEC on September 6, 2012 or October 10, 2013.
FRB — Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GenSpring — GenSpring Family Offices, LLC.
GLB Act — Gramm-Leach-Bliley Act.
GSE — Government-sponsored enterprise.
HAMP — Home Affordable Modification Program.
HARP — Home Affordable Refinance Program.
HOEPA — Home Owner's Equity Protection Act.
HUD — U.S. Department of Housing and Urban Development.
IIS — Institutional Investment Solutions.
IPO — Initial public offering.

IRLC — Interest rate lock commitment.
IRS — Internal Revenue Service.
ISDA — International Swaps and Derivatives Association.
LCR — Liquidity coverage ratio.
LGD — Loss given default.
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.
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.
MI — Mortgage insurance.
Moody's — Moody's Investors Service.
MSA — Metropolitan Statistical Area.
MRA — Master Repurchase Agreement.
MRMG — Model Risk Management Group.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NCF — National Commerce Financial Corporation.
NOL — Net operating loss.
NOW — Negotiable order of withdrawal account.
NPA — Nonperforming asset.
NPL — Nonperforming loan.
NPR — Notice of Proposed Rulemaking.
NSFR — Net stable funding ratio.
NYSE — New York Stock Exchange.
OCC — Office of the Comptroller of the Currency.
OCI — Other comprehensive income.
OFAC — Office of Foreign Assets Control.
OIG — Office of Inspector General.
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 of SunTrust Banks, Inc.
Patriot Act — The USA Patriot Act of 2001.
PD — Probability of default.
PMC — Portfolio Management Committee.
PWM — Private Wealth Management.
QSPE — Qualifying special-purpose entity.
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.
SCAP — Supervisory Capital Assessment Program.
SEC — U.S. Securities and Exchange Commission.
SERP — Supplemental Executive Retirement Plan.
SPE — Special purpose entity.
STIS — SunTrust Investment Services, Inc.
STM — SunTrust Mortgage, Inc.
STRH — SunTrust Robinson Humphrey, Inc.
SunTrust — SunTrust Banks, Inc.
SunTrust Community Capital — SunTrust Community Capital, LLC.
TARP — Troubled Asset Relief Program.
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.
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.
Visa Counterparty — a financial institution which purchased the Company's Visa Class B shares.
VOE — Voting interest entity.
W&IM — Wealth and Investment Management.

# PART I

## Item 1. BUSINESS

### General

The Company, a Georgia corporation and a bank holding company and a financial holding company, is one of the nation's largest commercial banking organizations whose businesses provide a broad range of financial services to consumer, business, 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 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 20, “Business Segment Reporting,” to the Consolidated Financial Statements in Item 8 of this Form 10-K.

### Primary Market Areas

Through its principal subsidiary, SunTrust Bank, the Company offers a full line of financial services for consumers and businesses including deposit, credit, mortgage banking, and trust and investment services. Additional subsidiaries provide asset management, securities brokerage, and capital market services. 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. In certain businesses, SunTrust also operates in select markets nationally. SunTrust provides clients with a selection of branch-based and technology-based banking channels, including the internet, mobile, ATMs, and telebanking. SunTrust's client base encompasses a broad range of individuals and families, businesses, institutions, and governmental agencies. Within its geographic footprint, SunTrust operated the following business segments during 2013, with the remainder in Corporate Other: Consumer Banking and Private Wealth Management, Wholesale Banking, and Mortgage Banking.

### Acquisition and Disposition Activity

As part of its operations, the Company evaluates, when deemed appropriate, the potential acquisition of financial institutions and other business types eligible for financial holding company ownership or control. Additionally, the Company regularly analyzes the values of and may submit bids for 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.

The Company entered into an agreement for the sale of its Ridgeworth asset management subsidiary during the fourth quarter of 2013, which it expects will close in the second quarter of 2014. During 2012 and 2011, the Company acquired the assets of an online lender, and the Company's PWM business acquired the assets and liabilities of an asset manager, respectively. Additional information on these acquisitions and dispositions is included in Note 2, “Acquisitions/Dispositions,” to the Consolidated Financial Statements in Item 8 of this Form 10-K, which is 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 as a Georgia-chartered bank holding company, by the Georgia Department of Banking and Finance. The Company's 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 is regulated by the Federal Reserve, the FDIC, and the Georgia Department of Banking and Finance.

The Company's banking subsidiary is subject to various requirements and restrictions under federal and state law, including requirements to maintain cash reserves against deposits, restrictions on the types and amounts of loans that may be made and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of SunTrust 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.

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 is a FINRA member. STIS is also a broker-dealer and investment adviser registered with the SEC and a member of FINRA. RidgeWorth and several of RidgeWorth's subsidiaries are investment advisers

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registered with the SEC. GenSpring is an investment adviser registered with the SEC and a member of the National Futures Association. Furthermore, under the Dodd-Frank Act, the Federal Reserve may regulate and supervise any subsidiary of the Company to determine (i) the nature of the operations and financial condition of the company, (ii) the financial, operational and other risks of the company, (iii) the systems for monitoring and controlling such risks, and (iv) compliance with Title I of the Dodd-Frank Act.

The BHC Act limits the activities in which bank holding companies and their subsidiaries may engage. As a bank holding company that has elected to become a financial holding company, the Company may engage, in addition to activities “closely related to banking," in expanded securities activities, insurance sales, underwriting activities, and other financial activities, and may also acquire securities firms and insurance companies, subject to certain conditions. The expanded activities in which the Company may engage are limited to those that are (i) financial in nature or incidental to such financial activity, and/or (ii) complimentary to a financial activity and which does not pose a risk to the safety and soundness of a depository institution or the financial system generally. To maintain its status as a financial holding company, the Company and its banking subsidiary must be “well capitalized,” and “well managed” and must maintain at least a “satisfactory” CRA rating, failing which the Federal Reserve may, among other things, limit the Company’s ability to conduct these broader financial activities or, if the deficiencies persist, require the Company to divest the banking subsidiary. If the 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.

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, but are generally not intended for the protection of shareholders or other investors. For example, pursuant to the Dodd-Frank Act and Federal Reserve policy, 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, which may include circumstances in which it might not otherwise do so.

The Company and its subsidiaries are subject to an extensive regulatory framework of complex and comprehensive federal and state laws and regulations regulating the provision of banking and other financial services and other aspects of the Company’s businesses and operations. Regulation and regulatory oversight have increased significantly over the past three years, primarily as a result of the passage of the Dodd-Frank Act in 2010. 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 U.S.; (iv) requiring financial institutions to draft a resolution plan that contemplates the dissolution of the enterprise and submit that resolution plan to both the Federal Reserve and the FDIC; (v) limiting debit card interchange fees; (vi) adopting certain changes to shareholder rights and responsibilities, including a shareholder “say on pay” vote on executive compensation; (vii) strengthening the SEC's powers to regulate securities markets; (viii) regulating OTC derivative markets; (ix) 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; (x) changing the base upon which the deposit insurance assessment is assessed from deposits to, substantially, average consolidated assets minus equity, which likely increases the amount of the deposit insurance assessment collected from SunTrust Bank; and (xi) amending the Truth in Lending Act with respect to mortgage originations, including originator compensation, minimum repayment standards, and prepayment considerations.

One of the more important changes instituted by the Dodd-Frank Act is the requirement for twice-annual stress tests of the Company and its bank. The performance of the Company under the stress tests and the CCAR determine the capital actions the Company will be permitted by its regulators to take, such as dividends and share repurchases. Due to the importance and intensity of the stress tests and the CCAR process, the Company has dedicated significant

resources to comply with stress testing requirements. These changes have profoundly impacted our policies and procedures and will likely continue to do so as regulators adopt regulations going forward in accordance with the time table for enacting regulations set forth in the Dodd-Frank Act.
The Dodd-Frank Act imposed a new regulatory regime for the OTC derivatives market, aimed at increasing transparency and reducing systemic risk in the derivative markets, such as requirements for central clearing, exchange trading, capital, margin, reporting, and recordkeeping. Jurisdiction is broadly shared by the CFTC for swaps and the SEC for security-based swaps. In 2012 and 2013, the CFTC finalized most of its core regulations, triggering a phased-in compliance period commencing in late 2012 and continuing throughout 2013. The Bank provisionally registered as a swap dealer with the CFTC and became subject to new substantive requirements, including trade reporting and robust record keeping requirements, business conduct requirements (including daily valuations, disclosure of material risks associated with swaps and disclosure of material

incentives and conflicts of interest), and mandatory clearing of certain standardized swaps designated by the CFTC, such as most interest rate swaps. While the SEC has proposed most of its core regulations for security-based swaps, most of its new requirements await final regulations and are expected to be similar to the CFTC rules for swaps. The Company's derivatives business is expected to become subject to additional substantive requirements, including margin requirements in excess of current market practice, increased capital requirements and exchange trading requirements. These new rules collectively will impose implementation and ongoing compliance requirements for the Company and will introduce additional legal risk, as a result of newly applicable anti-fraud and anti-manipulation provisions and private rights of action.

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 a covered financial company. The Dodd-Frank Act gives the Financial Stability Oversight Counsel substantial resolution authority, which may affect or alter the rights of creditors and investors in a resolution or distressed scenario. 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. Pursuant to the Dodd-Frank Act, bank holding companies with total consolidated assets of $50 billion or more are required to submit resolution plans to the Federal Reserve and FDIC providing for the company's strategy for rapid and orderly resolution in the event of its material financial distress or failure. In September 2011, these agencies issued a joint final resolution plan rule implementing this requirement. The FDIC issued a separate such rule applicable to insured depository institutions of $50 billion or more in total assets. The Company and the Bank submitted their first resolution plans to these agencies in December 2013. If a plan is not approved, the Company’s and the Bank’s growth, activities, and operations may be restricted.

Most recently, federal regulators have finalized rules for the new capital requirements for financial institutions that include several changes to the way capital is calculated and how assets are risk-weighted, informed in part by the Basel Committee on Banking Supervision's Basel III revised international capital framework. The rules, summarized briefly below, will have a profound effect on the Company's level of capital, as well as the volatility of that capital, and may influence the types of business the Company may pursue and how the Company pursues business opportunities. Among other things, the final rules raise the required capital ratios, adding a new common equity ratio and capital buffers, and restrict what may constitute capital. Because the rules remain subject to interpretation in a number of important aspects, their ultimate effect on the Company is not yet known. The Company does, however, provide an estimate of what capital ratios would be in accordance with the capital portion, as well as the risk-weighting of assets, based upon the Company's interpretation of the final rules. See the Company's estimate of the proposed Basel III common equity Tier 1 capital ratio in the "Capital Resources" section of Item 7, "MD&A," in this Form 10-K.

Capital Framework and Basel III

On July 9, 2013, the Federal Reserve jointly with other federal regulators published three final rules, generally consistent with the three proposed rules published August 30, 2012, substantially implementing the Basel III accord for the U.S. banking system (the “Final Rules”). As applicable to the Company, the Final Rules make changes to regulatory capital levels, how regulatory capital is calculated, and how bank assets are risk-weighted. The Final Rules become effective starting January 1, 2015. Among other things, the Final Rules generally include, among others, the following requirements applicable to the Company:

- A new minimum CET 1 capital ratio of 4.5%; a Tier 1 capital ratio, with a numerator consisting of the sum of CET 1 and “Additional Tier 1 capital” instruments meeting specified requirements, of 6.0%; and a total capital ratio, with a numerator consisting of the sum of CET 1, Additional Tier 1 capital and Tier 2 capital, of 8.0%.

- CET 1 is defined narrowly by requiring that most deductions or adjustments to regulatory capital measures be made to CET 1, and expanding the scope of the deductions or adjustments as compared to existing regulations.
- A 2.5% “capital conservation buffer” to be phased-in starting January 1, 2016, added to the CET 1, Tier 1, and Total Capital ratios , effectively resulting upon full implementation in a minimum ratio of each of CET 1, Tier 1, and Total Capital of 7.0%, 8.5%, and 10.5%, respectively;
- A significant increase to capital charges for certain commercial real estate loans determined to be “high volatility real estate exposures” not involving a down payment of at least 15% of the “as completed” value of the property, which would apply, subject to certain exceptions, to a large array of commercial real estate loans, including small business loans and owner-occupied business properties; and
- Include unrealized gains and losses on all securities AFS in the calculation of CET 1, subject to a one-time election for securities AFS as a component of other AOCI, to allow the treatment of AOCI as currently treated for regulatory capital purposes. The Company intends to make such an election.

The capital conservation buffer is a buffer above the minimum levels designed to ensure that banks remain well-capitalized even in adverse economic scenarios. If a banking organization does not have the CET 1, Tier 1, and Total Capital minimum ratios including the capital conservation buffer as described above, it will face constraints on capital distributions, share repurchases and redemptions, and discretionary bonus payments to executive officers. We believe the Company's and Bank's current capital levels already exceed these capital requirements, including the capital conservation buffer. See additional discussion of Basel III in the "Capital Resources" section of Item 7, "MD&A," in this Form 10-K.

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 framework requires banks and bank holding companies to measure their liquidity against specific liquidity ratios 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 ratio, referred to as the LCR, is designed to ensure that the banking entity maintains sufficient liquidity under an acute 30-day liquidity stress scenario. Specifically, the bank must maintain a level of unencumbered high-quality liquid assets greater than or equal to projected cash outflows under stress, where the outflows are the greater of (i) the entity's expected net cash outflow or (ii) 25% of its expected total cash outflow. The other ratio, 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. 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 is subject to an observation period that began in 2011, but will be phased-in as a requirement beginning January 1, 2015. In October 2013, the Federal Reserve issued an NPR to implement the LCR proposal, which in certain respects is more restrictive than the Basel III LCR. The LCR NPR provides for a modified LCR to apply to BHCs with over $50 billion in assets such as the Company, which measures the cumulative net cash outflows at the end of a 21-day period and generally sets the cash outflow parameters at 70% of those applicable to larger institutions. At this time, international regulatory authorities are still assessing the NSFR and it is unclear when the NSFR will be introduced as a requirement. These new standards are subject to further rulemaking, and their terms may change before implementation.

Other Regulation

The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to U.S. banking organizations. Additionally, these regulatory agencies may 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, certain non-controlling interests and qualifying preferred stock, less goodwill (net of any qualifying DTL) and other adjustments. Beginning in 2013, trust preferred securities will no longer be included in Tier 1 after a three-year phase-out. 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 RWAs. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. Additionally, 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. The Federal Reserve also requires the Company to calculate, report, and maintain certain levels of Tier 1 common equity. Tier 1 common equity is calculated by taking Tier 1 capital and subtracting certain elements, including perpetual preferred stock and related surplus, non-controlling interests in subsidiaries, trust preferred securities and mandatorily convertible preferred securities. Under the final rules, as discussed above, the capital requirements for bank holding companies and banks will increase substantially.

The federal banking agencies have broad powers with which to require companies 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 FDICIA including progressively more restrictive constraints on operations, management, and capital distributions. 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 5.0% of the bank's assets at the time it became “undercapitalized” or the amount needed to comply with the plan. The final capital rules described above amended the prompt corrective action framework to include the new CET 1 capital measure and higher minimum capital requirements, effective January 1, 2015, such that the minimum CET 1, Tier 1 risk-based, and total risk based measures required to be “adequately capitalized” will be 4.5%, 6.0%, and 8.0%, respectively, “well-capitalized”, will be at least 2.0% higher in each respective category, and the minimum standard leverage ratio to be adequately capitalized and well-capitalized will be 4.0% and 5.0%, respectively. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. Additionally, 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.

Regulators also must take into consideration: (i) concentrations of credit risk; (ii) 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 (iii) 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. Regulators make this evaluation as a part of their regular examination of the institution's safety and soundness. Additionally, regulators may choose to examine other factors in order to evaluate the safety and soundness of financial institutions. The Federal Reserve recently announced that its approval of certain capital actions, such as dividend increases and stock repurchase, will be tied to the level of CET 1, and that bank holding companies must consult with the Federal Reserve's staff before taking any actions, such as stock repurchases, capital redemptions, or dividend increases, which might result in a diminished capital base.

In addition, 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. 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. In the event of the “liquidation or other resolution” of an insured depository institution, the FDIA provides that 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 insures deposit accounts up to $250,000. It provides this insurance through the DIF, which the FDIC maintains by assessing depository institutions an insurance premium. The amount each institution was assessed prior to April 1, 2011 was 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 changed how it assesses insurance premiums. Beginning April 1, 2011, the FDIC began assessing deposit insurance premiums on the basis of a depository institution's average consolidated net assets and not its deposits. Additionally, the FDIC introduced changes to the method by which it determines each depository institution's insurance premium rate to include a variety of factors that translate into a complex scorecard. These changes were in addition to previous changes related to pre-funding insurance premiums.

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 CFPB 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.

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.

There are limits and restrictions on transactions in which the Bank and its subsidiaries may engage with the Company and other Company subsidiaries. Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve's Regulation W, among other things, govern the terms and conditions and limit the amount of extensions of credit by the Bank and its subsidiaries to the Company and other Company subsidiaries, purchases of assets by the Bank and its subsidiaries from the Company and other Company subsidiaries, and the amount of collateral required to secure extensions of credit by the Bank and its subsidiaries to the Company and other Company subsidiaries. The Dodd-Frank Act significantly enhanced and expanded the scope and coverage of the limitations imposed by Sections 23A and 23B, in particular, by including within its scope derivative transactions by and between the Bank or its subsidiaries and the Company or other Company subsidiaries. The Federal Reserve enforces the terms of 23A and 23B and audits the enterprise for compliance.

In October 2011, the Federal Reserve and other regulators jointly issued a proposed rule implementing requirements of a new Section 13 to the BHC Act, commonly referred to as the “Volcker Rule.” The regulatory agencies released final implementing regulations on December 10, 2013, providing for an extended conformance date through July 21, 2015. The Volcker Rule generally prohibits the Company and its subsidiaries from (i) engaging in proprietary trading for its own account, (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund,” and (iii) entering into certain relationships with a “covered fund,” all subject to certain exceptions. The Volcker Rule also specifies certain limited activities in which the Company and its subsidiaries may continue to engage.

The Volcker Rule will further restrict and limit the types of activities in which the Company and its subsidiaries may engage. Moreover, it will require the Company and its subsidiaries to adopt complex compliance monitoring and reporting systems in order to assure compliance with the rule while engaging in activities that the Company and its subsidiaries currently conduct.

The Patriot Act substantially broadened existing anti-money laundering legislation and the extraterritorial jurisdiction of the U.S. It 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.” Recently the Financial Crimes Enforcement Network, which drafts regulations implementing the Patriot Act and other anti-money laundering and bank secrecy act legislation, proposed a rule that would require financial institutions to obtain beneficial ownership information with respect to all legal entities with which such institutions conduct business. The scope and compliance requirements of such a rule have yet to be formalized or completed. Bank regulators are focusing their examinations on anti-money laundering compliance, and the Company continues to enhance its anti-money laundering compliance programs.

During the fourth quarter of 2011, the Federal Reserve's final rules related to debit card interchange fees became effective. These rules significantly limit the amount of interchange fees that the Company may charge for electronic debit transactions. Similarly, in 2009, the Federal Reserve adopted amendments to its Regulation E that restrict the Company's ability to charge its 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 banks to collect overdraft fees. Overdraft fees have in the past represented a significant amount of noninterest fees collected by the Company's banking subsidiary. The CFPB also has amended Regulation E to impose certain disclosure and other requirements on the Company’s provision of electronic funds transfer services for U.S. consumers to recipients in other countries.

Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, and, as amended by the Dodd-Frank Act, bank holding companies from any state may acquire banks located in any other state, subject to certain conditions, including concentration limits. Additionally, 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 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.

Additionally, certain states may have limitations on the amount of deposits any bank may hold within that state.

On July 21, 2010, the Federal Reserve and other regulators jointly published final guidance for structuring incentive compensation arrangements at financial organizations. The guidance does not set forth any formulas or pay caps for, but contains certain principles which companies are required to follow with respect to employees and groups of employees that may expose the company 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 monitor compliance with this guidance as part of its safety and soundness oversight.

Competition

The Company's primary operating footprint is in the Southeast and Mid-Atlantic U.S., though certain lines of business serve broader, national markets. Within those markets the Company faces competition from domestic and foreign lending institutions and numerous other providers of financial services. The Company competes using a client-centered model that focuses on high quality service, while offering a broad range of products and services. The Company believes that this approach better positions it to increase loyalty and expand relationships with current clients and attract new ones. Further, the Company maintains a strong presence within select markets, thereby enhancing its competitive position.

While the Company believes it is well positioned within the highly competitive industry, the industry could become even more competitive as a result of legislative, regulatory, economic, and technological changes, as well as continued consolidation. 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. However, non-banking financial institutions may not have the same access to deposit funds or government programs and, as a result, those non-banking financial institutions may elect, as some have done, 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 could alter 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.

Employees

At December 31, 2013, the Company had 26,281 full-time equivalent employees. See additional information in the "Executive Overview" section of this Form 10-K.

Additional Information

See also the following additional information which is incorporated herein by reference: Business Segments (under the captions “Business Segments” and "Business Segment Results" in Item 7, in the MD&A of this Form 10-K, and “Business Segment Reporting” in Note 20 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 “Allowance for Credit Losses” in Notes 6 and 7, respectively, to the Consolidated Financial Statements); Deposits (under the caption “Deposits” in the MD&A); Short-Term Borrowings (under the caption “Short-Term Borrowings” in the MD&A and “Borrowings and Contractual Commitments” in Note 11 to the Consolidated Financial Statements); Trading Activities and Trading Assets and Liabilities (under the caption “Trading Assets and Liabilities and Derivatives” in the MD&A and “Trading Assets and Liabilities and Derivatives” and “Fair Value Election and Measurement” in Notes 4 and 18, 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 Management” in the MD&A); Credit Risk Management (under the caption "Credit Risk Management" 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 SEC 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: (i) its Code of Ethics; (ii) its 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 Form 10-K 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.

As one of the largest lenders in the Southeast and Mid-Atlantic U.S. and a provider of financial products and services to consumers and businesses across the U.S., our financial results have been, and may continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the U.S., and a deterioration of economic conditions or of the financial markets may materially adversely affect our lending and other businesses and our financial results and condition.
We generate revenue from the interest and fees we charge on the loans and other products and services we sell, and a substantial amount of our revenue and earnings come from the net interest income and fee income that we earn from our consumer, wholesale, and mortgage banking businesses. These businesses have been, and may continue to be, materially affected by the state of the U.S. economy, particularly unemployment levels and home prices. Although the U.S. economy has continued to gradually improve from the severely depressed levels of 2008 and early 2009, economic growth and improvement in the housing market have been modest. In addition, financial uncertainty stemming from U.S. debt and budget matters, as well as the uncertainty surrounding financial regulatory reform and its effect on the revenues of financial services companies such as us, have impacted and may continue to impact the continuing global economic recovery. A prolonged period of slow growth in the U.S. economy or any deterioration in general economic conditions and/or the financial markets resulting from the above matters, or any other events or factors that may disrupt or dampen the global economic recovery, could materially adversely affect our financial results and condition.

If unemployment levels increase or if home prices decrease we would expect to incur higher than normal charge-offs and provision expense from increases in our allowance for credit losses. These conditions may adversely affect not only consumer loan performance but also C&I and CRE loans, especially for those businesses that rely on the health of industries or properties that may experience deteriorating economic conditions. The ability of these borrowers to repay their loans may be reduced, causing us to incur significantly higher credit losses. In addition, current economic conditions have made it more challenging for us to increase our consumer and commercial loan portfolios by making loans to creditworthy borrowers at attractive yields. If economic conditions do not continue to improve or if the economy worsens and unemployment rises, then a decrease in consumer and business confidence and spending are likely, which may reduce demand for our credit products, which would adversely affect our interest and fee income and our earnings.

A deterioration in business and economic conditions that erodes consumer and investor confidence levels, and/or increased volatility of financial markets, also could adversely affect financial results for our fee-based businesses, including our wealth management, investment advisory, and investment banking businesses. We earn fee income from managing assets for others and providing brokerage and other investment advisory and wealth management services. Because investment management fees are often based on the value of assets under management, a decrease in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business. Poor economic conditions and volatile or unstable financial markets also can adversely affect our debt and equity underwriting and advisory businesses.

Legislation and regulation, including the Dodd-Frank Act, as well as future legislation and/or regulation, could require us to change certain of our business practices, reduce our revenue, impose additional costs on us, or otherwise adversely affect our business operations and/or competitive position.

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 be subject to regulatory sanctions and damage to our reputation.

Regulation of the financial services industry has increased significantly since the global financial crisis. The regulation is focused on the protection of depositors, FDIC funds, consumers, and the banking system as a whole, rather than our shareholders, and may be adverse to the interests of our shareholders. We are subject to significant regulation under state and federal laws in the U.S., including new legislation and rule-making promulgated under the Dodd-Frank Act. Increased supervision, reporting, and significant new and proposed legislation and regulatory requirements in the U.S. and in other jurisdictions outside of the U.S. where we conduct business may affect the manner in which we do business and the products and services that we provide, and may affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue in businesses or impose additional fees, assessments or taxes on us, and adversely affect our business operations or have other negative consequences.

The Dodd-Frank Act, among other things, (i) established a new Financial Stability Oversight Council to monitor systemic risk posed by financial firms and imposes additional and enhanced FRB regulations, including significant changes to capital and liquidity requirements, on certain large, interconnected bank holding companies and systemically significant nonbanking firms intended to promote financial stability, and gives the Financial Stability Oversight Council substantial resolution authority that may affect or alter the rights of creditors and investors in a resolution scenario; (ii) created a liquidation framework for the resolution of covered financial companies, the costs of which would be paid through assessments on surviving covered financial companies; (iii) made significant changes to the structure of bank and bank holding company regulation and activities in a variety of areas, including prohibiting proprietary trading and private fund activities, subject to certain exceptions; (iv) created a new framework for the regulation of OTC derivatives and new regulations for the securitization market and strengthened the regulatory oversight of securities and capital markets by the SEC; (v) established the CFPB, which has broad powers to administer and enforce a new federal regulatory framework of comprehensive consumer financial regulation; (vi) provided for increased regulation of residential mortgage activities; (vii) revised the FDIC's assessment base for deposit insurance by changing from an assessment base defined by deposit liabilities to a risk-based system based on consolidated total assets minus average tangible equity, and also allows the Federal Reserve to assess additional fees for systemic risk oversight, and (vii) authorized the FRB under the Durbin Amendment to issue regulations establishing, among other things, standards for assessing whether debit card interchange fees received by debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions.

A significant number of the provisions of the Dodd-Frank Act still require extensive rulemaking and interpretation by regulatory authorities. In several cases, authorities have extended implementation periods and delayed effective dates. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and SunTrust will not be known for an extended period of time. Nevertheless, the Dodd-Frank Act, including current and future rules implementing its provisions and the interpretation of those rules, could result in a loss of revenue, require us to change certain of our business practices, limit our ability to pursue certain business opportunities, increase our capital and liquidity requirements and impose additional assessments and costs on us, and otherwise adversely affect our business operations and have other negative consequences. For example, on October 1, 2011, final rules issued by the Federal Reserve became effective which limit the fees we can charge for debit card interchange, and this has reduced our noninterest income. The ultimate status of these rules is uncertain as merchants brought suit against the Federal Reserve in 2012 challenging the rules. The Federal Reserve has appealed a lower court finding that set aside the rules. In addition, several recent legislative and regulatory initiatives were adopted that have had an impact on our businesses and financial results, including FRB and CFPB amendments to Regulation E which, among other things, affect the way we may charge overdraft fees and our provision of electronic funds transfer services for U.S. consumers to recipients in other countries. We also implemented policy changes to help customers limit overdraft and returned item fees. These reduced our fee revenue.

The Dodd-Frank Act also established the CFPB, which has authority to regulate, among other things, unfair, deceptive, or abusive acts or practices. The CFPB has been active in rule-making and enforcement activity, and already has imposed substantial fines on other financial institutions. Among its other consumer-protective initiatives, the CFPB has placed significant emphasis on consumer complaint management. The CFPB has established a public consumer complaint database to encourage consumers to file complaints they may have against financial institutions, which the CFPB may use to focus enforcement actions and for rule-making. In addition, each financial institution is expected to maintain an effective consumer complaint management program. Further, in 2013 the CFPB released final regulations under Title XIV of the Dodd-Frank Act in 2013 further regulating the origination of mortgages and addressing "ability to repay" standards, loan officer compensation, appraisal disclosures, HOEPA triggers and other matters. The "ability to repay" rule, in particular, has the potential to significantly affect our business since it provides a borrower with a defense to foreclosure unless the lender established the borrower's ability to repay, or that the loan was a "qualified mortgage" or met other exceptions to the rule. While qualified mortgages may provide certain safe harbors, the extent of these safe harbors remains unclear. Our business strategy, product offerings, and profitability may be affected by CFPB rules and may change as these and other rules are developed, become effective, and are interpreted by the regulators and courts.

The Dodd-Frank Act (through provisions commonly known as the “Volcker Rule”) prohibits banking entities from engaging in certain types of proprietary trading and restricts their ability to sponsor, invest in, or have certain relationships with “covered funds” such as private equity funds, hedge funds or other similar private investment vehicles. The Volcker Rule became effective on July 21, 2012 in advance of the finalization of the implementing regulations by the relevant regulatory agencies. These regulatory agencies issued guidance during the automatic two year conformance period which commenced on July 21, 2012, providing that banking entities should engage in good-faith planning efforts to enable them to comply with the Volcker Rule and any final implementing regulations by no later than the end of that two year period. They also clarified that these good-faith efforts should include an assessment of which banking entity activities are covered by the Volcker Rule and any final implementing regulations and development of a plan to conform these activities to the Volcker Rule/final implementing regulations by July 21, 2014, which was the original conformance date. We have undertaken such good faith planning efforts. The regulatory agencies released final implementing regulations on December 10, 2013, which extended the conformance date and good faith planning requirements to July 21, 2015. Although we do not have a designated proprietary trading operation, the scope of the proprietary trading prohibition and its impact on us depends on certain definitions in the final implementing regulations, particularly those definitions related to exemptions for market making, hedging activities and customer trading. While we are assessing the impact of the final regulations, we believe that the impact to revenues associated with the Volcker Rule will be immaterial. The final regulations will also require us to establish and maintain an internal compliance program to monitor and assure compliance with the Volcker Rule, which will impose ongoing compliance costs on us.

The Dodd-Frank Act created a new regulatory framework for the U.S. OTC derivatives markets with jurisdiction being broadly shared by the CFTC for swaps and the SEC for security-based swaps. In 2012 and 2013, the CFTC finalized most of its core regulations triggering a phased-in compliance period commencing in late 2012 and continuing throughout 2013. In 2013, SunTrust Bank provisionally registered as a swap dealer with the CFTC and became subject to new substantive requirements, including trade reporting and robust record keeping requirements, business conduct requirements (including daily valuations, disclosure of material risks associated with swaps and disclosure of material incentives and conflicts of interest), and mandatory clearing of certain standardized swaps designated by the CFTC, such as most interest rate swaps. While the SEC has proposed most of its core regulations for security-based swaps, most of its new requirements await final regulations and are expected to be similar to the CFTC rules for swaps. Moreover, we expect our derivatives business will become subject to additional substantive requirements, including margin requirements in excess of current market practice, increased capital requirements and exchange trading requirements. These new rules collectively will impose implementation and ongoing compliance burdens on us and will introduce additional legal risk, including as a result of newly applicable anti-fraud and anti-manipulation provisions and private rights of action.

Additionally, the relevant regulatory agencies have proposed rules to implement the Dodd-Frank Act provisions requiring retention of risk by certain securitization participants through holding interests in the securitization vehicles, but the rules are not yet finalized or effective. As a result, the ultimate impact of these Dodd-Frank Act provisions on us remains unpredictable. The impact on us could be direct, by requiring us to hold interests in a securitization vehicle or other assets that represent a portion of the credit risk held by the securitization vehicle, or indirect, by impacting markets in which we participate. Since the beginning of the financial crisis, there has been and continues to be substantially less private (that is, non-government backed) securitization activity than had previously been the case. It is unclear at present whether and to what extent the private securitization markets will rebound. In recent years we have only engaged in securitization transactions to a limited extent under circumstances where we might expect to be required to retain additional risk on our balance sheet as a result of implementation of these Dodd-Frank Act provisions. If the market for private securitizations rebounds and we decide to increase our participation in that market, we would likely be required under the regulations to retain more risk than would otherwise have been the case, with currently uncertain financial impact. In addition, other securitization reforms mandated by the Dodd-Frank Act or implemented or proposed by the SEC may have the effect of limiting our ability to execute, or increase the cost of, securitization transactions. The impact of such reforms on our business is uncertain and difficult to quantify.

In February 2011, the White House delivered a report to Congress regarding proposals to reform the housing finance market in the U.S. The report, among other things, outlined various potential proposals to wind down the GSEs and reduce or eliminate over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as proposals to implement reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can guarantee, phasing in a minimum down payment requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. The extent and timing of any regulatory reform regarding the GSEs and the home mortgage market, as well as any effect on our business and financial results, are uncertain.

Additionally, legislation or regulation may impose unexpected or unintended consequences, the impact of which is difficult to predict. For example, some commentators have expressed a view that proposed liquidity requirements, which will require certain banks to hold more liquid securities, may have the unintended consequence of reducing the size of the trading markets for such securities and thereby reduce liquidity in those markets.

Any other future legislation and/or regulation, if adopted, also could have a material adverse effect on our business operations, income, and/or competitive position and may have other negative consequences. For additional information, see the “Government Supervision and Regulation” section in this Form 10-K.

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, we, together with our banking subsidiary and broker-dealer subsidiaries, must meet certain capital and liquidity guidelines, subject to qualitative judgments by regulators about components, risk weightings, and other factors.

In July 2013, the Federal Reserve issued final capital rules that replace existing capital adequacy rules and implement Basel III and certain requirements imposed by the Dodd-Frank Act. The final capital rules consolidate and largely adopt unchanged the three proposals included in the June 2012 regulatory capital rules NPR. When fully phased-in, these rules will result in higher and more stringent capital requirements for us and our banking subsidiary. Under the final rules, our capital requirements will increase and the risk-weighting of many of our assets will change.

Under the final capital rules, Tier 1 capital will consist of CET 1 capital and additional Tier 1 capital, with Tier 1 capital plus Tier 2 capital constituting total risk-based capital. The required minimum capital requirements will be a CET 1 ratio of 4.5%; a Tier 1 capital ratio of 6%, and a total capital ratio of 8%. In addition, a Tier 1 leverage ratio to average consolidated assets of 4% will apply. Further, we will be required to maintain a capital conservation buffer of 2.5% of additional CET 1. If we do not maintain the capital conservation buffer once it is fully phased in, then our ability to pay dividends and discretionary bonuses and to make share repurchases will be restricted. We will be required to comply with the minimum regulatory capital ratios as of January 1, 2015, which also starts the transition period for other requirements of the final rules and the capital conservation buffer. We have estimated our regulatory capital under Basel III under the final rules, and we provide that estimate and a reconcilement to U.S. GAAP in Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual" in Item 7, "MD&A", in this Form 10-K. Note that this estimate is consistent with our interpretation of the final rule and ambiguities in the final rule or other interpretations of the final rule could result in a larger measure of RWAs and consequently a lower CET 1 capital ratio. If risk weightings of certain assets change, and we are required to hold increased amounts of capital as a result of holding those assets, the profitability of those assets and businesses may change, and longer-term this may result in changes in our business mix.

The final rules will also gradually eliminate the contribution to Tier 1 capital of certain trust preferred and certain other hybrid debt securities currently included in Tier 1 capital. These securities will lose Tier 1 capital status under the phased-in approach between 2013 and 2016, but will qualify for Tier 2 capital treatment. At December 31, 2013, we had $627 million principal amount of such securities outstanding.

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 specified 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. In October 2013, the FRB, jointly with other federal banking regulators, issued an NPR to implement the LCR. These proposed rules are more stringent than the Basel III LCR in several respects, including, among other things, requirements for holding certain high quality liquid assets. The LCR NPR provides for a modified LCR to apply to BHCs with over $50 billion in assets such as us, which generally sets the cash outflow parameters at 70% of those applicable to larger institutions. At this time, international regulatory authorities are still assessing the NSFR and it is unclear when the NSFR will be introduced as a requirement. In order to meet future LCR, we may alter the composition of our investment portfolio and/or balance sheet composition and this may adversely affect our earnings. Under the proposed rule, banking organizations will be required to comply with the LCR during a phase-in period beginning January 1, 2015.

Pursuant to the Dodd-Frank Act, the FRB issued a final capital plan rule effective in December 2011, which requires large bank holding companies, such as us, to submit annual capital plans to the FRB for review and non-objection as part of CCAR. Pursuant to this rule, we annually submit a capital plan to the FRB. As part of CCAR, the FRB evaluates banking organizations' capital adequacy, internal capital adequacy assessment processes, and their plans to make capital distributions. Under the Dodd-Frank Act, we must also conduct semi-annual company-run stress tests

and disclose certain information regarding the results of these stress tests.
CCAR includes a supervisory stress test to support the FRB's analysis of the adequacy of banking organizations' capital. Our capital planning under CCAR requires an analysis of capital management and capital adequacy under a variety of hypothetical stressed economic scenarios. Our performance under CCAR's hypothetical scenarios dictates the capital actions the FRB will allow us to take, such as dividends and share repurchases. In addition to the quantitative requirements of CCAR, the FRB also evaluates the qualitative aspects of our capital management program, which can also impact our capital actions. Due to the importance and intensity of the CCAR process, we have dedicated additional resources to comply with CCAR, although no assurance can be provided that these resources will be deemed sufficient or that we will be deemed to have adequate capital under CCAR's hypothetical scenarios. There can be no assurance that the FRB will respond favorably to our pending and

future capital plan reviews. If we are deemed to have inadequate capital under CCAR's hypothetical scenarios, then the FRB may prohibit us from taking certain capital actions, such as paying or increasing dividends or repurchasing capital stock.

The Basel standards and FRB regulatory capital and liquidity requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases, and may require us to increase our capital and/or liquidity. Any requirement that we increase our regulatory capital, replace certain capital instruments which presently qualify as Tier 1 capital, or increase regulatory capital ratios or liquidity, could require us to liquidate assets or otherwise change our business and/or investment plans, which may adversely affect our financial results. Although not currently anticipated, the proposed Basel capital rules and/or our regulators may require us to raise additional capital in the future. Issuing additional common stock would dilute the ownership of existing stockholders. Further, even if the FRB approves a capital plan which we submit under CCAR, such approval would not mean that other limitations do not exist on our ability to pay or increase dividends or repurchase stock.

The need to maintain more capital and greater liquidity than has been historically required could limit our business activities, including lending, and our ability to expand, either organically or through acquisitions. It could also depress our return on equity, thereby making it more difficult to earn our cost of capital. In addition, the new liquidity standards could require us to increase our holdings of highly liquid short-term investments, thereby reducing our ability to invest in longer-term assets even if more desirable from a balance sheet management perspective. Moreover, although these new requirements are being phased in over time, U.S. federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases and acquisitions.

Loss of customer deposits and market illiquidity could increase our funding costs.

We rely heavily on bank deposits to be a low cost and stable source of funding for the loans we make. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits, our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income.

We rely on the mortgage secondary market and GSEs for some of our liquidity.

We sell most of the mortgage loans we originate to reduce our credit risk and to provide funding for additional loans. We rely on GSEs to purchase loans that meet their conforming loan requirements. We rely on other capital markets investors to purchase non-conforming loans (i.e., loans that do not meet GSE requirements). Since 2007, investor demand for nonconforming loans has fallen sharply, increasing credit spreads and reducing the liquidity of those loans. In response to the reduced liquidity in the capital markets, we may retain more nonconforming loans, negatively impacting reserves, or we may originate less negatively impacting revenue. When we retain a loan not only do we keep the credit risk of the loan but we also do not receive any sale proceeds that could be used to generate new loans. A persistent lack of liquidity could limit our ability to fund and thus originate new mortgage loans, reducing the fees we earn from originating and servicing loans. In addition, we cannot provide assurance that GSEs will not materially limit their purchases of conforming loans due to capital constraints or change their criteria for conforming loans (e.g., maximum loan amount or borrower eligibility). As previously noted, proposals have been presented to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The extent and timing of any such regulatory reform regarding the housing finance market and the GSEs, as well as any effect on our business and financial results, are uncertain.

Our framework for managing risks may not be effective in mitigating risk and loss to us.

Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. The recent financial and credit crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks. If our risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

We are subject to credit risk.

When we lend money, commit to lend 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, leveraged loans, leases and lending commitments, derivatives, trading 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 conditions 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.
We might underestimate the credit losses inherent in our loan portfolio and have credit losses in excess of the amount reserved. We might increase the allowance because of changing economic conditions, including falling home prices and higher unemployment, or other factors such as changes in borrower behavior. As an example, borrowers may discontinue making payments on their real estate-secured loans if the value of the real estate is less than what they owe, even if they are still financially able to make the payments.

While we believe that our allowance for credit losses was adequate at December 31, 2013, there is no assurance that it will be sufficient to cover all incurred credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions, we may be required to increase reserves in future periods, which would reduce our earnings. For additional information, see the “Risk Management-Credit Risk Management” and “Critical Accounting Policies-Allowance for Credit Losses” sections in the MD&A in this Form 10-K.

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 economic conditions in the U.S. and in our markets could deteriorate, which could result 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 losses.
On December 20, 2012, the FASB issued for public comment a Proposed ASU, Financial Instruments-Credit Losses (Subtopic 825-15) (the Credit Loss Proposal), that would substantially change the accounting for credit losses under U.S. GAAP. Under U.S. GAAP's current standards, credit losses are not reflected in the financial statements until it is probable that the credit loss has been incurred. Under the Credit Loss Proposal, an entity would reflect in its financial statements its current estimate of credit losses on financial assets over the expected life of each financial asset. The Credit Loss Proposal, if adopted as proposed, may have a negative impact on our reported earnings, capital, regulatory capital ratios, as well as on regulatory limits which are based on capital (e.g., loans to affiliates) since it would accelerate the recognition of estimated credit losses.

We may have more credit risk and higher credit losses to the extent that our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral.
Our credit risk and credit losses can increase if our loans are concentrated in borrowers engaged in the same or similar activities or in borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. For example, we experienced the effect of concentration risk when we incurred greater than expected losses in our residential real estate loan portfolio due to the latest housing slowdown and greater than expected deterioration in residential real estate values in many markets, particularly several Florida MSAs. As Florida is our largest banking state in terms of loans and deposits, deterioration in real estate values and underlying economic conditions in those markets or elsewhere could result in materially higher credit losses. A deterioration in economic conditions, housing conditions, or real estate values in the markets in which we operate could result in materially

higher credit losses. For additional information, see the "Loans", "Allowance for Credit Losses", “Risk Management-Credit Risk Management” and “Critical Accounting Policies-Allowance for Credit Losses” sections in the MD&A and Notes 6 and 7, "Loans" and "Allowance for Credit Losses", to the Consolidated Financial Statements in this Form 10-K.

We will realize future losses if the proceeds we receive upon liquidation of NPAs are less than the carrying value of such assets.
NPAs are recorded on our financial statements at the estimated net realizable value that we expect to receive from ultimately disposing of the assets. We could realize losses in the future as a result of deteriorating market conditions if the proceeds we receive upon dispositions of NPAs are less than the carrying value of such assets.

A downgrade in the U.S. government's sovereign credit rating, or in the credit ratings of instruments issued, insured or guaranteed by related institutions, agencies or instrumentalities, could result in risks to us and general economic conditions that we are not able to predict.

On June 10, 2013, S&P reaffirmed its government bond rating of the U.S. at AA+, while also raising its outlook from "Negative" to "Stable." On July 18, 2013, Moody's reaffirmed the government bond rating of the U.S. at Aaa, while raising the outlook from "Negative" to "Stable." On October 15, 2013, however, Fitch placed its AAA rating of U.S. government debt on "Ratings Watch Negative." While the risk of a sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities, has been reduced, the possibility still remains. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are key assets on the balance sheets of financial institutions, including us, and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market.

A downgrade of the sovereign credit ratings of the U.S. government and the perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact on us. In addition, we presently deliver a material portion of the residential mortgage loans we originate into government-sponsored institutions, agencies or instrumentalities (or instruments insured or guaranteed thereby). We cannot predict if, when or how any changes to the credit ratings of these organizations will affect their ability to finance residential mortgage loans. Such ratings actions, if any, could result in a significant change to our mortgage business. A downgrade of the sovereign credit ratings of the U.S. government or the credit ratings of related institutions, agencies or instrumentalities would significantly exacerbate the other risks to which we are subject and any related adverse effects on our business, 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. These conditions have resulted in losses, write-downs and impairment charges in our mortgage and other lines of business. 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. Further, 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 as a result of 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 breaches of our servicing agreements, and this 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 that we breach any of these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of borrower fraud or in the event of early payment default by 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, whether or not we were the originator of the loan. 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 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.

Since the beginning of 2006, we have received an elevated 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.

During 2012, we recorded a $371 million provision for mortgage repurchase losses, primarily related to loans sold to the GSEs prior to 2009, and the resulting mortgage repurchase reserve reflected the estimated incurred losses on repurchase demands for this population of loans. In 2013, SunTrust reached agreements with Fannie Mae and Freddie Mac to address outstanding and potential repurchase obligations, and reserved an additional $63 million. Accordingly, we expect that future mortgage repurchase provisions will decrease substantially from levels experienced in recent years. However, the 2013 agreements with Fannie Mae and Freddie Mac settling certain aspects of our repurchase obligations preserve their right to require repurchases arising from certain types of events, and that preservation of rights can impact our future losses. We understand the FHFA’s Office of Inspector General has commenced an audit of the FHFA’s oversight of Fannie Mae’s and Freddie Mac’s exercise of their rights under settlement agreements with banks, including Fannie Mae’s and Freddie Mac’s preserved right to require repurchases when consumer protection laws have been violated. While the repurchase reserve includes the estimated cost of settling claims related to required repurchases, our estimate of losses depends on our assumptions regarding GSE and other counterparty behavior, loan performance, home prices, and other factors. For additional information, see Note 17, “Guarantees,” to the Consolidated Financial Statements in this Form 10-K, and the following sections of MD&A in this Form 10-K-"Noninterest Income” and "Critical Accounting Policies."

We also have received indemnification requests related to our servicing of loans owned or insured by other parties, primarily GSEs. Typically, such a claim seeks to impose a compensatory fee on us for departures from GSE service levels. In most cases, this is related to delays in the foreclosure process. Additionally, we have received indemnification requests where an investor or insurer has suffered a loss due to a breach of the servicing agreement. While the number of such claims has been small, these could increase in the future. See additional discussion in Note 17, “Guarantees,” to the Consolidated Financial Statements in this Form 10-K. In addition to repurchase claims from the GSEs, we have received indemnification claims and in some cases, have been sued, by non-GSE purchasers of our loans. These claims allege that we sold loans that failed to conform to statements about their quality because of missing or inaccurate documentation, fraud by borrowers, or fraudulent or inflated appraisals. See additional discussion in Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K.

We face certain risks as a servicer of loans. Also, we may be terminated as a servicer or master servicer, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions.

We act as servicer and/or master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans, we have certain contractual obligations to the securitization trusts, investors or other third parties, including, in our capacity as a servicer, foreclosing on defaulted mortgage loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales and, in our capacity as a master servicer, overseeing the servicing of mortgage loans by the servicer. Generally, our servicing obligations are set by contract, for which we receive a contractual fee. However, the costs to perform contracted-for services has been increasing, which reduces our profitability. Further, GSEs can amend their servicing guidelines, which can increase the scope or costs of the services we are required to perform without any corresponding increase in our servicing fee. Further, the CFPB has implemented national servicing standards which became effective on January 10, 2014 and which may further increase the scope and costs of services which we are required to perform. In addition, there has been a significant increase in state laws that impose additional servicing requirements that increase the scope and cost of our servicing obligations.

Further, if we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing us to lose servicing income. In addition, we may be required to indemnify the securitization trustee against losses from any failure by us, as a servicer or master servicer, to perform our servicing obligations or any act or omission on our part that involves willful misfeasance, bad faith or gross negligence. For certain investors and/or certain transactions, we may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If we experience increased repurchase obligations because of claims that we did not satisfy our obligations as a servicer or master servicer, or increased loss severity on such repurchases, we may have to materially increase our repurchase reserve.

We may incur costs if we are required to, or if we elect to, re-execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to the borrower and/or to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. We may incur a liability to securitization investors relating to delays or deficiencies in our processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of our MSRs may be adversely affected to the extent our servicing costs increase because of higher foreclosure costs. Further, we may be subject to fines and other sanctions, including a foreclosure moratorium or suspension or a requirement to forgive or modify the loan obligations of certain of our borrowers, imposed by Federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm our reputation or adversely affect our residential mortgage origination or servicing business.

As a servicer, we advance expenses on behalf of investors which we may be unable to collect. In 2013, we completed an expanded review of our servicing advance practices. Separately, we entered into an agreement to sell MSRs on approximately $1 billion of UPB of predominantly delinquent mortgage loans. As a result of the review and the MSR sale, we refined our loss estimates and valuation methodologies for servicing advances, resulting in a $96 million charge to our earnings during 2013.

In 2011, the FRB conducted a horizontal review of the nation's largest mortgage loan servicers, including us. Following this review, we and other servicers entered into a Consent Order with the FRB. We describe the Consent Order in Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K. The Consent Order required us to improve certain mortgage servicing and foreclosure processes and to retain an independent foreclosure consultant to conduct a review of residential foreclosure actions pending during 2009 and 2010 to identify any errors, misrepresentations or deficiencies, determine whether any instances so identified resulted in financial injury, and prepare a written report detailing the findings. On January 7, 2013, we, along with nine other mortgage servicers, entered into an amendment to the Consent Order with the OCC and the FRB to amend the 2011 Consent Order. This agreement ended the independent foreclosure review process created by the Consent Order, replacing it with an accelerated remediation program. We have taken actions to satisfy our commitments under the amendment to the Consent Order, and our financial results at December 31, 2013 reflect the expected costs of satisfying our financial obligations under the amendment to the Consent Order.
As a result of the FRB's review of our residential mortgage loan servicing and foreclosure processing practices that preceded the Consent Order, the FRB announced that it would impose a $160 million civil money penalty. As permitted in the agreement with the FRB, we expect to satisfy the civil money penalty by providing consumer relief and certain cash payments as contemplated by such agreement. We also continue with settlement discussions with the U.S. and States Attorneys General related to mortgage servicing claims as discussed in Note 19, "Contingencies" to the Consolidated Financial Statements in this Form 10-K. We have accrued for the anticipated cost of resolving these and other potential claims in our financial results.

Financial difficulties or credit downgrades of mortgage and bond insurers may adversely affect our servicing and investment portfolios.
Our servicing portfolio includes certain mortgage loans that carry some level of insurance from one or more mortgage insurance companies. To the extent that any of these companies experience financial difficulties or credit downgrades, we may be required, as servicer of the insured loan on behalf of the investor, to obtain replacement coverage with another provider, possibly at a higher cost than the coverage we would replace. We may be responsible for some or all of the incremental cost of the new coverage for certain loans depending on the terms of our servicing agreement with the investor and other circumstances. Similarly, some of the mortgage loans we hold for investment or for sale carry mortgage insurance. If a mortgage insurer is unable to meet its credit obligations with respect to an insured loan, we might incur higher credit losses if replacement coverage is not obtained. We also have investments in municipal bonds that are guaranteed against loss by bond insurers. The value of these bonds and the payment of principal and interest on them may be adversely affected by financial difficulties or credit downgrades experienced by the bond insurers.

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, 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 have contributed to these delays. 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.

We face risks related to recent mortgage settlements.

On October 10, 2013, we announced that we reached agreements in principle with the HUD and the U.S. DOJ (collectively, the “Government”) to settle (i) certain civil and administrative claims arising from FHA-insured mortgage loans originated by STM from January 1, 2006 through March 31, 2012 and (ii) certain alleged civil claims regarding our mortgage servicing and origination practices as part of the National Mortgage Servicing Settlement. Pursuant to the combined agreements in principle, we have committed to provide $500 million of consumer relief, to make a $468 million cash payment, and to implement certain mortgage servicing standards.

We are continuing to negotiate definitive settlement terms for each of these matters and have certain substantive disagreements with some of the positions being taken by the Government. We may be unable to resolve our disagreements with the Government and may not reach a definitive settlement agreement as it relates to the FHA matter. If we do not reach a definitive settlement agreement, then the Government may sue us alleging deficiencies in our FHA loan origination practices. We are not able to predict the effect that a failure to resolve the FHA matter will have on the agreement in principle to settle the alleged claims regarding our mortgage servicing and origination practices.

Our financial statements at December 31, 2013 reflected our estimated cost of the settlements, and we are not able to predict what our ultimate cost to resolve these matters will be if we are not able to reach definitive settlement agreements. Even if we were to reach a definitive settlement agreement with the Government to resolve the alleged mortgage servicing and origination claims as contemplated by the agreement in principle, we face the risk of being unable to meet certain consumer relief commitments, resulting in increased costs to resolve this matter. Additionally, while we do not expect the consumer relief efforts or implementation of certain servicing standards associated with the settlements to have a material impact on our future financial results, this expectation is based on anticipated requirements of the definitive agreements which the parties have not finalized.

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

We seek to mitigate risks inherent in our loan portfolio by adhering to specific underwriting policies and practices, which often include 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. Our underwriting policies, practices and standards are periodically reviewed and, if appropriate, enhanced in response to changing market conditions and/or corporate strategies. Examples include: client eligibility requirements, documentation requirements, loan types, collateral types, LTV ratios, and minimum credit scores. Prior reviews have resulted in more stringent documentation standards, lower maximum LTV ratios, and channel and client type restrictions. These actions have contributed to a reduction in exposure to certain higher risk portfolio segments, such as higher risk mortgage, home equity, and commercial construction. These actions have also contributed to declines in early stage delinquencies and NPLs. While these changes have resulted in improving asset quality metrics, elevated losses may continue to occur due to economic factors, changes in borrower behavior, or other factors.

Our mortgage production and servicing revenue can be volatile.

We earn revenue from fees we receive for originating mortgage loans and for servicing mortgage loans. When rates rise, the demand for mortgage loans usually tends to fall, reducing the revenue we receive from loan originations. Under the same conditions, revenue from our MSRs can increase through reductions in the decay, or amortization, of the MSR asset. When rates fall, mortgage originations usually tend to increase and mortgage servicing income tends to decline given increases in the decay, or amortization, of the MSR asset. Even though the MSR asset can act as a “natural hedge,” the hedge is not perfect, nor is it designed to be, either in amount or timing. Servicing income can also be impacted by the change in the fair value of the MSR asset due to changes in market interest rates and other assumptions, exclusive of decay of the MSR asset. We use derivatives to hedge the risk of changes in the fair value of the MSR, exclusive of decay. The hedge may not be effective and may cause volatility, or losses, in our mortgage servicing income.

During 2012, our mortgage production income benefited from high levels of refinancing activity and historically high gain on sale margins for our mortgage loans. In contrast, during the second half of 2013, increased interest rates caused mortgage applications and refinancing activity to decline substantially, and this adversely affected mortgage production income. Our mortgage production income likely will continue to be depressed as long as gain on sale margins remain narrow and until refinance and purchase activity improves.

We typically use derivatives and other instruments to hedge our mortgage banking interest rate risk. We generally do not hedge all of our risk, and we may not be successful in hedging any of the risk. Hedging is a complex process, requiring sophisticated models and constant monitoring. We may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. We could incur significant losses from our hedging activities. There may be periods where we elect not to use derivatives and other instruments to hedge mortgage banking interest rate risk. For additional information, see Note 16, “Derivative Financial Instruments,” to the Consolidated Financial Statements in this Form 10-K.

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 and liquidity.
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, which includes all loans. Variable rate loans, prior to any hedging related actions, are approximately 56% of total loans and approximately 43% of total loans after giving consideration to hedging related actions. We are also exposed to market risk in our trading instruments, AFS investment portfolio, MSRs, loan warehouse and pipeline, and debt and brokered deposits carried at fair value. 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.
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 our pension plan assets could decline, thereby potentially requiring us to further fund the plan; 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.

Our net interest income is the interest we earn on loans, debt securities and other assets we hold less the interest we pay on our deposits, long-term and short-term debt, and other liabilities. Net interest income is a function of both our net interest margin-the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding-and the amount of earning assets we hold. Changes in either our net interest margin or the amount of earning assets we hold could affect our net interest income and our earnings. Changes in interest rates can affect our net interest margin. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. When interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the asset yield catches up.
The amount and type of earning assets we hold can affect our yield and net interest margin. We hold earning assets in the form of loans and investment securities, among other assets. As noted above, if current economic conditions persist, we may continue to see lower demand for loans by creditworthy customers, reducing our yield. In addition, we may invest in lower yielding investment securities for a variety of reasons.

Changes in the slope of the “yield curve,” or the spread between short-term and long-term interest rates, could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens or even inverts, our net interest margin could decrease as our cost of funds increases relative to the yield we can earn on our assets. The interest we earn on our assets and our costs to fund those assets may be affected by changes in market interest rates, changes in the slope of the yield curve, and our cost of funding. This could lower our net interest margin and our net interest income. We discuss these topics in greater detail under the caption “Enterprise Risk Management” in the MD&A in this Form 10-K.

During the third quarter of 2013, the Federal Reserve reaffirmed that a highly accommodative monetary policy will remain in effect for a considerable time after its asset purchase program ends and the economic recovery strengthens. Accordingly, the Federal Reserve conveyed that it anticipates maintaining key interest rates at exceptionally low

levels, at least as long as the unemployment rate remains above 6.5% and its long-term inflation goals are not met. A persistent low interest rate environment likely will adversely affect the interest income we earn on loans and investments.
We assess our interest rate risk by estimating the effect on our earnings under various scenarios that differ based on assumptions about the direction, magnitude and speed of interest rate changes and the slope of the yield curve. We hedge some of that interest rate risk with interest rate derivatives.

We may not hedge all of our interest rate risk. There is always the risk that changes in interest rates could reduce our net interest income and our earnings in material amounts, especially if actual conditions turn out to be materially different than what we assumed. For example, if interest rates rise or fall faster than we assumed or the slope of the yield curve changes, we may incur significant losses on debt securities we hold as investments. To reduce our interest rate risk, we may rebalance our investment and loan portfolios, refinance our debt and take other strategic actions. We may incur losses when we take such actions. For additional information, see the “Enterprise Risk Management” section in the MD&A in this Form 10-K.

Changes in interest rates could also reduce the value of our MSRs and mortgages held for sale, reducing our earnings. We have a sizable portfolio of MSRs. An MSR is the right to service a mortgage loan-collect principal, interest and escrow amounts-for a fee. We record MSRs when we keep the servicing rights after we sell or securitize the loans we have originated or when we purchase the servicing rights to mortgage loans originated by other lenders. We initially measure all and carry all our residential MSRs using the fair value measurement method. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers.

Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our MSRs can decrease. Each quarter we evaluate the fair value of our MSRs and any related hedges, and any decrease in fair value reduces earnings in the period in which the decrease occurs.

We measure at fair value prime mortgages held for sale for which an active secondary market and readily available market prices exist. We also measure at fair value certain other interests we hold related to residential loan sales and securitizations. Similar to other interest-bearing securities, the value of these mortgages held for sale and other interests may be adversely affected by changes in interest rates. For example, if market interest rates increase relative to the yield on these mortgages held for sale and other interests, their fair value may fall. We may not hedge this risk, and even if we do hedge the risk with derivatives and other instruments we may still incur significant losses from changes in the value of these mortgages held for sale and other interests or from changes in the value of the hedging instruments.

For additional information, see “Enterprise Risk Management-Other Market Risk” and “Critical Accounting Policies” in the MD&A, and Note 9, "Goodwill and Other Intangible Assets," to the Consolidated Financial Statements in this Form 10-K.

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. Federal Reserve policies can also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans, or could adversely create asset bubbles which result from prolonged periods of accommodative policy, and which in turn result in volatile markets and rapidly declining collateral values. 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.
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. Other businesses include investment banking, securities underwriting and retail and wholesale brokerage services offered through our subsidiaries. Securities underwriting, loan syndications and securities market making entail significant market, operational, credit, legal, and other risks that could materially adversely impact us and our results of operations.

Hurricanes and other 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.

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. The reputation of the financial services industry in general has been damaged as a result of the financial crisis and other matters affecting the financial services industry, including mortgage foreclosure issues. Negative public opinion regarding us could result from our actual or alleged conduct in any number of activities, including lending practices, the failure of any product or service sold by us to meet our clients' expectations or applicable regulatory requirements, corporate governance and acquisitions, or from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to keep and attract and/or retain clients and personnel and can expose us to litigation and regulatory action. Actual or alleged conduct by one of our businesses can result in negative public opinion about our other businesses. Negative public opinion could also affect our credit ratings, which are important to accessing unsecured wholesale borrowings. Significant changes in these ratings could change the cost and availability of these sources of funding.

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

Third parties provide key components of our business infrastructure such as banking services, processing, and internet connections and network access. Any disruption in such services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect our ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect our business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. Further, in some instances we may be responsible for failures of such third parties to comply with government regulations. 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.

A failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.

We depend upon our ability to process, record, and monitor a large number of client transactions on a continuous basis. As client, public, and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns. Our business, financial, accounting, data processing, or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there could be sudden increases in client transaction volume; electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and clients.

Information security risks for large financial institutions such as ours have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. As noted above, our operations rely on the secure processing, transmission, and storage of confidential information in our computer systems and networks. Our banking, brokerage, investment advisory, and capital markets businesses rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In addition, to access our products and services, our clients may use personal smartphones, tablet PCs, personal computers, and other mobile devices that are beyond our control systems. Although we have information security procedures and controls in place, our technologies, systems, networks, and our clients' devices may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our clients' confidential, proprietary and other information, or otherwise disrupt our or our clients' or other third parties' business operations.

For example, during 2013, our main online banking website, as well as those of several other prominent financial institutions, was subject to a limited number of distributed denial of service attacks. The attacks against us, which were also generally publicized in the media, did not result in any financial loss, fraud or breach of client data or service disruptions of any materiality.

Third parties with whom we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries, or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our prominent size and scale and our role in the financial services industry, our plans to continue to implement our internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our clients when and how they want to be served, our expanded geographic footprint, the outsourcing of some of our business operations, and the continued uncertain global economic environment. As a result, cybersecurity and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a focus for us. As threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities.

Additionally, the FRB, the CFPB, and other regulators expect financial institutions to be responsible for all aspects of their performance, including aspects which they delegate to third parties. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and clients, or cyber attacks or security breaches of the networks, systems or devices that our clients use to access our products and services could result in client attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

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, in the past 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 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 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.

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 from continued consolidation. We face aggressive competition from other domestic and foreign lending institutions and from numerous other providers of financial services. The ability of nonbanking financial institutions to provide services previously limited to commercial banks has intensified competition. Because nonbanking financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Securities firms and insurance companies that elect to become financial holding companies 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. 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 our 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, any of which would adversely affect our profitability.

We might not pay dividends on our 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.
Further, in February 2009, the Federal Reserve required bank holding companies to substantially reduce or eliminate dividends. Since that time, the Federal Reserve has indicated that increased capital distributions would generally not be considered prudent in the absence of a well-developed capital plan and a capital position that would remain strong even under adverse conditions. As a result, we expect that any substantial increase in our dividend will require the approval of the Federal Reserve. Refer to the discussion under the caption "We are subject to capital adequacy and liquidity guidelines and, if we fail to meet these guidelines, our financial condition would be adversely affected," above.
Additionally, our obligations under the warrant agreements that we entered into with the U.S. Treasury as part of the CPP will increase to the extent that we pay dividends prior to December 31, 2018 exceeding $0.54 per share per quarter, which was the amount of dividends we paid when we first participated in the CPP. Specifically, the exercise price and the number of shares to be issued upon exercise of the warrants will be adjusted proportionately (that is, adversely to us) as specified in a formula contained in the warrant agreements.
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 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 adversely 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 contingent funding available to us include inter-bank borrowings, repurchase agreements, FHLB capacity, 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 investors, 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.

Our issuer ratings are rated investment grade by the major rating agencies. There were no changes to our primary credit ratings during 2013. On October 8, 2013, Fitch affirmed our senior long- and short-term credit ratings and revised its outlook on our ratings from “Stable” to “Positive.” Our credit ratings remain on “Positive” outlook with S&P and on “Stable” outlook with Moody's. Future downgrades are possible, although not anticipated, given the “Stable” or "Positive" outlook from the three major rating agencies.

The 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. Credit ratings are one of numerous factors that influence our funding costs. Among our various retail and wholesale funding sources, credit ratings have a more direct impact on the cost of wholesale funding, as our primary source of retail funding is bank deposits, most of which are insured by the FDIC. During the most recent financial market crisis and economic recession, our senior debt credit spread to the matched maturity 5-year swap rate widened before we received any credit ratings downgrades in 2009 and began to tighten before we received our most recent credit rating downgrade in November 2010. After the loss of our A-1 short-term credit rating in April 2009 and capital raises in May and June 2009, more recent credit rating downgrades had little or no detrimental impact to our debt credit spreads. We expect that a one notch downgrade would have a relatively small impact on our debt credit spreads. A one notch downgrade could impact our ability to maintain certain business deposits that are sensitive to credit ratings. If we were not able to maintain these deposits, we would have to replace this funding with wholesale or capital markets funding, which would be more expensive and therefore negatively impact our net interest margin and net interest income.

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 acquisitions, and may seek acquisitions in the future. 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, 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.

Additionally, our regulatory burden increases as our size increases. We become subject to enhanced capital and liquidity requirements once our assets exceed $250 billion, and our regulators likely would expect us to begin voluntarily complying with those requirements as we approach that size.

We are subject to certain litigation, and our expenses related to this litigation may adversely affect our results.
From time to time we are 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. During the recent credit crisis, we have seen both the number of cases and our expenses related to those cases increase. The outcome of these cases is uncertain.

We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

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. For additional information, see Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations.
We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations, but there can be no assurance that these will be effective. We may incur fines, penalties and other negative consequences from regulatory violations. We may suffer other negative consequences resulting from findings of noncompliance with laws and regulations, including restrictions on certain activities, such as our mortgage business, which may affect our relationship with the GSEs and may also damage our reputation, and this in turn might materially affect our business and results of operations.

For example, on October 10, 2013, we announced that we reached agreements in principle with the HUD and the U.S. DOJ to settle (i) certain civil and administrative claims arising from FHA-insured mortgage loans originated by STM from January 1, 2006 through March 31, 2012 and (ii) certain alleged civil claims regarding our mortgage servicing and origination practices as part of the National Mortgage Servicing Settlement. Pursuant to the combined agreements in principle, we have committed to provide $500 million of consumer relief, to make a $468 million cash payment, and to implement certain mortgage servicing standards. See additional discussion of this in our earlier risk factor, "We face risks related to recent mortgage settlements."

Further, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there were in place at the time systems and procedures designed to ensure compliance. For example, we are subject to regulations issued by the OFAC that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations.

Additionally, in the past year, federal regulators have begun pursuing financial institutions with emerging theories of recovery under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Courts may uphold significant additional penalties on financial institutions, even where the financial institution had already reimbursed the government or other counterparties for actual losses.

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, William H. Rogers, Jr., and other key personnel who have extensive experience in the industry. We generally 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 adversely 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. 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 and other federal banking regulators 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 our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Several of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. Pursuant to U.S. GAAP, we are required to make certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves related to litigation and the fair value of certain assets and liabilities, among other items. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, securities AFS, certain loans, MSRs, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means which ultimately rely to some degree on management judgment. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings.

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments, and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or recognizing or reducing a liability. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding our judgments and the estimates pertaining to these matters, we cannot guarantee that we will not be required to adjust accounting policies or restate prior period financial statements. See “Critical Accounting Policies” in the MD&A and Note 1, “Significant Accounting Policies,” to the Consolidated Financial Statements in this Form 10-K.

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. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be hard to predict and could materially affect how we report our financial results and condition. 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. For the above and other reasons, the market price of our securities may not accurately reflect the value of our securities, and you should consider this before relying on the market prices of our securities when making an investment decision.

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

Our disclosure controls and procedures are designed to provide reasonable assurance 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, which could result in a material weakness in our internal controls over financial reporting and the restatement of previously filed financial statements.

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 and derivatives, which include various types of instruments and maturities. Additionally, we elected to record selected fixed-rate debt, mortgage loans, 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 ALM 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, and equity markets. Unrealized gains and losses associated with our investment portfolio and mark-to-market gains and losses associated with our trading portfolio are affected by many factors, including interest rate volatility, volatility in capital markets, and other economic factors. Our return on such investments and trading have in the past experienced, and will likely in the future experience, volatility and such volatility may materially adversely affect our financial condition and results of operations. Additionally, accounting regulations may require us to record a charge prior to the actual realization of a loss when market valuations of such securities are impaired and such impairment is considered to be other than temporary.

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
Our principal executive offices are located in SunTrust Plaza, Atlanta, Georgia. The 60-story office building is majority-owned by SunTrust Banks, Inc. At December 31, 2013, the Bank operated 1,497 full-service banking offices, of which 590 were owned and the remainder were leased. The full-service banking offices are located primarily in Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. See Note 8, “Premises and Equipment,” to the Consolidated Financial Statements in this Form 10-K for further discussion of our properties.

Item 3. LEGAL PROCEEDINGS

For information regarding the Company's legal matters, see Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K, which is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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 33 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 year ended December 31, 2013, we paid a quarterly dividend on common stock of $0.05 per common share for the first quarter and $0.10 per common share for each of the second, third, and fourth quarters, compared to a quarterly dividend on common stock of $0.05 per common share during 2012. Our common stock was held of record by 27,916 holders at December 31, 2013. See "Unregistered Sales of Equity Securities and Use of Proceeds" below for information on share repurchase activity, announced programs, 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, “MD&A—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, 2008 and ending December 31, 2013. 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 Years Ended December 31

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| SunTrust Banks, Inc. | 100.00 | 69.43 | 100.78 | 61.21 | 97.94 | 127.76 |
| S&P 500 | 100.00 | 125.92 | 144.21 | 147.12 | 169.23 | 219.83 |
| S&P Commercial Bank Index | 100.00 | 92.86 | 110.87 | 99.28 | 122.02 | 162.59 |

Unregistered Sales Of Equity Securities And Use Of Proceeds
SunTrust did not repurchase any shares of Series A Preferred Stock Depositary Shares, Series B Preferred Stock, Series E Preferred Stock Depositary Shares, or warrants to purchase common stock during the year ended December 31, 2013, and there was no unused Board authority to repurchase any shares of Series A Preferred Stock Depositary Shares, Series B Preferred Stock, or the Series E Preferred Stock Depositary Shares.
At December 31, 2013, the Company had authority from its Board to repurchase all of the 13.9 million outstanding stock purchase warrants. However, any such repurchase would be subject to the prior approval of the Federal Reserve through the capital planning and stress testing process, and the Company did not request approval to repurchase any warrants.
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. In 2011, the Series A Preferred Stock became redeemable at the Company’s option at a redemption price equal to $100,000 per share, plus any declared and unpaid dividends.

On March 30, 2011, the Company repurchased $3.5 billion of Fixed Rate Cumulative Preferred Stock-Series C, and $1.4 billion of Fixed Rate Cumulative Preferred Stock-Series D, that was issued to the U.S. Treasury under the CPP. Warrants to purchase common stock issued to the U.S. Treasury in connection with the issuance of Series C and D preferred stock remained outstanding. The Board authorized the Company to repurchase all of the remaining outstanding warrants to purchase our common stock that were issued to the U.S. Treasury in connection with its investment in SunTrust Banks, Inc. under the CPP. On September 28, 2011, the Company purchased and retired 4 million warrants to purchase SunTrust common stock in connection with the U.S. Treasury's resale, via a public secondary offering of the warrants that the Treasury held. At December 31, 2013, 13.9 million warrants remained outstanding.

On December 15, 2011, SunTrust issued 1,025 shares of Perpetual Preferred Stock-Series B, no par value and $100,000 liquidation preference per share (the "Series B Preferred Stock") to SunTrust Preferred Capital I. The Series B Preferred Stock by its terms is redeemable by the Company at $100,000 per share plus any declared and unpaid dividends.

On December 13, 2012, SunTrust issued depositary shares representing ownership interest in 4,500 shares of Perpetual Preferred Stock-Series E, no par value and $100,000 liquidation preference per share (the "Series E Preferred Stock"). The Series E Preferred Stock by its terms is redeemable by the Company at $100,000 per share plus any declared and unpaid dividends.

Share repurchases during the year ended December 31, 2013:

| | Common Stock [1] | | | |
|---|---|---|---|---|
| | Total number of shares purchased [2] | Average price paid per share | Number of shares purchased as part of publicly announced plans or programs | Approximate dollar value of shares that may yet be purchased under the plans or programs ($ in millions) |
| April 1 - 30 | 1,072,400 | $29.03 | 1,072,400 | $169 |
| May 1 - 31 | 591,532 | 31.89 | 591,532 | 150 |
| June 1 - 30 | — | — | — | 150 |
| Total during second quarter of 2013 | 1,663,932 | $30.05 | 1,663,932 | $150 |
| July 1 - 31 | 1,429,527 | $34.98 | 1,429,527 | $100 |
| August 1 - 31 | — | — | — | 100 |
| September 1 - 30 | — | — | — | 100 |
| Total during third quarter of 2013 | 1,429,527 | $34.98 | 1,429,527 | $100 |
| October 1 - 31 | 1,463,185 | $34.17 | 1,463,185 | $50 |
| November 1 - 30 | — | — | — | 50 |
| December 1-31 | — | — | — | 50 |
| Total during fourth quarter of 2013 | 1,463,185 | $34.17 | 1,463,185 | $50 |
| Total during 2013 | 4,556,644 | $32.92 | 4,556,644 | $50 |

[1] On March 14, 2013, the Company announced that its Board had authorized the repurchase of up to $200 million shares of the Company's common stock. This authorization expires December 31, 2016. However, any share repurchase is subject to the approval of the Company's primary banking regulator as part of the annual capital planning and stress testing process and, therefore, this authority effectively expires on March 31, 2014. During 2013, the Company repurchased approximately $150 million of its common stock at market value as part of this publicly announced plan. Subsequent to December 31, 2013, the Company repurchased an additional $50 million of its common stock in early 2014 as part of the repurchases authorized related to the 2013 capital plan.
[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. No shares of SunTrust common stock were surrendered by participants in SunTrust's employee stock option plans in 2013.

Item 6. SELECTED FINANCIAL DATA

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| (Dollars in millions, except per share data) | 2013 | 2012 | 2011 | 2010 | 2009 |
| Summary of Operations: | | | | | |
| Interest income | $5,388 | $5,867 | $6,181 | $6,343 | $6,710 |
| Interest expense | 535 | 765 | 1,116 | 1,489 | 2,244 |
| Net interest income | 4,853 | 5,102 | 5,065 | 4,854 | 4,466 |
| Provision for credit losses | 553 | 1,395 | 1,513 | 2,651 | 4,064 |
| Net interest income after provision for credit losses | 4,300 | 3,707 | 3,552 | 2,203 | 402 |
| Noninterest income | 3,214 | 5,373 | 3,421 | 3,729 | 3,710 |
| Noninterest expense | 5,880 | 6,323 | 6,234 | 5,911 | 6,562 |
| Income/(loss) before provision for income taxes | 1,634 | 2,757 | 739 | 21 | (2,450) |
| Provision/(benefit) for income taxes | 273 | 773 | 79 | (185) | (898) |
| Net income attributable to noncontrolling interest | 17 | 26 | 13 | 17 | 12 |
| Net income/(loss) | $1,344 | $1,958 | $647 | $189 | ($1,564) |
| Net income/(loss) available to common shareholders | $1,297 | $1,931 | $495 | ($87) | ($1,733) |
| Net income/(loss) available to common shareholders, excluding Form 8-K items [1] | $1,476 | $1,178 | $495 | ($87) | ($1,733) |
| Net interest income - FTE [1] | $4,980 | $5,225 | $5,179 | $4,970 | $4,589 |
| Total revenue - FTE [1] | 8,194 | 10,598 | 8,600 | 8,699 | 8,299 |
| Total revenue - FTE, excluding net securities gains [1] | 8,192 | 8,624 | 8,483 | 8,508 | 8,201 |
| Total revenue - FTE, excluding Form 8-K items [1] | 8,257 | 11,901 | 8,600 | 8,699 | 8,299 |
| Net income/(loss) per average common share: | | | | | |
| Diluted [2] | 2.41 | 3.59 | 0.94 | (0.18) | (3.98) |
| Diluted excluding goodwill/intangible impairment charges, other than MSRs [1,2] | 2.41 | 3.60 | 0.94 | (0.18) | (2.34) |
| Diluted excluding effect of accelerated accretion associated with the repurchase of preferred stock issued to the U.S. Treasury [1,2] | 2.41 | 3.59 | 1.08 | (0.18) | (3.98) |
| Diluted, excluding the effect of Form 8-K items [1,2] | 2.74 | 2.19 | 0.94 | (0.18) | (3.98) |
| Basic | 2.43 | 3.62 | 0.94 | (0.18) | (3.98) |
| Dividends paid per average common share | 0.35 | 0.20 | 0.12 | 0.04 | 0.22 |
| Book value per common share | 38.61 | 37.59 | 36.86 | 36.34 | 35.29 |
| Tangible book value per common share [1] | 27.01 | 25.98 | 25.18 | 23.76 | 22.59 |
| Market capitalization | 19,734 | 15,279 | 9,504 | 14,768 | 10,128 |
| Market price: | | | | | |
| High | 36.99 | 30.79 | 33.14 | 31.92 | 30.18 |
| Low | 26.93 | 18.07 | 15.79 | 20.16 | 6.00 |
| Close | 36.81 | 28.35 | 17.70 | 29.51 | 20.29 |
| Selected Average Balances | | | | | |
| Total assets | $172,497 | $176,134 | $172,440 | $172,375 | $175,442 |
| Earning assets | 153,728 | 153,479 | 147,802 | 147,187 | 150,908 |
| Loans | 122,657 | 122,893 | 116,308 | 113,925 | 121,041 |
| Consumer and commercial deposits | 127,076 | 126,249 | 122,672 | 117,129 | 113,164 |
| Brokered time and foreign deposits | 2,065 | 2,255 | 2,386 | 2,916 | 6,082 |
| Intangible assets including MSRs | 7,535 | 7,322 | 7,780 | 7,837 | 7,882 |
| MSRs | 1,121 | 887 | 1,331 | 1,317 | 533 |
| Preferred Stock | 725 | 290 | 1,328 | 4,929 | 5,067 |
| Total shareholders' equity | 21,167 | 20,495 | 20,696 | 22,834 | 22,286 |
| Average common shares - diluted (thousands) | 539,093 | 538,061 | 527,618 | 498,744 | 437,486 |

| | | | | | |
|---|---|---|---|---|---|
| Average common shares - basic (thousands) | 534,283 | 534,149 | 523,995 | 495,361 | 435,328 |
| At December 31 | | | | | |
| Total assets | $175,335 | $173,442 | $176,859 | $172,874 | $174,165 |
| Earning assets | 156,978 | 151,223 | 154,696 | 148,473 | 147,896 |
| Loans | 127,877 | 121,470 | 122,495 | 115,975 | 113,675 |

| | | | | | |
|---|---|---|---|---|---|
| ALLL | 2,044 | 2,174 | 2,457 | 2,974 | 3,120 |
| Consumer and commercial deposits | 127,735 | 130,180 | 125,611 | 120,025 | 116,303 |
| Brokered time and foreign deposits | 2,024 | 2,136 | 2,311 | 3,019 | 5,560 |
| Long-term debt | 10,700 | 9,357 | 10,908 | 13,648 | 17,490 |
| Total shareholders' equity | 21,422 | 20,985 | 20,066 | 23,130 | 22,531 |
| Financial Ratios | | | | | |
| ROA | 0.78 % | 1.11 % | 0.38 % | 0.11 % | (0.89 )% |
| ROE | 6.34 | 9.56 | 2.56 | (0.49 ) | (10.07 ) |
| ROTCE[1] | 9.25 | 14.02 | 3.83 | (0.76 ) | (17.56 ) |
| Net interest margin - FTE | 3.24 | 3.40 | 3.50 | 3.38 | 3.04 |
| Efficiency ratio | 71.75 | 59.67 | 72.49 | 67.94 | 79.07 |
| Tangible efficiency ratio [1] | 71.48 | 59.24 | 71.99 | 67.36 | 69.35 |
| Tangible efficiency ratio, excluding Form 8-K items [1] | 65.86 | 67.34 | 71.99 | 67.36 | 69.35 |
| Total average shareholders' equity to total average assets | 12.27 | 11.64 | 12.00 | 13.25 | 12.70 |
| Tangible equity to tangible assets [1] | 9.00 | 8.82 | 8.10 | 10.12 | 9.66 |
| Effective tax rate/(benefit) | 16.89 | 28.29 | 10.84 | NM[3] | (36.50 ) |
| Allowance to year-end total loans | 1.60 | 1.80 | 2.01 | 2.58 | 2.76 |
| Total NPAs to total loans plus OREO, other repossessed assets, and nonperforming LHFS | 0.91 | 1.52 | 2.76 | 4.08 | 5.33 |
| Common dividend payout ratio [4] | 14.5 | 5.6 | 12.9 | N/A | N/A |
| Capital adequacy at period end | | | | | |
| Tier 1 common equity | 9.82 % | 10.04 % | 9.22 % | 8.08 % | 7.67 % |
| Tier 1 capital | 10.81 | 11.13 | 10.90 | 13.67 | 12.96 |
| Total capital | 12.81 | 13.48 | 13.67 | 16.54 | 16.43 |
| Tier 1 leverage | 9.58 | 8.91 | 8.75 | 10.94 | 10.90 |

[1] See Non-GAAP reconcilements in Table 36 of the MD&A.
[2] For EPS calculation purposes, the impact of dilutive securities are excluded from the diluted share count during periods in which we recognize a net loss available to common shareholders because the impact would be antidilutive.
[3] The calculated effective tax rate was not meaningful.
[4] The common dividend payout ratio is not applicable in a period of net loss.

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

Important Cautionary Statement About Forward-Looking Statements

This report contains forward-looking statements. Statements regarding: (1) efficiency goals; (2) future improvements to asset quality and the contribution of such improvement to net income; (3) future levels of net interest margin, net interest income, mortgage production related income, other real estate expense, gains on sale of other real estate, cyclical costs (including operating losses, other real estate expense, and credit and collection services), , NPLs, net charge-offs, provision for loan losses, RWAs and CET 1, and the liability for UTBs; (4) the expected contributions of purchase activity and refinance activity to mortgage production related income; (5) future rate of branch reductions, (6) future impacts to Tier 1, Tier 2 and Total Capital as a result of regulatory impacts to the capital treatment of certain of our trust preferred securities; (7) our expectation that we will realize DTA’s; (8) future core expenses in Mortgage Banking, and (9) expected returns on pension plan assets, 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,” “project similar expressions or future conditional verbs such as “may,” “will,” “should,” “would,” and “could"; such statements are based upon the current beliefs and expectations of management and on information currently available to management. Such statements speak as of the date hereof, and we do not assume any obligation to update the statements made herein or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements can be found in Part I, "Item 1A. Risk Factors" in this report and include risks discussed in this MD&A and in other periodic reports that we file with the SEC. Additional factors include: as one of the largest lenders in the Southeast and Mid-Atlantic U.S. and a provider of financial products and services to consumers and businesses across the U.S., our financial results have been, and may continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the U.S., and a deterioration of economic conditions or of the financial markets may materially adversely affect our lending and other businesses and our financial results and condition; legislation and regulation, including the Dodd-Frank Act, as well as future legislation and/or regulation, could require us to change certain of our business practices, reduce our revenue, impose additional costs on us, or otherwise adversely affect our business operations and/or competitive position; we are subject to capital adequacy and liquidity guidelines and, if we fail to meet these guidelines, our financial condition would be adversely affected; loss of customer deposits and market illiquidity could increase our funding costs; we rely on the mortgage secondary market and GSEs for some of our liquidity; our framework for managing risks may not be effective in mitigating risk and loss to us; we are subject to credit risk; our ALLL may not be adequate to cover our eventual losses; we may have more credit risk and higher credit losses to the extent that our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral; we will realize future losses if the proceeds we receive upon liquidation of NPAs are less than the carrying value of such assets; a downgrade in the U.S. government's sovereign credit rating, or in the credit ratings of instruments issued, insured or guaranteed by related institutions, agencies or instrumentalities, could result in risks to us and general economic conditions that we are not able to predict; 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 related to originating and selling mortgages, and 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 breaches of our servicing agreements, and this could harm our liquidity, results of operations, and financial condition; we face certain risks as a servicer of loans, and may be terminated as a servicer or master servicer, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions; financial difficulties or credit downgrades of mortgage and bond insurers may adversely affect our servicing and investment portfolios; we are subject to risks related to delays in the foreclosure process; we face risks related to recent mortgage settlements; we may continue to suffer increased losses in our loan portfolio despite enhancement of our underwriting policies and practices; our mortgage production and servicing revenue can be volatile; 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 and liquidity; changes in interest rates could also reduce the value of our MSRs and mortgages held for sale, reducing our earnings; the fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings; 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 disasters may adversely affect loan portfolios and operations and increase the cost of doing business; negative public opinion could damage our reputation and adversely impact business and revenues; we rely on other companies to provide key components of our business infrastructure; a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses; the soundness of other financial institutions could adversely affect us; we depend on the accuracy and completeness of information about clients and counterparties; 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 might not pay dividends on our 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 adversely affect our capital resources and liquidity; any reduction in our credit rating could increase the cost of our 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 may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations; 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 strategies; 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.

INTRODUCTION

We are a leading provider of financial services, particularly in the Southeastern and Mid-Atlantic U.S., and our headquarters is located in Atlanta, Georgia. Our principal banking subsidiary, SunTrust Bank, offers a full line of financial services for consumers and businesses both through its branches located primarily in Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia, and through other national delivery channels. In certain businesses, we also operate in select markets nationally. Within our geographic footprint, we operate three business segments: Consumer Banking and Private Wealth Management, Wholesale Banking, and Mortgage Banking, with the remainder in Corporate Other. See Note 20, "Business Segment Reporting," to the Consolidated Financial Statements in this Form 10-K for a description of our business segments. In addition to deposit, credit, mortgage banking, and trust and investment services offered by the Bank, our other subsidiaries provide asset management, securities brokerage, and capital market services.

This MD&A is intended to 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 in Item 8 of this Form 10-K. When we refer to “SunTrust,” “the Company,” “we,” “our,” and “us” in this narrative, we mean SunTrust Banks, Inc. and subsidiaries (consolidated). In the MD&A, net interest income, net interest margin, total revenue, and efficiency ratios are presented on an FTE basis. The FTE basis adjusts for the tax-favored status of net interest income from certain loans and investments. We believe this measure to be the preferred industry measurement of net interest income and it enhances comparability of net interest income arising from taxable and tax-exempt sources. Additionally, we present certain non-U.S. GAAP metrics to assist investors in understanding management’s view of particular financial measures, as well as to align presentation of these financial measures with peers in the industry who may also provide a similar presentation. Reconcilements for all non-U.S. GAAP measures are provided in Tables 36 and 37.

## EXECUTIVE OVERVIEW

### Economic and regulatory

The economic landscape in 2013 reflected gradual improvement in economic activity and labor market conditions, increased consumer confidence and household spending, and further strengthening of many housing markets in which we operate. As the overall economy improved, increases in mortgage interest rates during the year resulted in a decline in mortgage refinance activity from the strong levels in 2012. Despite the increase in mortgage interest rates, consumer borrowing costs remained at relatively low levels which continued to be a catalyst to increased consumer spending. Consumer spending increased compared to 2012 and during 2013 reached levels last seen prior to the recession, before declining at December 31, 2013, to a level moderately below the prior year end. The unemployment rate dropped to below 7% at December 31, 2013, compared to the rate at December 31, 2012, which was slightly below 8%. The drop in unemployment and improvement in economic conditions during 2013 aided the changes in U.S. monetary policy announced at the end of 2013, as discussed further below. The housing market continued to strengthen in 2013, as demonstrated by continued price increases, favorable shifts in supply and demand, and some encouraging signs from certain homebuilding activities. However, the rise in mortgage interest rates that began in the second quarter of 2013 applied pressure on the housing recovery and significantly impacted refinancing activity.
During 2013, the Federal Reserve maintained a highly accommodative monetary policy and indicated that this policy would remain in effect for a considerable time after its asset purchase program ends and the economic recovery strengthens. Accordingly, the Federal Reserve maintained key interest rates at exceptionally low levels during 2013, and indicated that they would likely remain at these levels well past the time that the unemployment rate drops below 6.5%, especially if its long-term inflation goals are not met. As a result of executing its monetary policy, the Federal Reserve continued to maintain large portfolios of U.S. Treasury notes and bonds and agency MBS and continued adding Treasuries and agency MBS to its portfolio during 2013. However, during 2013, driven in large part by the financial markets' expectations regarding future Federal Reserve monetary policy actions, certain market interest rates increased and the yield curve steepened compared to December 31, 2012. During December 2013, the Federal Reserve indicated that it would begin to modestly reduce its pace of Treasury and agency MBS purchases in January 2014 in light of cumulative progress in unemployment and labor market conditions. The Federal Reserve indicated further that a reduction of its asset purchases was likely with continued improving economic indicators, but that its asset purchases are not on a preset course and the decision to moderate purchases further will be based on close monitoring of economic and financial developments over the coming months and how these developments support any continued improvement in labor market conditions and inflation objectives. Despite the currently planned moderation in asset purchases, the Federal Reserve indicated that, in its view, the sizable and still increasing holdings of longer-term securities should maintain downward pressure on longer-term interest rates, support mortgage markets, and allow more accommodative financial conditions. The Federal Reserve outlook includes economic growth that will strengthen from current levels with appropriate policy accommodation, a gradual decline in unemployment, and the expectation of gradually increasing longer-term inflation. See additional discussion regarding the increase in interest rates in the "Net Interest Income/Margin" and "Noninterest Income" sections of this MD&A.

### Capital

During 2013, we announced capital plans in conjunction with the 2013 CCAR submission and completion of the Federal Reserve's review of our capital plan. Accordingly, during 2013 we repurchased $150 million of our common stock, and we subsequently repurchased an additional $50 million of our common stock in early 2014. Additionally, we increased our quarterly common stock dividend by $0.05 per common share effective in the second quarter of 2013, which resulted in dividends for 2013 of $0.35 per common share, an increase from $0.20 per common share in 2012. We have submitted our 2014 capital plan in conjunction with the 2014 CCAR submission, and upon completion of the Federal Reserve's review of the capital plan, we will announce any future capital actions.

At December 31, 2013 our capital ratios were well above the requirements to be considered “well capitalized” according to current and expected future regulatory standards, as earnings during 2013 drove a $1.1 billion increase in our Tier 1 common equity. Our Tier 1 common equity ratio was 9.82% at December 31, 2013, compared to 10.04% at December 31, 2012. The decline in the ratio compared to the prior year was primarily due to an increase in RWA as a result of loan growth and an increase in unused lending commitments. Our Tier 1 capital and total capital ratios were

10.81% and 12.81%, respectively, at December 31, 2013 compared to 11.13% and 13.48%, respectively, at December 31, 2012, which also declined moderately from the prior year primarily due to the same reasons as the decline in the Tier 1 common equity ratio. See additional discussion of our capital and liquidity position in the "Capital Resources" and "Liquidity Risk Management" sections of this MD&A.

The Federal Reserve published final rules on October 11, 2013 related to capital adequacy requirements to implement the BCBS's Basel III framework for financial institutions in the U.S. The final rules become effective for us on January 1, 2015, and, based on our current analysis of the rules, we believe that our RWA will increase slightly primarily due to increased risk-weightings for MSRs and certain on and off-balance sheet exposures, resulting in a small decline in our capital ratios. Based on our current and ongoing analysis of the recently published rules, we estimate our current Basel III common equity Tier 1 ratio, on a fully phased-in basis, will be approximately 9.6%, which would be in compliance with the capital requirements. See the "Reconcilement of Non-U.S. GAAP Measures - Annual" section in this MD&A for a reconciliation of the current Basel I ratio to the estimated Basel III ratio. See additional discussion of Basel III in the "Capital Resources" section of this MD&A.

Financial performance

Net income available to common shareholders during 2013 was $1.3 billion, or $2.41 per average diluted common share, compared to $1.9 billion, or $3.59 per average diluted common share, in 2012, and $495 million, or $0.94 per average diluted common share, in 2011. Net income in 2013 included a $179 million negative impact, or $0.33 per average diluted common share, of items related primarily to the recognition of certain legacy mortgage-related and other matters and the completion of a taxable reorganization of certain subsidiaries. In comparison, during 2012 our net income included $753 million of additional income, or $1.40 per average diluted common share, driven by the early termination of agreements regarding the shares previously owned in Coke resulting in the sale and charitable contribution of those shares, net of certain expenses related to strategic actions taken during 2012 to strengthen our balance sheet. A summary of the significant items impacting each year is as follows:

Table 1

| | Year Ended December 31 | | |
|---|---|---|---|
| ($ in millions, except per share amounts) | 2013 | 2012 | 2011 |
| Net income available to common shareholders | $1,297 | $1,931 | $495 |
| Significant items impacting the year: | | | |
| Operating losses related to recognition of certain mortgage-related legal matters | 323 | — | — |
| Mortgage repurchase provision related to repurchase settlements | 63 | — | — |
| Provision for unrecoverable servicing advances | 96 | — | — |
| Securities gains related to sale of Coke stock | — | (1,938) | — |
| Mortgage repurchase provision | — | 371 | — |
| Charitable expense related to the Coke stock contribution | — | 38 | — |
| Provision for credit losses related to NPL sales | — | 172 | — |
| Losses on sale of guaranteed loans | — | 92 | — |
| Valuation losses related to planned sale of Affordable Housing investments | — | 96 | — |
| Tax (benefit)/expense related to above items | (190) | 416 | — |
| Net tax benefit related to subsidiary reorganization and other | (113) | — | — |
| Net income available to common shareholders, excluding significant items impacting the year | $1,476 | $1,178 | $495 |
| Net income per average common share, diluted | $2.41 | $3.59 | $0.94 |
| Net income per average common share, diluted, excluding significant items impacting the year | $2.74 | $2.19 | $0.94 |

The 2013 items noted above primarily related to the recognition of certain legacy mortgage-related and other matters and also included the impact of the completion of a taxable reorganization of certain subsidiaries along with other less significant tax matters. Addressing these matters improves our overall risk profile. Further details about these strategic actions can be found in our Form 8-K that was filed with the SEC on October 10, 2013. The 2012 items noted above related to strategic actions taken during 2012 to improve our risk profile and strengthen our capital and balance sheet. Further details about these strategic actions can be found in our 2012 Form 10-K and in our Form 8-K that was filed with the SEC on September 6, 2012. When excluding these items, our net income and diluted earnings per common share increased 25% during 2013 compared to 2012, primarily as a result of the continued improvement in credit quality that led to lower provision for credit losses and lower noninterest expense. Our net income and diluted earnings per common share increased over 100% during 2012 compared to 2011 when excluding the Form 8-K items. The increase was primarily driven by improved mortgage-related income, lower provision for credit losses, and less preferred dividends and accelerated accretion related to the U.S. government's TARP investment, which was repaid in 2011. See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," for a reconciliation of net income available to common shareholders and net income per average common share, diluted, excluding the Form 8-K items. Our provision for credit losses declined 60% during 2013 compared to 2012. The decrease was as a result of continued credit quality improvement and the 2012 impacts related to Chapter 7 bankruptcy loan reclassifications to nonperforming and a junior lien policy change related to nonaccrual status and timing of charge-off recognition. Noninterest expense decreased 7% in 2013; however, when excluding the Form 8-K items, decreased 12% compared to 2012 as a result of our ongoing efficiency improvement efforts as well as the abatement of cyclically high credit-related costs. Partially offsetting the improvement in provision for credit losses and noninterest expenses was a decrease in total revenue in 2013 compared to 2012, driven by declines in both net interest income and noninterest income. Net interest income decreased 5% during 2013 compared to 2012, primarily due to the continued low interest rate environment. Noninterest income decreased 40% during 2013 compared to 2012; however, excluding the Form 8-K items, it decreased 16% primarily due to lower mortgage-related income, partially offset by higher wealth management and capital markets revenue in 2013. See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," for a reconciliation of Form 8-K items from 2013 and 2012. Our efficiency and tangible efficiency ratios during 2013 were 71.8% and 71.5%, respectively, compared to 59.7% and 59.2%, respectively, in 2012; however, both years were impacted by the Form 8-K items previously mentioned. Excluding the impact of Form 8-K items in 2013 and 2012, our tangible efficiency ratio was 65.9% during 2013 and improved 148 basis points compared to 2012. Excluding Form 8-K items from 2012, our tangible efficiency ratio improved 465 basis points compared to 2011. Our long-term goal is to be a more efficient organization with a tangible efficiency ratio under 60%, and we expect to make further progress on achieving our long-term goal with a target to be under 64% by the end of 2014.

Our asset quality metrics were a key driver to improved performance during 2013, as NPLs, NPAs, and net charge-offs all declined to seven year lows. Total NPLs declined 37% from the December 31, 2012 level, driven by reduced inflows into nonaccrual, continuing resolution of problem loans, and return to accruing status of loans previously discharged in Chapter 7 bankruptcy that exhibited a period of sustained payment performance since being discharged. Declines in NPLs were experienced in all loan portfolios, with the largest decline coming from the residential portfolio driven by the Chapter 7 bankruptcy loans returning to accruing status, in addition to lower foreclosures, lower net charge-offs, and improved loan performance. OREO declined 36% during 2013 compared to 2012, to $170 million at December 31, 2013, which is the lowest level since 2006. The decline from 2012 was primarily driven by decreased inflows and sales of existing properties. Our restructured loan portfolio was stable compared to December 31, 2012, while the mix changed. Accruing restructured loans increased 10% compared to December 31, 2012, primarily as a result of Chapter 7 bankruptcy loans returning to accruing status during 2013. Additionally, nonaccruing restructured loans decreased 39% and were only 12% of the total restructured portfolio at December 31, 2013. The accruing restructured portfolio continued to exhibit strong payment performance, with 96% of the portfolio current on principal and interest payments at December 31, 2013. Early stage delinquencies, a leading indicator of asset quality, particularly for consumer loans, declined during 2013, both in total and when excluding government-guaranteed loan delinquencies.

At December 31, 2013, the ALLL was 1.60% of total loans, a decline of 20 basis points compared to December 31, 2012. The provision for loan losses decreased 61% and net charge-offs decreased 60% during 2013 compared to 2012. The declines were the result of improved credit quality, as well as the incremental charge-offs and provision recorded in 2012 related to NPL sales, the junior lien credit policy change, and the Chapter 7 bankruptcy loan reclassification to nonaccruing. Net charge-offs to total average loans was 0.55% during 2013 compared to 1.37% during 2012, a decline of 82 basis points driven by decreases in charge-offs within each segment, including the incremental charge-offs related to NPL sales, junior lien policy change, and Chapter 7 bankruptcy loans during 2012. Improvements in asset quality have been driven by the stronger housing market, lower residential delinquencies, lower loss severities, and higher prices upon disposition of foreclosed assets. In 2014, we expect further, but moderating, improvements in asset quality primarily driven by residential loans. However, as asset quality metrics approach more normalized levels, we expect the positive impacts on net income resulting from declines in net charge-offs and the ALLL to abate. As we experienced in the fourth quarter of 2013, positive loan growth may offset the effects of future asset quality improvements and may result in loan loss provision growth. See additional discussion of credit and asset quality in the “Loans,” “Allowance for Credit Losses,” and “Nonperforming Assets,” sections of this MD&A.

Average loans were stable during 2013 compared to 2012; however, the mix of loans changed considerably with an increase in C&I and consumer loans, excluding student loans, while the guaranteed residential mortgage and student loan portfolio declined significantly, primarily as a result of sales in the latter half of 2012. Also declining significantly in 2013 compared to 2012 was average NPLs, down over $1.1 billion, primarily due to our continued resolution efforts and NPL sales in 2012. While average loans were stable compared to 2012, an increase in loan originations in late 2013 resulted in total loans increasing 5% at December 31, 2013, compared to December 31, 2012. The increase was due to growth in the consumer portfolio and targeted growth of our C&I and CRE portfolios. We remain focused on extending credit to qualified borrowers as part of our commitment to provide financing and fulfilling the credit needs in the communities that we serve. To that end, during 2013, we extended approximately $97 billion in new loan originations, commitments, and renewals of commercial, residential, and consumer loans to our clients, an increase of 8% from 2012.

Average consumer and commercial deposits increased 1% during 2013 compared to 2012. The increase during 2013 was primarily the result of the continued increase in lower cost deposits, partially offset by a decrease in higher cost time deposits. Specifically, average lower-cost account balances increased $3.4 billion, or 3%, and was spread across all lower-cost categories, while average time deposits declined $2.6 billion, or 16%, during 2013 compared to 2012. Comparatively, at December 31, 2013, consumer and commercial deposits were 2% lower compared to December 31, 2012, but lower cost balances were relatively stable while higher cost balances drove the decline from the prior year, declining 13%. The mix shift compared to the prior year in consumer and

commercial deposits resulted in a 15 basis point reduction in interest-bearing deposit costs during 2013 compared to 2012. See additional discussions in the "Net Interest Income/Margin" and "Deposits" sections of this MD&A.
Total revenue, on an FTE basis, decreased 23% in 2013 compared to 2012, and when excluding the impact from the Form 8-K items, decreased 9% compared to 2012. The decrease was due to lower net interest income and mortgage-related income, partially offset by higher wealth management and capital markets revenue. The decrease in net interest income was due to relatively stable average earning assets and a 31 basis point decline in rates earned on those assets. The decrease in mortgage-related income was primarily due to a decline in production volume, the compression of gain on sale margins, and a decline in net MSR hedge performance, all driven by the increase in market interest rates during 2013. See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," for a reconciliation of revenue, excluding Form 8-K items.
Net interest income, on an FTE basis, decreased 5% during 2013 compared to 2012, due to a decrease in our commercial loan swap-related income and the continued low interest rate environment contributing to lower earning asset yields, partially offset by favorable shifts in the deposit mix, lower deposit rates, and the reduction in average long-term debt. The prior year also included $31 million of dividends on Coke shares that we sold in 2012. Our net interest margin was 3.24% during 2013 compared to 3.40% during 2012. The decline in net interest margin was due to the same factors as noted in the decline in net interest income. In 2014, we expect the net interest margin to decline compared to 2013, but at a lower rate relative to the decline we experienced this year. The driver of this decline is anticipated to be further compression in loan yields due to the continued low short-term interest rate environment. We expect improvements in net interest income in 2014, assuming that the loan growth we experienced at the end of 2013 continues. See additional discussion related to net interest margin in the "Net Interest Income/Margin," section of this MD&A.
Noninterest income decreased 40% during 2013 compared to 2012, and decreased 16% when excluding the impact from the Form 8-K items. The decrease was driven by a decline in mortgage-related revenue as a result of a decline in production volume, lower gain on sale margins, and a decline in net MSR hedge performance, all attributable to the increase in market interest rates during 2013. Partially offsetting the decrease was higher wealth management and capital markets revenue, as well as a decline in the mortgage repurchase provision and mark-to-market valuation losses on our fair value debt and index-linked CDs during 2013 compared to 2012. See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," for a reconciliation of noninterest income, excluding Form 8-K items.
Noninterest expense decreased 7% during 2013 compared to 2012, and decreased 12%, when excluding the impact from the Form 8-K items, and was driven by efficiency improvements that caused a decline in most expense categories, as well as the abatement of cyclically high credit-related expenses and reduced legal and consulting expenses. A significant driver of the lower noninterest expense was a 6% decline in compensation and benefits expense due in large part to the decline in full time equivalent employees which resulted in a decrease in salaries and other benefits costs. A significant driver of the decline in credit-related costs was the 97% decrease in other real estate expense compared to 2012 due to increased gains on sales of owned properties, while operating expenses and loss provisioning related to owned properties decreased. Consulting and legal expenses declined due to the completion of certain mortgage regulatory-related projects. Additionally, operating losses declined 35%, excluding Form 8-K items, due predominantly to lower mortgage and regulatory legal-related expenses. See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," for a reconciliation of noninterest expense and related components, excluding Form 8-K items.
Business segments highlights
Net income improved 88% in Consumer Banking and Private Wealth Management during 2013 compared to 2012, driven by credit quality and expense improvements. Reductions in the provision for credit losses and noninterest expense offset lower revenue to drive the substantial increase in net income. Revenue was moderately lower during 2013 compared to 2012, driven by the sale of $2.2 billion of government-guaranteed student loans in 2012, partially offset by an 8% increase in consumer loan production during 2013 due to solid organic loan growth and a 5% increase in wealth management-related revenues. An improvement in credit quality drove a 44% decrease in the provision for credit losses during 2013 compared to 2012. The improvement was predominantly driven by our home equity portfolio as a result of the strengthening housing market, as well as an increase in the provision in the prior year due to a change in our credit policy related to the charge-off of junior lien loans and reclassification to nonaccrual of certain

Chapter 7 bankruptcy loans. The 9% reduction in noninterest expenses during 2013 was primarily driven by changes to our branch staffing model and retail branch network due to clients increasingly utilizing self-service channels. Our retail branch network decreased 7% in 2013 from December 31, 2012, due to our efforts to better align our branch network and staffing levels in response to evolving client preferences. We expect further declines in our branch network in 2014; however, the overall rate of decline will be slower when compared to 2013. The decrease in expenses drove the 458 and 362 basis point improvements in 2013 in our efficiency and tangible efficiency ratios, respectively, compared to 2012.

Wholesale Banking reported a 29% increase in net income in 2013 compared to 2012, which was led by decreases in the provision for credit losses and noninterest expense. Total revenue was lower in 2013 due to lower trading income and leasing asset impairments, but was partially offset by record investment banking income and a 4% increase in net interest income driven by average loan growth of 7%. Loan growth was driven by not-for-profit and government lending, core commercial real estate, and our large corporate lending areas, most notably asset securitization, asset-based lending, and our energy and healthcare industry lending. Further credit quality improvement in our CRE portfolio in 2013 and the elevated provision in 2012 due to the charge-offs related to the nonperforming CRE loans sales drove a 70% decrease in the provision for credit losses compared to 2012. Additionally, noninterest expenses decreased 10% compared to 2012, driven by declines in other real estate and credit related expenses. The decline in noninterest expense drove further improvements in both the efficiency and tangible efficiency ratios during 2013, which remained below 55%.

The net loss in Mortgage Banking improved by 18% during 2013 when compared to 2012, driven by an increase in net interest income and a decrease in the provision for credit losses, partially offset by lower revenue and increased expenses. However, the results were significantly impacted by the Form 8-K items that reduced income in both years and increased expenses in 2013. Excluding these Form 8-K items, Mortgage Banking had a more substantial improvement in net loss in 2013 compared to 2012 driven primarily by a moderate decrease in noninterest expense compared to 2012. See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," for a reconciliation of provision for credit losses, noninterest income, and noninterest expense, excluding Form 8-K items, including the impact to the Mortgage Banking segment. The decrease in noninterest expense and provision for credit losses, excluding the Form 8-K items, was the result of improved credit quality and a continued improvement in the operating environment. Noninterest income, excluding the Form 8-K items, decreased significantly during 2013 compared to 2012 and was driven by lower current year mortgage revenue due to a decline in production volume and gain on sale margins which were due to the increase in mortgage rates and a decline in mortgage servicing income driven by lower net MSR hedge performance that was also a result of higher interest rates. These declines were partially offset by a lower mortgage repurchase provision. As expected, when interest rates began to rise in 2013 our refinance activity declined, but our home purchase volume increased 16% compared to 2012. In 2014, we expect further growth in our purchase volume, although it is not expected to offset the decline in refinance activity expected in 2014. We announced during the fourth quarter of 2013 that we would exit the broker origination channel, which represented approximately 10% of our loan production in 2013 and approximately 15% in 2012. Additionally, we announced that we would right-size our mortgage business. As a part of these initiatives, we will reduce our mortgage staff by approximately 800 full-time equivalent employees. These actions are anticipated to be a significant factor in reducing core expenses by approximately $50 million per quarter. Full realization of this reduction in core expenses is anticipated to be included in Mortgage Banking results by the second quarter of 2014.

Additional information related to our segments can be found in Note 20, "Business Segment Reporting," to the Consolidated Financial Statements in this Form 10-K, and further discussion of segment results for the years ended December 31, 2013, 2012, and 2011, can be found in the "Business Segment Results" section of this MD&A.

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

| (Dollars in millions; yields on taxable-equivalent basis) | 2013 Average Balances | Income/ Expense | Yields/ Rates | 2012 Average Balances | Income/ Expense | Yields/ Rates | 2011 Average Balances | Income/ Expense | Yields/ Rates |
|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | |
| Loans: [1] | | | | | | | | | |
| C&I - FTE [2] | $54,788 | $2,181 | 3.98 % | $51,228 | $2,329 | 4.55 % | $46,027 | $2,368 | 5.14 % |
| CRE | 4,513 | 146 | 3.24 | 4,517 | 165 | 3.65 | 5,323 | 198 | 3.72 |
| Commercial construction | 701 | 24 | 3.46 | 816 | 31 | 3.79 | 1,173 | 45 | 3.85 |
| Residential mortgages - guaranteed | 3,708 | 106 | 2.85 | 5,589 | 165 | 2.96 | 4,587 | 157 | 3.42 |
| Residential mortgages - nonguaranteed | 23,007 | 958 | 4.17 | 22,621 | 1,023 | 4.52 | 21,926 | 1,088 | 4.96 |
| Home equity products | 14,474 | 525 | 3.63 | 14,962 | 551 | 3.68 | 15,841 | 594 | 3.75 |
| Residential construction | 549 | 27 | 4.91 | 692 | 36 | 5.17 | 862 | 45 | 5.21 |
| Guaranteed student loans | 5,426 | 207 | 3.82 | 6,863 | 265 | 3.87 | 4,920 | 209 | 4.26 |
| Other direct | 2,535 | 111 | 4.37 | 2,226 | 97 | 4.34 | 1,868 | 89 | 4.75 |
| Indirect | 11,072 | 377 | 3.41 | 10,468 | 403 | 3.85 | 9,690 | 439 | 4.53 |
| Credit cards | 646 | 62 | 9.66 | 567 | 57 | 10.06 | 511 | 59 | 11.61 |
| Nonaccrual [3] | 1,238 | 33 | 2.63 | 2,344 | 31 | 1.32 | 3,580 | 34 | 0.95 |
| Total loans | 122,657 | 4,757 | 3.88 | 122,893 | 5,153 | 4.19 | 116,308 | 5,325 | 4.58 |
| Securities AFS: | | | | | | | | | |
| Taxable | 22,383 | 569 | 2.54 | 21,875 | 640 | 2.93 | 23,973 | 770 | 3.21 |
| Tax-exempt - FTE [2] | 258 | 13 | 5.18 | 368 | 20 | 5.33 | 502 | 28 | 5.48 |
| Total securities AFS - FTE | 22,641 | 582 | 2.57 | 22,243 | 660 | 2.97 | 24,475 | 798 | 3.26 |
| Fed funds sold and securities borrowed or purchased under agreements to resell | 1,024 | — | 0.02 | 897 | — | 0.04 | 992 | — | — |
| LHFS | 3,096 | 107 | 3.44 | 3,267 | 112 | 3.41 | 2,255 | 93 | 4.13 |
| Interest-bearing deposits | 21 | — | 0.09 | 22 | — | 0.21 | 22 | — | 0.15 |
| Interest earning trading assets | 4,289 | 69 | 1.61 | 4,157 | 65 | 1.55 | 3,750 | 79 | 2.10 |
| Total earning assets | 153,728 | 5,515 | 3.59 | 153,479 | 5,990 | 3.90 | 147,802 | 6,295 | 4.26 |
| ALLL | (2,121 ) | | | (2,295 ) | | | (2,702 ) | | |
| Cash and due from banks | 4,530 | | | 5,482 | | | 5,203 | | |
| Other assets | 14,287 | | | 14,854 | | | 16,831 | | |
| Noninterest earning trading assets | 1,660 | | | 2,184 | | | 2,708 | | |
| Unrealized gains on securities AFS | 413 | | | 2,430 | | | 2,598 | | |
| Total assets | $172,497 | | | $176,134 | | | $172,440 | | |
| Liabilities and Shareholders' Equity | | | | | | | | | |
| Interest-bearing deposits: | | | | | | | | | |
| NOW accounts | $26,083 | $17 | 0.07 % | $25,155 | $23 | 0.09 % | $24,751 | $35 | 0.14 % |
| Money market accounts | 42,655 | 54 | 0.13 | 42,101 | 88 | 0.21 | 42,854 | 161 | 0.38 |
| Savings | 5,740 | 3 | 0.05 | 5,113 | 5 | 0.10 | 4,535 | 7 | 0.15 |
| Consumer time | 9,018 | 102 | 1.13 | 10,597 | 145 | 1.37 | 12,451 | 198 | 1.59 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Other time | 4,937 | 64 | 1.29 | 5,954 | 91 | 1.52 | 7,036 | 122 | 1.73 | |
| Total interest-bearing consumer and commercial deposits | 88,433 | 240 | 0.27 | 88,920 | 352 | 0.40 | 91,627 | 523 | 0.57 | |
| Brokered time deposits | 2,030 | 51 | 2.49 | 2,204 | 77 | 3.42 | 2,306 | 101 | 4.38 | |
| Foreign deposits | 35 | — | 0.13 | 51 | — | 0.17 | 80 | — | 0.57 | |
| Total interest-bearing deposits | 90,498 | 291 | 0.32 | 91,175 | 429 | 0.47 | 94,013 | 624 | 0.66 | |
| Funds purchased | 639 | 1 | 0.10 | 798 | 1 | 0.11 | 1,038 | 2 | 0.13 | |
| Securities sold under agreements to repurchase | 1,857 | 3 | 0.14 | 1,602 | 3 | 0.18 | 2,157 | 3 | 0.15 | |
| Interest-bearing trading liabilities | 705 | 17 | 2.45 | 676 | 15 | 2.24 | 851 | 26 | 3.04 | |
| Other short-term borrowings | 4,953 | 13 | 0.26 | 6,952 | 18 | 0.27 | 3,465 | 12 | 0.36 | |
| Long-term debt | 9,872 | 210 | 2.12 | 11,806 | 299 | 2.53 | 13,496 | 449 | 3.33 | |
| Total interest-bearing liabilities | 108,524 | 535 | 0.49 | 113,009 | 765 | 0.68 | 115,020 | 1,116 | 0.97 | |
| Noninterest-bearing deposits | 38,643 | | | 37,329 | | | 31,045 | | | |
| Other liabilities | 3,602 | | | 4,348 | | | 3,972 | | | |
| Noninterest-bearing trading liabilities | 561 | | | 953 | | | 1,707 | | | |
| Shareholders' equity | 21,167 | | | 20,495 | | | 20,696 | | | |
| Total liabilities and shareholders' equity | $172,497 | | | $176,134 | | | $172,440 | | | |
| Interest Rate Spread | | | 3.10 % | | | 3.22 % | | | 3.29 | % |
| Net interest income - FTE [4] | | $4,980 | | | $5,225 | | | $5,179 | | |
| Net Interest Margin[5] | | | 3.24 % | | | 3.40 % | | | 3.50 | % |

[1] Interest income includes loan fees of $153 million, $112 million, and $138 million for the years ended December 31, 2013, 2012, and 2011, respectively.

[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 adjustments were $127 million, $123 million, and $114 million for the years ended December 31, 2013, 2012, and 2011, respectively.

[3] Income on consumer and residential nonaccrual loans, if recognized, is recognized on a cash basis.

[4] Derivative instruments that manage our interest-sensitivity position increased net interest income $444 million, $528 million, and $639 million for the years ended December 31, 2013, 2012, and 2011, respectively.

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

Analysis of Changes in Net Interest Income [1] Table 3

| (Dollars in millions on a taxable-equivalent basis) | 2013 Compared to 2012 | | | 2012 Compared to 2011 | | |
|---|---|---|---|---|---|---|
| | Volume | Rate | Net | Volume | Rate | Net |
| Increase/(Decrease) in Interest Income | | | | | | |
| Loans: | | | | | | |
| C&I - FTE [2] | $155 | ($303) | ($148) | $250 | ($289) | ($39) |
| CRE | — | (19) | (19) | (29) | (4) | (33) |
| Commercial construction | (4) | (3) | (7) | (13) | (1) | (14) |
| Residential mortgages - guaranteed | (53) | (6) | (59) | 31 | (23) | 8 |
| Residential mortgages - nonguaranteed | 17 | (82) | (65) | 34 | (99) | (65) |
| Home equity products | (18) | (8) | (26) | (32) | (11) | (43) |
| Residential construction | (7) | (2) | (9) | (9) | — | (9) |
| Guaranteed student loans | (55) | (3) | (58) | 77 | (21) | 56 |
| Other direct | 13 | 1 | 14 | 16 | (8) | 8 |
| Indirect | 22 | (48) | (26) | 33 | (69) | (36) |
| Credit cards | 7 | (2) | 5 | 6 | (8) | (2) |
| Nonaccrual | (19) | 21 | 2 | (14) | 11 | (3) |
| Securities AFS: | | | | | | |
| Taxable | 15 | (86) | (71) | (65) | (65) | (130) |
| Tax-exempt - FTE [2] | (6) | (1) | (7) | (7) | (1) | (8) |
| Fed funds sold and securities borrowed or purchased under agreements to resell | — | — | — | — | 1 | 1 |
| LHFS | (6) | 1 | (5) | 36 | (18) | 18 |
| Interest earning trading assets | 2 | 2 | 4 | 8 | (22) | (14) |
| Total increase/(decrease) in interest income | 63 | (538) | (475) | 322 | (627) | (305) |
| | | | | | | |
| (Decrease)/Increase in Interest Expense | | | | | | |
| NOW accounts | 1 | (7) | (6) | 1 | (13) | (12) |
| Money market accounts | 1 | (35) | (34) | (3) | (70) | (73) |
| Savings | 1 | (3) | (2) | 1 | (3) | (2) |
| Consumer time | (20) | (23) | (43) | (28) | (25) | (53) |
| Other time | (14) | (13) | (27) | (17) | (14) | (31) |
| Brokered time deposits | (6) | (20) | (26) | (4) | (20) | (24) |
| Securities sold under agreements to repurchase | — | — | — | (1) | 1 | — |
| Interest-bearing trading liabilities | 1 | 1 | 2 | (5) | (6) | (11) |
| Other short-term borrowings | (5) | — | (5) | 10 | (4) | 6 |
| Long-term debt | (45) | (44) | (89) | (52) | (99) | (151) |
| Total decrease in interest expense | (86) | (144) | (230) | (98) | (253) | (351) |
| Net increase/(decrease) in net interest income | $149 | ($394) | ($245) | $420 | ($374) | $46 |

[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 2013, a decrease of $245 million, or 5%, compared to 2012. The decrease was driven by lower earning asset yields as a result of the low interest rate environment, the elimination of the Coke dividend income in 2012, and lower commercial loan swap-related income. These factors were partially offset by lower rates paid on deposits and long-term debt, a decline in our average long-term debt, and the continued favorable shift in the deposit mix. Net interest margin decreased 16 basis points to 3.24% during 2013, compared to 3.40% during 2012 as a result of the same factors as the decline in net interest income.

Average earning assets remained relatively unchanged during 2013 compared to 2012, slightly increasing $249 million to $153.7 billion. An increase of $398 million, or 2%, in our average securities AFS portfolio was largely offset by a $236 million reduction in average loans. The decline in average loans was largely due to sales of government-guaranteed residential mortgages and student loans during the latter half of 2012. Average nonaccrual loans also declined 47%, driven by ongoing credit quality improvement and the sales of NPLs during 2012. These decreases were partially offset by targeted growth in C&I loans of $3.6 billion, or 7%, and consumer loans, excluding guaranteed student loans, which increased approximately 7% compared to the 2012.

Yields on average earning assets declined 31 basis points to 3.59% during 2013, compared to 3.90% during 2012. The yield on our loan portfolio during 2013 was 3.88%, a decrease of 31 basis points compared to the prior year driven by a decline in commercial loan swap-related income and the persistent low interest rate environment. The securities AFS portfolio yielded 2.57% during 2013, down 40 basis points compared to 2012. The yield decline for securities AFS was primarily driven by the prepayments and maturities of higher yielding securities, reinvestment of principal cash flow at lower yields, and the foregone dividend income on the Coke common stock.

We utilize interest rate swaps to manage interest rate risk. The largest notional position of these swaps are pay variable-receive fixed interest rate swaps that convert a portion of our commercial loan portfolio from floating rates, based on LIBOR, to fixed rates. At December 31, 2013, the outstanding notional balance of active swaps that qualified as cash flow hedges on variable rate commercial loans was $17.3 billion, compared to $17.4 billion at December 31, 2012. In addition to the income recognized from currently outstanding swaps, we also continue to recognize interest income over the original hedge period resulting from terminated or de-designated swaps that were previously designated as cash flow hedges on variable rate commercial loans. Interest income from our commercial loan swaps declined to $417 million during 2013 compared to $508 million during 2012. The $91 million decline was primarily due to a decline in income from the maturity of $2.1 billion of active swaps during 2013 and $9.0 billion of previously terminated swaps that reached their original maturity date during 2012 and 2013. However, we added $2.0 billion of new pay variable-receive fixed commercial loan swaps during 2013 after interest rates increased, which aided net interest income during the year. As we manage our interest rate risk we may purchase additional and/or terminate existing interest rate swaps. Our notional balance of active swaps will begin to mature in the second quarter of 2014 with remaining maturities through 2018, absent any additions or terminations. The average maturity of our active swap notional balances at December 31, 2013, was 2 years and $12.5 billion of our active swap notional balances will mature by December 31, 2016. As the swap balances mature, the interest income from the swap balances is expected to decline and our overall asset sensitivity position is expected to increase.

The commercial loan swaps have a fixed rate of interest that is received, while the rate paid is based on LIBOR. The weighted average rate on the receive fixed rate leg of the swap portfolio is 2.05%. Estimated income of these swaps is included in the table below and is based on the assumption of unchanged LIBOR rates relative to December 31, 2013, which may be different than our assumption for future interest rates. Actual income from these swaps may vary from estimates, as the interest rate environment may change, we may purchase additional swaps, and/or we may terminate existing swaps.

Table 4

| | Ending Notional Balance of Active Swaps (in billions) | Estimated Net Interest Income Related to Swaps (in millions) |
|---|---|---|
| First Quarter 2014 | $17.3 | $101 |
| Second Quarter 2014 | 16.1 | 98 |
| Third Quarter 2014 | 16.1 | 93 |
| Fourth Quarter 2014 | 12.6 | 79 |
| As of and for the year ended December 31, 2015 | 6.6 | 134 |

Average interest-bearing liabilities decreased $4.5 billion, or 4%, during 2013 compared to the prior year, and average rates on interest-bearing liabilities were 0.49% during 2013, a decrease of 19 basis points compared to the prior year. The average balance decrease was predominantly a result of a $2.6 billion, or 16%, decrease in average higher-cost time deposits, a $2.0 billion, or 29%, reduction in average other short-term borrowings, and a $1.9 billion, or 16%, reduction in average long-term debt. These decreases were partially offset by an increase of $2.1 billion, or 3%, in average lower cost deposits. The continued shift in the deposit mix toward lower cost deposit products from higher cost products also included an increase during 2013 of $1.3 billion, or 4%, in average demand deposits compared to 2012. The decline in average long-term debt was primarily attributable to the redemption of $1.2 billion of higher cost trust preferred securities, which had a weighted average interest rate of approximately 7%, as well as the extinguishment of a $1.0 billion FHLB advance and $1.2 billion of senior notes related to the Coke transaction in 2012. Partially offsetting these declines, we responded to the low interest rate environment during 2013 and issued $600 million of 10-year senior notes at a 2.75% coupon, as well as $750 million of 5-year senior notes at a 2.35% coupon. The reduction in average other short-term borrowings was due to a reduction in average short-term FHLB advances during 2013. Subsequent to December 31, 2013, we issued $250 million of 3-year floating rate senior notes and

$600 million of 3-year fixed rate senior notes under our Global Bank Note program. The notes pay a floating coupon rate of 3-month LIBOR plus 44 basis points and a fixed annual coupon rate of 1.35%, respectively.

The decrease of 19 basis points on rates paid on interest-bearing liabilities during 2013 compared to 2012 was primarily due to a 41 basis point decline in rates paid on long-term debt, driven by the aforementioned redemption and extinguishments, and a 15 basis point decline in rates paid on total interest bearing deposits, which included a 13 basis point decrease in rates paid on consumer and commercial deposits. The decline in the overall average rate paid on consumer and commercial deposits was a result of the improved funding mix driven by the shift from higher cost deposit products to lower cost deposit products, as well as a decline in market interest rates.

During 2013, the interest rate environment was characterized by a steepening in the yield curve compared to 2012, as rates at the long end of the yield curve increased. More specifically, for the year ended December 31, 2013, benchmark rates were as follows compared to the same period in 2012: one-month LIBOR averaged 0.19%, a decrease of 5 basis points, three-month LIBOR averaged 0.27%, a decrease of 16 basis points, five-year swaps averaged 1.32%, an increase of 34 basis points, and ten-year swaps averaged 2.47%, an increase of 59 basis points. During 2013, the Fed funds target rate averaged 0.25% and the Prime rate averaged 3.25%, both unchanged from 2012.

Looking forward, we expect the net interest margin to decline during 2014 compared to 2013, albeit at a slower pace relative to the decline we experienced this year. The drivers of this decline will be further compression in loan yields due to the continued low short-term interest rate environment, partially offset by the benefits of a steeper yield curve. Specifically, the steeper curve is beneficial to spread income and the positive benefit should be noticed in our results over time as existing loans and securities provide cash flows that we can redeploy at higher yields. Additionally, assuming loan growth continues, we anticipate improvements to net interest income during 2014 compared to 2013.

Foregone Interest

Foregone interest income from NPLs reduced the net interest margin by 3 basis points during 2013, compared to a reduction of 8 basis points during 2012, as average nonaccrual loans decreased by $1.1 billion during the year ended December 31, 2013. See additional discussion of our expectations of future credit quality in the “Loans,” “Allowance for Credit Losses,” and “Nonperforming Assets” sections of this MD&A. Tables 2 and 3 contain more detailed information concerning average balances, yields earned, and rates paid.

NONINTEREST INCOME

Table 5

| | Year Ended December 31 | | |
|---|---|---|---|
| (Dollars in millions) | 2013 | 2012 | 2011 |
| Service charges on deposit accounts | $657 | $676 | $685 |
| Other charges and fees | 369 | 402 | 415 |
| Card fees [1] | 310 | 316 | 463 |
| Trust and investment management income | 518 | 512 | 531 |
| Retail investment services | 267 | 241 | 230 |
| Investment banking income | 356 | 342 | 317 |
| Trading income | 182 | 211 | 248 |
| Mortgage production related income/(loss) | 314 | 343 | (5) |
| Mortgage servicing related income | 87 | 260 | 224 |
| Net securities gains | 2 | 1,974 | 117 |
| Other noninterest income | 152 | 96 | 196 |
| Total noninterest income | $3,214 | $5,373 | $3,421 |
| Total noninterest income, excluding Form 8-K items [2] | $3,277 | $3,898 | $3,421 |

[1] PIN interchange fees are presented in card fees along with other interchange fee income for the year ended December 31, 2013. Previously, these PIN interchange fees were presented in other charges and fees and therefore, for comparative purposes, $76 million and $92 million of PIN interchange fees have been reclassified to card fees for the

years ended December 31, 2012 and 2011, respectively.
[2] See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," in this MD&A for a reconciliation of noninterest income, excluding Form 8-K items.

Noninterest income decreased $2.2 billion, or 40%, during 2013 compared to 2012, driven by a $2.0 billion decrease in net securities gains primarily due to the sale of our Coke common stock in 2012, which was part of our Form 8-K items in 2012. Excluding the impact of Form 8-K items from 2013 and 2012, noninterest income decreased $621 million, or 16%, during 2013 compared to 2012. The decrease was driven by a decline in mortgage-related revenue as a result of a decline in production volume and lower gain on sale margins and a decline in net MSR hedge performance. Partially offsetting the decrease was higher wealth management and capital markets revenue, as well as a decline in the mortgage repurchase provision and mark-to-market valuation losses on our fair value debt and index-linked CDs in 2013 compared to 2012. See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," in this MD&A for a reconciliation of noninterest income, excluding Form 8-K items.

Other charges and fees decreased $33 million, or 8%, during 2013 compared to 2012. The decrease was primarily due to lower insurance premium income due to a reduction of mortgage reinsurance agreements and lower letter of credit and loan commitment fee income.

Retail investment services income increased $26 million, or 11%, during 2013 compared to 2012 due to fixed and variable annuity sales and growth in managed accounts. Investment banking income increased $14 million, or 4%, during 2013 compared to 2012. The increase was primarily driven by growth in merger and acquisition advisory and equity transaction fee revenue, as well as syndication and bond origination activity.

Trading income decreased $29 million, or 14%, compared to 2012. The decrease was primarily due to lower core trading income impacted by higher interest rates and a reduction in trading-related reserves in 2012. These declines were partially offset by a $69 million decline in mark-to-market valuation losses on our fair value debt and index-linked CDs.

Mortgage production related income decreased $29 million, or 8%, during 2013 compared to 2012 due to a decline in production volume, compression of gain on sale margins, and lower lock volume associated with a drop in applications, partially offset by a lower mortgage repurchase provision. Excluding the Form 8-K items, mortgage production income declined 47% primarily due to the aforementioned reasons. The reduction in gain on sale margins was a result of industry competition. Applications decreased 35% during 2013 compared to 2012 and loan production volume decreased 7% from the prior year to $29.9 billion, both due to a decline in loan refinance activity as a result of the increase in interest rates during the year. Mortgage production during 2013 was comprised of approximately 64% in refinance activity, but refinance production decreased 16% compared to 2012. However, during 2013, loan purchase production increased 16%, and we expect further growth in purchase production in 2014, though it will not offset an expected decline in refinance activity during 2014.

During 2013, the mortgage repurchase provision was $114 million, a decrease of $599 million compared to 2012. The lower provision was predominantly driven by the $371 million increase to the mortgage repurchase reserve in the third quarter of 2012, which was the result of information received during 2012 from the GSEs and our experience related to demands, both of which enhanced our ability to estimate losses related to remaining expected demands on foreclosed and currently delinquent pre-2009 GSEs loan sales. During 2013, we reached agreements with Freddie Mac and Fannie Mae under which Freddie Mac and Fannie Mae released us from certain existing and future repurchase obligations for loans sold to Freddie Mac between 2000 and 2008 and Fannie Mae between 2000 and 2012. While the majority of both repurchase settlements was covered by our existing mortgage repurchase reserve, we increased the provision during 2013 by $63 million as a result of these settlements, as the population of loans included under the agreements was broader than the population of loans considered under our existing mortgage repurchase reserve. The reserve for mortgage repurchases was $78 million at December 31, 2013, a decrease of $554 million from December 31, 2012, resulting from the recognition of losses on resolved repurchase requests and the recognition of certain legacy mortgage matters during the year, which included payments to Freddie Mac and Fannie Mae under the settlement agreements. However, the 2013 agreements with Fannie Mae and Freddie Mac settling certain aspects of our repurchase obligations preserve their right to require repurchases arising from certain types of events, and that preservation of rights can impact our future losses. While the repurchase reserve includes the estimated cost of settling claims related to required repurchases, our estimate of losses depends on our assumptions regarding GSE and other counterparty behavior, loan performance, home prices, and other factors. For additional information on the mortgage repurchase reserve, see Note 17, "Guarantees," to the Consolidated Financial Statements in this Form 10-K and the "Critical Accounting Policies" section in this MD&A. See Part I., "Item 1A. Risk Factors," in this Form 10-K for further information regarding our potential for additional liability.

Mortgage servicing related income decreased $173 million, or 67%, during 2013 compared to 2012. The decrease was primarily due to less favorable net MSR hedge performance, an increase in the decay of the servicing asset, and a smaller servicing portfolio resulting in lower servicing fees. Net MSR hedge performance is highly sensitive to the market interest rate environment, which became volatile and increased during 2013. As a result of the higher and more volatile interest rate environment, our hedge became only slightly accretive to income during 2013. The increase in decay of the servicing asset was due to the elevated level of refinance volume during the first half of 2013, prior to the reduction in refinance activity during the second half of 2013 due to higher interest rates. At December 31, 2013, the servicing portfolio was $136.7 billion

compared to $144.9 billion at December 31, 2012. The decline was driven by the sales of servicing on certain loans in the servicing portfolio.
Net securities gains decreased $2.0 billion during 2013 compared to 2012 due to the early termination during 2012 of agreements regarding our previously owned shares of Coke common stock, resulting in a $1.9 billion gain on disposition of the stock in 2012. For further discussion regarding our investment portfolio activity and the Coke transaction, see the “Securities Available for Sale” section in this MD&A.
Other noninterest income increased $56 million, or 58%, during 2013 compared to 2012. The increase was primarily due to a $92 million loss recognized in 2012 upon the transfer to LHFS of guaranteed student and mortgage loans to be sold and the sale during 2013 of held for sale affordable housing properties resulting in a gain on sale of $17 million. This was partially offset by $50 million in lease financing asset impairments in 2013 as a result of updated market indicators of the residual values of the assets. For additional information on the lease financing impairment, see Note 18, "Fair Value Election and Measurement," to the Consolidated Financial Statements in this Form 10-K.

NONINTEREST EXPENSE

Table 6

| | Year Ended December 31 | | |
|---|---|---|---|
| (Dollars in millions) | 2013 | 2012 | 2011 |
| Employee compensation | $2,488 | $2,603 | $2,494 |
| Employee benefits | 413 | 474 | 382 |
| Personnel expenses | 2,901 | 3,077 | 2,876 |
| Outside processing and software | 746 | 710 | 653 |
| Net occupancy expense | 348 | 359 | 356 |
| Operating losses | 503 | 277 | 377 |
| Credit and collection services | 264 | 239 | 275 |
| Regulatory assessments | 181 | 233 | 300 |
| Equipment expense | 181 | 188 | 178 |
| Marketing and customer development | 135 | 184 | 184 |
| Consulting and legal fees | 73 | 165 | 120 |
| Postage and delivery | 69 | 76 | 81 |
| Other staff expense | 66 | 94 | 95 |
| Communications | 63 | 63 | 63 |
| Operating supplies | 28 | 34 | 45 |
| Amortization/impairment of intangible assets/goodwill | 23 | 46 | 43 |
| Other real estate expense | 4 | 140 | 264 |
| Impairment of affordable housing investments | 3 | 96 | 10 |
| Net loss/(gain) on debt extinguishment | — | 16 | (3) |
| Other expense | 292 | 326 | 317 |
| Total noninterest expense | $5,880 | $6,323 | $6,234 |
| Total noninterest expense, excluding Form 8-K items [1] | $5,461 | $6,189 | $6,234 |

[1] See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," in this MD&A for a reconciliation of noninterest expense, excluding Form 8-K items.

Noninterest expense decreased $443 million, or 7%, during 2013 compared to 2012, driven by declines across most expense categories including personnel expenses, legal and consulting expenses, and certain cyclically high credit-related costs (driven by other real estate expense), partially offset by higher operating losses. Excluding the impact of Form 8-K items in 2013 and 2012, noninterest expense decreased 12% due to improved expense management and the abatement of certain cyclically high credit-related costs. See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," in this MD&A for a reconciliation of noninterest expense, excluding Form 8-K items

Personnel expenses decreased $176 million, or 6%, compared to 2012. The decrease was largely attributable to lower salary and other benefits costs during the year, partially driven by the decline in full time equivalent employees from 2012. Full time equivalent employees declined by 2% compared to 2012, as a result of efficiency improvements, particularly in our branch staffing model as we reduced our number of branches by 7% compared to December 31, 2012, to better align our distribution channels with evolving client preferences. Additional branch reductions will occur in 2014, but the rate of decline will be less than in 2013. Benefits expense decreased in part due to lower 401(k) expense, medical costs, and pension expense in 2013 compared to 2012.

Outside processing and software increased $36 million, or 5%, during 2013 compared to 2012. The increase was primarily due to increased utilization of outsourced services.

Operating losses increased $226 million, or 82%, compared to 2012, due to specific mortgage-related legal matters that were recognized in 2013. Excluding items included in the Form 8-K in 2013, which included $323 million related to these matters in 2013, operating losses decreased by 35% from 2012 due to declines related to mortgage-related regulatory and legal matters. Specifically in 2013, we reached agreements in principle with the HUD and the U.S. DOJ (collectively, the "Government") to settle certain civil and administrative claims related to our origination of FHA-insured mortgage loans and our portion of the National Mortgage Servicing Settlement, which pertains to mortgage servicing and origination practices. We are continuing to negotiate definitive settlement terms for each of these matters but have certain substantive disagreements with some of the positions being taken by the Government. We may be unable to resolve our disagreements with the Government and may not reach a definitive settlement agreement as it relates to the FHA matter. While our 2013 results reflect the estimated cost of resolving these matters, we face several risks from these settlements, including being unable to reach definitive settlement agreements reflecting the terms of the agreements in principle and being unable to meet certain consumer relief commitments, resulting in increased costs to resolve these matters. Also, we are not able to predict the effect that a failure to resolve the FHA matter will have on the agreement in principle to settle the alleged claims regarding our mortgage servicing and origination practices. See further discussion of these matters in Note 19, "Contingencies," to the Consolidated Financial Statements and Part I., "Item 1A. Risk Factors," in this Form 10-K.

Credit and collection services expense increased $25 million, or 10%, compared to 2012, primarily due to an increase in the mortgage servicing advance reserve during 2013. We increased the reserve as a result of an expanded review of our servicing advance practices and the sale of MSRs on approximately $1 billion in UPBs of predominantly delinquent mortgage loans. As a result of the review of servicing advances and the MSR sale, we refined our loss estimates and valuation methodologies to incorporate loss estimates on all advances while the prior methodology centered on aged advances. This $96 million reserve increase was part of the Form 8-K items in 2013 and, when excluding these items, credit and collection services expense decreased 30% from 2012, primarily due to declines in credit and collection costs as a result of the significant decline in average NPAs during 2013.

Other real estate expense decreased $136 million, or 97%, compared to 2012. The decrease was predominantly due to a decline in valuation losses and an increase in gains on sales. It is unlikely that gains will continue to largely offset expenses, so future expenses may increase from the current level, but as the economic environment improves over time, we expect that other real estate expense will continue to be notably lower than the elevated levels during 2011 and 2012. During 2014, we expect modest aggregate declines in cyclical costs (which includes operating losses, other real estate expense, and credit and collection services) compared to 2013; however, operating losses can be volatile and could impact those expectations.

Regulatory assessments decreased $52 million, or 22%, compared to 2012, due to declines in our FDIC insurance assessment rate, reflecting our reduced risk profile. Partially offsetting the decrease were additional regulatory supervisory fees imposed on large institutions during 2013. Marketing and customer development expense decreased $49 million, or 27%, compared to 2012, primarily as a result of our charitable contribution during 2012 of previously owned Coke shares. Other staff expense decreased $28 million, or 30%, compared to 2012, driven by declines in severance expenses compared to 2012.

Consulting and legal expenses decreased $92 million, or 56%, compared to 2012, predominantly due to the elimination of certain expenses associated with the Independent Foreclosure Review that was part of the Consent Order. We entered into an Amendment to the Consent Order in February 2013 that allowed us to begin eliminating consulting and legal costs of independent third parties providing file review, borrower outreach, and legal services associated with the Consent Order foreclosure file review. For additional information regarding the Consent Order and the Amendment, see Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K.

Amortization/impairment of intangible assets/goodwill decreased $23 million, or 50%, compared to 2012. The decrease was partially due to a $7 million goodwill impairment related to GenSpring in 2012. The remaining $16 million decrease in amortization expense is due to a decrease in the core deposit and other intangible asset balances subject to amortization.

Affordable housing impairment decreased $93 million, or 97%, compared to 2012, driven by the $96 million write-down recognized in 2012, upon the decision to market certain affordable housing investments for sale. Most of these consolidated affordable housing properties have been sold with resulting gains included in other noninterest income. Marketing efforts continue on the remaining properties to be sold with an anticipated sale during 2014. At December 31, 2013, market indicators remain consistent with the carrying values of the remaining properties to be sold, and as such, no additional valuation adjustments are currently anticipated.

PROVISION FOR INCOME TAXES

The provision for income taxes includes both federal and state income taxes. For the year ended December 31, 2013, the provision for income taxes was $273 million, resulting in an effective tax rate of 16.9%. For the year ended December 31, 2012, the provision for income taxes was $773 million, resulting in an effective tax rate of 28.3%. The provision for income taxes differs from the provision using statutory rates primarily due to favorable permanent tax items such as income from lending to tax exempt entities and federal tax credits from community reinvestment activities. The decrease in the effective tax rate for the year ended December 31, 2013 was primarily due to lower pre-tax earnings as well as the tax benefit realized on the taxable reorganization of certain subsidiaries. This tax benefit was partially offset by an increase in STM’s valuation allowance related to its DTAs for certain state NOLs and an increase in the liability for UTBs. See Note 14, “Income Taxes,” to the Consolidated Financial Statements in this Form 10-K for further information related to the provision for income taxes.

Excluding the impact of Form 8-K items related to 2013 and 2012, the effective tax rate was 27.4% and 22.9%, for the years ended December 31, 2013 and 2012, respectively. The increase in the effective tax rate during the year ended December 31, 2013, was primarily attributable to higher pre-tax income. See Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual," in this MD&A for a reconciliation of the effective tax rate excluding Form 8-K items.

LOANS

Our disclosures about the credit quality of our loan portfolio and the related credit reserves (i) describe the nature of credit risk inherent in our loan portfolio, (ii) provide information on how we analyze and assess credit risk in arriving at an adequate and appropriate ALLL, and (iii) explain the changes in the ALLL and reasons for those changes.
We report our loan portfolio in three segments: commercial, residential, and consumer. Loans are assigned to these segments based upon the type of borrower, purpose, collateral, and/or our underlying credit management processes. Additionally, within each segment, we have identified loan types, which further disaggregate loans based upon common risk characteristics.

Commercial

The C&I loan type includes loans to fund business operations or activities, corporate credit cards, loans secured by owner-occupied properties, and other wholesale lending activities. CRE and commercial construction loan types are based on investor exposures where repayment is largely dependent upon the operation, refinance, or sale of the underlying real estate. Commercial and construction loans secured by owner-occupied properties are classified as C&I loans, as the primary source of loan repayment for owner-occupied properties is business income and not real estate operations.

Residential

Residential mortgages consist of loans secured by 1-4 family homes, mostly prime first-lien loans, both government-guaranteed and nonguaranteed. Residential construction loans include owner-occupied residential lot loans and construction-to-perm loans. Home equity products consist of equity lines of credit and closed-end equity loans that may be in either a first lien or junior lien position. At December 31, 2013, 37% of our home equity products were in a first lien position and 63% were in a junior lien position. For home equity products in a junior lien position, we own or service 29% of the loans that are senior to the home equity product.
Only a small percentage of home equity lines are scheduled to end their draw period and convert to an amortizing term loan during 2014, with 92% of home equity line balances scheduled to convert to amortization in 2015 or later and 62% in 2017 or later. Historically, a majority of accounts have not converted to amortization. Based on historical trends, within 12 months of the end of their draw period, approximately 80% of accounts, and approximately 68% of accounts with a balance, are closed or refinanced. We perform credit management activities on home equity accounts to limit our loss exposure. These activities result in the suspension of available credit of most home equity junior lien accounts when the first lien position is delinquent, including when the junior lien is still current. We monitor the

delinquency status of first mortgages serviced by other parties. Additionally, we actively monitor refreshed credit bureau scores of borrowers with junior liens, as these scores are highly sensitive to first lien mortgage delinquency. At December 31, 2013, our home equity junior lien loss severity was approximately 87%. At December 31, 2013, the average FICO score related to loans in our home equity portfolio was 760 and the average outstanding loan size was approximately $48,000.

Consumer
The loan types comprising our consumer loan segment include government-guaranteed student loans, other direct (consisting primarily of direct auto loans, loans secured by negotiable collateral, and private student loans), indirect (consisting of loans secured by automobiles, boats, or recreational vehicles), and consumer credit cards.

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

Loan Portfolio by Types of Loans — Table 7

| (Dollars in millions) | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Commercial loans: | | | | | |
| C&I | $57,974 | $54,048 | $49,538 | $44,753 | $44,008 |
| CRE | 5,481 | 4,127 | 5,094 | 6,167 | 6,694 |
| Commercial construction | 855 | 713 | 1,240 | 2,568 | 4,984 |
| Total commercial loans | 64,310 | 58,888 | 55,872 | 53,488 | 55,686 |
| Residential loans: | | | | | |
| Residential mortgages - guaranteed | 3,416 | 4,252 | 6,672 | 4,520 | 949 |
| Residential mortgages - nonguaranteed[1] | 24,412 | 23,389 | 23,243 | 23,959 | 25,847 |
| Home equity products | 14,809 | 14,805 | 15,765 | 16,751 | 17,783 |
| Residential construction | 553 | 753 | 980 | 1,291 | 1,909 |
| Total residential loans | 43,190 | 43,199 | 46,660 | 46,521 | 46,488 |
| Consumer loans: | | | | | |
| Guaranteed student loans | 5,545 | 5,357 | 7,199 | 4,260 | 2,786 |
| Other direct | 2,829 | 2,396 | 2,059 | 1,722 | 1,484 |
| Indirect | 11,272 | 10,998 | 10,165 | 9,499 | 6,665 |
| Credit cards | 731 | 632 | 540 | 485 | 566 |
| Total consumer loans | 20,377 | 19,383 | 19,963 | 15,966 | 11,501 |
| LHFI | $127,877 | $121,470 | $122,495 | $115,975 | $113,675 |
| LHFS | $1,699 | $3,399 | $2,353 | $3,501 | $4,670 |

[1] Includes $302 million, $379 million, $431 million, $488 million, and $437 million of loans carried at fair value at December 31, 2013, 2012, 2011, 2010, and 2009, respectively.

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 industries, certain loan products, or certain regions of the country. As seen below in Table 10, we have experienced a shift in our loans by geography since December 31, 2012. Specifically, the percentage of our loans to clients outside of our banking footprint compared to our total loan portfolio increased, primarily as a result of an increase in loans in our CIB business which serves clients nationwide. See Note 6, "Loans," to the Consolidated Financial Statements in this Form 10-K for more information.

Selected Loan Maturity Data — Table 8

| (Dollars in millions) | At December 31, 2013 | | | |
|---|---|---|---|---|
| | Total | 1 year or less | 1-5 years | After 5 years |
| Loan Maturity | | | | |
| Commercial and commercial real estate [1] | $57,880 | $21,953 | $32,414 | $3,513 |
| Real estate - construction | 855 | 155 | 634 | 66 |
| Total | $58,735 | $22,108 | $33,048 | $3,579 |
| Interest Rate Sensitivity | | | | |
| Selected loans with: | | | | |
| Predetermined interest rates | | | $5,124 | $1,989 |
| Floating or adjustable interest rates | | | 27,924 | 1,590 |

| | | |
|---|---|---|
| Total | $33,048 | $3,579 |

[1] Excludes $4.9 billion in lease financing and $705 million in installment loans.

The following table shows our commercial lending exposure at December 31 to selected industries:

Funded Exposures by Selected Industries — Table 9

| | 2013 | | 2012 | |
|---|---|---|---|---|
| (Dollars in millions) | Loans | % of Total | Loans | % of Total |
| Real Estate | $8,500 | 13 % | $6,331 | 11 % |
| Consumer Products and Services | 8,152 | 13 | 7,693 | 13 |
| Diversified Financials and Insurance | 7,249 | 11 | 7,155 | 12 |
| Health Care & Pharmaceuticals | 5,995 | 9 | 5,875 | 10 |
| Government | 5,036 | 8 | 3,964 | 7 |
| Automotive | 4,604 | 7 | 3,816 | 6 |
| Energy and Utilities | 3,971 | 6 | 3,419 | 6 |
| Retailing | 3,715 | 6 | 3,626 | 6 |
| Diversified Commercial Services and Supplies | 3,460 | 5 | 3,414 | 6 |
| Capital Goods | 3,057 | 5 | 3,411 | 6 |
| Media & Telecommunication Services | 2,494 | 4 | 2,466 | 4 |
| Religious Organizations/Non-Profits | 1,899 | 3 | 1,884 | 3 |
| Transportation | 1,896 | 3 | 1,737 | 3 |
| Materials | 1,860 | 3 | 1,960 | 3 |
| Technology (Hardware & Software) | 1,226 | 2 | 1,068 | 2 |
| Individuals, Investments, and Trusts | 906 | 2 | 902 | 2 |
| Other Industries | 290 | — | 167 | — |
| Total | $64,310 | 100 % | $58,888 | 100 % |

The following table shows the percentage breakdown of our LHFI portfolio by geographic region at December 31:

Loan Types by Geography — Table 10

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | | Residential | | Consumer | |
| (Dollars in millions) | Loans | % of total | Loans | % of total | Loans | % of total |
| Geography: | | | | | | |
| Florida | $12,003 | 19 % | $10,770 | 25 % | $3,683 | 18 % |
| Georgia | 8,175 | 13 | 6,210 | 14 | 1,539 | 8 |
| Virginia | 7,052 | 11 | 6,312 | 15 | 1,633 | 8 |
| Tennessee | 4,689 | 7 | 2,489 | 6 | 738 | 4 |
| North Carolina | 3,583 | 5 | 3,902 | 9 | 1,464 | 7 |
| Maryland | 3,431 | 5 | 4,097 | 9 | 1,402 | 7 |
| South Carolina | 1,122 | 2 | 2,023 | 5 | 412 | 2 |
| District of Columbia | 1,066 | 2 | 727 | 2 | 95 | — |
| Total banking region | 41,121 | 64 | 36,530 | 85 | 10,966 | 54 |
| California, Illinois, Pennsylvania, Texas, New Jersey, New York | 12,131 | 19 | 3,811 | 9 | 5,043 | 25 |
| All other states | 11,058 | 17 | 2,849 | 6 | 4,368 | 21 |
| Total outside banking region | 23,189 | 36 | 6,660 | 15 | 9,411 | 46 |
| Total | $64,310 | 100 % | $43,190 | 100 % | $20,377 | 100 % |

| (Dollars in millions) | 2012 Commercial Loans | % of total | Residential Loans | % of total | Consumer Loans | % of total |
|---|---|---|---|---|---|---|
| Geography: | | | | | | |
| Florida | $11,361 | 19 % | $11,123 | 26 % | $3,586 | 18 % |
| Georgia | 10,178 | 17 | 6,188 | 14 | 1,467 | 8 |
| Virginia | 6,758 | 12 | 6,089 | 14 | 1,667 | 9 |
| Tennessee | 4,696 | 8 | 2,504 | 6 | 720 | 4 |
| North Carolina | 3,275 | 6 | 3,826 | 9 | 1,528 | 8 |
| Maryland | 3,293 | 6 | 3,751 | 9 | 1,404 | 7 |
| South Carolina | 866 | 1 | 2,097 | 5 | 387 | 2 |
| District of Columbia | 634 | 1 | 637 | 1 | 94 | — |
| Total banking region | 41,061 | 70 | 36,215 | 84 | 10,853 | 56 |
| California, Illinois, Pennsylvania, Texas, New Jersey, New York | 8,475 | 14 | 3,783 | 9 | 4,419 | 23 |
| All other states | 9,352 | 16 | 3,201 | 7 | 4,111 | 21 |
| Total outside banking region | 17,827 | 30 | 6,984 | 16 | 8,530 | 44 |
| Total | $58,888 | 100 % | $43,199 | 100 % | $19,383 | 100 % |

Loans Held for Investment
LHFI were $127.9 billion at December 31, 2013, an increase of 5% compared to December 31, 2012. We continued to make progress in our loan portfolio diversification strategy, as we were successful in both growing targeted commercial balances and in reducing our exposure to certain higher risk loans. Continuing to manage down our commercial and residential construction portfolios resulted in an $8.6 billion decrease since the end of 2008, which has driven a significant improvement in our risk profile. Average loans during 2013 totaled $122.7 billion. See the "Net Interest Income/Margin" section of this MD&A for more information regarding average loan balances. Overall economic indicators in our markets are improving, and organic loan production in home equity and consumer loans, excluding student, has been solid and our commercial loan pipelines have increased.
Commercial loans increased $5.4 billion, or 9%, during 2013 compared to December 31, 2012. Growth was driven by C&I loans, encompassing a diverse array of large corporate and middle market borrowers, as well as CRE loans. C&I loans increased $3.9 billion, or 7%, compared to December 31, 2012, primarily driven by broad-based growth across the portfolio. The most notable increases were in the not-for-profit, government, dealer, asset securitizations, energy, and asset-based lending portfolios. CRE loans increased $1.4 billion, or 33%, compared to December 31, 2012, with the majority of the increase in the portfolio due to expanded relationships with clients in our footprint, growth in our institutional business, and success in our REIT platform.
As the commercial real estate market has continued to strengthen over the past 18 months, we are rebuilding our CRE portfolio with loans to high quality clients. For risk diversification, we have strict limits and exposure caps both on specific projects and on borrowers. We believe that our investor-owned portfolio is appropriately diversified by borrower, geography, and property type. We continue to be proactive in our credit monitoring and management processes to provide early warning of problem loans.
Residential loans remained relatively stable during 2013 as nonguaranteed residential mortgages increased $1.0 billion, or 4%, compared to December 31, 2012, while that growth was partially offset by an $836 million, or 20%, decrease in government-guaranteed residential mortgages compared to December 31, 2012. Nonguaranteed residential mortgages increased due to loan originations primarily to borrowers with strong credit characteristics (e.g., average FICO scores above 760), including high quality jumbo mortgages, and were secured by residential properties with LTVs that averaged below 80%. The decrease in government-guaranteed loans was the result of payments and payoffs primarily driven by refinance activity.
Consumer loans increased $994 million, or 5%, during 2013 compared to December 31, 2012, primarily driven by increases in other direct loans of $433 million and $188 million of growth in government-guaranteed student loans. The increases were largely due to purchases of guaranteed student loans and new originations of other direct and

installment loans.

Loans Held for Sale
LHFS decreased $1.7 billion, or 50%, during 2013 from December 31, 2012, due to the decline in mortgage production as a result of the higher interest rate environment.

Asset Quality
Our asset quality continued to trend favorably during 2013, driven by improvement in asset quality metrics, resolution of existing NPAs, and lower inflows of NPLs. This was driven by positive trends in our residential portfolios due to lower delinquencies and loss severities, and higher prices upon disposition of foreclosed assets.
NPLs decreased $576 million, or 37%, compared to December 31, 2012, largely the result of a decline in residential mortgage NPLs. Contributing to the decline was the reclassification of approximately $219 million of loans previously discharged in Chapter 7 bankruptcy to accruing TDR status after they exhibited a six month period of payment performance since being discharged. Our NPLs have decreased significantly since their peak in 2009, down by $4.4 billion, or 82%. At December 31, 2013, the percentage of NPLs to total loans was 0.76%, down 51 basis points compared to December 31, 2012. We expect further, but moderating, declines in NPLs during 2014, led by continuing improvements in residential portfolios.
Net charge-offs were $678 million during 2013, compared to $1.7 billion during 2012. Partially driving the $1.0 billion, or 60%, decline in net charge-offs compared to 2012 were $226 million of charge-offs in 2012 associated with the sale of mortgage and commercial real estate NPLs, and $79 million and $65 million of charge-offs in 2012 related to the changes in policy related to reclassification to nonaccrual for loans discharged in Chapter 7 bankruptcy and our junior lien credit policy impacting the timing and recognition of charge-offs, respectively. During 2013, the net charge-off ratio fell to 0.55%, the lowest level in six years, compared to 1.37% during 2012. We expect net charge-offs to remain relatively stable to slightly lower in the coming quarters.
Total early stage delinquencies decreased to 0.74% of total loans at December 31, 2013, the lowest year-end level since 2006, and a decline of 19 basis points compared to December 31, 2012. Early stage delinquencies, excluding government-guaranteed loans, improved to 0.36% of total loans at December 31, 2013, compared to 0.48% at December 31, 2012. At December 31, 2013, the majority of commercial and residential loans showed improvement in early stage delinquencies compared to December 31, 2012. Further improvement in early stage delinquencies will be driven by residential loans.
Overall, 2013 resulted in a further improvement in our risk profile and positive trends in our asset quality. Looking forward, a recovering economy and improving housing market should continue to drive positive, albeit moderating, asset quality trends, particularly in our residential portfolios; commercial and consumer portfolios are generally at or near normalized credit quality levels.

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses consists of both the ALLL and the reserve for unfunded commitments. Reflecting the favorable trends in credit quality, the ALLL declined to $2.0 billion at December 31, 2013, down $130 million, or 6%, compared to December 31, 2012. The ALLL represented 1.60% of total loans at December 31, 2013, down 20 basis points compared to December 31, 2012. See Note 1, "Significant Accounting Policies," and Note 7, "Allowance for Credit Losses," to the Consolidated Financial Statements in this Form 10-K, as well as the "Allowance for Credit Losses" section within "Critical Accounting Policies" in this MD&A for further information regarding our ALLL accounting policy, determination, and allocation.

Summary of Credit Losses Experience Table 11

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| (Dollars in millions) | 2013 | 2012 | 2011 | 2010 | 2009 |
| Allowance for Credit Losses | | | | | |
| Balance - beginning of period | $2,219 | $2,505 | $3,032 | $3,235 | $2,379 |
| Allowance recorded upon VIE consolidation | — | — | — | 1 | — |
| Provision/(benefit) for unfunded commitments | 5 | (3) | (10) | (57) | 87 |
| Provision for loan losses: | 548 | 1,398 | 1,523 | 2,708 | 4,007 |
| Charge-offs: | | | | | |
| Commercial loans | (219) | (457) | (803) | (1,087) | (1,432) |
| Residential loans | (531) | (1,316) | (1,275) | (1,736) | (1,707) |
| Consumer loans | (119) | (134) | (163) | (195) | (259) |
| Total charge-offs | (869) | (1,907) | (2,241) | (3,018) | (3,398) |
| Recoveries: | | | | | |
| Commercial loans | 66 | 154 | 140 | 99 | 84 |
| Residential loans | 87 | 31 | 18 | 20 | 17 |
| Consumer loans | 38 | 41 | 43 | 44 | 59 |
| Total recoveries | 191 | 226 | 201 | 163 | 160 |
| Net charge-offs | (678) | (1,681) | (2,040) | (2,855) | (3,238) |
| Balance - end of period | $2,094 | $2,219 | $2,505 | $3,032 | $3,235 |
| Components: | | | | | |
| ALLL | $2,044 | $2,174 | $2,457 | $2,974 | $3,120 |
| Unfunded commitments reserve [1] | 50 | 45 | 48 | 58 | 115 |
| Allowance for credit losses | $2,094 | $2,219 | $2,505 | $3,032 | $3,235 |
| Average loans | $122,657 | $122,893 | $116,308 | $113,925 | $121,041 |
| Period-end loans outstanding | 127,877 | 121,470 | 122,495 | 115,975 | 113,675 |
| Ratios: | | | | | |
| ALLL to period-end loans [2,3] | 1.60% | 1.80% | 2.01% | 2.58% | 2.76% |
| ALLL to NPLs [4] | 212 | 142 | 85 | 73 | 59 |
| ALLL to net charge-offs | 3.01x | 1.29x | 1.20x | 1.04x | 0.96x |
| Net charge-offs to average loans | 0.55% | 1.37% | 1.75% | 2.51% | 2.67% |

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

[2] $302 million, $379 million, $433 million, $492 million, and $449 million at December 31, 2013, 2012, 2011, 2010, and 2009, respectively, of LHFI carried at fair value were excluded from period-end loans in the calculation.

[3] Excluding government-guaranteed loans of $9.0 billion, $9.6 billion, $13.9 billion, $8.8 billion, and $3.7 billion at December 31, 2013, 2012, 2011, 2010, and 2009, respectively, from year-end loans in the calculation results in ratios of 1.72%, 1.95%, 2.27%, 2.79%, and 2.84%, respectively.

[4] In calculating the ratio, $7 million, $19 million, $25 million, $28 million, and $46 million, at December 31, 2013, 2012, 2011, 2010, and 2009, respectively, of NPLs carried at fair value were excluded.

Charge-offs

Net charge-offs decreased by $1.0 billion, or 60%, in 2013 compared to 2012, largely driven by general improvement in credit quality in 2013. The decrease was also partially due to $226 million of net charge-offs in 2012 related to the sale of nonperforming mortgage and CRE loans, as well as the recognition of $65 million in incremental charge-offs related to our second lien credit policy change, and $79 million related to our credit policy change for loans discharged in Chapter 7 bankruptcy in response to regulatory guidance issued in 2012. The decline in net charge-offs in 2013 compared to 2012 was particularly notable in our residential mortgage and home equity portfolios, reflective of the improved economy and therefore borrower performance. The ratio of net charge-offs to average loans was 0.55% during 2013, a reduction of 82 basis points compared to 2012, and at the lowest level in six years. We expect net charge-offs to remain relatively stable to slightly lower in the coming quarters. See Note 1, "Significant

Accounting Policies," to the Consolidated Financial Statements in this Form 10-K for additional policy information related to charge-offs.

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.

During 2013, the provision for loan losses decreased $850 million, or 61%, compared to 2012. The change in the provision for loan losses was largely attributable to improvements in credit quality trends and lower net charge-offs during 2013 compared to 2012, partially offset by the effect of loan growth in the commercial and consumer loan portfolios. In 2014, positive loan growth may offset future asset quality improvements and result in smaller declines in the provision for loan losses or potential increases in the provision for loan losses when compared to prior periods.

ALLL and Reserve for Unfunded Commitments

Allowance for Loan Losses by Loan Segment — Table 12

| | December 31 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (Dollars in millions) | 2013 | | 2012 | | 2011 | | 2010 | | 2009 | |
| ALLL | | | | | | | | | | |
| Commercial loans | $946 | | $902 | | $964 | | $1,303 | | $1,353 | |
| Residential loans | 930 | | 1,131 | | 1,354 | | 1,498 | | 1,592 | |
| Consumer loans | 168 | | 141 | | 139 | | 173 | | 175 | |
| Total | $2,044 | | $2,174 | | $2,457 | | $2,974 | | $3,120 | |
| Segment ALLL as a % of total ALLL | | | | | | | | | | |
| Commercial loans | 46 | % | 41 | % | 39 | % | 44 | % | 43 | % |
| Residential loans | 46 | | 52 | | 55 | | 50 | | 51 | |
| Consumer loans | 8 | | 7 | | 6 | | 6 | | 6 | |
| Total | 100 | % | 100 | % | 100 | % | 100 | % | 100 | % |
| Loan segment as a % of total loans | | | | | | | | | | |
| Commercial loans | 50 | % | 48 | % | 46 | % | 46 | % | 49 | % |
| Residential loans | 34 | | 36 | | 38 | | 40 | | 41 | |
| Consumer loans | 16 | | 16 | | 16 | | 14 | | 10 | |
| Total | 100 | % | 100 | % | 100 | % | 100 | % | 100 | % |

The ALLL decreased by $130 million, or 6%, during 2013 compared to 2012, driven by the improvements in credit conditions of the residential loan portfolio, partially offset by the effect of loan growth in the commercial and consumer loan portfolios. At December 31, 2013, the ALLL to period-end loans ratio of 1.60% decreased 20 basis points compared to 1.80% at December 31, 2012. When excluding government-guaranteed loans, the ALLL to period-end loans ratio decreased to 1.72% at December 31, 2013, compared to 1.95% at December 31, 2012. The ratio of the ALLL to total NPLs was 212% at December 31, 2013, compared to 142% at December 31, 2012. The increase in this ratio was primarily attributable to the $576 million decrease in NPLs, partially offset by the reduction in the ALLL. The appropriate ALLL level will continue to be determined by our detailed quarterly review process.

NONPERFORMING ASSETS

The following table presents our NPAs at December 31:

Table 13

| (Dollars in millions) | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Nonaccrual/NPLs | | | | | |
| Commercial loans: | | | | | |
| C&I | $196 | $194 | $348 | $584 | $732 |
| CRE | 39 | 66 | 288 | 342 | 191 |
| Commercial construction | 12 | 34 | 290 | 961 | 1,247 |
| Total commercial NPLs | 247 | 294 | 926 | 1,887 | 2,170 |
| Residential loans: | | | | | |
| Residential mortgages - nonguaranteed | 441 | 775 | 1,392 | 1,543 | 2,283 |
| Home equity products | 210 | 341 | 338 | 355 | 367 |
| Residential construction | 61 | 112 | 220 | 290 | 529 |
| Total residential NPLs | 712 | 1,228 | 1,950 | 2,188 | 3,179 |
| Consumer loans: | | | | | |
| Other direct | 5 | 6 | 7 | 10 | 8 |
| Indirect | 7 | 19 | 20 | 25 | 45 |
| Total consumer NPLs | 12 | 25 | 27 | 35 | 53 |
| Total nonaccrual/NPLs | 971 | 1,547 | 2,903 | 4,110 | 5,402 |
| OREO[1] | 170 | 264 | 479 | 596 | 620 |
| Other repossessed assets | 7 | 9 | 10 | 52 | 79 |
| Nonperforming LHFS | 17 | 37 | — | — | — |
| Total NPAs | $1,165 | $1,857 | $3,392 | $4,758 | $6,101 |
| Accruing loans past due 90 days or more | $1,228 | $782 | $2,028 | $1,565 | $1,500 |
| Accruing LHFS past due 90 days or more | — | 1 | 3 | 2 | 2 |
| TDRs | | | | | |
| Accruing restructured loans | $2,749 | $2,501 | $2,820 | $2,613 | $1,641 |
| Nonaccruing restructured loans[2] | 391 | 639 | 802 | 1,005 | 913 |
| Ratios | | | | | |
| NPLs to total loans | 0.76 % | 1.27 % | 2.37 % | 3.54 % | 4.75 % |
| Nonperforming assets to total loans plus OREO, other repossessed assets, and nonperforming LHFS | 0.91 | 1.52 | 2.76 | 4.08 | 5.33 |

[1] Does not include foreclosed real estate related to loans insured by the FHA or the VA. Proceeds due from the FHA and the VA are recorded as a receivable in other assets until the funds are received and the property is conveyed. The receivable amount related to proceeds due from FHA or the VA totaled $88 million, $140 million, $132 million, $195 million, and $113 million at December 31, 2013, 2012, 2011, 2010, and 2009, respectively.
[2] Nonaccruing restructured loans are included in total nonaccrual/NPLs.

NPAs decreased $692 million, or 37%, during 2013 compared to 2012. The decrease was primarily attributable to a $576 million, or 37%, decrease in NPLs, and a $94 million decline in OREO. All nonaccrual loan classes declined except C&I, which remained relatively unchanged compared to 2012. Net charge-offs, foreclosures, and improved loan performance contributed to the decrease in NPLs, as well as the return to accruing status of Chapter 7 bankruptcy loans. Specifically, the decrease in NPLs was driven by reductions in residential mortgage NPLs of $334 million, or 43%, and home equity NPLs of $131 million, or 38%. The decrease in residential mortgage NPLs was primarily due to the return to accruing TDR status of approximately $219 million of Chapter 7 bankruptcy loans, which were current for at least six months following discharge by the bankruptcy court. At December 31, 2013, our ratio of NPLs to total loans was 0.76%, down from 1.27% at December 31, 2012 as a result of the decline in NPLs and the increase in total loans. We expect further, but moderating, declines in NPLs during 2014, led by continuing improvements in residential portfolios.

Real estate related loans comprise a significant portion of our overall NPAs as a result of the devaluation of U.S. housing during the recent economic recession. The amount of time necessary to obtain control of residential real estate collateral in certain states, primarily Florida, has remained elevated due to delays in the foreclosure process. These delays may continue to impact the resolution of real estate related loans within the NPA portfolio.

Nonaccrual loans, loans over 90 days past due and still accruing, and TDR loans, are problem loans or loans with potential weaknesses that are disclosed in the NPA table above. Loans with known potential credit problems that may not otherwise be disclosed in this table include accruing criticized commercial loans, which are disclosed along with additional credit quality information in Note 6, “Loans,” to the Consolidated Financial Statements in this Form 10-K. At December 31, 2013 and December 31, 2012, there were no known significant potential problem loans that are not otherwise disclosed.

Nonperforming Loans

Nonperforming commercial loans decreased $47 million, or 16%, during 2013 compared to 2012 with reductions in CRE NPLs of $27 million, or 41%, and $22 million, or 65%, in commercial construction NPLs.

Nonperforming residential loans were the largest driver of the overall decline in NPLs, decreasing $516 million, or 42%, during 2013 compared to 2012. The reduction in nonguaranteed residential mortgage NPLs and home equity NPLs accounted for $334 million and $131 million, respectively, of this decrease, and was primarily the result of the return of certain performing Chapter 7 bankruptcy loans to accruing status, net charge-offs, pay-offs, improved loan performance, and foreclosures. Additionally, residential construction NPLs decreased $51 million, primarily as a result of net charge-offs.

Interest income on consumer and residential nonaccrual loans, if recognized, is recognized on a cash basis. Interest income on commercial nonaccrual loans is not generally recognized until after the principal has been reduced to zero. We recognized $33 million and $31 million of interest income related to nonaccrual loans during 2013 and 2012, respectively. If all such loans had been accruing interest according to their original contractual terms, estimated interest income of $73 million and $147 million during 2013 and 2012, respectively, would have been recognized.

Other Nonperforming Assets

OREO decreased $94 million, or 36%, during 2013 compared to 2012 as a result of net decreases of $56 million in residential construction related properties, $34 million in commercial properties, and $4 million in residential homes. Sales of OREO resulted in proceeds of $356 million and $493 million during 2013 and 2012, respectively, contributing to net gains on sales of OREO of $69 million and $34 million, respectively, inclusive of valuation reserves. We do not expect to see a continuation of net gains on sale in future periods given the elevated level of gains during 2013. Gains and losses on the sale of OREO are recorded in other real estate expense in the Consolidated Statements of Income. Sales of OREO and the related gains or losses are highly dependent on our disposition strategy and buyer opportunities. See Note 18, “Fair Value Election and Measurement,” to the Consolidated Financial Statements in this Form 10-K for additional information.

Geographically, most of our OREO properties are located in Florida, Georgia, and North Carolina. Residential and commercial properties comprised 69% and 19%, respectively, of OREO at December 31, 2013; the remainder is related to land and other properties. Upon foreclosure, the values of these properties were reevaluated and, if necessary, written down to their then-current estimated value less estimated costs to sell. Any further decreases in values could result in additional losses on these properties as we periodically revalue them as further discussed in Note 18, "Fair Value Election and Measurement," to the Consolidated Financial Statements in this Form 10-K. We are actively managing and disposing of these foreclosed assets to minimize future losses.

At December 31, 2013 and 2012, total accruing loans past due ninety days or more included LHFI and LHFS and totaled $1.2 billion and $783 million, respectively. Accruing LHFI past due ninety days or more increased by $446 million, or 57%, during 2013, primarily driven by guaranteed student loan delinquencies. Residential mortgages and student loans that are guaranteed by a federal agency comprised 96% and 92%, respectively, of loans 90 days or more past due and still accruing at December 31, 2013 and 2012, respectively. At the same dates, $48 million and $60 million, respectively, of accruing loans past due ninety days or more were not guaranteed.

Restructured Loans

To maximize the collection of loan balances, we evaluate troubled loans on a case-by-case basis to determine if a loan modification 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 a modified loan, we may pursue short sales and/or deed-in-lieu arrangements. For loans secured by income producing commercial properties, we perform an in-depth and ongoing programmatic review. We review a number of factors, including cash flows, loan structures, collateral values, and guarantees to identify loans within our income producing commercial loan portfolio that are most likely to experience distress. Based on our review of 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 of terms. For commercial loans, the primary restructuring method is the extension of terms.
Loans with modifications deemed to be economic concessions resulting from borrower financial difficulties are reported as TDRs. Accruing loans may retain accruing status at the time of restructure and the status is determined by, among other things, the nature of the restructure, the borrower's repayment history, and the borrower's repayment capacity. Nonaccruing loans that are modified and demonstrate a sustainable history of repayment performance, typically six months, in accordance with their modified terms are generally reclassified to accruing TDR status. Generally, once a residential loan becomes a TDR, we expect that the loan will continue to be reported as a TDR for its remaining life even after returning to accruing status unless the modified rates and terms at the time of modification were available in the market at the time of the modification. 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 through the use of loss forecasting methodologies. The level of re-defaults will likely be affected by future economic conditions. At December 31, 2013 and 2012, specific reserves included in the ALLL for residential TDRs were $345 million and $348 million, respectively. See Note 6, "Loans," to the Consolidated Financial Statements in this Form 10-K for more information.

Representatives of the United States Attorney's Office for the Western District of Virginia (USAO) and the Office of the Special Inspector General for the Troubled Asset Relief Program (collectively the “Western District”) have advised STM of the status of their ongoing investigation of STM's administration of HAMP. The Western District's investigation focuses on whether, during 2009 and 2010, STM harmed borrowers and violated civil or criminal laws by making misrepresentations and failing to properly process applications for modifications of certain mortgages owned by the GSEs pursuant to the HAMP guidelines. While no determinations have been made, the Western District has indicated that they intend to pursue some form of action and may impose substantial penalties on STM. STM continues to cooperate with the investigation and believes that it has substantial defenses to the asserted allegations.

Separately, we have committed to providing $500 million in consumer relief pursuant to the National Mortgage Servicing Settlement agreement in principle with certain parties. At December 31, 2013, our financial statements reflect our estimated costs of fulfilling our commitments under this program. A final agreement in the Mortgage Servicing Settlement matter has not been reached and the methods by which we will meet these obligations are still being developed. An expansion in the number and type of restructuring methods for consumer clients, including principal forgiveness, is expected as a result of these consumer relief commitments. Additionally, certain modification methods under consideration could be deemed to be economic concessions and result in additional modified loans being reported as TDRs.

See additional discussion related to HAMP, Consent Order, and the Mortgage Servicing Settlement in Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K.

The following tables display our residential real estate TDR portfolio by modification type and payment status. Guaranteed loans that have been repurchased from Ginnie Mae under an early buyout clause and subsequently modified have been excluded from the table. Such loans totaled approximately $54 million and $24 million at December 31, 2013 and 2012, respectively.

Selected Residential TDR Data Table 14

| | December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Accruing TDRs | | | Nonaccruing TDRs | | |
| (Dollars in millions) | Current | Delinquent[1] | Total | Current | Delinquent[1] | Total |
| Rate reduction | $692 | $90 | $782 | $27 | $50 | $77 |
| Term extension | 17 | 4 | 21 | 1 | 6 | 7 |
| Rate reduction and term extension | 1,439 | 135 | 1,574 | 27 | 127 | 154 |
| Other [2] | 180 | 13 | 193 | 16 | 54 | 70 |
| Total | $2,328 | $242 | $2,570 | $71 | $237 | $308 |

| | December 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Accruing TDRs | | | Nonaccruing TDRs | | |
| (Dollars in millions) | Current | Delinquent[1] | Total | Current | Delinquent[1] | Total |
| Rate reduction | $470 | $37 | $507 | $36 | $45 | $81 |
| Term extension | 16 | 4 | 20 | 3 | 7 | 10 |
| Rate reduction and term extension | 1,562 | 172 | 1,734 | 78 | 209 | 287 |
| Other [2] | 7 | 2 | 9 | 172 | 39 | 211 |
| Total | $2,055 | $215 | $2,270 | $289 | $300 | $589 |

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

[2] Primarily consists of extensions and deficiency notes.

At December 31, 2013, our total TDR portfolio was $3.1 billion and was composed of $2.9 billion, or 92%, of residential loans (predominantly first and second lien residential mortgages and home equity lines of credit), $150 million, or 5%, of commercial loans (predominantly income-producing properties), and $110 million, or 3%, of consumer loans.

Total TDRs did not change compared to December 31, 2012; however, the mix of TDRs changed as accruing TDRs were up $248 million, or 10%, offset by a decrease in nonaccruing TDRs of $248 million, or 39%. The increase in accruing TDRs was primarily due to the return of approximately $219 million of Chapter 7 bankruptcy loans to accruing TDR status from nonaccruing TDR.

Generally, 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 recognized interest income was $118 million and $111 million during 2013 and 2012, respectively. If all such loans had been accruing interest according to their original contractual terms, estimated interest income of $157 million and $151 million during 2013 and 2012, respectively, would have been recognized.

SELECTED FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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, 2013 and 2012. For a complete discussion of our fair value elections and the methodologies used to estimate the fair values of our financial instruments, see Note 18, “Fair Value Election and Measurement,” to the Consolidated Financial Statements in this Form 10-K.

Trading Assets and Liabilities and Derivatives Table 15

| | December 31 | |
|---|---|---|
| (Dollars in millions) | 2013 | 2012 |
| Trading Assets and Derivatives: | | |
| U.S. Treasury securities | $219 | $111 |
| Federal agency securities | 426 | 462 |
| U.S. states and political subdivisions | 65 | 34 |
| MBS - agency | 323 | 432 |
| CDO/CLO securities | 57 | 55 |
| ABS | 6 | 36 |
| Corporate and other debt securities | 534 | 567 |
| CP | 29 | 28 |
| Equity securities | 109 | 100 |
| Derivatives [1, 2] | 1,384 | 2,083 |
| Trading loans [3] | 1,888 | 2,319 |
| Total trading assets and derivatives | $5,040 | $6,227 |
| Trading Liabilities and Derivatives: | | |
| U.S. Treasury securities | $472 | $582 |
| Corporate and other debt securities | 179 | 173 |
| Equity securities | 5 | 9 |
| Derivatives [1, 2] | 525 | 412 |
| Total trading liabilities and derivatives | $1,181 | $1,176 |

[1] Certain derivative assets of $37 million and derivative liabilities of $49 million are presented in trading assets and derivatives and trading liabilities and derivatives, respectively, at December 31, 2013. Previously, these derivative assets and liabilities were presented in other assets and other liabilities, respectively, in the Consolidated Balance Sheets. For comparative purposes, $178 million of derivative assets and $15 million of derivative liabilities have been reclassified to trading assets and derivatives and trading liabilities and derivatives, respectively, at December 31, 2012.

[2] 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.

[3] Includes loans related to TRS.

Trading Assets and Liabilities and Derivatives

Trading assets and derivative assets decreased $1.2 billion, or 19%, compared to December 31, 2012, primarily due to decreases in net derivatives resulting from the interest rate environment and a reduction in TRS trading loans. Trading liabilities and derivative liabilities remained relatively unchanged compared to December 31, 2012. An increase in net derivatives was offset by a decrease in U.S. Treasury securities, as a result of normal business activity. See Note 16, "Derivative Financial Instruments," to the Consolidated Financial Statements in this Form 10-K for additional information on derivatives.

Securities Available for Sale Table 16

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

[1] At December 31, 2013, other equity securities included the following: $336 million in FHLB of Atlanta stock, $402 million in Federal Reserve Bank stock, $103 million in mutual fund investments, and $1 million of other.

| (Dollars in millions) | December 31, 2012 Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities | $212 | $10 | $— | $222 |
| Federal agency securities | 1,987 | 85 | 3 | 2,069 |
| U.S. states and political subdivisions | 310 | 15 | 5 | 320 |
| MBS - agency | 17,416 | 756 | 3 | 18,169 |
| MBS - private | 205 | 4 | — | 209 |
| ABS | 214 | 5 | 3 | 216 |
| Corporate and other debt securities | 42 | 4 | — | 46 |
| Other equity securities[1] | 701 | 1 | — | 702 |
| Total securities AFS | $21,087 | $880 | $14 | $21,953 |

[1] At December 31, 2012, other equity securities included the following: $229 million in FHLB of Atlanta stock, $402 million in Federal Reserve Bank stock, $69 million in mutual fund investments, and $2 million of other.

| (Dollars in millions) | December 31, 2011 Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities | $671 | $23 | $— | $694 |
| Federal agency securities | 1,843 | 89 | — | 1,932 |
| U.S. states and political subdivisions | 437 | 21 | 4 | 454 |
| MBS - agency | 20,480 | 743 | — | 21,223 |
| MBS - private | 252 | — | 31 | 221 |
| CDO securities | 50 | — | — | 50 |
| ABS | 460 | 11 | 7 | 464 |
| Corporate and other debt securities | 49 | 2 | — | 51 |
| Coke common stock | — | 2,099 | — | 2,099 |
| Other equity securities[1] | 928 | 1 | — | 929 |
| Total securities AFS | $25,170 | $2,989 | $42 | $28,117 |

[1] At December 31, 2011, other equity securities included the following: $342 million in FHLB of Atlanta stock, $398 million in Federal Reserve Bank stock, $187 million in mutual fund investments, and $2 million of other.

| Maturity Distribution of Securities Available for Sale | | | | | | | | | | Table 17 |
|---|---|---|---|---|---|---|---|---|---|---|
| | December 31, 2013 | | | | | | | | | |
| (Dollars in millions) | 1 Year or Less | | 1-5 Years | | 5-10 Years | | After 10 Years | | Total | |
| Distribution of Maturities: | | | | | | | | | | |
| Amortized Cost[1]: | | | | | | | | | | |
| U.S. Treasury securities | $1 | | $645 | | $688 | | $— | | $1,334 | |
| Federal agency securities | 51 | | 261 | | 566 | | 150 | | 1,028 | |
| U.S. states and political subdivisions | 102 | | 66 | | 21 | | 43 | | 232 | |
| MBS - agency | 1,575 | | 5,780 | | 7,800 | | 3,760 | | 18,915 | |
| MBS - private | — | | 155 | | — | | — | | 155 | |
| ABS | 58 | | 18 | | 2 | | — | | 78 | |
| Corporate and other debt securities | — | | 22 | | 17 | | — | | 39 | |
| Total debt securities | $1,787 | | $6,947 | | $9,094 | | $3,953 | | $21,781 | |
| Fair Value[1]: | | | | | | | | | | |
| U.S. Treasury securities | $1 | | $647 | | $645 | | $— | | $1,293 | |
| Federal agency securities | 51 | | 271 | | 518 | | 144 | | 984 | |
| U.S. states and political subdivisions | 104 | | 70 | | 21 | | 42 | | 237 | |
| MBS - agency | 1,665 | | 5,969 | | 7,756 | | 3,521 | | 18,911 | |
| MBS - private | — | | 154 | | — | | — | | 154 | |
| ABS | 57 | | 20 | | 2 | | — | | 79 | |
| Corporate and other debt securities | — | | 25 | | 17 | | — | | 42 | |
| Total debt securities | $1,878 | | $7,156 | | $8,959 | | $3,707 | | $21,700 | |
| Weighted average yield (FTE)[2]: | | | | | | | | | | |
| U.S. Treasury securities | 1.24 | % | 1.62 | % | 2.06 | % | — | % | 1.85 | % |
| Federal agency securities | 3.30 | | 3.07 | | 2.41 | | 2.86 | | 2.69 | |
| U.S. states and political subdivisions | 5.89 | | 6.26 | | 5.26 | | 3.52 | | 5.50 | |
| MBS - agency | 2.76 | | 2.58 | | 2.92 | | 2.84 | | 2.79 | |
| MBS - private | — | | 9.00 | | — | | — | | 9.00 | |
| ABS | 2.53 | | 11.77 | | 9.01 | | — | | 4.87 | |
| Corporate and other debt securities | — | | 4.81 | | 2.70 | | — | | 3.89 | |
| Total debt securities | 2.95 | % | 2.72 | % | 2.83 | % | 2.85 | % | 2.81 | % |

[1]The amortized cost and fair value of investments in debt securities are presented based on estimated average life. Actual cash flows may differ from estimated average lives and contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.
[2]Average yields are based on amortized cost.

Securities Available for Sale
The securities AFS portfolio is managed as part of our overall ALM process to optimize income and portfolio value over an entire interest rate cycle while mitigating the associated risks. Changes in the size and composition of the portfolio during 2013 reflect our efforts to maintain a high quality portfolio while managing our interest rate and liquidity risk profile. The portfolio increased $1.5 billion in 2013 compared to December 31, 2012, primarily due to

increased holdings of U.S. Treasury securities and agency MBS as a result of normal portfolio activity. This increase in amortized cost was offset by a decline in net unrealized gains of $946 million due primarily to the increase in market interest rates during the year. During the year, our holdings in ABS, government agency securities, municipal securities, and private MBS were lower due to sales, maturities and cash flow run-off.

During the year ended December 31, 2013, we recorded $2 million in net realized gains from the sale of securities AFS, compared to net realized gains of $2.0 billion during the year ended December 31, 2012, including $1 million and $7 million in OTTI, respectively. The $2.0 billion in gains recorded during 2012 included $1.9 billion in net securities gains from the sales of the Coke common stock as a result of the early termination of the Agreements. For additional information on composition and valuation assumptions related to securities AFS, see Note 5, "Securities Available for Sale," and the “Trading Assets and Securities Available for Sale” section of Note 18, “Fair Value Election and Measurement,” to the Consolidated Financial Statements in this Form 10-K.

For the year ended December 31, 2013, the average yield, on a FTE basis, for the securities AFS portfolio was 2.57%, compared with 2.97% for the year ended December 31, 2012. Prepayments and maturities of higher yielding securities, reinvestment of principal cash flow at lower yields, and the foregone dividend income on the Coke common stock drove the decline in yield on securities AFS. Our total investment securities portfolio had an effective duration of 4.7 years at December 31, 2013 compared to 2.2 years at December 31, 2012. The increase in the effective duration is a result of cash flow reinvestment activities and slower agency MBS prepayment assumptions associated with higher mortgage rates during the year ended December 31, 2013. Effective duration is a measure of price sensitivity of a bond portfolio to an immediate change in market interest rates, taking into consideration embedded options. An effective duration of 4.7 years suggests an expected price change of 4.7% for a one percent instantaneous change in market interest rates.

The credit quality and liquidity profile of the securities portfolio remained strong at December 31, 2013, and consequently, 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. Over the longer term, the size and composition of the investment portfolio will reflect balance sheet trends, our overall liquidity, and interest rate risk management objectives. Accordingly, the size and composition of the investment portfolio could change meaningfully over time.

Federal Home Loan Bank and Federal Reserve Bank Stock

We hold capital stock in the FHLB of Atlanta and 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. At December 31, 2013, we held a total of $336 million of capital stock in the FHLB, an increase of $107 million compared to December 31, 2012. In order to become a member of the Federal Reserve System, regulations require that we hold a certain amount of capital stock as either a percentage of the Bank’s capital or as a percentage of total deposit liabilities. At December 31, 2013, we held $402 million of Federal Reserve Bank stock, unchanged from December 31, 2012.

Investment in Coke

Prior to September 2012, we owned common shares of Coke since 1919. These shares grew in value and were 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 accumulated significant unrealized gains in shareholders' equity. In 2008, we entered into two Agreements with an unaffiliated third party to deliver to the counterparty either a variable number of our shares in Coke or an equivalent amount of cash in lieu of such shares on the 2014 and 2015 settlement dates. In 2012, we reevaluated our Coke holdings in light of the regulatory proposal regarding Basel III, which, as proposed at that time, would have increased the RWA of equity holdings and would have introduced potential volatility to our regulatory capital ratios via fluctuations in AOCI, and the negative implications associated with equity securities in assumed adverse economic scenarios within future CCAR assessments. Following this review, we and the counterparty accelerated the termination of the Agreements. In September 2012, we divested our ownership of Coke shares through sales in the market, sales to the counterparty under the Agreements, and a charitable contribution of shares. As a result of the Coke stock sales, charitable contribution, and termination of the Agreements, we recorded a pre-tax gain of approximately $1.9 billion during the year ended December 31, 2012. The execution and termination of the Agreements is discussed further in Note 16, "Derivative Financial Instruments," to the Consolidated Financial Statements in this Form 10-K.

DEPOSITS

Composition of Average Deposits — Table 18

| | Year Ended December 31 | | | Percent of Total | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Noninterest-bearing | $38,643 | $37,329 | $31,045 | 30 % | 29 % | 25 % |
| NOW accounts | 26,083 | 25,155 | 24,751 | 20 | 20 | 20 |
| Money market accounts | 42,655 | 42,101 | 42,854 | 33 | 33 | 34 |
| Savings | 5,740 | 5,113 | 4,535 | 4 | 4 | 4 |
| Consumer time | 9,018 | 10,597 | 12,451 | 7 | 8 | 10 |
| Other time | 4,937 | 5,954 | 7,036 | 4 | 4 | 5 |
| Total consumer and commercial deposits | 127,076 | 126,249 | 122,672 | 98 | 98 | 98 |
| Brokered time deposits | 2,030 | 2,204 | 2,306 | 2 | 2 | 2 |
| Foreign deposits | 35 | 51 | 80 | — | — | — |
| Total deposits | $129,141 | $128,504 | $125,058 | 100 % | 100 % | 100 % |

During 2013, we experienced modest deposit growth as well as improving deposit mix as the proportion of lower-cost deposit account balances slightly increased, while the higher-cost account balances decreased. These favorable trends, along with continued low rates paid on deposits, were a major contributor to our decline in interest expense during the year. Average consumer and commercial deposits increased by $827 million, or 1%, compared to 2012. The growth was driven by increases in noninterest-bearing DDA, NOW, money market, and savings, and was partially offset by declines in consumer time and other time deposits. While a portion of the low-cost deposit growth is likely attributable to clients' desires related to increased liquidity, we are also driving growth by deepening high value primary client relationships through exceptional service and relevant deposit products. As of December 31, 2013, securities pledged as collateral for deposits totaled $9.6 billion.

Consumer and commercial deposit growth remains one of our key areas of focus. During 2013, we continued to focus on deepening our relationships with existing clients, growing our client base, and increasing deposits, while managing the rates we pay for deposits. We maintained pricing discipline, through a judicious use of competitive rates in select products and markets as we allowed higher rate time deposits to run-off, while growing balances in other deposit categories. Other initiatives to attract deposits included advancements in analytics that leverage client segmentation to identify optimal products and solutions, as well as the deployment of new tools that enhance client-facing teammates' focus on providing clients with personalized options and an exceptional client experience. We continued to leverage our brand to improve our visibility in the marketplace and to inspire client loyalty and capitalize on some of the opportunities presented by the evolving 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.

Maturity of Consumer Time and Other Time Deposits in Amounts of $100,000 or More — Table 19

| | At December 31, 2013 | | |
|---|---|---|---|
| (Dollars in millions) | Consumer Time | Brokered Time | Total |
| Months to maturity: | | | |
| 3 or less | $816 | $43 | $859 |
| Over 3 through 6 | 1,121 | 574 | 1,695 |
| Over 6 through 12 | 1,032 | 645 | 1,677 |
| Over 12 | 1,612 | 762 | 2,374 |
| Total | $4,581 | $2,024 | $6,605 |

BORROWINGS

Short-Term Borrowings

Table 20

| | December 31, 2013 | | | Year Ended December 31, 2013 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Daily Average | | | Maximum Outstanding at any Month-End |
| (Dollars in millions) | Balance | Rate | | Balance | Rate | | |
| Funds purchased [1] | $1,192 | 0.07 | % | $639 | 0.10 | % | $1,192 |
| Securities sold under agreements to repurchase [1] | 1,759 | 0.10 | | 1,857 | 0.14 | | 1,911 |
| Other short-term borrowings | 5,788 | 0.22 | | 4,953 | 0.26 | | 5,868 |

| | December 31, 2012 | | | Year Ended December 31, 2012 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Daily Average | | | Maximum Outstanding at any Month-End |
| (Dollars in millions) | Balance | Rate | | Balance | Rate | | |
| Funds purchased [1] | $617 | 0.09 | % | $798 | 0.11 | % | $925 |
| Securities sold under agreements to repurchase [1] | 1,574 | 0.18 | | 1,602 | 0.18 | | 1,781 |
| Other short-term borrowings | 3,303 | 0.31 | | 6,952 | 0.27 | | 10,697 |

| | December 31, 2011 | | | Year Ended December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Daily Average | | | Maximum Outstanding at any Month-End |
| (Dollars in millions) | Balance | Rate | | Balance | Rate | | |
| Funds purchased [1] | $839 | 0.09 | % | $1,038 | 0.13 | % | $1,169 |
| Securities sold under agreements to repurchase [1] | 1,644 | 0.13 | | 2,157 | 0.15 | | 2,411 |
| Other short-term borrowings | 8,983 | 0.22 | | 3,465 | 0.36 | | 8,983 |

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

Short-Term Borrowings

Our total short-term borrowings at December 31, 2013 increased $3.2 billion, or 59%, from December 31, 2012, predominantly due to a $2.5 billion increase in other short-term borrowings and a $575 million increase in funds purchased. The increase in other short-term borrowings was driven by a $2.5 billion increase in FHLB advances. We also experienced an increase of $185 million in securities sold under agreements to repurchase during the year.

During the year ended December 31, 2013, our total daily average short-term borrowings decreased $1.9 billion, or 20%, compared to the year ended December 31, 2012. The decrease was primarily driven by a decrease in daily average balance for other short-term borrowings of $2.0 billion, which was due to ordinary balance sheet management practices, as well as the payoff and maturity of certain FHLB advances during 2013.

During the year ended December 31, 2013, our daily average balances for funds purchased and other short-term borrowings were lower than our period-end balances as a result of increased borrowing in the second half of 2013. Our daily average balance of securities sold under agreements to repurchase during the year ended December 31, 2013 was higher than the balance at December 31, 2013, due to normal fluctuations resulting from ordinary balance sheet management practices. None of our maximum outstanding balances at any month-end in 2013 were materially different than the respective balances at December 31, 2013.

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

| Long-Term Debt | | Table 21 |
|---|---|---|
| (Dollars in millions) | 2013 | 2012 |
| Parent Company Only | | |
| Senior, fixed rate | $3,001 | $2,270 |
| Senior, variable rate | 283 | 152 |
| Subordinated, fixed rate | 200 | 200 |
| Junior subordinated, variable rate | 627 | 627 |
| Total Parent Company debt | 4,111 | 3,249 |
| Subsidiaries | | |
| Senior, fixed rate | 1,006 | 426 |
| Senior, variable rate [1] | 3,783 | 3,846 |
| Subordinated, fixed rate [2] | 1,300 | 1,336 |
| Subordinated, variable rate | 500 | 500 |
| Total subsidiaries debt | 6,589 | 6,108 |
| Total long-term debt | $10,700 | $9,357 |

[1] Includes $256 million and $286 million of debt recorded at fair value at December 31, 2013 and 2012, respectively.
[2] Debt recorded at fair value.

During the year ended December 31, 2013, our long-term debt increased $1.3 billion, or 14%. The increase was primarily due to the issuances of $600 million of 10-year senior notes under our Global Bank Note program and $750 million of 5-year senior notes during 2013. The 10-year senior notes pay a fixed annual coupon rate of 2.75% and will mature on May 1, 2023. We may call the notes at par beginning on April 1, 2023. The 5-year senior notes pay a fixed annual coupon rate of 2.35% and will mature on November 1, 2018. We may call the notes beginning on October 1, 2018. These debt issuances allowed us to advantageously add to our funding sources at low borrowing rates. Average long-term debt decreased $1.9 billion, or 16%, compared to 2012 due to a $1.1 billion decline in average senior debt, a $640 million decrease in average subordinated debt, and a $222 million decline in average senior foreign-denominated debt, driven by the extinguishment of $1.2 billion of senior notes, the repurchase of $1.2 billion of trust preferred notes, and the maturity of $589 million of senior foreign-denominated notes in 2012, respectively.
In January 2014, we issued $250 million of 3-year floating rate senior notes under our Global Bank Note program. The notes pay a floating coupon rate of 3-month LIBOR plus 44 basis points. Also in January 2014, we issued $600 million of 3-year senior notes under our Global Bank Note program. The notes pay a fixed annual coupon rate of 1.35%. We may call both issuances beginning on January 15, 2017, and they will mature on February 15, 2017. Similar to our debt issuances in 2013, these issuances subsequent to December 31, 2013 also allowed us to add to our funding sources at low borrowing rates.

CAPITAL RESOURCES
Our primary federal 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 risk weight assets and off-balance sheet risk exposures 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, and certain other regulatory deductions. 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 RWA, and 45% of the unrealized gain on equity securities. Additionally, mark-to-market adjustments related to our estimated credit spreads for debt and index linked CDs accounted for at fair value are excluded from regulatory capital.

Both the Company and the Bank are subject to minimum Tier 1 capital and Total capital ratios of 4% and 8%, respectively. To be considered "well-capitalized," ratios of 6% and 10%, respectively, are required. Additionally, the Company and the Bank are subject to requirements for the Tier 1 leverage ratio, which measures Tier 1 capital against average total assets less certain deductions, as calculated in accordance with regulatory guidelines. The minimum and well-capitalized leverage ratios are 3% and 5%, respectively.

The concept of Tier 1 common equity, the portion of Tier 1 capital that is considered common equity, was first introduced in the 2009 SCAP. Our primary regulator, rather than U.S. GAAP, defines Tier 1 common equity and the Tier 1 common equity ratio. As a result, our calculation of these measures may differ from those of other financial services companies who calculate them. However, Tier 1 common equity and the Tier 1 common equity ratio continue to be important factors which regulators examine in evaluating financial institutions; therefore, we present these measures to allow for evaluations of our capital. Further, on October 11, 2013, the Federal Reserve published final rules in the Federal Register related to required minimum capital ratios that become effective for us on January 1, 2015. See further discussion below under "Basel III."

On January 1, 2013, the new Risk-Based Capital Guidelines: Market Risk Rule (the "Market Risk Rule") promulgated by the Federal Reserve and other U.S. regulators became effective. The application of the Market Risk Rule required changes to the computation of RWA associated with assets held in our trading account and expanded the calculation to include a stressed VAR measure among other things. See the "Market Risk from Trading Activities" section of this MD&A for additional discussion.

Regulatory Capital Ratios — Table 22

| | December 31 | | |
|---|---|---|---|
| (Dollars in millions) | 2013 | 2012 | 2011 |
| Tier 1 capital | $16,073 | $14,975 | $14,490 |
| Total capital | 19,052 | 18,131 | 18,177 |
| RWA | 148,746 | 134,524 | 132,940 |
| Average total assets for leverage ratio | 167,848 | 168,053 | 165,573 |
| Tier 1 common equity: | | | |
| Tier 1 capital | $16,073 | $14,975 | $14,490 |
| Less: | | | |
| Qualifying trust preferred securities | 627 | 627 | 1,854 |
| Preferred stock | 725 | 725 | 275 |
| Allowable minority interest | 119 | 114 | 107 |
| Tier 1 common equity | $14,602 | $13,509 | $12,254 |
| Risk-based ratios: | | | |
| Tier 1 common equity[1] | 9.82 % | 10.04 % | 9.22 % |
| Tier 1 capital | 10.81 | 11.13 | 10.90 |
| Total capital | 12.81 | 13.48 | 13.67 |
| Tier 1 leverage ratio | 9.58 | 8.91 | 8.75 |
| Total shareholders’ equity to assets | 12.22 | 12.10 | 11.35 |

[1] At December 31, 2013, our Basel III Common Equity Tier 1 ratio as calculated under the final Basel III capital rules was estimated to be 9.6%. See the "Reconcilement of Non-U.S. GAAP Measures - Annual" section in this MD&A for a reconciliation of the current Basel I ratio to the estimated Basel III ratio.

At December 31, 2013, our capital ratios were well above current regulatory requirements. The small decline in our capital ratios compared to December 31, 2012, was primarily due to an increase in our RWA primarily as a result of loan growth during 2013, the aforementioned change related to the Market Risk Rule, as well as an increase in off-balance sheet unused lending commitments. These increases in RWAs offset the positive impact on our ratios related to an increase in our regulatory capital during 2013, which was driven by an increase in retained earnings.

We declared and paid common dividends totaling $188 million, or $0.35 per common share during 2013, compared with $107 million, or $0.20 per common share during 2012. Additionally, we declared and paid dividends in 2013 and 2012 of $37 million and $12 million, respectively, on our preferred stock.

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. At December 31, 2013 and 2012, retained earnings of the Bank available for payment of cash dividends to the Parent Company under these regulations totaled approximately $2.6 billion and $1.8 billion, respectively.

During 2013, we submitted our capital plan for review by the Federal Reserve in conjunction with the 2013 CCAR process. Upon completion of the Federal Reserve's review, they did not object to our planned capital actions. As such, during 2013 we maintained dividend payments on our preferred stock, increased our quarterly common stock dividend from $0.05 to $0.10 beginning in the second quarter, and repurchased a total of $150 million, or approximately 4.6 million shares, of our outstanding common stock. Also pursuant to our capital plan, we repurchased an additional $50 million of our outstanding common stock in early 2014. We have submitted our 2014 capital plan for review by the Federal Reserve in conjunction with the 2014 CCAR process and await the completion of their review, which is expected during the first quarter of 2014.

Basel III

The Dodd-Frank Act will impact the composition of our capital elements 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 require greater capital levels than presently required and which vary among financial institutions based on size, risk, complexity, and other factors. As expected, the Federal Reserve used this authority by publishing final rules on October 11, 2013. The rules require banking organizations such as us to meet revised minimum regulatory capital ratios beginning on January 1, 2015, and begin the transition period for the revised definitions of regulatory capital and the revised regulatory capital adjustments and deductions, as well as comply with the standardized approach for determining RWAs. 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 us, which are at least as stringent as those applicable to insured depositary institutions. Furthermore, beginning January 1, 2016, these rules introduce a capital conservation buffer, which places restrictions on the amount of retained earnings that may be used for distributions or discretionary bonus payments as risk-based capital ratios approach their respective “adequately capitalized” minimums.

Under the final rules, the minimum capital requirements will be a Common Equity Tier 1 ratio of 4.5%; Tier 1 Capital ratio of 6%; Total Capital ratio of 8%; and U.S. Leverage ratio of 4%. The rules include a capital conservation buffer of 2.5% of RWA that is effectively layered on top of the minimum capital risk-based ratios. At December 31, 2013, we believe each of our regulatory capital ratios exceeds their respective minimum capital ratio requirements under the final rules, as well as the 2.5% capital conservation buffer, when measured on a fully-phased-in basis.

Furthermore, the final Basel III capital rules require the phase out of non-qualifying Tier 1 Capital instruments such as trust preferred securities. As such, over a two year period beginning on January 1, 2015, approximately $627 million in principal amount of Parent Company trust preferred and other hybrid capital securities currently outstanding will no longer qualify for Tier 1 capital treatment, but instead will only qualify for Tier 2 capital treatment. Accordingly, we anticipate that, by January 1, 2016, all $627 million of our outstanding trust preferred securities will lose Tier 1 capital treatment, and will be reclassified as Tier 2 capital. We do not expect any impact to our total capital ratio as a result of the transition to Tier 2 capital.

DFAST

As a component of our overall stress testing process, and as required by the Dodd-Frank Act, we and certain other banks are required to conduct semi-annual stress tests pursuant to the DFAST Final Rule. During 2013, we disclosed the results of our semi-annual DFAST processes for 2013, which were submitted to the Federal Reserve in January 2013 and July 2013. The results of our semi-annual DFAST processes indicate that we expect to have the financial resources at our disposal to successfully navigate a hypothetical severe and protracted economic downturn and will maintain capital levels that exceed regulatory minimums throughout the course of the hypothetical scenario. The detailed results of our semi-annual DFAST processes are available on our website at www.suntrust.com.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in detail in Note 1, “Significant Accounting Policies,” to the Consolidated Financial Statements in this Form 10-K and are integral to understanding our financial performance. We have identified certain accounting policies as being critical because (1) they require judgment about matters that are highly uncertain and (2) different estimates that could be reasonably applied would result in materially different assessments with respect to ascertaining the valuation of assets, liabilities, commitments, and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, 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 that these critical accounting estimates are well controlled and applied consistently from period to period, and that the process for changing methodologies occurs in an appropriate manner. The following is a description of our current critical accounting policies.

Contingencies

We face uncertainty with respect to the ultimate outcomes of various contingencies including the Allowance for Credit Losses, mortgage repurchase reserves, and legal and regulatory matters.

Allowance for Credit Losses

The Allowance for Credit Losses is composed of the ALLL and the reserve for unfunded commitments. The ALLL represents our estimate of probable 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 impairment 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, 2013. Assuming a downgrade of one level in the PD risk ratings for commercial loans and leases, the ALLL would have increased by approximately $404 million at December 31, 2013. 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 $93 million at December 31, 2013. 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 $75 million at December 31, 2013. 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 material 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 similarly 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. For additional discussion of the ALLL see the "Allowance for Credit Losses" and "Nonperforming Assets" sections in this MD&A as well as Note 6, "Loans," and Note 7, "Allowance for Credit Losses," to the Consolidated Financial Statements in this Form 10-K.

Mortgage Repurchase Reserve

We sell residential mortgage loans to investors through whole loan sales in the normal course of our business. The investors are primarily GSEs; however, approximately 10% of the population of total loans sold between January 1, 2005 and December 31, 2013 were sold to non-agency investors, some in the form of securitizations. In association with these transactions, we provide representations and warranties to the third party investors that these loans meet certain requirements as agreed to in investor guidelines. We have experienced significantly fewer repurchase claims and losses related to loans sold since 2009 as a result of stronger credit performance, more stringent credit guidelines, and underwriting process improvements.

During the third quarter of 2013, we reached agreements in principle with Freddie Mac and Fannie Mae relieving us of certain existing and future repurchase obligations related to 2000-2008 vintages for Freddie Mac and 2000-2012 vintages for Fannie Mae. The incremental cost of these settlements was recognized in the repurchase reserve as an additional provision of $63 million in the third quarter of 2013. Repurchase requests have declined significantly in the fourth quarter of 2013 as a result of the settlements, as illustrated in the below table.

Repurchase Requests by Investor — Table 23

| (Dollars in millions) | Quarter ended March 31, 2013 | June 30, 2013 | September 30, 2013 | December 31, 2013 | Total |
|---|---|---|---|---|---|
| Repurchase requests received from: | | | | | |
| GSEs | $487 | $432 | $420 | $154 | $1,493 |
| Non-agency investors | 4 | 6 | 7 | 1 | 18 |

Repurchase requests received since 2005, at December 31, 2013 totaled $8.5 billion which includes Ginnie Mae indemnification losses. The following table summarizes demand activity for the years ended December 31:

Repurchase Request Activity — Table 24

| (Dollars in millions) | 2013 | 2012 | 2011 |
|---|---|---|---|
| Beginning pending repurchase requests | $655 | $590 | $293 |
| Repurchase requests received | 1,511 | 1,726 | 1,736 |
| Repurchase requests resolved: | | | |
| Repurchased | (1,134) | (769) | (789) |
| Cured | (906) | (892) | (650) |
| Total resolved | (2,040) | (1,661) | (1,439) |
| Ending pending repurchase requests | $126 | $655 | $590 |
| | | | |
| Percent from non-agency investors: | | | |
| Repurchase requests received | 1.2% | 1.2% | 2.9% |
| Pending repurchase requests | 2.8 | 2.5 | 2.0 |

As presented in the table above, repurchase requests decreased in 2013 compared to 2012. Repurchase requests received during 2013 were primarily related to loans sold in 2007.

Our current estimated liability for contingent losses related to loans sold (i.e., our mortgage repurchase reserve) was $78 million at December 31, 2013. The liability is recorded in other liabilities in the Consolidated Balance Sheets, and the related repurchase provision is recognized in mortgage production related income/(loss) in the Consolidated Statements of Income. The current liability reserves are deemed to be sufficient to cover probable estimated losses related to exclusions due to certain defects (MI related reasons, excessive seller contribution, ineligible property and other charter violations) as outlined in the settlement contract, GSE owned loans serviced by third party servicers, loans sold to private investors, and future indemnifications.

Various factors could potentially impact the accuracy of the assumptions underlying our mortgage repurchase reserve estimate. As previously discussed, the level of repurchase requests we receive is dependent upon the actions of third parties and could differ from the assumptions that we have made. Delinquency levels, delinquency roll rates, and our loss severity assumptions are all highly dependent upon economic factors including changes in real estate values and unemployment levels which are, by nature, difficult to predict. Loss severity assumptions could also be negatively impacted by delays in the foreclosure process, which is a heightened risk in some of the states where our loans sold were originated. Moreover, the 2013 agreements with Fannie Mae and Freddie Mac settling certain aspects of our repurchase obligations preserve their right to require repurchases arising from certain types of events, and that preservation of rights can impact our future losses. We understand the FHFA’s Office of Inspector General has commenced an audit of the FHFA’s oversight of Fannie Mae’s and Freddie Mac’s exercise of their rights under settlement agreements with banks, including Fannie Mae’s and Freddie Mac’s preserved right to require repurchases when consumer protection laws have been violated. While the repurchase reserve includes the estimated cost of settling claims related to required repurchases, our estimate of losses depends on our assumptions regarding GSE and other counterparty behavior, loan performance, home prices, and other factors. Approximately 16% of the population of total loans sold between January 1, 2006 and December 31, 2008 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.

See "Noninterest Income" in this MD&A and Note 17, “Guarantees - Loan Sales,” to the Consolidated Financial Statements in this Form 10-K for further discussion.

Legal and Regulatory Matters

We are parties to numerous claims and lawsuits arising in the course of our normal business activities, some of which involve claims for substantial amounts, and the outcomes of which are not within our complete control or may not be known for prolonged periods of time. Management is required to assess the probability of loss and amount of such loss, if any, in preparing our financial statements.

We evaluate the likelihood of a potential loss from legal or regulatory proceedings to which we are a party. We record a liability for such claims only when a loss is considered probable and the amount can be reasonably estimated. The liability is recorded in other liabilities in the Consolidated Balance Sheets and related expense is recorded in the applicable category of noninterest expense, depending on the nature of the legal matter, in the Consolidated Statements of Income. Significant judgment may be required in the determination of both probability of loss and whether an exposure is reasonably estimable. Our estimates are subjective based on the status of the legal or regulatory proceedings, the merits of our defenses, and consultation with in-house and outside legal counsel. In many such proceedings, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the matter is close to resolution. As additional information becomes available, we reassess the potential liability related to pending claims and may revise our estimates.

Due to the inherent uncertainties of the legal and regulatory processes in the multiple jurisdictions in which we operate, our estimates may be materially different than the actual outcomes, which could have material effects on our business, financial condition, and results of operations. See Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K for further discussion.

Estimates of Fair Value
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 brokered CDs, 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, certain partnership investments, 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 by 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 instrument or a similar instrument, the resulting valuation approach may 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. Although market conditions have improved and we have seen the return of liquidity in certain markets, we continue to experience a low level of activity in a number of markets and also hold a limited amount of instruments that do not have an active market, which creates additional challenges when estimating the fair value of these financial instruments.

Generally, the assets and liabilities most affected by the lack of liquidity or observable market 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 involves the gathering of multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other similar instruments, market indices, and pricing matrices 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, for certain trading assets, securities AFS, portfolio loans accounted for at fair value, IRLCs, LHFS, MSRs, and certain derivatives. Overall, the financial impact of the level 3 financial instruments did not have a material impact on our liquidity or capital. Our exposure to level 3 financial instruments continues to decline due to paydowns, sales and settlements of these instruments, and the fact that we have made minimal purchases. The following table discloses assets and liabilities carried at fair value on a recurring basis that have been impacted by level 3 fair value determinations.

Level 3 Assets and Liabilities — Table 25

| | December 31 | | | |
|---|---|---|---|---|
| (Dollars in millions) | 2013 | | 2012 | |
| Trading assets and derivatives [1,2] | $72 | | $190 | |
| Securities AFS | 953 | | 914 | |
| LHFS | 3 | | 8 | |
| LHFI | 302 | | 379 | |
| Other intangible assets [3] | 1,300 | | 899 | |
| Total level 3 assets | $2,630 | | $2,390 | |
| Total assets | $175,335 | | $173,442 | |
| Total assets measured at fair value | 30,562 | | 32,701 | |
| Level 3 assets as a percent of total assets | 1.5 | % | 1.4 | % |
| Level 3 assets as a percent of total assets measured at fair value | 8.6 | % | 7.3 | % |
| Trading liabilities and derivatives [1,2] | 4 | | — | |
| Other liabilities | 29 | | 31 | |
| Total level 3 liabilities | $33 | | $31 | |
| Total liabilities | $153,913 | | $152,457 | |
| Total liabilities measured at fair value | 3,530 | | 3,661 | |
| Level 3 liabilities as a percent of total liabilities | — | % | — | % |
| Level 3 liabilities as a percent of total liabilities measured at fair value | 0.9 | % | 0.8 | % |

[1] In 2013 derivative assets and liabilities previously reported as other assets and liabilities have been reclassified to trading assets and derivatives or trading liabilities and derivatives.
[2] Includes IRLCs.
[3] MSRs carried at fair value.

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. See Note 18, "Fair Value Election and Measurement," to the Consolidated Financial Statements in this Form 10-K for a detailed discussion regarding level 2 and 3 securities and valuation methodologies for each class of securities.

Trading and Derivative 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. Specifically, the majority of trading assets and liabilities are priced by the respective trading desk and the majority of securities AFS are priced by an independent third party pricing service. We have an internal, yet independent, validation function in place to evaluate the appropriateness of the marks received from third party pricing services. For trading securities and securities AFS in active trading markets, this can be accomplished by comparing the marks against two to three other widely used third party pricing services or sources. For less liquid 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.

We also gather third party broker quotes or use industry-standard or proprietary models to estimate the fair value of these instruments particularly when pricing service information or observable market trades are not available. 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 fair values are estimated based on models, we 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. As liquidity returns to certain markets, we have more pricing information from third parties and a reduction in the need to use internal pricing models to estimate fair value. Even when third party pricing is available, we continued to classify certain assets as level 3 as we believe that this third party pricing relied on significant unobservable assumptions, as evidenced by a persistently wide bid-ask price range and variability in pricing from the pricing services, particularly for the vintages and exposures we hold.

As certain markets recover, we are able to reduce our exposure to many of our level 3 instruments through sales, maturities, or other distributions at prices approximating our previous estimates, thereby corroborating the valuation approaches used. Many of our remaining level 3 securities, however, will be held until final distribution or maturity. 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 similar to or 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 reflect downward pressure due to liquidity issues and other broader macro-economic 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 to 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 requires discounts of this degree to drive a market competitive yield, as well as to 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 provide 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.

Most derivative instruments are level 1 or level 2 instruments, except for the IRLCs and the Visa litigation related derivative, which are level 3 instruments. See Note 16, “Derivative Financial Instruments,” to the Consolidated Financial Statements in this Form 10-K for a detailed discussion regarding derivative contracts and valuation.

At December 31, 2013, level 3 trading assets and derivatives and level 3 securities AFS totaled $72 million and $953 million, 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 $752 million at December 31, 2013. 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 CDOs, 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 and derivatives decreased by $118 million, or 62%, during the year ended December 31, 2013, 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 increased by $39 million, or 4%, during the year ended December 31, 2013, due primarily to FHLB of Atlanta stock purchases, partially offset by FHLB of Atlanta stock redemptions and continued paydowns and sales of level 3 securities. During the year ended December 31, 2013, we recognized $122 million in net gains through earnings related to trading and derivative assets and liabilities classified as level 3, primarily due to $98 million in IRLC related gains and $24 million in net gains from trading securities. Subsequent to December 31, 2013, we sold a number of our remaining ARS positions, including all of the CDO securities in trading assets and the municipal securities in securities AFS, which were valued at $54 million and $20 million, respectively, at December 31, 2013.

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 security 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. Level 3 loans are predominantly mortgage loans that have been deemed not marketable, largely due to borrower defaults or the identification of other loan defects. When estimating fair value for these loans, we use a discounted cash flow approach based on assumptions that are generally not observable in the current markets, such as 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.

Other Intangible Assets and Other Assets

We record all MSRs at fair value on a recurring basis. The fair value of MSRs is based on discounted cash flow analyses and can be highly variable quarter to quarter as market conditions and projected interest rates change. We provide disclosure of the key economic assumptions used to measure MSRs and residual interests and a sensitivity analysis to adverse changes to these assumptions in Note 9, “Goodwill and Other Intangible Assets,” to the Consolidated Financial Statements in this Form 10-K. This sensitivity analysis does not take into account hedging activities discussed in the “Other Market Risk” section of this MD&A.

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. 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

The fair value methodology and assumptions related to our IRLCs are described in Note 18, “Fair Value Election and Measurement,” to the Consolidated Financial Statements in this Form 10-K.

Goodwill

As of December 31, 2013 and 2012, our reporting units with goodwill balances were Consumer Banking and Private Wealth Management, Wholesale Banking and Ridgeworth Capital Management. See Note 20, "Business Segment Reporting," to the Consolidated Financial Statements in this Form 10-K for a further discussion of our reportable segments and changes that occurred during 2013.

We review the goodwill of each reporting unit for impairment on an annual basis as of September 30, 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 assets 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 companies, adjusted if necessary to reflect our specific factors, as well as current market conditions. When the reporting unit is not a legal entity with a stand-alone equity balance, the carrying value of a reporting unit is determined by allocating the total equity of the Company to each of its reporting units based on an equal weighting of an approach based on regulatory risk-based capital and an approach based on tangible assets relative to tangible equity. A portion of the Company's equity is assigned to the Corporate Other operating segment, which is attributed to the corporate assets and liabilities assigned to that segment that do not relate to the operations of any reporting unit. If the equity in excess of regulatory capital requirements assigned to the Corporate Other operating segment was assigned to either the Consumer Banking and Private Wealth Management or Wholesale Banking reporting unit, the fair value for each of those reporting units would have remained in excess of its respective carrying value. Based on our annual impairment analysis of goodwill as of September 30, 2013, we determined for the following reporting units that the fair value is in excess of the respective reporting unit's carrying value by the following percentages:

| | | |
|---|---|---|
| Consumer Banking and Private Wealth Management | 56 | % |
| Wholesale Banking | 14 | % |
| RidgeWorth Capital Management | 141 | % |

We monitored events and circumstances during the fourth quarter of 2013 for all reporting units, of which no events gave rise to an additional impairment test.

Valuation Techniques

In determining the fair value of our reporting units, we 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. Additionally, we consider guideline company and guideline transaction information, where available, to aid in the valuation of certain reporting units. In the case of Ridgeworth, in December 2013 we announced an agreement to sell this reporting unit, which we expect to complete in 2014; therefore the valuation of Ridgeworth was primarily based on the agreed upon sales price.

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 3.4% as of September 30, 2013 and 4% as of September 30, 2012, 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 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, 2013, the discount rates for Consumer Banking and Private Wealth Management and Wholesale Banking were approximately 13%. In the annual analysis as of September 30, 2012, the discount rates ranged from 12% to 20%.

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, 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. As a result, the use of market capitalization is 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 provides 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 that involves calculating the implied fair value of the reporting unit's goodwill, which is determined in the same manner as goodwill is recognized in a business combination.

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, and
- 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, goodwill is not impaired. 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.

Income Taxes

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

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

Deferred income tax assets represent amounts available to reduce income taxes payable in future years. Such assets arise due to temporary differences between the financial reporting and the tax bases of assets and liabilities, as well as from NOL and tax credit carryforwards. We regularly evaluate the realizability of DTAs. A valuation allowance is recognized for a DTA if, based on the weight of available evidence, it is more likely than not that some portion or all of the DTA will not be realized. In determining whether a valuation allowance is necessary, we consider the level of taxable income in prior years to the extent that carrybacks are permitted under current tax laws, as well as estimates of future pre-tax and taxable income and tax planning strategies that would, if necessary, be implemented. We currently maintain a valuation allowance for certain state carryforwards and certain other state DTAs. Since we expect to realize our remaining federal and state DTAs, no valuation allowance is deemed necessary against these DTAs at

December 31, 2013. For additional information, refer to Note 14, "Income Taxes," to the Consolidated Financial Statements in this Form 10-K.

Pension Accounting

Several variables affect the annual cost for our retirement programs. The main variables are: (1) size and characteristics of the eligible population, (2) discount rate, (3) expected long-term rate of return on plan assets, (4) recognition of actual asset returns, (5) other actuarial assumptions, and (6) healthcare cost for post-retirement benefits. Below is a brief description of each variable and the effect it has on our pension costs and post-retirement costs. See Note 15, "Employee Benefit Plans," to the Consolidated Financial Statements in this Form 10-K for additional information.

Size and Characteristics of the Employee Population
Pension cost is directly related to the number of employees eligible to participate in the plan and other factors including historical compensation, age, years of employment, and benefit terms. A curtailment of all pension benefit accruals was effective December 31, 2011. Prior to the pension curtailment, most participants who had 20 or more years of service as of December 31, 2007 received benefits based on a traditional pension formula with benefits linked to their final average pay and years of service. Most other participants received a traditional pension for periods through December 31, 2007. Beginning in 2008, a cash balance benefit based on annual compensation and interest credits was earned. Continued changes in the size and characteristics of the workforce could result in a partial settlement of the pension plan. If lump sum payments in a year exceed the total of interest cost and service cost, then settlement accounting requires immediate recognition through earnings of any net actuarial gain or loss recorded in AOCI based on the fair value of plan assets and plan obligations prior to settlement, and recognition of any settlement related costs. We estimate the financial impact of a partial settlement in 2014 would be recognition of approximately $40 million in additional benefit cost; however, additional lump sum payments could cause the amount of benefit cost recognized to be higher.

Discount Rate
The discount rate is used to determine the present value of future benefit obligations. The discount rate for each plan is determined by matching the expected cash flows of each plan to a yield curve based on long-term, high quality fixed income debt instruments available as of the measurement date. The discount rate for each plan is reset annually or upon occurrence of an event that triggers a measurement to reflect current market conditions. If we were to assume a 0.25% increase/decrease in the discount rate for all retirement and other postretirement plans and keep all other assumptions constant, the benefit cost would change by less than $1 million.

Expected Long-term Rate of Return on Plan Assets
Expected returns on plan assets are computed using long-term rate of return assumptions which are selected after considering plan investments, historical returns, and potential future returns. Our 2013 pension costs reflect an assumed long-term rate of return on plan assets of 7%.

Any differences between expected and actual returns are included in the unrecognized net actuarial gain or loss amount. We amortize gains/losses in pension expense when the total unamortized amount exceeds 10% of plan assets or the projected benefit obligations, whichever is greater. All pension gains or losses are being amortized over participants' average expected future lifetime, which is approximately 34 years. See Note 15, “Employee Benefit Plans,” to the Consolidated Financial Statements in this Form 10-K for details on changes in the pension benefit obligation and the fair value of plan assets.

If we were to assume a 0.25% increase/decrease in the expected long-term rate of return for the retirement and other postretirement plans, holding all other actuarial assumptions constant, the benefit cost would decrease/increase by approximately $7 million.

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

Other Actuarial Assumptions
To estimate the projected benefit obligation, actuarial assumptions are required about factors such as mortality rate, retirement rate, and disability rate. These factors do not tend to change significantly over time, so the range of assumptions, and their impact on pension cost, is generally limited. We annually review the assumptions used based on historical and expected future experience. We updated the mortality assumption in 2013 to reflect interim

improvement factors published by the Society of Actuaries, which are subject to a subsequent update in 2014. Our adoption of updated mortality rates in 2013 increased our projected benefit obligation by approximately 4%.

Postretirement Healthcare Cost
Assumed healthcare cost trend rates also have an impact on the amounts reported for the other postretirement benefit plans. Due to changing medical inflation, it is important to understand the effect of a one percent change in assumed healthcare cost trend rates. If we were to assume a one percent increase in healthcare cost trend rates, the effect would be an increase of less than $1 million on both the other postretirement benefit obligation and total interest and service cost at December 31, 2013.

If we were to assume a one percent decrease in healthcare cost trend rates, the effect would be a decline of less than $1 million on both the other postretirement benefit obligation and total interest and service cost at December 31, 2013.

To estimate the projected Postretirement Healthcare Benefit obligation as of December 31, 2013, we projected forward the benefit obligations from January 1, 2013 to December 31, 2013, adjusting for benefit payments, expected growth in the benefit obligations, changes in key assumptions and plan provisions, and any significant changes in the plan demographics that occurred during the year, including (where appropriate) subsidized early retirements, changes in per capita claims cost, Medicare Part D subsidy, and retiree contributions.

During the fourth quarter of 2013, we communicated a change in our retiree medical plan. Effective April 1, 2014, retirees age 65 and older will enroll in individual health plans that work with Medicare and will no longer participate in a SunTrust-sponsored group health plan. In addition, we will fund a tax-advantaged Health Reimbursement Arrangement (HRA) to assist some retirees with medical expenses.

## 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 support key business objectives. Underlying this framework are limits, policies, metrics, processes, and procedures designed to effectively identify, monitor, and manage risk.

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

Our risk governance structure and processes are founded upon a three line of defense framework, each of which is critical to ensuring that risk and reward in all activities are properly identified, assessed, and managed. The three line of defense framework requires effective teamwork combined with individual accountability within defined roles. The first line of defense is comprised of all teammates within our business segments, as well as those within certain functional units undertaking execution activities. The first line of defense owns and is accountable for business strategy, performance, management, and controls within their respective units and for the identification, management, and reporting of existing and emerging risks. The second line of defense is comprised of certain functions, including CRM; these units are responsible for independent governance and oversight of the first line of defense relative to specific risks. Responsibilities include developing appropriate risk management frameworks/programs that facilitate first line of defense identification, reporting, assessment, control, mitigation, and communication of the risks. It also monitors first line of defense execution of these responsibilities. Second line of defense frameworks/programs conform to applicable laws, rules, regulations, regulatory guidance, decrees and orders, and stated corporate business objectives and risk appetite, tolerances and limits. The third line of defense is comprised of our assurance functions, i.e., Audit Services and Risk Review, which independently test, verify, and evaluate management controls and provide risk-based advice and counsel to management to help develop and maintain a risk management culture that supports safety, soundness and business objectives. In addition, CRM’s MRMG also fulfills some third line of defense responsibilities pertaining to model validation.

Enterprise risk governance is supported by a number of risk-related, senior management committees. These governance committees are responsible for ensuring effective risk measurement and management within their respective areas of authority, and include the CRC, ALCO, CC, and PMC. The CRC is chaired by the CRO and supports the CRO in measuring and managing our aggregate risk profile. ALCO is chaired by the CFO, and provides management and oversight of market, liquidity, and balance sheet-related risks, and has the responsibility to optimize those risks in relation to the profitability of the underlying businesses. The CC is also chaired by the CFO and provides management and oversight of our capital actions and our Enterprise Stress Analytics, e.g., our CCAR/DFAST programs. PMC is chaired by the Wholesale Banking Executive and provides oversight of balance sheet allocations to ensure that new asset originations and the purchase of assets available in the secondary market meet our risk and business objectives. PMC also oversees progress towards long-term balance sheet objectives. The CEO, CFO, and the CRO are members of each governance committee to promote consistency and communication. Additionally, other executive and senior officers of the Company are members of these committees based upon their responsibilities and subject matter expertise.

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

- Identify, measure, analyze, manage, and report risk at the transaction, portfolio, and enterprise levels;
- Optimize decision making;
- Promote sound processes and regulatory compliance;
- Maximize shareholder value; and
- Support our Purpose of Lighting the Way to Financial Well-Being and conform to our supporting guiding principles of Client First, One Team, Executional Excellence, and Profitable Growth.

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

In practice, CRM measures and oversees risk management along several primary risk dimensions: credit, market, liquidity, operational, and compliance. Other risks, such as legal, strategic, and reputational risk, which can arise from any corporate activity, are also monitored by CRM and other risk stewards such as Technology Risk and Compliance, Finance Risk Management, Human Resources, Third-Party Risk Management, and others.

Credit risk programs/processes are overseen by the Chief Wholesale Credit Officer and the Chief Retail Credit Officer; market risk and liquidity programs/processes are overseen by the Corporate Market Risk Officer; operational risk programs/processes, including the Bank Secrecy Act/Anti-Money Laundering, Resolution Planning, and Third-Party Risk programs, are directly overseen by the Corporate Operational Risk Officer; other risk steward programs are coordinated through the Operational Risk Program; Model Risk Management program/processes and model validation are overseen by the Corporate Model Risk Management Officer; Compliance programs are overseen by the Corporate Compliance Officer; and regulatory relations activities are overseen by the Corporate Regulatory Liaison Officer. Other activities overseen by CRM include risk information and reporting; risk technology/consulting investments; risk analytics (including the ALLL); Risk Review, an assurance function; and other risk administration functions such as Executive and BRC risk committee reporting.

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 the long-run profitability and capital adequacy of our business. We commit to maintain and enhance a comprehensive credit system to meet business requirements and comply with evolving regulatory standards.

CRM establishes and oversees the adherence to the credit risk management governance frameworks and policies, independently measures, analyzes, and reports on portfolio and risk trends, and actively participates in the formulation of our credit strategies. Credit risk officers and supporting teammates within our lines of business are direct participants in the origination, underwriting, and ongoing management of credit. They work to promote an appropriate balance between our risk management and business objectives through adherence to established policies, procedures, and standards. Risk Review, one of our independent assurance functions, regularly assesses and reports on business unit and enterprise asset quality and the integrity of our credit processes. Additionally, total borrower exposure limits and concentration risk are established and monitored. Credit risk may be mitigated through purchase of credit loss protection via third party insurance and use of credit derivatives such as CDS.

Borrower/counterparty (obligor) risk and facility risk is evaluated using our risk rating methodology, which is utilized in all lines of businesses. We use various risk models to estimate both expected and unexpected loss, which incorporates both internal and external default and loss experience. To the extent possible, we collect and use internal data to ensure the validity, reliability, and accuracy of our risk models used in default, severity, and loss estimation.

Operational Risk Management

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

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

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

Market Risk Management

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices, and other relevant market rates or prices. Interest rate risk, defined as the exposure of net interest income and MVE to adverse movements in interest rates, is our primary market risk and mainly arises from the structure of our balance sheet, which includes all loans. Variable rate loans, prior to any hedging related actions, are approximately 56% of total loans and after giving consideration to hedging related actions, are approximately 43% of total loans. We are also exposed to market risk in our trading instruments carried at fair value. ALCO meets regularly and is responsible for reviewing our open positions and establishing policies to monitor and limit exposure to market risk.

Market Risk from Non-Trading Activities

The primary goal of interest rate risk management is to control exposure to interest rate risk, within policy limits approved by the Board. These limits and guidelines reflect our tolerance for interest rate risk over both short-term and long-term horizons. No limit breaches occurred during 2013.

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, which, as described in additional detail below, are employed by management to understand net interest income at risk and MVE at risk. These measures show that our interest rate risk profile is slightly asset sensitive at December 31, 2013.

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

A positive net interest income sensitivity in a rising rate environment indicates that over the forecast horizon of one year, asset based income will increase more quickly than liability based expense due to balance sheet composition. A negative MVE sensitivity in a rising rate environment indicates that the value of financial assets will decrease more than the value of financial liabilities.

One of the primary methods that we use to quantify and manage interest rate risk is simulation analysis, which we use to model net interest income from assets, liabilities, and derivative positions under various interest rate scenarios and balance sheet structures. This analysis measures the sensitivity of net interest income over a two year time horizon,

which differs from the interest rate sensitivities in Table 26, which are prescribed to be over a one year time horizon. Key assumptions in the simulation analysis (and in the valuation analysis discussed below) relate to the behavior of interest rates and spreads, the changes in product balances, and the behavior of loan and deposit clients in different rate environments. This analysis incorporates several assumptions, the most material of which relate to the repricing characteristics and balance fluctuations of deposits with indeterminate or non-contractual maturities.
As the future path of interest rates cannot be known, we use simulation analysis to project net interest income under various scenarios including implied forward and deliberately extreme and perhaps unlikely scenarios. The analyses may include rapid

and gradual ramping of interest rates, rate shocks, basis risk analysis, and yield curve twists. Specific strategies are also analyzed to determine their impact on net interest income levels and sensitivities.
The sensitivity analysis included below is measured as a percentage change in net interest income due to instantaneous moves in benchmark interest rates. Estimated changes set forth below are dependent upon material assumptions such as those previously discussed.

Table 26

| | Estimated % Change in Net Interest Income Over 12 Months[1] | |
|---|---|---|
| (Basis points) | December 31, 2013 | December 31, 2012 |
| Rate Change | | |
| +200 | 1.8% | 4.8% |
| +100 | 1.0% | 2.5% |
| -25 | (0.8)% | (0.8)% |

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

The decrease in asset sensitivity and net interest income compared to December 31, 2012, is predominantly due to slower assumed prepayments on mortgage-related products due to higher long-term rates and balance sheet mix changes.

We also perform valuation analysis, which we use for discerning levels of risk present in the balance sheet and derivative positions that might not be taken into account in the net interest income simulation analysis. Whereas net interest income simulation highlights exposures over a relatively short time horizon, valuation analysis incorporates all cash flows over the estimated remaining life of all balance sheet and derivative positions. The valuation of the balance sheet, at a point in time, is defined as the discounted present value of asset cash flows and derivative cash flows minus the discounted present value of liability cash flows, the net of which is referred to as MVE. The sensitivity of MVE to changes in the level of interest rates is a measure of the longer-term repricing risk and options risk embedded in the balance sheet. Similar to the net interest income simulation, MVE uses instantaneous changes in rates. However, MVE values only the current balance sheet and does not incorporate 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. At December 31, 2013, the MVE profile indicates a decline in net balance sheet value due to instantaneous upward changes in rates. MVE sensitivity is reported in both upward and downward rate shocks.

Market Value of Equity Sensitivity — Table 27

| | Estimated % Change in MVE | |
|---|---|---|
| (Basis points) | December 31, 2013 | December 31, 2012 |
| Rate Change | | |
| +200 | (8.0)% | (2.4)% |
| +100 | (3.8)% | (0.1)% |
| -25 | 0.8% | (0.3)% |

The increase in MVE sensitivity from December 31, 2012 is primarily due to an increase in asset durations due to higher long-term interest rates. While an instantaneous and severe shift in interest rates was 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 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.

Market Risk from Trading Activities
Under established policies and procedures, we manage market risk associated with trading activities using a VAR approach that takes into account exposures resulting from interest rate risk, equity risk, foreign exchange risk, credit spread risk, and commodity risk. For trading portfolios, VAR measures the estimated maximum loss from a trading position, given a specified confidence level and time horizon. VAR results are monitored daily for each trading portfolio against established limits. For risk management purposes, our VAR calculation measures the potential trading losses using a one-day holding period at a one-tail, 99% confidence level. This means that, on average, trading losses are expected to exceed VAR one out of 100 trading days or two to three times per year. While VAR can be a useful risk management tool, it does have inherent limitations including the assumption that past market behavior is indicative of future market performance. As such, VAR is only one of several tools used to manage trading risk. Other tools used to actively manage trading risk include scenario analysis, stress testing, profit and loss attribution, and stop loss limits.
In addition to VAR, in accordance with the new Market Risk Rule, which was effective January 1, 2013, we also calculate Stressed VAR, which is used as a component of the total market risk-based capital charge. We calculate the Stressed VAR risk measure using a ten-day holding period at a one-tail, 99% confidence level and employ a historical simulation approach based on a continuous twelve-month historical window that reflects a period of significant financial stress to our portfolio.

The following table presents VAR and Stressed VAR for the year ended December 31, as well as VAR by Risk Factor at December 31, 2013:

| Value at Risk Profile | | Table 28 |
|---|---|---|
| (Dollars in millions) | 2013 | 2012 |
| VAR (1-day holding period) | | |
| Ending | $3 | $5 |
| High | 8 | 6 |
| Low | 2 | 4 |
| Average | 4 | 5 |
| | | |
| Stressed VAR (10-day holding period) [1] | | |
| Ending | $29 | N/A |
| High | 92 | N/A |
| Low | 11 | N/A |
| Average | 27 | N/A |
| | | |
| (Dollars in millions) | December 31, 2013 | December 31, 2012 |
| VAR by Risk Factor (1-day holding period) [1] | | |
| Commodity price risk | $— | N/A |
| Equity price risk | 2 | N/A |
| Foreign exchange risk | — | N/A |
| Interest rate risk | 2 | N/A |
| Credit spread risk | 2 | N/A |
| VAR (1-day diversified) total | 3 | N/A |

[1] "N/A" - The calculation of Stressed VAR and VAR by Risk Factor under the new Market Risk Rule was not applicable in prior periods.

The trading portfolio, measured in terms of VAR, is predominantly comprised of four material sub-portfolios of covered positions: Equity Derivatives, Fixed Income Securities, Interest Rate Derivatives, and Credit Trading. While there were no material changes in composition of the trading portfolio during 2013, risk reducing activities, primarily in our equity derivatives and fixed income business during the latter half of the year, resulted in lower VAR at

December 31, 2013, compared to December 31, 2012. The trading portfolio did not contain any correlation trading positions or on- or off-balance sheet securitization positions during 2013.

Effective January 1, 2013, a change to our VAR methodology was implemented and we began using historical based simulation instead of the previously used Monte Carlo simulation. At the time of methodology change implementation, our VAR calculated using the Monte Carlo simulation yielded results that were similar to the historical simulation results. The methodology change was primarily to ensure our internal modeling approach for VAR was on the same basis as that for Stressed VAR, which is a requirement under the Market Risk Rule.

In accordance with the Market Risk Rule, we evaluate the accuracy of our VAR model through daily backtesting by comparing daily trading gains and losses (excluding fees, commissions, reserves, net interest income, and intraday trading) with the corresponding daily VAR-based measures. As illustrated below for the year ended December 31, 2013, there were no instances where trading losses exceeded firmwide VAR.
We have valuation policies, procedures, and methodologies for all covered positions. Additionally, reporting of trading positions is in accordance with U.S. GAAP and is subject to independent price verification. See Note 16, "Derivative Financial Instruments" and Note 18, "Fair Value Election and Measurement" to the Consolidated Financial Statements in this Form 10-K and the "Critical Accounting Policies" section of this MD&A.

Model risk management: Our model risk management approach for validating and evaluating the accuracy of internal and vended models and associated processes includes developmental and implementation testing and on-going monitoring and maintenance performed by the various model owners. Our MRMG regularly performs independent model validations for the VAR and stressed VAR models. The validations include evaluation of all model-owner authored documentation and model-owner developed monitoring and maintenance plans and reports. In addition, the MRMG performs its own testing. Due to ongoing developments in financial markets, evolution in modeling approaches, and for purposes of model enhancement, we assess all VAR models regularly through the monitoring and maintenance process.

Stress testing: We use a comprehensive range of stress testing techniques to help monitor risks across trading desks and to augment standard daily VAR reporting. The stress testing framework is designed to quantify the impact of rare and extreme historical but plausible stress scenarios that could lead to large unexpected losses. In addition to performing firmwide stress testing of our aggregate trading portfolio, additional types of secondary stress tests including historical repeats and simulations using hypothetical risk factor shocks are also performed. Across our comprehensive stress testing framework, all trading positions across each applicable market risk category (interest rate risk, equity risk, foreign exchange risk, spread risk, and commodity risk) are included. We review stress testing scenarios on an ongoing basis and make updates as necessary to ensure that both current and potential emerging risks are appropriately captured.

Trading portfolio capital adequacy: We assess capital adequacy on a regular basis, based on estimates of our risk profile and capital positions under baseline and stressed scenarios. Scenarios consider material risks, including credit risk, market risk, and operational risk. Our assessment of capital adequacy arising from market risk also includes a review of risk arising from material portfolios of covered positions. See “Capital Resources” in this MD&A for additional discussion of capital adequacy.

Liquidity Risk Management

Liquidity risk is the risk of being unable, at a reasonable cost, to meet financial obligations as they come due. We mitigate this risk by structuring our balance sheet prudently and by maintaining diverse borrowing resources to fund projected and 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 primarily monitor and manage liquidity risk at the Parent Company and Bank levels as the non-bank subsidiaries are relatively small and these subsidiaries ultimately rely upon the Parent Company as a source of liquidity in adverse environments.

The Bank's primary liquid assets consist of excess reserves and free and liquid securities (unencumbered, high-quality, liquid assets) in its investment portfolio. The Bank manages its investment portfolio primarily as a store of liquidity, maintaining the majority of its securities in liquid and high-grade asset classes such as agency MBS, agency debt, and U.S. Treasury securities. At December 31, 2013, the Bank's AFS investment portfolio contained $10.0 billion of unencumbered and liquid securities at book value, of which approximately 94% consisted of agency MBS, agency debt, and U.S. Treasury securities.

We manage the Parent Company to maintain most of its liquid assets in cash and securities that it could quickly convert to cash. Unlike the Bank, it is not typical for the Parent Company to maintain a material investment portfolio of publicly traded securities. We manage the Parent Company cash balance to provide sufficient liquidity to fund all forecasted obligations (primarily debt and capital service) for an extended period of months in accordance with our risk limits.

We assess liquidity needs that may occur in both the normal course of business and times of unusual adverse events, considering both on and off-balance sheet arrangements and commitments that may impact liquidity in certain business environments. We have contingency funding scenarios and plans that assess liquidity needs that may arise from certain stress events such as credit rating downgrades, severe economic recessions, and financial market disruptions. Our contingency plans also provide for continuous monitoring of net borrowed funds dependence and available sources of contingency liquidity. These sources of contingency liquidity include available cash reserves; the ability to sell, pledge, or borrow against unencumbered securities in the Bank's investment portfolio; the capacity to borrow from the FHLB system; and the capacity to borrow at the Federal Reserve Discount Window. The following table presents period end and average balances from these four sources as of and for the years ended December 31, 2013 and 2012. We believe these contingency liquidity sources exceed any contingent liquidity needs measured in our contingency funding scenarios.

Contingency Liquidity Sources — Table 29

| (Dollars in billions) | December 31, 2013 As of | December 31, 2013 Average for the Year Ended [1] | December 31, 2012 As of | December 31, 2012 Average for the Year Ended [1] |
|---|---|---|---|---|
| Excess reserves | $1.3 | $1.6 | $3.4 | $2.6 |
| Free and liquid investment portfolio securities | 10.0 | 11.5 | 9.8 | 12.8 |
| FHLB borrowing capacity | 12.3 | 13.1 | 16.0 | 12.1 |
| Discount Window borrowing capacity | 20.8 | 19.5 | 18.0 | 17.2 |
| Total | $44.4 | $45.7 | $47.2 | $44.7 |

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

Uses of Funds. Our primary uses of funds include the extension of loans and credit, the purchase of investment securities, working capital, and debt and capital service. The Bank and the Parent Company borrow in the money markets using instruments such as Fed funds, Eurodollars, and CP. At December 31, 2013, the Parent Company had no CP outstanding and the Bank retained a material cash position in its Federal Reserve account. The Parent Company also retains a material cash position, in accordance with our policies and risk limits, discussed in greater detail below.

Contingent uses of funds may arise from a variety of adverse 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, the level and stability of our earnings, the liquidity profile of both the Bank and the Parent Company, the economic environment, and the adequacy of our capital base. At December 31, 2013, both S&P and Fitch maintained a "Positive" outlook on our credit ratings based on our improving overall risk profile and asset quality, solid liquidity profile, and sound capital position. Moody’s maintained a “Stable” outlook on our credit ratings at December 31, 2013. Future credit rating downgrades are possible, although not currently anticipated given the "Positive" and “Stable” credit rating outlooks.

Debt Credit Ratings and Outlook — Table 30

| | December 31, 2013 | | |
|---|---|---|---|
| | Moody’s | S&P | Fitch |
| SunTrust Banks, Inc. | | | |
| Short-term | P-2 | A-2 | F2 |
| Senior long-term | Baa1 | BBB | BBB+ |
| SunTrust Bank | | | |
| Short-term | P-2 | A-2 | F2 |
| Senior long-term | A3 | BBB+ | BBB+ |
| Outlook | Stable | Positive | Positive |

Sources of Funds. Our primary source of funds is a large, stable retail deposit base. Core deposits, predominantly made up of consumer and commercial deposits originated primarily from our retail branch network, are our largest and most cost-effective source of funding. Core deposits decreased to $127.7 billion at December 31, 2013, from $130.2 billion at December 31, 2012.

We also maintain access to diversified resources for both secured and unsecured wholesale funding. These uncommitted sources include Fed funds purchased from other banks, securities sold under agreements to repurchase, negotiable CDs, offshore deposits, FHLB advances, Global Bank Notes, and CP. Aggregate wholesale funding increased to $17.3 billion at December 31, 2013 from $15.3 billion at December 31, 2012. Net short-term unsecured borrowings, which includes wholesale domestic and foreign deposits, as well as Fed funds purchased, increased modestly from $4.5 billion at December 31, 2012 to $4.9 billion at December 31, 2013.

As mentioned above, the Bank and Parent Company maintain programs to access the debt capital markets. The Parent Company maintains an SEC shelf registration from which it may issue senior or subordinated notes and various capital securities such as common or preferred stock. Our Board has authorized the issuance of up to $5.0 billion of such securities, of which approximately $3.6 billion of issuance capacity remained available at December 31, 2013. During 2013, we issued several small structured notes for the Parent Company in the aggregate amount of $140 million. Additionally, in 2013 the Parent Company issued $750 million 5-year senior notes that pay a fixed annual coupon rate of 2.35% and will mature on November 1, 2018. We may call the notes at par beginning on October 1, 2018. The Bank maintains a Global Bank Note program under which it may issue senior or subordinated debt with various terms. In 2013, the Bank issued $600 million of 10-year senior notes that will pay a fixed annual coupon rate of 2.75%. We may call the notes at par beginning on April 1, 2023, one month prior to the notes' stated maturity date. At December 31, 2013, the Bank retained $37.0 billion of remaining capacity to issue notes under the Global Bank Note program. See the "Recent Developments" section below for a description of issuances subsequent to December 31, 2013.

Our issuance capacity under these Bank and Parent Company programs refers to authorization granted by our Board, which is formal program capacity and not a commitment to purchase by any investor. Debt and equity securities issued under these programs are designed to appeal primarily to domestic and international institutional investors. Institutional investor demand for these securities depends upon numerous factors, including but not limited to our credit ratings and investor perception of financial market conditions and the health of the banking sector. Therefore, our ability to access these markets in the future could be impaired for either systemic or idiosyncratic reasons. As mentioned above, we maintain contingency funding scenarios to anticipate and manage the likely impact of impaired capital markets access and other adverse liquidity circumstances.

Parent Company Liquidity. Our primary measure of Parent Company liquidity is the length of time the Parent Company can meet its existing and certain forecasted obligations using its cash resources. We measure and manage this metric, "Months to Required Funding," using forecasts of both normal and adverse conditions. Under adverse conditions, we measure how long the Parent Company can meet its capital and debt service obligations after experiencing material attrition of short-term, unsecured funding and without the support of dividends from the Bank or access to the capital markets. At December 31, 2013, the Parent's Months to Required Funding remained well in excess of current ALCO and Board limits. The BRC regularly reviews this and other liquidity risk metrics. In accordance with these risk limits established by ALCO and the Board, we manage the Parent Company's liquidity by structuring its net maturity schedule to minimize the amount of debt maturing within a short period of time. No Parent Company debt matured during 2013 and no material Parent Company debt is scheduled to mature in 2014 or 2015. A majority of the Parent Company's liabilities are long-term in nature, coming from the proceeds of issuances of our capital securities and long-term senior and subordinated notes.

The primary uses of Parent Company liquidity include debt service, dividends on capital instruments, the periodic purchase of investment securities, loans to our subsidiaries, and common share repurchases. See further details of the authorized common share repurchases in the "Capital Resources" section of this MD&A and in Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities" in this Form 10-K. We fund corporate dividends with Parent Company cash, the primary sources of which are dividends from our banking subsidiary and proceeds from the issuance of debt and capital securities. We are subject to both state and federal banking regulations that limit our ability to pay common stock dividends in certain circumstances.

Recent Developments. In January 2014, we issued $250 million of 3-year floating rate senior notes under our Global Bank Note program. The notes pay a floating coupon rate of 3-month LIBOR plus 44 basis points. Also in January 2014, we issued $600 million of 3-year senior notes under our Global Bank Note program. The notes pay a fixed annual coupon rate of 1.35%. We may call both issuances beginning on January 15, 2017 and they will mature on February 15, 2017. We used the proceeds from this offering for general corporate purposes.

Other Liquidity Considerations. Numerous legislative and regulatory proposals currently outstanding may have an effect on our liquidity if they become effective. For example, on October 24, 2013, the Federal Reserve published proposed rules to implement the LCR for U.S. banks. The LCR would require banks to hold unencumbered, high-quality, liquid assets sufficient to withstand projected cash outflows under a prescribed liquidity stress scenario. The LCR is proposed to be phased-in as a regulatory requirement beginning January 1, 2015. While the potential impact of this and other regulatory proposals cannot be fully quantified at present, we believe that our strong core banking franchise and prudent liquidity management practices will position us well to comply with the new standards as they become effective.

In 2011, the Federal Reserve published proposed measures to strengthen regulation and supervision of large bank holding companies and systemically important nonbank financial firms, pursuant to Sections 165 and 166 of the Dodd-Frank Act. These proposed regulations include a number of requirements related to liquidity that would be instituted in phases. The first phase encompasses largely qualitative liquidity risk management practices, including internal liquidity stress testing. The second phase would include certain quantitative liquidity requirements related to the proposed Basel III liquidity standards, such as the LCR noted above. We believe that we will be well positioned to demonstrate compliance with these new requirements and standards if and when they are adopted.

At December 31, 2013, our liability for UTBs was $291 million and the liability for interest related to these UTBs was $17 million. The 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. See additional discussion in the "Provision for Income Taxes" section of this MD&A and Note 14, "Income Taxes," to the

Consolidated Financial Statements in this Form 10-K.

As presented below, we had an aggregate potential obligation of $64.1 billion to our clients in unused lines of credit at December 31, 2013. Commitments to extend credit are arrangements to lend to clients who have complied with predetermined contractual obligations. We also had $3.3 billion in letters of credit at December 31, 2013, most of which are standby letters of credit, which require that we provide funding if certain future events occur. Approximately $1.4 billion of these letters supported variable rate demand obligations at December 31, 2013. Unused commercial lines of credit have increased since December 31, 2012, as we continued to provide credit availability to our clients, while mortgage commitments have decreased significantly due to a decline in IRLC contracts as a result of rising interest rates during the year.

Unfunded Lending Commitments | | Table 31

| (Dollars in millions) | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Unused lines of credit: | | |
| Commercial | $43,444 | $36,902 |
| Mortgage commitments [1] | 2,722 | 9,152 |
| Home equity lines | 11,157 | 11,739 |
| CRE | 2,078 | 1,684 |
| Credit card | 4,708 | 4,075 |
| Total unused lines of credit | $64,109 | $63,552 |
| Letters of credit: | | |
| Financial standby | $3,256 | $3,993 |
| Performance standby | 57 | 49 |
| Commercial | 28 | 56 |
| Total letters of credit | $3,341 | $4,098 |

[1] Includes IRLC contracts with notional balances of $1.8 billion and $6.8 billion at December 31, 2013 and 2012, respectively.

Other Market Risk

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

We manage interest rate risk predominantly with interest rate swaps, futures, and forward sale agreements, where the changes in value of the instruments substantially offset the changes in value of the warehouse and the IRLCs. The IRLCs on residential mortgage loans intended for sale are classified as derivative 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. Future expected net cash flows from servicing a loan in the mortgage servicing portfolio would not be realized if the loan pays off earlier than anticipated.

MSRs, which are carried at fair value, totaled $1.3 billion and $899 million at December 31, 2013 and 2012, respectively, are managed within established risk limits, and are monitored as part of various governance processes. We originated MSRs with fair values at the time of origination of $352 million and $336 million during 2013 and 2012, respectively, and recognized a mark-to-market increase of $50 million and a decrease of $353 million in the fair value of our MSRs in 2013 and 2012, respectively. Increases or decreases in fair value include the decay resulting from the realization of expected monthly net servicing cash flows. We recorded $233 million and $69 million of net losses during 2013 and 2012, respectively, inclusive of decay and related hedges. The increase in net losses related to

MSRs during 2013 compared to 2012 was driven by a decline in net hedge performance as a result of decreased carry income and an increase in market interest rate volatility, as well as a modest increase in decay.

We also held a total net book value of approximately $14 million and $32 million of private equity (direct investments) and other equity-related investments at December 31, 2013 and 2012, respectively. We generally hold these investments as long-term investments. If conditions in the market deteriorate, impairment charges could occur related to these long-term investments and other assets, including but not limited to goodwill and other intangible assets.

## OFF-BALANCE SHEET ARRANGEMENTS

See discussion of off-balance sheet arrangements in Note 10, “Certain Transfers of Financial Assets and Variable Interest Entities,” and Note 17, “Guarantees,” to the Consolidated Financial Statements in this Form 10-K.

## 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. The table below presents our significant contractual obligations at December 31, 2013, except for pension and other postretirement benefit plans, which are included in Note 15, "Employee Benefit Plans," to the Consolidated Financial Statements in this Form 10-K.

Table 32

| | At December 31, 2013 | | | | |
|---|---|---|---|---|---|
| (Dollars in millions) | 1 year or less | 1-3 years | 3-5 years | After 5 years | Total |
| Time deposit maturities [1] | $8,369 | $3,728 | $886 | $73 | $13,056 |
| Brokered time deposits [1] | 1,262 | 387 | 223 | 152 | 2,024 |
| Long-term debt [1,2] | 8 | 1,951 | 6,342 | 2,389 | 10,690 |
| Operating lease obligations | 208 | 386 | 262 | 354 | 1,210 |
| Capital lease obligations [1] | 1 | 3 | 4 | 2 | 10 |
| Purchase obligations [3] | 284 | 65 | 31 | 8 | 388 |
| Total | $10,132 | $6,520 | $7,748 | $2,978 | $27,378 |

[1] Amounts do not include accrued interest.

[2] Amounts do not include capital lease obligations.

[3] Represents aggregation of termination fees on legally binding contracts to purchase goods or services that have a minimum termination fee of $5 million or more. Amounts paid under these contracts totaled $194 million during 2013; however, there is no minimum annual payment other than termination fees required.

SELECTED QUARTERLY FINANCIAL DATA

Table 33

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | | | 2012 | | | |
| (Dollars in millions, except per share data) | December 31 | September 30 | June 30 | March 31 | December 31 | September 30 | June 30 | March 31 |
| Summary of Operations: | | | | | | | | |
| Interest income | $1,343 | $1,339 | $1,347 | $1,359 | $1,396 | $1,445 | $1,492 | $1,534 |
| Interest expense | 130 | 131 | 136 | 138 | 150 | 174 | 218 | 223 |
| Net interest income | 1,213 | 1,208 | 1,211 | 1,221 | 1,246 | 1,271 | 1,274 | 1,311 |
| Provision for credit losses | 101 | 95 | 146 | 212 | 328 | 450 | 300 | 317 |
| Net interest income after provision for credit losses | 1,112 | 1,113 | 1,065 | 1,009 | 918 | 821 | 974 | 994 |
| Noninterest income[1] | 814 | 680 | 858 | 863 | 1,015 | 2,542 | 940 | 876 |
| Noninterest expense | 1,377 | 1,743 | 1,397 | 1,363 | 1,510 | 1,726 | 1,546 | 1,541 |
| Income before provision/(benefit) for income taxes | 549 | 50 | 526 | 509 | 423 | 1,637 | 368 | 329 |
| Provision/(benefit) for income taxes | 122 | (146) | 146 | 151 | 62 | 551 | 91 | 69 |
| Net income attributable to noncontrolling interest | 1 | 7 | 3 | 6 | 5 | 9 | 2 | 10 |
| Net income | $426 | $189 | $377 | $352 | $356 | $1,077 | $275 | $250 |
| Net income available to common shareholders | $413 | $179 | $365 | $340 | $350 | $1,066 | $270 | $245 |
| Net interest income - FTE [2] | $1,247 | $1,240 | $1,242 | $1,251 | $1,276 | $1,301 | $1,306 | $1,342 |
| Total revenue - FTE [1,2] | 2,061 | 1,920 | 2,100 | 2,114 | 2,291 | 3,843 | 2,246 | 2,218 |
| Total revenue - FTE, excluding net securities gains [2] | 2,060 | 1,920 | 2,100 | 2,112 | 2,290 | 1,902 | 2,232 | 2,200 |
| Net income per average common share: | | | | | | | | |
| Diluted | 0.77 | 0.33 | 0.68 | 0.63 | 0.65 | 1.98 | 0.50 | 0.46 |
| Diluted, excluding Form 8-K items [2] | 0.77 | 0.66 | 0.68 | 0.63 | 0.65 | 0.58 | 0.50 | 0.46 |
| Basic | 0.78 | 0.33 | 0.68 | 0.64 | 0.66 | 1.99 | 0.51 | 0.46 |
| Dividends paid per average common share | 0.10 | 0.10 | 0.10 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |
| Book value per common share | 38.61 | 37.85 | 37.65 | 37.89 | 37.59 | 37.35 | 37.69 | 37.11 |
| Tangible book value per common share [2] | 27.01 | 26.27 | 26.08 | 26.33 | 25.98 | 25.72 | 26.02 | 25.49 |
| Market capitalization | 19,734 | 17,427 | 17,005 | 15,563 | 15,279 | 15,232 | 13,045 | 13,005 |
| Market price: | | | | | | | | |
| High | 36.99 | 36.29 | 32.84 | 29.98 | 30.64 | 30.79 | 24.83 | 24.93 |
| Low | 31.97 | 31.59 | 26.97 | 26.93 | 25.30 | 22.34 | 20.96 | 18.07 |
| Close | 36.81 | 32.42 | 31.57 | 28.81 | 28.35 | 28.27 | 24.23 | 24.17 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Selected Average Balances | | | | | | | | |
| Total assets | $173,791 | $171,838 | $172,537 | $171,808 | $174,510 | $175,282 | $177,915 | $176,855 |
| Earning assets | 154,664 | 154,250 | 153,495 | 152,471 | 151,225 | 153,207 | 154,890 | 154,623 |
| Loans | 125,649 | 122,672 | 121,372 | 120,882 | 121,587 | 124,080 | 123,365 | 122,542 |
| Consumer and commercial deposits | 127,460 | 126,618 | 126,579 | 127,655 | 127,907 | 125,353 | 125,885 | 125,843 |
| Brokered time and foreign deposits | 2,010 | 2,007 | 2,075 | 2,170 | 2,266 | 2,237 | 2,243 | 2,274 |
| Intangible assets including MSRs | 7,658 | 7,643 | 7,455 | 7,379 | 7,278 | 7,274 | 7,383 | 7,354 |
| MSRs | 1,253 | 1,232 | 1,039 | 957 | 848 | 829 | 955 | 919 |
| Preferred Stock | 725 | 725 | 725 | 725 | | | | |