BRIGHT HORIZONS FAMILY SOLUTIONS INC.
Form 8-K
April 30, 2015

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): April 30, 2015

BRIGHT HORIZONS FAMILY SOLUTIONS INC.
(Exact name of Registrant as specified in its charter)

Delaware	001-35780	80-0188269
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

200 Talcott Avenue South Watertown, MA	02472
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (617) 673-8000
Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On April 30, 2015, Bright Horizons Family Solutions Inc. issued a press release announcing its financial results for the fiscal quarter ended March 31, 2015. A copy of the press release is furnished as Exhibit 99.1 hereto and is incorporated by reference.

The information contained in this Item, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for any purpose, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, regardless of any general incorporation language in any such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release of Bright Horizons Family Solutions Inc. dated April 30, 2015.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRIGHT HORIZONS FAMILY SOLUTIONS INC.

By:	/s/ Elizabeth Boland
Name:	Elizabeth Boland
Title:	Chief Financial Officer

Date: April 30, 2015

EXHIBIT INDEX
Exhibits
99.1 Press Release of Bright Horizons Family Solutions Inc. dated April 30, 2015.

:center;font-size:8pt;">Balance

Amortized
Cost[1]

Related
Allowance

Unpaid
Principal
Balance

Amortized
Cost[1]

Related
Allowance
Impaired loans with no related allowance recorded:

Commercial loans:

C&I

$70

$51

$—

$81

$56

$—

CRE
12

11

—

61

60

—

Total commercial loans
82

62

—

142

116

—

Residential loans:

Residential mortgages - nonguaranteed
592

425

—

672

425

—

Residential construction
31

9

—

68

17

—

Total residential loans
623

434

—

740

442

—

Impaired loans with an allowance recorded:

Commercial loans:

C&I
27

26

7

51

49

10

CRE
4

4

4

8

3

—

Commercial construction
—

—

—

6

3

—

Total commercial loans
31

30

11

65

55

10

Residential loans:

Residential mortgages - nonguaranteed
1,381

1,354

215

1,685

1,626

226

Home equity products
703

630

66

710

638

96

Residential construction
145

145

19

173

172

23

Total residential loans
2,229

2,129

300

2,568

2,436

345

Consumer loans:

Other direct
13

13

1

14

14

—

Indirect
105

105

5

83

83

5

Credit cards
8

8

2

13

13

3

Total consumer loans
126

126

8

110

110

8

Total impaired loans

$3,091

$2,781

$319

$3,625

$3,159

$363

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

Included in the impaired loan balances above were $2.5 billion and $2.7 billion of accruing TDRs at amortized cost, at December 31, 2014 and 2013, respectively, of which 96% were

current at both year ends. See Note 1, "Significant Accounting Policies," for further information regarding the Company's loan impairment policy.

Notes to Consolidated Financial Statements, continued

(Dollars in millions)	Year Ended December 31					
	2014		2013		2012	
	Average Amortized Cost	Interest Income Recognized[1]	Average Amortized Cost	Interest Income Recognized[1]	Average Amortized Cost	Interest Income Recognized[1]
Impaired loans with no related allowance recorded:						
Commercial loans:						
C&I	$84	$1	$75	$1	$48	$1
CRE	11	1	60	2	9	—
Commercial construction	—	—	—	—	45	1
Total commercial loans	95	2	135	3	102	2
Residential loans:						
Residential mortgages - nonguaranteed	437	17	449	18	512	15
Residential construction	12	—	21	1	53	1
Total residential loans	449	17	470	19	565	16
Impaired loans with an allowance recorded:						
Commercial loans:						
C&I	16	1	45	1	51	1
CRE	5	—	3	—	9	—
Commercial construction	—	—	5	—	4	—
Total commercial loans	21	1	53	1	64	1
Residential loans:						
Residential mortgages - nonguaranteed	1,357	78	1,576	76	1,551	68
Home equity products	644	27	649	23	627	26
Residential construction	144	8	172	10	156	9
Total residential loans	2,145	113	2,397	109	2,334	103
Consumer loans:						
Other direct	14	—	15	1	15	1
Indirect	113	5	89	4	50	2
Credit cards	10	1	16	1	24	2
Total consumer loans	137	6	120	6	89	5
Total impaired loans	$2,847	$139	$3,175	$138	$3,154	$127

[1] Of the interest income recognized during the year ended December 31, 2014, 2013, and 2012, cash basis interest income was $4 million, $10 million, and $18 million, respectively.

Notes to Consolidated Financial Statements, continued

NPAs are shown in the following table:

(Dollars in millions)	December 31, 2014	December 31, 2013
Nonaccrual/NPLs:		
Commercial loans:		
C&I	$151	$196
CRE	21	39
Commercial construction	1	12
Residential loans:		
Residential mortgages - nonguaranteed	254	441
Home equity products	174	210
Residential construction	27	61
Consumer loans:		
Other direct	6	5
Indirect	—	7
Total nonaccrual/NPLs [1]	634	971
OREO [2]	99	170
Other repossessed assets	9	7
Nonperforming LHFS	38	17
Total NPAs	$780	$1,165

[1] Nonaccruing restructured loans are included in total nonaccrual/NPLs.
[2] Does not include foreclosed real estate related to loans insured by the FHA or the VA. Proceeds due from the FHA and the VA are recorded as a receivable in other assets in the Consolidated Balance Sheets until the funds are received and the property is conveyed. The receivable amount related to proceeds due from the FHA or the VA totaled $57 million and $88 million at December 31, 2014 and 2013, respectively.

Restructured Loans

TDRs are loans in which the borrower is experiencing financial difficulty and the Company has granted an economic concession to the borrower that the Company would not otherwise consider. When loans are modified under the terms of a TDR, the Company typically offers the borrower an extension of the loan maturity date and/or a reduction in the original contractual interest rate. In certain situations, the Company may offer to restructure a loan in a manner that ultimately results in the forgiveness of contractually specified principal balances.

At December 31, 2014 and 2013, the Company had $1 million and $8 million, respectively, in commitments to lend additional funds to debtors whose terms have been modified in a TDR.

The number and amortized cost of loans modified under the terms of a TDR by type of modification are shown in the following tables:

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

Home equity products	1,977	—	7	86	93
Residential construction	11	—	1	—	1
Consumer loans:					
Other direct	71	—	—	1	1
Indirect	2,928	—	—	57	57
Credit cards	450	—	2	—	2
Total TDRs	6,656	$14	$138	$228	$380

[1] Includes loans modified under the terms of a TDR that were charged-off during the period.
[2] Restructured loans which had forgiveness of amounts contractually due under the terms of the loan typically have had multiple concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the year ended December 31, 2014 was $14 million.
[3] Restructured loans which had a modification of the loan's contractual interest rate may also have had an extension of the loan's contractual maturity date and/or other concessions. The financial effect of modifying the interest rate on the loans modified as a TDR was immaterial to the financial statements during the year ended December 31, 2014.

Notes to Consolidated Financial Statements, continued

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

[1] Includes loans modified under the terms of a TDR that were charged-off during the period.
[2] Restructured loans which had forgiveness of amounts contractually due under the terms of the loan typically have had multiple concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the year ended December 31, 2013 was $2 million.
[3] Restructured loans which had a modification of the loan's contractual interest rate may also have had an extension of the loan's contractual maturity date and/or other concessions. The financial effect of modifying the interest rate on the loans modified as a TDR was immaterial to the financial statements during the year ended December 31, 2013.

(Dollars in millions)	2012 [1] Number of Loans Modified	Principal Forgiveness [2]	Rate Modification [2,3]	Term Extension and/or Other Concessions [4]	Total
Commercial loans:					
C&I	358	$5	$4	$23	$32
CRE	33	20	7	6	33
Commercial construction	16	4	—	14	18
Residential loans:					
Residential mortgages - nonguaranteed	2,804	—	72	125	197
Home equity products	3,790	—	110	91	201
Residential construction	564	—	1	73	74
Consumer loans:					
Other direct	127	—	—	4	4
Indirect	2,803	—	—	49	49
Credit cards	1,421	—	8	—	8
Total TDRs	11,916	$29	$202	$385	$616

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

[2] Restructured loans which had forgiveness of amounts contractually due under the terms of the loan typically have had multiple concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the year ended December 31, 2013 was $9 million.
[3] Restructured loans which had a modification of the loan's contractual interest rate may also have had an extension of the loan's contractual maturity date and/or other concessions. The financial effect of modifying the interest rate on the loans modified as a TDR was immaterial to the financial statements during the year ended December 31, 2013.
[4] 4,231 of the residential loans, with an amortized cost of $201 million at December 31, 2012, relate to loans discharged in Chapter 7 bankruptcy that were reclassified as TDRs during 2012.

Notes to Consolidated Financial Statements, continued

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

	Year Ended December 31, 2014	
(Dollars in millions)	Number of Loans	Amortized Cost
Commercial loans:		
C&I	78	$10
Residential loans:		
Residential mortgages	158	19
Home equity products	101	5
Residential construction	6	—
Consumer loans:		
Other direct	9	—
Indirect	181	1
Credit cards	145	1
Total TDRs	678	$36

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

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

For the year ended December 31, 2012, the following table represents defaults on loans that were first modified between the periods January 1, 2011 and December 31, 2012 that became 90 days or more delinquent or were charged-off during the period.

	Year Ended December 31, 2012	
(Dollars in millions)	Number of Loans	Amortized Cost
Commercial loans:		
C&I	84	$5
CRE	9	5
Commercial construction	10	7
Residential loans:		
Residential mortgages	141	20

Home equity products	164	11
Residential construction	24	3
Consumer loans:		
Other direct	4	—
Indirect	43	—
Credit cards	204	1
Total TDRs	683	$52

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

Concentrations of Credit Risk

The Company does not have a significant concentration of risk to any individual client except for the U.S. government and its agencies. However, a geographic concentration arises because the Company operates primarily in the Southeastern and Mid-Atlantic regions of the U.S. The Company engages in limited international banking activities. The Company’s total cross-border outstanding loans were $1.3 billion and $956 million at December 31, 2014 and 2013, respectively.

The major concentrations of credit risk for the Company arise by collateral type in relation to loans and credit commitments. The only significant concentration that exists is in loans secured by residential real estate. At December 31, 2014, the Company owned $38.8 billion in residential loans, representing 29% of total LHFI, and had $10.9 billion in commitments to extend credit on home equity lines and $3.3 billion in mortgage loan commitments. At December 31, 2013, the Company owned $43.2 billion in residential loans, representing 34% of total LHFI, and had $11.2 billion in commitments to extend credit on home equity lines and $2.7 billion in mortgage loan commitments. Of the residential loans owned at December 31, 2014 and December 31, 2013, 2% and 8%, respectively, were guaranteed by a federal agency or a GSE.

The following table presents loans in the residential mortgage portfolio at December 31, which included terms such as a high original LTV ratio (in excess of 80%), an interest only feature, or a second lien position that may increase the Company’s exposure to credit risk and result in a concentration of credit risk. At December 31, 2014 and 2013, borrowers' current weighted average FICO score on these loans was 754 and 732, respectively.

Notes to Consolidated Financial Statements, continued

(Dollars in millions)	2014	2013
High LTV residential mortgages:		
Interest only LHFI with no MI [1, 2]	$873	$1,128
Interest only LHFI with MI [1]	3,180	4,403
Total interest only residential mortgages	4,053	5,531
Amortizing loans with no MI [2]	7,368	6,918
Total high LTV residential mortgages	$11,421	$12,449

[1] Primarily with an initial 10 year interest only period.
[2] Comprised of first liens with combined original LTV ratios in excess of 80% and/or second liens.

Despite changes in underwriting guidelines that have curtailed the origination of high LTV loans, the balances of such loans have increased due to lending to high credit quality clients.

NOTE 7 - ALLOWANCE FOR CREDIT LOSSES
The allowance for credit losses consists of the ALLL and the reserve for unfunded commitments. Activity in the allowance for credit losses is summarized in the table below:

	Year Ended December 31		
(Dollars in millions)	2014	2013	2012
Balance at beginning of period	$2,094	$2,219	$2,505
Provision for loan losses	338	548	1,398
(Benefit)/provision for unfunded commitments	4	5	(3)
Loan charge-offs	(607)	(869)	(1,907)
Loan recoveries	162	191	226
Balance at end of period	$1,991	$2,094	$2,219
Components:			
ALLL	$1,937	$2,044	$2,174
Unfunded commitments reserve[1]	54	50	45
Allowance for credit losses	$1,991	$2,094	$2,219

[1] The unfunded commitments reserve is recorded in other liabilities in the Consolidated Balance Sheets.
Activity in the ALLL by loan segment for the years ended December 31 is presented in the tables below:

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

	2013			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$902	$1,131	$141	$2,174
Provision for loan losses	197	243	108	548
Loan charge-offs	(219)	(531)	(119)	(869)
Loan recoveries	66	87	38	191

Balance at end of period	$946	$930	$168	$2,044

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Notes to Consolidated Financial Statements, continued

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

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

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

	December 31, 2013							
	Commercial		Residential		Consumer		Total	
(Dollars in millions)	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL
Individually evaluated	$171	$10	$2,878	$345	$110	$8	$3,159	$363
Collectively evaluated	64,139	936	40,010	585	20,267	160	124,416	1,681
Total evaluated	64,310	946	42,888	930	20,377	168	127,575	2,044
LHFI at fair value	—	—	302	—	—	—	302	—
Total LHFI	$64,310	$946	$43,190	$930	$20,377	$168	$127,877	$2,044

NOTE 8 - PREMISES AND EQUIPMENT

Premises and equipment at December 31 consisted of the following:

(Dollars in millions)	Useful Life (in years)	2014	2013
Land	Indefinite	$334	$345
Buildings and improvements	2 - 40	1,051	1,045
Leasehold improvements	1 - 30	628	609
Furniture and equipment	1 - 20	1,426	1,399
Construction in progress		201	206
Total premises and equipment		3,640	3,604
Less: Accumulated depreciation and amortization		2,132	2,039
Premises and equipment, net		$1,508	$1,565

The Company previously completed sale leaseback transactions consisting of branch properties and various individual office buildings. Upon completion of these transactions, the Company recognized a portion of the resulting gains and deferred the remainder to be recognized ratably over the expected term of the lease, predominantly 10 years, as an offset to net occupancy

expense. To the extent that terms on these leases are extended, the remaining deferred gain would be amortized over the new lease term. Amortization of deferred gains on sale leaseback transactions was $53 million, $58 million, and

$67 million for the years ended December 31, 2014, 2013, and 2012, respectively. At December 31, 2014 and 2013, the remaining deferred gain associated with sale leaseback transactions was $162 million and $215 million, respectively.
The carrying amounts of premises and equipment subject to mortgage indebtedness (included in long-term debt) were immaterial at December 31, 2014 and 2013. Net premises and equipment included $4 million and $5 million related to capital leases at December 31, 2014 and 2013, respectively. Aggregate rent expense (principally for offices), including contingent rent expense and sublease income, totaled $206 million, $220 million, and $228 million for the years ended December 31, 2014, 2013, and 2012, respectively. Depreciation and amortization expense for the years ended December 31, 2014, 2013, and 2012 totaled $176 million, $185 million, and $188 million, respectively.

Various Company facilities are leased under capital leases and noncancelable operating leases with initial remaining terms in excess of one year. The following table presents future minimum lease payments at December 31, 2014.

(Dollars in millions)	Operating Leases	Capital Leases
2015	$205	$2
2016	201	2
2017	183	2
2018	107	2
2019	87	3
Thereafter	328	—
Total minimum lease payments	$1,111	11
Less: Amounts representing interest		2
Present value of net minimum lease payments		$9

NOTE 9 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The Company evaluates goodwill for impairment each year as of September 30, or as events occur or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount.

The fair value of a reporting unit is determined by using discounted cash flow analyses and, when applicable, guideline company information. The carrying value of a reporting unit is determined using an equity allocation methodology that allocates the total equity of the Company to each of its reporting units considering both regulatory risk-based capital and tangible equity relative to tangible assets. See Note 1, "Significant Accounting Policies" for additional information regarding the Company's goodwill accounting policy.

The Company performed a goodwill impairment analysis for all of its reporting units with goodwill balances as of September 30, 2014 and 2013, and based on the results of the annual goodwill impairment test, the Company determined that there was no impairment. The Company monitored events and

circumstances during the fourth quarter of 2014 and determined that due to an increase in the carrying value of the Wholesale Banking reporting unit, driven primarily by asset growth and increased total equity of the Company, it was necessary to perform an interim goodwill impairment analysis for the Wholesale Banking reporting unit as of December 31, 2014. Based on the results of the interim goodwill impairment analysis, the Company determined that there was no impairment.

As discussed in Note 2, "Acquisitions/Dispositions," the Company completed the sale of its asset management subsidiary, RidgeWorth, during the second quarter of 2014. Also, during the year ended December 31, 2013, branch-managed business banking clients were transferred from Wholesale Banking to Consumer Banking and Private Wealth Management, resulting in the reallocation of $300 million in goodwill. The changes in the carrying amount of goodwill by reportable segment for the years ended December 31 are as follows:

(Dollars in millions)	Consumer Banking and Private Wealth Management	Wholesale Banking	Total
Balance, January 1, 2014	$4,262	$2,107	$6,369
Acquisition of Lantana Oil and Gas Partners, Inc.	—	8	8
Sale of RidgeWorth	—	(40)	(40)
Balance, December 31, 2014	$4,262	$2,075	$6,337
Balance, January 1, 2013	$3,962	$2,407	$6,369

Intersegment transfers	300	(300)	—
Balance, December 31, 2013	$4,262	$2,107	$6,369

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Notes to Consolidated Financial Statements, continued

Other Intangible Assets

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

(Dollars in millions)	Core Deposit Intangibles	MSRs - Fair Value	Other	Total
Balance, January 1, 2014	$4	$1,300	$30	$1,334
Amortization	(4)	—	(8)	(12)
MSRs originated	—	178	—	178
MSRs purchased	—	130	—	130
Changes in fair value:				
Due to changes in inputs and assumptions [1]	—	(234)	—	(234)
Other changes in fair value [2]	—	(167)	—	(167)
Sale of MSRs	—	(1)	—	(1)
Sale of RidgeWorth	—	—	(9)	(9)
Balance, December 31, 2014	$—	$1,206	$13	$1,219
Balance, January 1, 2013	$17	$899	$40	$956
Amortization	(13)	—	(10)	(23)
MSRs originated	—	352	—	352
Changes in fair value:				
Due to changes in inputs and assumptions [1]	—	302	—	302
Other changes in fair value [2]	—	(252)	—	(252)
Sale of MSRs	—	(1)	—	(1)
Balance, December 31, 2013	$4	$1,300	$30	$1,334

[1] Primarily reflects changes in discount rates and prepayment speed assumptions, due to changes in interest rates.

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

The Company's estimated future amortization expense for intangible assets subject to amortization is immaterial, based on existing asset balances at December 31, 2014.

Mortgage Servicing Rights

The Company retains MSRs from certain of its sales or securitizations of residential mortgage loans. MSRs on residential mortgage loans are the only servicing assets capitalized by the Company and are classified within intangible assets on the Company's Consolidated Balance Sheets.

Income earned by the Company on its MSRs is derived primarily from contractually specified mortgage servicing fees and late fees, net of curtailment costs. Such income earned for the years ended December 31, 2014, 2013, and 2012 was $329 million, $317 million, and $333 million, respectively. These amounts are reported in mortgage servicing related income in the Consolidated Statements of Income.

At December 31, 2014 and 2013, the total UPB of mortgage loans serviced was $142.1 billion and $136.7 billion, respectively. Included in these amounts were $115.5 billion and $106.8 billion at December 31, 2014 and 2013, respectively, of loans serviced for third parties. During the years ended December 31, 2014 and 2013, the Company sold MSRs, at a price approximating their fair value, on residential loans with a UPB of $878 million and $2.8 billion, respectively. The Company purchased MSRs on residential loans with a UPB of $10.9 billion during the year ended December 31, 2014. No MSRs were purchased during the year ended December 31, 2013.

The Company determines the fair value of the MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates a number of assumptions as MSRs do not trade in an active and open

market with readily observable prices. The Company determines fair value using prepayment projections, spreads, and other assumptions that are compared to various sources of market data including independent third party valuations and industry surveys. Senior management and the STM Valuation Committee review all significant assumptions at least quarterly, since many factors can affect the fair value of MSRs. Changes to the valuation model inputs and assumptions are reflected in the periods' results.
A summary of the key characteristics, inputs, and economic assumptions used to estimate the fair value of the Company’s MSRs at December 31, 2014 and 2013, and the sensitivity of the fair values to immediate 10% and 20% adverse changes in those assumptions, are shown in the following table.

(Dollars in millions)	December 31, 2014		December 31, 2013	
Fair value of retained MSRs	$1,206		$1,300	
Prepayment rate assumption (annual)	11	%	8	%
Decline in fair value from 10% adverse change	$46		$38	
Decline in fair value from 20% adverse change	88		74	
Option adjusted spread/discount rate (annual) [1]	10	%	12	%
Decline in fair value from 10% adverse change	$55		$66	
Decline in fair value from 20% adverse change	105		126	
Weighted-average life (in years)	6.4		7.7	
Weighted-average coupon	4.2	%	4.4	%

[1] Option adjusted spread was a key assumption used to estimate the fair value of the Company's MSRs at December 31, 2014. At December 31, 2013, a discount rate was used.

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The above sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained MSRs is calculated without changing any other

assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the sensitivities above do not include the effect of hedging activity undertaken by the Company to offset changes in the fair value of MSRs. See Note 17, “Derivative Financial Instruments,” for further information regarding these hedging activities.

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

Certain Transfers of Financial Assets and Related Variable Interest Entities

The Company has transferred loans and securities in sale or securitization transactions in which the Company has, or had, continuing involvement. All such transfers have been accounted for as sales by the Company. Upon completion of transfers of assets that satisfy the conditions to be reported as a sale, the Company derecognizes the transferred assets and recognizes at fair value any beneficial interests in the transferred financial assets, such as trading assets or securities AFS, as well as servicing rights retained and guarantee liabilities incurred. See Note 18, “Fair Value Election and Measurement,” for further discussion of the Company’s fair value methodologies.

The Company’s continuing involvement in such transfers includes owning certain beneficial interests, including senior and subordinate debt instruments, as well as equity interests, servicing or collateral manager responsibilities, and guarantee or recourse arrangements. Cash receipts on interests held related to asset transfers were $21 million, $36 million and $30 million for the years ended December 31, 2014, 2013, and 2012, respectively. The servicing and management fees related to asset transfers were immaterial for the years ended December 31, 2014, 2013, and 2012, respectively. The Company is not required to provide additional financial support to any of the entities to which the Company has transferred financial assets, nor has the Company provided any support it was not otherwise obligated to provide. Further, during the year ended December 31, 2014, the Company evaluated whether any of its previous conclusions regarding whether it is the primary beneficiary of the VIEs described below should be changed based upon events occurring during the period. These evaluations did not result in changes to previous consolidation conclusions, except for one CLO entity which is described in detail in the "Commercial and Corporate Loans" section of this footnote. No events occurred during the year ended December 31, 2014 that changed the Company’s sale accounting conclusions in regards to previously transferred residential mortgage loans, student loans, commercial and corporate loans, or CDO securities.

When a transfer or other transaction occurs with a VIE, the Company first determines if it has a VI in the VIE. A VI is typically in the form of securities representing retained interests in transferred assets and, at times, servicing rights and collateral manager fees. If the Company has a VI in an entity, it then evaluates whether or not it has both (1) the power to direct the activities that most significantly impact the economic performance of the VIE, and (2) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE to determine if the Company should consolidate the VIE.

Below is a summary of transfers of financial assets to VIEs for which the Company has retained some level of continuing involvement:

Residential Mortgage Loans

The Company typically transfers first lien residential mortgage loans in conjunction with Ginnie Mae, Fannie Mae, and Freddie Mac securitization transactions whereby the loans are exchanged for cash or securities that are readily redeemable for cash and servicing rights are retained. The Company sold residential mortgage loans to these entities, which resulted in pre-tax net gains of $224 million, $186 million and $1 billion, including servicing rights, for the

years ended December 31, 2014, 2013, and 2012, respectively. These net gains/losses are included within mortgage production related income in the Consolidated Statements of Income. These net gains/losses include the change in value of the loans as a result of changes in interest rates from the time the related IRLCs were issued to the borrowers but do not include the results of hedging activities initiated by the Company to mitigate this market risk. See Note 17, "Derivative Financial Instruments," for further discussion of the Company's hedging activities. As the seller, the Company has made certain representations and warranties with respect to the originally transferred loans, including those transferred under Ginnie Mae, Fannie Mae, and Freddie Mac programs, and those representations and warranties are discussed in Note 16, "Guarantees."

In a limited number of securitizations, the Company has received securities representing retained interests in the transferred loans in addition to cash (while also retaining servicing rights) in exchange for the transferred loans. The received securities are carried at fair value as securities AFS. At December 31, 2014 and 2013, the fair value of securities received totaled $55 million and $71 million, respectively, and were valued using a third party pricing service.

The Company evaluated these securitization transactions for consolidation under the VIE consolidation guidance. As servicer of the underlying loans, the Company is generally deemed to have power over the securitization entity. However, if a single party, such as the issuer or the master servicer, effectively controls the servicing activities or has the unilateral ability to terminate the Company as servicer without cause, then that party is deemed to have power over the entity. In almost all of its securitization transactions, the Company does not have power over the VIE as a result of these rights held by the master servicer. In certain transactions, the Company does have power as the servicer; however, the Company does not also have an obligation to absorb losses or the right to receive benefits that could potentially be significant. The absorption of losses and the

receipt of benefits would generally manifest itself through the retention of senior or subordinated interests in the securitization. Total assets at December 31, 2014 and 2013, of the unconsolidated trusts in which the Company has a VI were $288 million and $350 million, respectively.

The Company's maximum exposure to loss related to the unconsolidated VIEs in which it holds a VI is comprised of the loss of value of any interests it retains, which are immaterial, and any repurchase obligations it incurs as a result of a breach of representations and warranties, discussed further in Note 16, "Guarantees."

Commercial and Corporate Loans

The Company has involvement with CLO entities that own commercial leveraged loans and bonds, certain of which were transferred by the Company to the entities. The Company currently holds certain securities issued by these entities and previously acted as collateral manager for the CLOs; however, upon the sale of RidgeWorth in May 2014, the Company is no longer the collateral manager. The Company previously determined that it was the primary beneficiary of, and thus, had consolidated one of these CLOs as it had both the power to direct the activities that most significantly impacted the entity's economic performance and the obligation to absorb losses and the right to receive benefits from the entity that could potentially be significant to the CLO. The Company's involvement with this CLO includes ownership in one of the senior interests in the CLO and certain preference shares. Since the Company is no longer the collateral manager for the CLO, the Company no longer possesses the power to direct the activities that most significantly impact the economic performance of the VIE; therefore, the Company is no longer the primary beneficiary of this CLO and in connection with the sale of RidgeWorth, the CLO was deconsolidated. At December 31, 2013, the Company's Consolidated Balance Sheets reflected $261 million of loans held by the CLO and $256 million of debt issued by the CLO.

At December 31, 2014, all CLOs that the Company has involvement with are considered to be VIEs and are unconsolidated. The Company has determined that it is not the primary beneficiary of these entities as it does not possess the power to direct the activities that most significantly impact the economic performance of the VIEs. The Company's preference share exposure was valued at $3 million at both December 31, 2014 and 2013. The Company's senior interest exposure was valued at $18 million and $26 million at December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013,

unconsolidated VIEs that the Company had involvement with had $704 million and $1.6 billion of estimated assets, respectively, and $654 million and $1.6 billion of estimated liabilities, respectively.

Student Loans

During 2006, the Company completed a securitization of government-guaranteed student loans through a transfer of loans to a SPE, which previously qualified as a QSPE, and retained the related residual interest in the SPE. The Company concluded that this securitization of government-guaranteed student loans should be consolidated. At December 31, 2014 and 2013, the Company's Consolidated Balance Sheets reflected $306 million and $344 million, respectively, of assets held by the Student Loan entity and $302 million and $341 million, respectively, of debt issued by the Student Loan entity.

Payments from the assets in the SPE must first be used to settle the obligations of the SPE, with any remaining payments remitted to the Company as the owner of the residual interest. To the extent that losses are incurred on the SPE's assets, the SPE has recourse to the federal government as the guarantor, up to a maximum guarantee of 97%. Losses in excess of the government guarantee reduce the amount of available cash payable to the Company as the owner of the residual interest. To the extent that losses result from a breach of the master servicer's servicing responsibilities, the SPE has recourse to the Company; the Company may be required to repurchase the defaulting loan(s) from the SPE at par value. If the breach was caused by the subservicer, the Company has recourse to seek reimbursement from the subservicer up to the guaranteed amount. The Company's maximum exposure to loss related to the SPE is represented by the potential losses resulting from a breach of servicing responsibilities. To date, all loss claims filed with the guarantor that have been denied due to servicing errors have either been or are in the process of being cured or reimbursement has been provided to the Company by the subservicer.

CDO Securities

The Company has transferred bank trust preferred securities to securitization entities, which have been determined to be VIEs. The Company concluded that it was not the primary beneficiary of any of these VIEs as the Company lacked the power to direct the significant activities of the entities. During the first quarter of 2014, the Company sold all of its remaining exposures to these VIEs.

Notes to Consolidated Financial Statements, continued

In relation to the Commercial, Residential and Consumer financial assets discussed above, the following table presents portfolio and delinquency balances for accruing loans 90 days

or more past due and all nonaccrual loans at December 31, 2014 and 2013, as well as net charge-offs for the years ended December 31, 2014 and 2013:

	Portfolio Balance [1]		Past Due and Nonaccrual [2]		Net Charge-offs	
	December 31,	December 31,	December 31,	December 31,	Year Ended December 31	
(Dollars in millions)	2014	2013	2014	2013	2014	2013
Type of loan:						
Commercial	$73,392	$64,310	$181	$272	$71	$153
Residential	38,775	43,190	891	1,296	279	444
Consumer	20,945	20,377	619	631	95	81
Total loan portfolio	133,112	127,877	1,691	2,199	445	678
Managed securitized loans:						
Commercial	—	1,617	—	29	—	—
Residential	110,591	100,695	183 [3]	493 [3]	16	23
Total managed loans	$243,703	$230,189	$1,874	$2,721	$461	$701

[1] Excludes $3.2 billion and $1.7 billion of LHFS at December 31, 2014 and 2013, respectively.

[2] Excludes $39 million and $17 million of past due LHFS at December 31, 2014 and 2013, respectively.

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

Other Variable Interest Entities

In addition to the Company’s involvement with certain VIEs related to transfers of financial assets, the Company also has involvement with VIEs from other business activities.

Total Return Swaps

The Company has involvement with various VIEs related to its TRS business. Under the matched book TRS business model, the VIEs purchase assets (typically commercial leveraged loans) from the market, which are identified by third party clients, that serve as the underlying reference assets for a TRS between the VIE and the Company and a mirror-image TRS between the Company and its third party clients. The TRS contracts between the VIEs and the Company hedge the Company’s exposure to the TRS contracts with its third party clients. These third parties are not related parties to the Company, nor are they and the Company de facto agents of each other. In order for the VIEs to purchase the reference assets, the Company provides senior financing, in the form of demand notes, to these VIEs. The TRS contracts pass through interest and other cash flows on the assets owned by the VIEs to the third parties, along with exposing the third parties to decreases in value on the assets and providing them with the rights to appreciation on the assets. The terms of the TRS contracts require the third parties to post initial collateral, in addition to ongoing margin as the fair values of the underlying assets change.

The Company evaluated the VIEs for consolidation, noting that the Company and its third party clients are the VI holders. As such, the Company evaluated the nature of all VIs and other interests and involvement with the VIEs, in addition to the purpose and design of the VIEs, relative to the risks they were designed to create. The purpose and design of a VIE are key components of a consolidation analysis. The VIEs were designed for the benefit of the third parties and would not exist if the Company did not enter into the TRS contracts with the third parties. The activities of the VIEs are restricted to buying and selling reference assets with respect to the TRS contracts entered into between the Company and its third party clients and the

risks/benefits of any such assets owned by the VIEs are passed to the third party clients via the TRS contracts. The TRS contracts between the Company and its third party clients have a substantive effect on the design of the overall

transaction and the VIEs. Based on its evaluation, the Company has determined that it is not the primary beneficiary of the VIEs, as the design of the TRS business results in the Company having no substantive power to direct the significant activities of the VIEs.
At December 31, 2014 and 2013, the Company had $2.3 billion and $1.5 billion, respectively, in senior financing outstanding to VIEs, which was classified within trading assets and derivatives on the Consolidated Balance Sheets and carried at fair value. These VIEs had entered into TRS contracts with the Company with outstanding notional amounts of $2.3 billion and $1.5 billion at December 31, 2014 and 2013, respectively, and the Company had entered into mirror-image TRS contracts with third parties with the same outstanding notional amounts. At December 31, 2014, the fair values of these TRS assets and liabilities were $19 million and $14 million, respectively, and at December 31, 2013, the fair values of these TRS assets and liabilities were $35 million and $31 million, respectively, reflecting the pass-through nature of these structures. The notional amounts of the TRS contracts with the VIEs represent the Company’s maximum exposure to loss, although such exposure to loss has been mitigated via the TRS contracts with third parties. For additional information on the Company’s TRS with these VIEs, see Note 17, “Derivative Financial Instruments.”
Community Development Investments
As part of its community reinvestment initiatives, the Company invests primarily within its footprint in multi-family affordable housing developments and other community development entities as a limited and/or general partner and/or a debt provider. The Company receives tax credits for its limited partner investments. The Company has determined that the vast majority of the related partnerships in which the investments are held are

VIEs. In limited circumstances, the Company owns both the limited partner and general partner interests, in which case the related partnerships are not considered VIEs and are consolidated by the Company.
The Company consolidated its affordable housing partnerships under such circumstances, and has designated those partnerships as held for sale, and accordingly has recognized them at the lower of their carrying value or estimated fair value less costs to sell. At December 31, 2014, the value of properties held for sale was $79 million and disposition is expected to be completed in the first quarter of 2015.
When the Company is the limited partner and there is a third party general partner, the Company has determined that it is not the primary beneficiary of these partnerships and accounts for its interest in accordance with the accounting requirements for investments in affordable housing projects. Often times, the general partner or an affiliate of the general partner provides guarantees to the limited partner, which protects the Company from losses attributable to operating deficits, construction deficits, and tax credit allocation deficits. Assets of $1.6 billion and $1.5 billion in these partnerships were not included in the Consolidated Balance Sheets at December 31, 2014 and 2013, respectively. The Company's limited partner interests had carrying values of $363 million and $252 million at December 31, 2014 and 2013, respectively, and are recorded in other assets in the Company’s Consolidated Balance Sheets. The Company’s maximum exposure to loss for these investments totaled $910 million and $697 million at December 31, 2014 and 2013, respectively. The Company’s maximum exposure to loss would result from the loss of the equity investments along with $412 million and $303 million of loans, interest-rate swaps, or letters of credit issued by the Company to the entities at December 31,

2014 and 2013, respectively. The difference between the maximum exposure to loss and the investment and loan balances is primarily attributable to the unfunded equity commitments. Unfunded equity commitments are amounts that the Company has committed to the entities upon the entities meeting certain conditions. If these conditions are met, the Company will invest these additional amounts in the entities.
As indicated in Note 1, "Significant Accounting Policies," the Company adopted ASU 2014-01 in the first quarter of 2014, which allowed amortization of qualified affordable housing investments within the scope of the ASU to be presented net of the income tax credits in the provision for income taxes. During the years ended December 31, 2014, 2013, and 2012, the Company recognized $66 million, $64 million and $63 million of tax credits, respectively, and $61 million, $49 million and $39 million of amortization expense, respectively, in the provision for income taxes. For community development investments not within the scope of ASU 2014-01, the Company continues to record amortization of the investment in amortization expense, a component of noninterest expense. Also included in amortization expense on the Company's Consolidated Statements of Income is the amortization of intangible assets. See Note 9, "Goodwill and Other Intangible Assets," for additional information.
Additionally, the Company owns noncontrolling interests in funds whose purpose is to invest in community developments. At December 31, 2014 and 2013, the Company's investment in these funds totaled $113 million and $138 million, respectively, and the Company's maximum exposure to loss on its equity investments, which is comprised of its investments in the funds plus any additional unfunded equity commitments, was $236 million and $217 million, respectively.

NOTE 11 - BORROWINGS AND CONTRACTUAL COMMITMENTS

Other short-term borrowings

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

	2014			2013		
(Dollars in millions)	Balance	Interest Rate		Balance	Interest Rate	
FHLB advances	$4,000	0.23	%	$4,000	0.21	%
Master notes	1,280	0.15		1,554	0.28	
Dealer collateral	354	0.13		232	0.10	

Other	—	—	2	2.70
Total other short-term borrowings	$5,634		$5,788	

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Long-term debt

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

(Dollars in millions)	2014 Maturity Date(s)	Interest Rate(s)	2014 Balance	2013 Balance
Parent Company Only:				
Senior, fixed rate	2016 - 2028	2.35% - 6.00%	$3,630	$3,001
Senior, variable rate	2015 - 2019	0.38 - 2.00	358	283
Subordinated, fixed rate	2026	6.00	200	200
Junior subordinated, variable rate	2027 - 2028	0.89 - 1.22	627	627
Total Parent Company debt (excluding intercompany of $0 and $160 at December 31, 2014 and 2013, respectively)			4,815	4,111
Subsidiaries [1]:				
Senior, fixed rate [2]	2015 - 2053	0.00 - 9.65	5,682	1,006
Senior, variable rate [3]	2015 - 2043	0.35 - 6.98	742	3,783
Subordinated, fixed rate [4]	2015 - 2020	5.00 - 7.25	1,283	1,300
Subordinated, variable rate	2015	0.52 - 0.54	500	500
Total subsidiaries debt			8,207	6,589
Total long-term debt			$13,022	$10,700

[1] 90% and 85% of total subsidiaries debt is issued by the Bank at December 31, 2014 and 2013, respectively.

[2] Includes leases and other obligations that do not have a stated interest rate.

[3] Includes $0 and $256 million of debt recorded at fair value at December 31, 2014 and 2013, respectively.

[4] Debt recorded at fair value.

The Company held no foreign denominated debt at December 31, 2014 and 2013. Maturities of long-term debt at December 31, 2014 were as follows:

(Dollars in millions)	Parent Company	Subsidiaries
2015	$28	$1,791
2016	1,054	72
2017	1,232	4,332
2018	774	514
2019	891	30
Thereafter	836	1,468
Total	$4,815	$8,207

During 2014, the Bank issued $250 million of floating rate senior notes that pay a coupon rate of 3-month LIBOR plus 44 basis points and $600 million of fixed rate senior notes that pay a coupon rate of 1.35% under the Global Bank Note program. These notes mature in 2017 and can be called beginning one month prior to their maturity date. Furthermore, the Bank added a $1.0 billion long-term FHLB advance during 2014. The Parent Company issued $650 million of fixed rate senior notes that pay a coupon rate of 2.50%. These notes mature in 2019 and can be called beginning one month prior to their maturity date. The Company had no additional material issuances, advances, repurchases, or extinguishments of long-term debt during the year.

Restrictive provisions of several long-term debt agreements prevent the Company from creating liens on, disposing of, or issuing (except to related parties) voting stock of subsidiaries. Furthermore, there are restrictions on mergers, consolidations, certain leases, sales or transfers of assets, minimum shareholders' equity, and maximum borrowings by the Company. At December 31, 2014, the Company was in compliance with all covenants and provisions of long-term

debt agreements. As currently defined by federal bank regulators, long-term debt of $627 million qualified as Tier 1 capital at both December 31, 2014 and 2013, and long-term debt of $792 million and $1.1 billion qualified as Tier 2 capital at December 31, 2014 and 2013, respectively.

The Company does not consolidate certain wholly-owned trusts which were formed for the sole purpose of issuing trust preferred securities. The proceeds from the trust preferred securities issuances were invested in junior subordinated debentures of the Parent Company. The obligations of these debentures constitute a full and unconditional guarantee by the Parent Company of the trust preferred securities.

Contractual Commitments

In the normal course of business, the Company enters into certain contractual arrangements. Such arrangements include obligations to make future payments on lease arrangements, contractual commitments for capital expenditures, and service contracts.

At December 31, 2014, the Company had the following unconditional obligations:

(Dollars in millions)	1 year or less	1-3 years	3-5 years	After 5 years	Total
Operating leases	$205	$384	$194	$328	$1,111
Capital leases [1]	2	3	4	—	9
Purchase obligations [2]	421	38	3	—	462
Total	$628	$425	$201	$328	$1,582

[1] Amounts do not include accrued interest.
[2] Amounts represent termination fees for legally binding purchase obligations of $5 million or more. Payments made towards the purchase of goods or services under these purchase obligations totaled $223 million during 2014.

NOTE 12 – NET INCOME PER COMMON SHARE
Equivalent shares of 15 million, 18 million, and 23 million related to common stock options and common stock warrants outstanding at December 31, 2014, 2013, and 2012, respectively, were excluded from the computations of diluted net income per average common share because they would have been anti-dilutive.

Reconciliations of net income to net income available to common shareholders and the difference between average basic common shares outstanding and average diluted common shares outstanding are included below.

	Year Ended December 31		
(In millions, except per share data)	2014	2013	2012
Net income	$1,774	$1,344	$1,958
Preferred dividends	(42)	(37)	(12)
Dividends and undistributed earnings allocated to unvested shares	(10)	(10)	(15)
Net income available to common shareholders	$1,722	$1,297	$1,931
Average basic common shares	528	534	534
Effect of dilutive securities:			
Stock options	1	1	1
Restricted stock and warrants	4	4	3
Average diluted common shares	533	539	538
Net income per average common share - diluted	$3.23	$2.41	$3.59
Net income per average common share - basic	$3.26	$2.43	$3.62

NOTE 13 – CAPITAL
Following the Federal Reserve's review of and non-objection to the Company's capital plan in conjunction with the 2014 CCAR, the Company increased its quarterly common stock dividend from $0.10 to $0.20 per share beginning in the second quarter of 2014, repurchased a total of $278 million, or approximately 8.5 million shares of its outstanding common stock, and maintained dividend payments on its preferred stock during 2014. Pursuant to its 2013 capital plan, the Company also repurchased $50 million of its outstanding common stock in the first quarter of 2014, bringing the total amount of common stock repurchased in 2014 pursuant to CCAR capital plans to $328 million. The Company has capacity under its 2014 capital plan to purchase an additional $120 million of its outstanding common stock prior to March 31, 2015. The Company has submitted its 2015 capital plan for review by the Federal Reserve in conjunction with the 2015 CCAR and awaits the completion of their review.

Additionally, during 2014, the Company recorded a $130 million tax benefit as a result of the completion of a tax authority examination, enabling the repurchase of an additional $130 million of outstanding common stock. The purchase of this additional common stock was incremental to the existing availability under the CCAR capital plans. See additional discussion of the realized tax benefit in Note 14, "Income Taxes."

During the years ended December 31, 2014, 2013, and 2012, the Company declared and paid common dividends totaling $371 million, or $0.70 per common share, $188 million, or $0.35 per common share, and $107 million, or $0.20 per common share, respectively. The Company also recognized dividends on perpetual preferred stock totaling $42 million, $37 million, and $12 million during the years ended December 31, 2014, 2013, and 2012, respectively. During 2014, the dividend per share was

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$4,056 for the Series A and Series B Perpetual Preferred Stock, and $5,875 for the Series E Perpetual Preferred Stock. The Company remains subject to certain restrictions on its ability to increase the dividend on common shares as a result of participating in the U.S. Treasury's CPP. If the Company increases its dividend above $0.54 per share per quarter prior to the tenth anniversary of its participation in the CPP, then the anti-dilution provision within the warrants issued in connection with the Company's participation in the CPP will require the exercise price and number of shares to be issued upon exercise to be proportionately adjusted. The amount of such adjustment is determined by a formula and depends in part on the extent to which the Company raises its dividend. The formulas are contained in the warrant agreements which were filed as exhibits to Form 8-K filed on September 23, 2011.

Substantially all of the Company's 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, 2014 and 2013, retained earnings of the Bank available for payment of cash dividends to the Parent Company under these regulations totaled approximately $2.9 billion and $2.6 billion, respectively. Additionally, the Federal Reserve requires the Company to maintain cash reserves. At December 31, 2014 and 2013, these reserve requirements totaled $1.5 billion and $2.0 billion, respectively and were fulfilled with a combination of cash on hand and deposits at the Federal Reserve.

Capital Ratios

The Company is subject to various regulatory capital requirements which involve quantitative measures of the Company's assets. Capital ratios at December 31 consisted of the following:

	2014			2013		
(Dollars in millions)	Amount	Ratio		Amount	Ratio	
SunTrust Banks, Inc.						
Tier 1 common	$15,594	9.60	%	$14,602	9.82	%
Tier 1 capital	17,554	10.80		16,073	10.81	
Total capital	20,338	12.51		19,052	12.81	
Tier 1 leverage		9.64			9.58	
SunTrust Bank						
Tier 1 capital	$17,036	10.67	%	$16,059	10.96	%
Total capital	19,619	12.29		18,810	12.84	
Tier 1 leverage		9.57			9.78	

On October 11, 2013, the Federal Reserve published final rules in the Federal Register implementing Basel III. These rules, which are effective for the Company and the Bank on January 1, 2015, include the following minimum capital requirements: CET 1 ratio of 4.5%; Tier 1 Capital ratio of 6%; Total Capital ratio of 8%; Leverage ratio of 4%; and a capital conservation buffer of 2.5% of RWA. The capital conservation buffer is applicable beginning on January 1, 2016 and will be phased-in through December 31, 2018.

At December 31, 2014, the Company had $627 million in trust preferred securities outstanding. The Basel III rules require the phase out of non-qualifying Tier 1 Capital instruments such as trust preferred securities. As such, beginning on January 1,

2015, approximately $627 million in principal amount of the Company's trust preferred and other hybrid capital securities currently outstanding will start to be phased out of Tier 1 capital, but instead will qualify for Tier 2 capital treatment. Accordingly, the Company anticipates that, by January 1, 2016, all $627 million of its outstanding trust preferred securities will lose Tier 1 capital treatment, and will be reclassified as Tier 2 capital.

Preferred Stock

Preferred stock at December 31 consisted of the following:

(Dollars in millions)	2014	2013

Series A (1,725 shares outstanding)	$172	$172
Series B (1,025 shares outstanding)	103	103
Series E (4,500 shares outstanding)	450	450
Series F (5,000 shares outstanding)	500	—
Total preferred stock	$1,225	$725

In September 2006, the Company authorized and issued depositary shares representing ownership interests in 5,000 shares of Perpetual Preferred Stock, Series A, no par value and $100,000 liquidation preference per share (the Series A Preferred Stock). The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends on the Series A Preferred Stock, if declared, will accrue and be payable quarterly at a rate per annum equal to the greater of three-month LIBOR plus 0.53%, or 4.00%. Dividends on the shares are noncumulative. Shares of the Series A Preferred Stock have priority over the Company’s common stock with regard to the payment of dividends and, as such, the Company may not pay dividends on or repurchase, redeem, or otherwise acquire for consideration shares of its common stock unless dividends for the Series A Preferred Stock have been declared for that period and sufficient funds have been set aside to make payment. During 2009, the Company repurchased 3,275 shares of the Series A Preferred Stock. In September 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. Except in certain limited circumstances, the Series A Preferred Stock does not have any voting rights.

In December 2011, the Company authorized 5,010 shares and 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). The Series B Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends on the shares are noncumulative and, if declared, will accrue and be payable quarterly at a rate per annum equal to the greater of three-month LIBOR plus 0.65%, or 4.00%. Shares of the Series B Preferred Stock have priority over the Company's common stock with regard to the payment of dividends and, as such, the Company may not pay dividends on or repurchase, redeem, or otherwise acquire for consideration shares of its common stock unless dividends for the Series B Preferred Stock have been declared for that period and sufficient funds have been set aside to make payment. The Series B Preferred Stock was immediately redeemable upon issuance at the Company's option at a redemption price equal to $100,000 per share, plus any declared

Notes to Consolidated Financial Statements, continued

and unpaid dividends. Except in certain limited circumstances, the Series B Preferred Stock does not have any voting rights.
In December 2012, the Company authorized 5,000 shares and issued 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 has no stated maturity and will not be subject to any sinking fund or other obligation of the Company to redeem, repurchase, or retire the shares. Dividends on the shares are noncumulative and, if declared, will accrue and be payable quarterly at a rate per annum of 5.875%. Shares of the Series E Preferred Stock have priority over the Company's common stock with regard to the payment of dividends and rank equally with the Company's outstanding Perpetual Preferred Stock, Series A and Series B and, as such, the Company may not pay dividends on or repurchase, redeem, or otherwise acquire for consideration shares of its common stock unless dividends for the Series E Preferred Stock have been declared for that period and sufficient funds have been set aside to make payment. The Series E Preferred Stock is redeemable, at the option of the Company, on any dividend payment date occurring on or after March 15, 2018, at a redemption price equal to $100,000 per share, plus any declared and unpaid dividends, without regard to any undeclared dividends. Except in certain limited circumstances, the Series E Preferred Stock does not have any voting rights.
In November 2014, the Company issued depositary shares representing ownership interest in 5,000 shares of Perpetual Preferred Stock, Series F, with no par value and $100,000 liquidation preference per share (the "Series F Preferred Stock"). As a result of this issuance, the Company received net proceeds of $496 million after the underwriting discount, but before

expenses, and used the net proceeds for general corporate purposes. The Series F Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company to redeem, repurchase, or retire the shares. Dividends for the shares are noncumulative and, if declared, will be payable semi-annually beginning on June 15, 2015 through December 15, 2019 at a rate per annum of 5.625%, and payable quarterly beginning on March 15, 2020 at a rate per annum equal to the three-month LIBOR plus 3.86%. By its terms, the Company may redeem the Series F Preferred Stock on any dividend payment date occurring on or after December 15, 2019 or at any time within 90 days following a regulatory capital event, at a redemption price of $1,000 per depositary share plus any declared and unpaid dividends. Except in certain limited circumstances, the Series F Preferred Stock does not have any voting rights.
The Company repurchased its Series C and D Cumulative Perpetual Preferred Stock from the U.S. Treasury in March 2011. In September 2011, the U.S. Treasury sold, in a public auction, a total of 17.9 million of the Company's warrants to purchase 11.9 million shares of the Company's common stock at an exercise price of $44.15 per share (Series B warrants) and 6 million shares of the Company's common stock at an exercise price of $33.70 per share (Series A warrants). The warrants were issued by the Company to the U.S. Treasury in connection with its investment in the Company under the CPP and have expiration dates of November 2018 (Series B) and December 2018 (Series A). In conjunction with the U.S. Treasury's auction, the Company acquired 4 million of the Series A warrants for $11 million and retired them.

NOTE 14 - INCOME TAXES
The components of income tax provision included in the Consolidated Statements of Income during the years ended December 31 were as follows:

(Dollars in millions)	2014	2013		2012
Current income tax expense/(benefit):				
Federal	$365	($158	)	$592
State	29	(15	)	26
Total	394	(173	)	618
Deferred income tax expense/(benefit):				

Federal	99	444	229
State	—	51	(35)
Total	99	495	194
Total income tax expense	$493	$322	$812

The Company adopted accounting guidance effective January 1, 2014, which allowed amortization expense related to qualified affordable housing investments to be presented net of the income tax credits in the provision for income taxes. Prior to 2014, these amortization expenses were recognized in other noninterest expense. The standard is required to be applied retrospectively; therefore, prior periods have been reclassified. See Note 1,

"Significant Accounting Policies," for further information related to this new guidance.
The income tax provision does not reflect the tax effects of unrealized gains and losses and other income and expenses recorded in AOCI. For additional information on AOCI, see Note 21, "Accumulated Other Comprehensive (Loss)/Income."

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A reconciliation of the expected income tax expense, using the statutory federal income tax rate of 35%, to the Company's actual provision for income taxes and the effective tax rate during the years ended December 31 were as follows:

(Dollars in millions)	2014 Amount	2014 Percent of Pre-Tax Income	2013 Amount	2013 Percent of Pre-Tax Income	2012 Amount	2012 Percent of Pre-Tax Income
Income tax expense at federal statutory rate	$793	35.0 %	$583	35.0 %	$970	35.0 %
Increase (decrease) resulting from:						
State income taxes, net	12	0.5	21	1.2	(9)	(0.3)
Tax-exempt interest	(89)	(3.9)	(80)	(4.8)	(77)	(2.8)
Internal restructuring	—	—	(343)	(20.6)	—	—
Changes in UTBs (including interest), net	(82)	(3.6)	152	9.1	1	—
Income tax credits, net of amortization [1]	(65)	(2.9)	(53)	(3.2)	(58)	(2.1)
Non-deductible expenses	(57)	(2.5)	49	3.0	16	0.6
Other	(19)	(0.8)	(7)	(0.4)	(31)	(1.1)
Total income tax expense and rate	$493	21.8 %	$322	19.3 %	$812	29.3 %

[1] Excludes tax credits of $21 million for the year ended December 31, 2014, which were recognized as a reduction to the related investment asset.

Deferred income tax assets and liabilities result from differences between the timing of the recognition of assets and liabilities for financial reporting purposes and for income tax return purposes. These assets and liabilities are measured using the enacted federal and state tax rates expected to apply in the periods in

which the deferred tax assets or liabilities are expected to be realized. The net deferred income tax liability is recorded in other liabilities in the Consolidated Balance Sheets. The significant components of the DTAs and DTLs, net of the federal impact for state taxes, at December 31 were as follows:

(Dollars in millions)	2014	2013
DTAs:		
ALLL	$710	$795
Accrued expenses	358	463
State NOLs and other carryforwards	201	208
Net unrealized losses in AOCI	56	153
Other	127	131
Total gross DTAs	1,452	1,750
Valuation allowance	(98)	(102)
Total DTAs	1,354	1,648
DTLs:		
Leasing	762	804
Compensation and employee benefits	113	97
MSRs	515	566
Loans	93	98
Goodwill and intangible assets	190	151
Fixed assets	140	153
Other	61	53
Total DTLs	1,874	1,922
Net DTL	($520)	($274)

The DTAs include state NOLs and other state carryforwards that will expire, if not utilized, in varying amounts from 2015 to 2034. At December 31, 2014 and 2013, the Company had a valuation allowance recorded against its state carryforwards and certain

state DTAs of $98 million and $102 million, respectively. A valuation allowance is not required for the federal and the remaining state DTAs because it is more-likely-than-not these assets will be realized.

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The following table provides a rollforward of the Company's federal and state UTBs, excluding interest and penalties, during the years ended December 31:

(Dollars in millions)	2014	2013
Balance at January 1	$291	$137
Increases in UTBs related to prior years	1	4
Decreases in UTBs related to prior years	(36)	(10)
Increases in UTBs related to the current year	87	171
Decreases in UTBs related to settlements	(130)	(2)
Decreases in UTBs related to lapse of the applicable statutes of limitations	(3)	(9)
Balance at December 31	$210	$291

The amount of UTBs that, if recognized, would affect the Company's effective tax rate was $148 million at December 31, 2014.

Interest related to UTBs is recorded as a component of the income tax provision. The Company had a liability of $20 million and $17 million for interest related to its UTBs at December 31, 2014 and 2013, respectively. During the years ended December 31, 2014 and 2013, the Company recognized an expense of approximately $3 million and a benefit of approximately $1 million, respectively, for interest on the UTBs.

The Company files U.S. federal, state, and local income tax returns. The Company's federal income tax returns are no longer subject to examination by the IRS for taxable years prior to 2010. With limited exceptions, the Company is no longer subject to examination by state and local taxing authorities for taxable years prior to 2006. It is reasonably possible that the liability for UTBs could decrease by as much as $52 million during the next 12 months due to completion of tax authority examinations.

NOTE 15 - EMPLOYEE BENEFIT PLANS

The Company sponsors various short-term incentive plans and LTI plans for eligible employees, which may be delivered through various incentive programs, such as RSUs, restricted stock, and LTI cash. AIP is the Company's short-term cash incentive plan for key employees that provides for potential annual cash awards based on the Company's performance and/or the achievement of business unit and individual performance objectives. Awards under the LTI cash plan generally cliff vest over a period of three years from the date of the award and are paid in cash. All incentive awards are subject to clawback provisions. Compensation expense for these incentive plans with cash payouts was $203 million, $150 million, and $155 million for the years ended December 31, 2014, 2013, and 2012.

Stock-Based Compensation

The Company provides stock-based awards through the 2009 Stock Plan under which the Compensation Committee of the Board of Directors has the authority to grant stock options, stock appreciation rights, restricted stock, and RSUs to key employees of the Company. Some awards may have performance or other conditions, such as vesting tied to the Company's total shareholder return relative to a peer group or vesting tied to the achievement of an absolute financial performance target.

On January 9, 2014 the Compensation Committee of the Board of Directors approved, subject to shareholder approval, an amendment to the 2009 Stock Plan as amended and restated effective January 1, 2014, to remove the sub-limit on shares available for grant that may be issued as restricted stock or RSUs. Following shareholder approval of the Plan amendment, which occurred on April 22, 2014, all of the 17 million remaining authorized shares previously under the Plan became available for grant as stock options, stock appreciation rights, restricted stock, or RSUs. Prior to the Plan amendment, only a portion of such shares were available to be granted as either restricted stock or RSUs. At December 31, 2014, approximately 18 million shares were available for grant.

Shares or units of restricted stock may be granted to employees and directors. Generally, grants to employees either cliff vest after three years or vest pro rata annually over three

years. Restricted stock grants may be subject to one or more criteria, including employment, performance, or other conditions as established by the Compensation Committee at the time of grant. Any shares of restricted stock that are forfeited will again become available for issuance under the Stock Plan. An employee or director has the right to vote the shares of restricted stock after grant unless and until they are forfeited. Compensation cost for restricted stock and RSUs is generally equal to the fair market value of the shares on the grant date of the award and is amortized to compensation expense over the vesting period. Dividends are paid on awarded but unvested restricted stock.

The Company accrues and reinvests dividends in equivalent shares of SunTrust common stock for unvested RSU awards, which are paid out only when the underlying RSU award vests. Generally, RSU awards are classified as equity. However, during 2012 there were 574,257 RSUs granted that were classified as a liability because the grant date had not been achieved as defined under U.S. GAAP. The awards were granted with a fair value of $21.67 per unit on the grant date. The balance of these RSUs classified as a liability at December 31, 2014 and 2013 was $21 million and $17 million, respectively.

Consistent with the Company's decision to discontinue the issuance of stock options in 2014, no stock options were granted during the year ended December 31, 2014. The fair value of option grants was estimated on the date of grant using the Black-Scholes option pricing model based on the following assumptions:

	Year Ended December 31				
	2014 [1]	2013		2012	
Dividend yield	N/A	1.28	%	0.91	%
Expected stock price volatility	N/A	30.98		39.88	
Risk-free interest rate (weighted average)	N/A	1.02		1.07	
Expected life of options	N/A	6 years		6 years	

[1] Assumptions are not applicable ("N/A") as the Company discontinued the issuance of stock options and no stock options were granted for the year ended December 31, 2014.

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The expected volatility represented the implied volatility of SunTrust stock. The expected term represented the period of time that the stock options granted were expected to be outstanding and was derived from historical data that was used to evaluate patterns such as stock option exercise and employee termination. The Company used the projected dividend to be paid as the dividend yield assumption. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant based on the expected life of the option.

Stock options were granted at an exercise price that was no less than the fair market value of a share of SunTrust common stock on the grant date and were either tax-qualified incentive stock options or non-qualified stock options. Stock options typically vest pro-rata over three years and generally have a maximum contractual life of ten years. Upon exercise, shares are generally issued from treasury stock. The weighted average fair value of options granted during years ended December 31, 2013 and 2012 were $7.37 and $7.83, respectively, per share.

The following table presents a summary of stock option and restricted stock activity:

	Stock Options			Restricted Stock			Restricted Stock Units	
(Dollars in millions, except per share data)	Shares	Price Range	Weighted Average Exercise Price	Shares	Deferred Compensation	Weighted Average Grant Price	Shares	Weighted Average Grant Price
Balance, January 1, 2012	15,869,417	9.06 - 150.45	$48.53	4,622,167	$48	$21.46	405,475	$35.98
Granted	859,390	21.67 - 23.68	21.92	1,737,202	38	21.97	1,717,148	22.65
Exercised/vested	(973,048)	9.06 - 22.69	9.90	(2,148,764)	—	14.62	(109,149)	27.73
Cancelled/expired/forfeited	(2,444,107)	9.06 - 85.06	45.73	(524,284)	(8)	19.91	(82,828)	22.79
Amortization of restricted stock compensation	—	—	—	—	(30)	—	—	—
Balance, December 31, 2012	13,311,652	9.06 - 150.45	50.15	3,686,321	48	25.56	1,930,646	25.16
Granted	552,998	27.41	27.41	1,314,277	39	29.58	593,093	24.65
Exercised/vested	(712,981)	9.06 - 27.79	16.94	(821,636)	—	25.95	(41,790)	28.73
Cancelled/expired/forfeited	(2,222,298)	21.67 - 118.18	56.55	(195,424)	(5)	27.41	14,229	20.54
Amortization of restricted stock compensation	—	—	—	—	(32)	—	—	—
Balance, December 31, 2013	10,929,371	$9.06 - 150.45	49.86	3,983,538	50	27.04	2,496,178	26.69
Granted	—	—	—	21,427	—	39.20	1,590,075	36.67
Exercised/vested	(426,889)	9.06 - 32.27	20.86	(957,308)	—	29.31	(338,196)	32.80
Cancelled/expired/forfeited	(2,774,725)	23.70 - 149.81	71.10	(117,798)	(2)	25.60	(58,793)	37.73
	—	—	—	—	(27)	—	—	—

Amortization of restricted stock compensation								
Balance, December 31, 2014	7,727,757	$9.06 - 150.45	$43.84	2,929,859	$21	$26.45	3,689,264	$31.15
Exercisable, December 31, 2014	7,106,639		$45.47					

The following table presents stock option information at December 31, 2014:

(Dollars in millions, except per share data)	Options Outstanding				Options Exercisable			
	Number Outstanding at December 31, 2014	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Total Aggregate Intrinsic Value	Number Exercisable at December 31, 2014	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Total Aggregate Intrinsic Value
Range of Exercise Prices:								
$9.06 to 49.46	4,174,504	$19.63	5.18	$93	3,553,386	$18.66	4.73	$83
$49.47 to 64.57	781	56.34	2.84	—	781	56.34	2.84	—
$64.58 to 150.45	3,552,472	72.29	1.16	—	3,552,472	72.29	1.16	—
	7,727,757	$43.84	3.33	$93	7,106,639	$45.47	2.95	$83

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of 2014 and the exercise price, multiplied by the number of in-the-money

stock options) that would have been received by the option holders had all option holders exercised their options on December 31, 2014.

Notes to Consolidated Financial Statements, continued

	Years Ended December 31		
(Dollars in millions)	2014	2013	2012
Intrinsic value of options exercised [1]	$8	$11	$15
Fair value of vested restricted shares [1]	28	21	31
Fair value of vested RSUs [1]	11	1	3

[1] Measured as of the grant date.

At December 31, 2014 and 2013, there was $61 million and $66 million, respectively, of unrecognized stock-based compensation expense related to unvested stock options, restricted stock, and RSUs. The unrecognized stock compensation expense for December 31, 2014 is expected to be recognized over a weighted average period of 1.68 years.

Stock-based compensation and the related tax benefit was as follows:

	Years Ended December 31		
(Dollars in millions)	2014	2013	2012
Stock options	$2	$6	$11
Restricted stock	27	32	30
RSUs	34	18	27
Total stock-based compensation	$63	$56	$68
Stock-based compensation tax benefit	$24	$21	$26

Retirement Plans

Defined Contribution Plan

SunTrust's employee benefit program includes a qualified defined contribution plan. For years ended December 31, 2014, 2013, and 2012, the plan provided a dollar for dollar match on the first 6% of eligible pay that a participant, including executive participants, elected to defer to the 401(k) plan. The Company's expense related to this plan for the year ended December 31, 2014 was $98 million and $96 million for both December 31, 2013 and 2012. SunTrust also maintains the SunTrust Banks, Inc. Deferred Compensation Plan in which key executives of the Company are eligible. In accordance with the terms of the plan, the matching contribution to the deferred compensation plan is the same percentage of match as provided in the 401(k) Plan subject to such limitations as may be imposed by the plans' provisions and applicable laws and regulations. Employees will vest in all Company 401(k) matching contributions and matching contributions under the deferred compensation plan upon completion of two years of vesting service. Effective January 1, 2012, the Company's 401(k) plan and the deferred compensation plan were amended to permit an additional discretionary Company contribution equal to a fixed percentage of eligible pay, as defined in the respective plans. Discretionary contributions to the 401(k) Plan and the Deferred Compensation Plan are shown in the following table.

	Performance Year [1]		
(Dollars in millions)	2014	2013	2012
Contribution	$19	$19	$38
Percentage of eligible pay	1 %	1 %	2 %

[1] Contributions for each of these performance years are paid in the first quarter of the following performance year.

Noncontributory Pension Plans

The Company maintains a funded, noncontributory qualified retirement plan (the "Retirement Plan") covering employees meeting certain service requirements. The plan provides benefits based on salary and years of service and, effective January 1, 2008, either a traditional pension benefit formula, a cash balance formula (the PPA), or a combination of both. Participants are 100% vested after three years of service. The interest crediting rate applied to each PPA was 3.89% for 2014. The Company monitors the funding status of the plan closely and due to the current

funded status, the Company did not contribute to either of its noncontributory qualified retirement plans ("Retirement Benefit Plans") for the 2014 plan year.

The Company also maintains unfunded, noncontributory nonqualified supplemental defined benefit pension plans that cover key executives of the Company (the "SERP", the "ERISA Excess Plan", and the "Restoration Plan"). The plans provide defined benefits based on years of service and salary. The Company's obligations for these nonqualified supplemental defined benefit pension plans are included within the qualified Pension Plans in the tables presented in this section under “Pension Benefits.”

The SunTrust Banks, Inc. Restoration Plan (the “Restoration Plan”), effective January 1, 2011, is a nonqualified defined benefit cash balance plan designed to restore benefits to certain employees that are limited under provisions of the Internal Revenue Code and are not otherwise provided for under the ERISA Excess Plan. The benefit formula under the Restoration Plan is the same as the PPA under the Retirement Plan.

On October 1, 2004, the Company acquired NCF. Prior to the acquisition, NCF sponsored a funded qualified retirement plan, an unfunded nonqualified retirement plan for some of its participants, and certain other postretirement health benefits for its employees. Similar to the Company's Retirement Plan, due to the current funding status of the NCF qualified Retirement Plan, the Company did not make a contribution for the 2014 plan year.

The Retirement Plan, the SERP, the ERISA Excess Plan, and the Restoration Plan were each amended on November 14, 2011 to cease all future benefit accruals. As a result, the traditional pension benefit formulas (final average pay formulas) do not reflect future salary increases and benefit service after December 31, 2011, and compensation credits under the Personal Pension Accounts (cash balance formula) ceased. However, interest credits under the Personal Pension Accounts continue to accrue until benefits are distributed and service continues to be recognized for vesting and eligibility requirements for early retirement. Additionally, the NCF Retirement Plan, which had been previously curtailed with respect to future benefit accruals, was amended to cease any adjustments for pay increases after December 31, 2011.

Other Postretirement Benefits

Although not a contractual obligation, the Company provides certain health care and life insurance benefits to retired employees (“Other Postretirement Benefits”). At the option of the Company, retirees may continue certain health and life insurance benefits if they meet specific age and service requirements at the time of retirement. The health care plans are contributory with participant contributions adjusted annually,

and the life insurance plans are noncontributory. Certain retiree health benefits are funded in a Retiree Health Trust. Additionally, certain retiree life insurance benefits are funded in a VEBA. The Company reserves the right to amend or terminate any of the benefits at any time. Effective April 1, 2014, the Company amended the plan which now requires retirees age 65 and older to enroll in individual Medicare supplemental plans. In addition, the Company will fund a tax-advantaged HRA to assist some retirees with medical expenses. The plan amendment was measured as of December 31, 2013 and resulted in a decrease of $76 million in the liability and AOCI for the postretirement benefits plan. The Company contributed less than $1 million to the Postretirement Welfare Plan during the year ended December 31, 2014. The expected pre-tax long-term rate of return on plan assets for the Postretirement Welfare Plan is 5.00% for 2015.

Assumptions

Each year, the SBFC, which includes several members of senior management, reviews and approves the assumptions used in the year-end measurement calculations for each plan. The discount

rate for each plan, used to determine the present value of future benefit obligations, 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. A series of benefit payments projected to be paid by the plan is developed based on the most recent census data, plan provisions, and assumptions. The benefit payments at each future maturity date are discounted by the year-appropriate spot interest rates. The model then solves for the discount rate that produces the same present value of the projected benefit payments as generated by discounting each year's payments by the spot interest rate.

Actuarial gains and losses are created when actual experience deviates from assumptions. The actuarial losses on obligations generated within the pension plans during 2014 resulted primarily from lower interest rates. The actuarial gains during 2013 resulted primarily from higher interest rates and better than expected asset returns.

The following table presents the change in benefit obligations, change in fair value of plan assets, funded status, and accumulated benefit obligation for the years ended December 31.

	Pension Benefits [1]		Other Postretirement Benefits [2]	
(Dollars in millions)	2014	2013	2014	2013
Benefit obligation, beginning of year	$2,575	$2,838	$81	$167
Service cost	5	5	—	—
Interest cost	124	113	3	6
Plan participants' contributions	—	—	11	21
Actuarial loss/(gain)	401	(195)	(10)	1
Benefits paid	(165)	(181)	(16)	(38)
Administrative expenses paid from pension trust	(5)	(5)	—	—
Plan amendments	—	—	—	(76)
Benefit obligation, end of year [3]	$2,935	$2,575	$69	$81
Change in plan assets:				
Fair value of plan assets, beginning of year	$2,873	$2,742	$158	$164
Actual return on plan assets	371	309	8	14
Employer contributions	6	8	—	—
Plan participants' contributions	—	—	11	21
Benefits paid	(165)	(181)	(17)	(41)
Administrative expenses paid from pension trust	(5)	(5)	—	—
Fair value of plan assets, end of year [4]	$3,080	$2,873	$160	$158

Funded status at end of year	$145	$298	$91	$77
Funded status at end of year (%)	105 %	112 %		
Accumulated benefit obligation	$2,935	$2,575		

[1] Employer contributions represent the benefits that were paid to nonqualified plan participants. SERPs are not funded through plan assets.
[2] Plan remeasured at December 31, 2013 due to plan amendment.
[3] Includes $85 million and $80 million of benefit obligations for the unfunded nonqualified supplemental pension plans at December 31, 2014 and 2013, respectively.
[4] Includes $1 million and $0, of the Company's common stock acquired by the asset manager and held as part of the equity portfolio for pension benefits at December 31, 2014 and 2013, respectively.

	Pension Benefits		Other Postretirement Benefits	
(Weighted average assumptions used to determine benefit obligations, end of year)	2014	2013	2014	2013
Discount rate	4.09 %	4.98 %	3.60 %	4.15 %

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The following presents the balances of pension plan assets measured at fair value. See Note 18, "Fair Value Election and Measurement" for level definitions within the fair value hierarchy.

		Fair Value Measurements at December 31, 2014 [1]		
(Dollars in millions)	Total	Level 1	Level 2	Level 3
Money market funds	$122	$122	$—	$—
Equity securities	1,467	1,467	—	—
Futures contracts	(21)	—	(21)	—
Fixed income securities	1,478	107	1,371	—
Other assets	17	17	—	—
Total plan assets	$3,063	$1,713	$1,350	$—

[1] Schedule does not include accrued income amounting to less than 0.6% of total plan assets.

		Fair Value Measurements at December 31, 2013 [1]		
(Dollars in millions)	Total	Level 1	Level 2	Level 3
Money market funds	$83	$83	$—	$—
Equity securities	1,374	1,374	—	—
Futures contracts	8	—	8	—
Fixed income securities	1,387	157	1,230	—
Other assets	2	2	—	—
Total plan assets	$2,854	$1,616	$1,238	$—

[1] Schedule does not include accrued income amounting to less than 0.7% of total plan assets

The following presents the balances of other postretirement benefit assets measured at fair value. See Note 18, "Fair Value Election and Measurement" for level definitions within the fair value hierarchy.

		Fair Value Measurements at December 31, 2014 [1]		
(Dollars in millions)	Total	Level 1	Level 2	Level 3
Money market funds	$13	$13	$—	$—
Mutual funds:				
Equity index fund	51	51	—	—
Tax exempt municipal bond funds	82	82	—	—
Taxable fixed income index funds	14	14	—	—
Total plan assets	$160	$160	$—	$—

		Fair Value Measurements at December 31, 2013 [1]		
(Dollars in millions)	Total	Level 1	Level 2	Level 3
Money market funds	$7	$7	$—	$—
Mutual funds:				
Equity index fund	52	52	—	—
Tax exempt municipal bond funds	85	85	—	—
Taxable fixed income index funds	14	14	—	—
Total plan assets	$158	$158	$—	$—

[1] Fair value measurements do not include accrued income.

The SBFC establishes investment policies and strategies and formally monitors the performance of the investments throughout the year. The Company's investment strategy with respect to pension assets is to invest the assets in

accordance with ERISA and related fiduciary standards. The long-term primary investment objectives for the pension plans are to provide a

commensurate amount of long-term growth of capital (both principal and income) in order to satisfy the pension plan obligations without undue exposure to risk in any single asset class or investment category. The objectives are accomplished through investments in equities, fixed income, and cash equivalents using a mix that is conducive to participation in a rising market while allowing for protection in a declining market. The portfolio is viewed as long-term in its entirety, avoiding

decisions regarding short-term concerns and any single investment. Asset allocation, as a percent of the total market value of the total portfolio, is set with the target percentages and ranges presented in the investment policy statement. Rebalancing occurs on a periodic basis to maintain the target allocation, but normal market activity may result in deviations.

The basis for determining the overall expected long-term rate of return on plan assets considers past experience, current market conditions, and expectations on future trends. A building block approach is used that considers long-term inflation, real returns, equity risk premiums, target asset allocations, market corrections, and expenses. Capital market simulations from internal and external sources, survey data, economic forecasts, and actuarial judgment are all used in this process. The expected 2014 long-term gross rate of return on plan assets for the SunTrust Retirement Plan and NCF Retirement Plan was 7.20% and 6.65%, respectively, gross of administration fees. For 2013, the expected long-term rate of return on both plans was 7.00%. The expected long-term gross rate of return is 6.95% for the SunTrust Retirement Plan and 6.15% for the NCF Retirement Plan for 2015.

The target allocation and weighted average allocation for pension plan assets, by asset category, are as follows:

	Target Allocation		December 31			
	2015		2014		2013	
Cash equivalents	0-10	%	4	%	3	%
Equity securities	0-50		48		48	
Debt securities	50-100		48		49	
Total			100	%	100	%

The investment strategy for the other postretirement benefit plans is maintained separately from the strategy for the pension plans. The Company’s investment strategy is to create a series of investment returns sufficient to provide a commensurate amount of long-term growth of capital (both principal and income) in order to satisfy the other postretirement benefit plan's obligations. These assets are diversified among equity funds and fixed income investments according to the asset mix approved by the SBFC, which is presented in the target allocation table below. With the other postretirement benefits having a shorter

time horizon, a lower equity profile is appropriate. The pre-tax expected long-term rate of return on retiree life insurance plan assets was 5.25% for 2014 and 5.00% for 2013. The 2015 pre-tax expected long-term rate of return on retiree life plan assets is 5.00%. The after-tax expected long-term rate of return on retiree health plan assets was 3.41% for 2014 and 3.25% for 2013. The 2015 after-tax expected long-term rate of return on retiree health plan assets is 3.25%. During 2014 and 2013, there was no SunTrust common stock held in the other postretirement benefit plans.

The target allocation and weighted average allocation for other postretirement benefit plan assets, by asset category, are as follows:

	Target Allocation		December 31			
	2015		2014		2013	
Cash equivalents	5-15	%	8	%	5	%
Equity securities	20-40		32		33	
Debt securities	50-70		60		62	
Total			100	%	100	%

The Company sets pension asset values equal to their market value, in contrast to the use of a smoothed asset value that incorporates gains and losses over a period of years. Utilization of market value of assets provides a more realistic economic measure of the plan’s funded status and cost. Assumed discount rates and expected returns on plan assets affect the amounts of net periodic benefit. A 25 basis point increase/decrease in the expected long-term return on plan assets would increase/decrease the net periodic benefit by $7 million for all pension and other postretirement plans. A

25 basis point increase/decrease in the discount rate would change the net periodic benefit by less than $1 million for all pension and other postretirement plans.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. At December 31, 2014, the Company assumed that pre-65 retiree health care costs will increase at an initial rate of 7.50% per year. The Company expects this annual cost increase to decrease over a 10-year period to 5.00% per year. A 1% increase or decrease on other postretirement benefit obligations, service cost, and interest cost are less than $1 million, respectively.

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Expected Cash Flows

Information about the expected cash flows for the pension benefit and other postretirement benefit plans is as follows:

(Dollars in millions)	Pension Benefits [1]	Other Postretirement Benefits (excluding Medicare Subsidy) [2]
Employer Contributions		
2015 (expected) to plan trusts	$—	$—
2015 (expected) to plan participants [3]	7	—
Expected Benefit Payments		
2015	191	7
2016	171	7
2017	171	6
2018	167	6
2019	166	5
2019 - 2024	846	21

[1] Based on the funding status and ERISA limitations, the Company anticipates contributions to the Retirement Plan will not be required during 2015.

[2] Expected payments under other postretirement benefit plans are shown net of participant contributions.

[3] The expected benefit payments for the SERP will be paid directly from the Company's corporate assets.

Net Periodic Benefit

Components of net periodic benefit for the year ended December 31 were as follows:

	Pension Benefits [1]			Other Postretirement Benefits		
(Dollars in millions)	2014	2013	2012	2014	2013	2012
Service cost	$5	$5	$5	$—	$—	$—
Interest cost	124	113	119	3	6	7
Expected return on plan assets	(200)	(192)	(178)	(5)	(6)	(7)
Amortization of actuarial loss	16	26	25	—	—	—
Amortization of prior service credit	—	—	—	(6)	—	—
Settlement loss	—	—	2	—	—	—
Net periodic (benefit)/cost	($55)	($48)	($27)	($8)	$—	$—
Weighted average assumptions used to determine net periodic benefit:						
Discount rate	4.98 %	4.08 %	4.63 % [2]	4.15 %	3.45 %	4.10 %
Expected return on plan assets	7.20	7.20	7.20	3.41 [3]	3.25 [3]	4.06 [3]

[1] Administrative fees are recognized in service cost for each of the periods presented.

[2] Interim remeasurement was required on September 15, 2012 for the SunTrust SERP to reflect settlement accounting.

[3] The weighted average shown is determined on an after-tax basis.

At December 31, components of the benefit obligations AOCI balance were as follows:

	Pension Benefits		Other Postretirement Benefits	
(Dollars in millions)	2014	2013	2014	2013
Net actuarial loss/(gain)	$1,021	$807	($14)	($1)
Prior service credit	—	—	(70)	(76)
Total AOCI, pre-tax	$1,021	$807	($84)	($77)

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Notes to Consolidated Financial Statements, continued

Other changes in plan assets and benefit obligations recognized in AOCI during 2014 were as follows:

(Dollars in millions)	Pension Benefits	Other Postretirement Benefits
Current year actuarial loss/(gain)	$230	($13)
Amortization of actuarial loss	(16)	—
Amortization of prior service credit	—	6
Total recognized in AOCI, pre-tax	$214	($7)
Total recognized in net periodic benefit and AOCI, pre-tax	$159	($15)

For pension plans, the estimated actuarial loss that will be amortized from AOCI into net periodic benefit in 2015 is $21 million. For the other postretirement plans, the estimated prior

service credit to be amortized from AOCI into net periodic benefit in 2015 is $6 million.

NOTE 16 – GUARANTEES

The Company has undertaken certain guarantee obligations in the ordinary course of business. The issuance of a guarantee imposes an obligation for the Company to stand ready to perform and make future payments should certain triggering events occur. Payments may be in the form of cash, financial instruments, other assets, shares of stock, or provision of the Company's services. The following is a discussion of the guarantees that the Company has issued at December 31, 2014. The Company has also entered into certain contracts that are similar to guarantees, but that are accounted for as derivatives as discussed in Note 17, "Derivative Financial Instruments."

Letters of Credit

Letters of credit are conditional commitments issued by the Company, generally to guarantee the performance of a client to a third party in borrowing arrangements, such as CP, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients and may be reduced by selling participations to third parties. The Company issues letters of credit that are classified as financial standby, performance standby, or commercial letters of credit.

At December 31, 2014 and 2013, the maximum potential amount of the Company's obligation for issued financial and performance standby letters of credit was $3.0 billion and $3.3 billion, respectively. The Company's outstanding letters of credit generally have a term of less than one year but may extend longer. Some standby letters of credit are designed to be drawn upon and others are drawn upon only under circumstances of dispute or default in the underlying transaction to which the Company is not a party. In all cases, the Company is entitled to reimbursement from the applicant. If a letter of credit is drawn upon and reimbursement is not provided by the applicant, the Company may take possession of the collateral securing the line of credit, where applicable. The Company monitors its credit exposure under standby letters of credit in the same manner as it monitors other extensions of credit in accordance with its credit policies. An internal assessment of the PD and loss severity in the event of default is performed consistent with the methodologies used for all commercial borrowers. The management of credit risk regarding letters of credit leverages the risk rating process to focus greater visibility on higher risk and/or higher dollar letters of credit. The allowance for credit

losses associated with letters of credit is a component of the unfunded commitments reserve recorded in other liabilities in the Consolidated Balance Sheets and is included in the allowance for credit losses as disclosed in Note 7, "Allowance for Credit Losses." Additionally, unearned fees relating to letters of credit are recorded in other liabilities. The net carrying amount of unearned fees was $5 million and $3 million at December 31, 2014 and 2013, respectively.

Loan Sales and Servicing

STM, a consolidated subsidiary of the Company, originates and purchases residential mortgage loans, a portion of which are sold to outside investors in the normal course of business, through a combination of whole loan sales to GSEs, Ginnie Mae, and non-agency investors. Prior to 2008, the Company also sold loans through a limited number of Company-sponsored securitizations. When mortgage loans are sold, representations and warranties regarding certain attributes of the loans sold are made to third party purchasers. Subsequent to the sale, if a material underwriting deficiency or documentation defect is discovered, STM may be obligated to repurchase the mortgage loan or to reimburse an investor for losses incurred (make whole requests) if such deficiency or defect cannot be cured by STM within the specified period following discovery. Additionally, defects in the securitization process or breaches of underwriting and servicing representations and warranties can result in loan repurchases, as well as adversely affect the valuation of MSRs, servicing advances, or other mortgage loan-related exposures, such as OREO. These representations and warranties may extend through the life of the mortgage loan. STM’s risk of loss under its representations and warranties is partially driven by borrower payment performance since investors will perform extensive reviews of delinquent loans as a means of mitigating losses.

Non-agency loan sales include whole loan sales and loans sold in private securitization transactions. While representations and warranties have been made related to these sales, they differ from those made in connection with loans sold to the GSEs in that non-agency loans may not be required to meet the same underwriting standards and non-agency investors may be required to demonstrate that an alleged breach is material and caused the investors' loss. For legal claims related to representations and warranties for which it is probable that a loss

will be incurred and the amount of such loss can be reasonably estimated, the Company records those reserves in other liabilities in the Consolidated Balance Sheets. See Note 19, "Contingencies," for additional information on current legal matters related to representations and warranties.

Loans sold to Ginnie Mae are insured by either the FHA or VA. As servicer, the Company may elect to repurchase delinquent loans in accordance with Ginnie Mae guidelines; however, the loans continue to be insured. The Company indemnifies the FHA and VA for losses related to loans not originated in accordance with their guidelines. See Note 19, "Contingencies," for additional information on current legal matters related to representations and warranties made in connection with loan sales and the final settlement of HUD's investigation of the Company's origination practices for FHA loans.

During the third quarter of 2013, the Company reached agreements in principle with Freddie Mac and Fannie Mae relieving the Company of certain existing and future repurchase obligations related to 2000-2008 vintages for Freddie Mac and 2000-2012 vintages for Fannie Mae. Repurchase requests have declined significantly in 2014 as a result of the settlements. Repurchase requests from GSEs, Ginnie Mae, and non-agency investors, for all vintages, are illustrated in the following table that summarizes demand activity for the years ended December 31:

(Dollars in millions)	2014		2013		2012	
Beginning pending repurchase requests	$126		$655		$590	
Repurchase requests received	158		1,511		1,726	
Repurchase requests resolved:						
Repurchased	(28	)	(1,134	)	(769	)
Cured	(209	)	(906	)	(892	)
Total resolved	(237	)	(2,040	)	(1,661	)
Ending pending repurchase requests[1]	$47		$126		$655	
Percent from non-agency investors:						
Pending repurchase requests	6.7	%	2.8	%	2.5	%
Repurchase requests received	0.9		1.2		1.2	

[1] Comprised of $44 million, $122 million, and $639 million from the GSEs, and $3 million, $4 million, and $16 million from non-agency investors at December 31, 2014, 2013, and 2012, respectively.

The majority of these requests were from the GSEs, with a limited number of requests from non-agency investors. The repurchase and make whole requests received have been primarily due to alleged material breaches of representations related to compliance with the applicable underwriting standards, including borrower misrepresentation and appraisal issues. STM performs a loan-by-loan review of all requests and contests demands to the extent they are not considered valid.

The following table summarizes the changes in the Company's reserve for mortgage loan repurchases:

	Year Ended December 31					
(Dollars in millions)	2014		2013		2012	
Balance at beginning of period	$78		$632		$320	
Repurchase provision	12		114		713	
Charge-offs, net of recoveries	(5	)	(668	)	(401	)
Balance at end of period	$85		$78		$632	

A significant degree of judgment is used to estimate the mortgage repurchase liability as the estimation process is inherently uncertain and subject to imprecision. The Company believes that its reserve appropriately estimates incurred losses based on its current analysis and assumptions, inclusive of the Freddie Mac and Fannie Mae settlement agreements, GSE owned loans serviced by third party servicers, loans sold to private investors, and future

indemnifications. However, the 2013 agreements with Freddie Mac and Fannie Mae settling certain aspects of the Company's repurchase obligations preserve their right to require repurchases arising from certain types of events, and that preservation of rights can impact future losses of the Company. While the repurchase reserve includes the estimated cost of settling claims related to required repurchases, the Company's estimate of losses depends on its assumptions regarding GSE and other counterparty behavior, loan performance, home prices, and other factors. The liability is recorded in other liabilities in the Consolidated Balance Sheets, and the related repurchase provision is recognized as a contra-revenue item in mortgage production related income in the Consolidated Statements of Income.
At December 31, 2014, the carrying value of outstanding repurchased mortgage loans, net of any allowance for loan losses, was $312 million, comprised of $300 million LHFI and $12 million LHFS, respectively, of which $29 million LHFI and $12 million LHFS, were nonperforming. At December 31, 2013, the carrying value of outstanding repurchased mortgage loans, net of any allowance for loan losses, was $339 million, comprised of $325 million LHFI and $14 million LHFS, respectively, of which $54 million LHFI and $14 million LHFS, were nonperforming.
In addition to representations and warranties related to loan sales, the Company makes representations and warranties that it will service the loans in accordance with investor servicing guidelines and standards, which may include (i) collection and remittance of principal and interest, (ii) administration of escrow for taxes and insurance, (iii) advancing principal, interest, taxes, insurance, and collection expenses on delinquent accounts, (iv) loss mitigation strategies including loan modifications, and (v) foreclosures.
The Company normally retains servicing rights when loans are transferred; however, servicing rights are occasionally sold to third parties. When MSRs are sold, the Company makes representations and warranties related to servicing standards and obligations and recognizes a liability for contingent losses, separate from the reserve for mortgage loan repurchases, which totaled $25 million and $21 million at December 31, 2014 and 2013, respectively.

Notes to Consolidated Financial Statements, continued

Contingent Consideration

The Company has contingent payment obligations related to certain business combination transactions. Payments are calculated using certain post-acquisition performance criteria. The potential obligation is recorded as an other liability, measured at the fair value of the contingent payments totaling $27 million and $26 million at December 31, 2014 and 2013, respectively. If required, these contingent payments will be payable within the next two years.

Visa

The Company issues credit and debit transactions through Visa and MasterCard. The Company is a defendant, along with Visa and MasterCard (the “Card Associations”), as well as several other banks, in one of several antitrust lawsuits challenging the practices of the Card Associations (the “Litigation”). The Company entered into judgment and loss sharing agreements with Visa and certain other banks in order to apportion financial responsibilities arising from any potential adverse judgment or negotiated settlements related to the Litigation. Additionally, in connection with Visa's restructuring in 2007, shares of Visa common stock were issued to its financial institution members and the Company received its proportionate number of shares of Visa Inc. common stock, which were subsequently converted to Class B shares of Visa Inc. upon completion of Visa’s IPO in 2008. A provision of the original Visa By-Laws, which was restated in Visa's certificate of incorporation, contains a general indemnification provision between a Visa member and Visa that explicitly provides that each member's indemnification obligation is limited to losses arising from its own conduct and the specifically defined Litigation.

Agreements associated with Visa's IPO have provisions that Visa will fund a litigation escrow account, established for the purpose of funding judgments in, or settlements of, the Litigation. If the escrow account is insufficient to cover the Litigation losses, then Visa will issue additional Class A shares (“loss shares”). The proceeds from the sale of the loss shares would then be deposited in the escrow account. The issuance of the loss shares will cause a dilution of Visa's Class B shares as a result of an adjustment to lower the conversion factor of the Class B shares to Class A shares. Visa U.S.A.'s members are responsible for any portion of the settlement or loss on the Litigation after the escrow account is depleted and the value of the Class B shares is fully diluted. In May 2009, the Company sold its 3.2 million Class B shares to the Visa Counterparty and entered into a derivative with the Visa Counterparty. Under the derivative, the Visa Counterparty is compensated by the Company for any decline in the conversion factor as a result of the outcome of the Litigation. Conversely, the Company is compensated by the Visa Counterparty for any increase in the conversion factor. The amount of payments made or received under the derivative is a function of the 3.2 million shares sold to the Visa Counterparty, the change in conversion rate, and Visa’s share price. The Visa Counterparty, as a result of its ownership of the Class B shares, is impacted by dilutive adjustments to the conversion factor of the Class B shares caused by the Litigation losses.

During 2012, the Card Associations and defendants signed a memorandum of understanding to enter into a settlement agreement to resolve the plaintiffs' claims in the Litigation. Visa's

share of the claims represents approximately $4.4 billion, which was paid from the escrow account into a settlement fund during 2012. During 2013, various members of the putative class elected to opt out of the settlement which resulted in a proportional decrease in the amount of the settlement and a deposit of approximately $1.0 billion from the settlement fund back into the escrow account. During 2014, Visa deposited an additional $450 million into the escrow account, bringing the escrow account to approximately $1.5 billion. The estimated fair value of the derivative liability was immaterial at December 31, 2014 and 2013, however, the ultimate impact to the Company could be significantly different if the settlement is not approved and/or based on the ultimate resolution with the plaintiffs that opted out of the settlement.

Tax Credit Investments Sold

SunTrust Community Capital, one of the Company's subsidiaries, previously obtained state and federal tax credits through the construction and development of affordable housing properties and continues to obtain state and federal

tax credits through investments in affordable housing developments. SunTrust Community Capital or its subsidiaries are limited and/or general partners in various partnerships established for the properties. Some of the investments that generate state tax credits may be sold to outside investors. At December 31, 2014, SunTrust Community Capital has completed six sales containing guarantee provisions stating that SunTrust Community Capital will make payment to the outside investors if the tax credits become ineligible. SunTrust Community Capital also guarantees that the general partner under the transaction will perform on the delivery of the credits. The guarantees are expected to expire within a fifteen year period from inception. At December 31, 2014, the maximum potential amount that SunTrust Community Capital could be obligated to pay under these guarantees is $19 million; however, SunTrust Community Capital can seek recourse against the general partner. Additionally, SunTrust Community Capital can seek reimbursement from cash flow and residual values of the underlying affordable housing properties, provided that the properties retain value. At December 31, 2014 and 2013, an immaterial amount was accrued for the remainder of tax credits to be delivered, and was recorded in other liabilities in the Consolidated Balance Sheets.

Public Deposits

The Company holds public deposits from various states in which it does business. Individual state laws require banks to collateralize public deposits, typically as a percentage of their public deposit balance in excess of FDIC insurance and may also require a cross-guarantee among all banks holding public deposits of the individual state. The amount of collateral required varies by state and may also vary by institution within each state, depending on the individual state's risk assessment of depository institutions. Certain of the states in which the Company holds public deposits use a pooled collateral method, whereby in the event of default of a bank holding public deposits, the collateral of the defaulting bank is liquidated to the extent necessary to recover the loss of public deposits of the defaulting bank. To the extent the collateral is insufficient, the remaining public deposit balances of the defaulting bank are recovered through an assessment of the other banks holding public deposits in that

state. The maximum potential amount of future payments the Company could be required to make is dependent on a variety of factors, including the amount of public funds held by banks in the states in which the Company also holds public deposits and the amount of collateral coverage associated with any defaulting bank. Individual states appear to be monitoring this risk and evaluating collateral requirements; therefore, the likelihood that the Company would have to perform under this guarantee is dependent on whether any banks holding public funds default as well as the adequacy of collateral coverage.

Other

In the normal course of business, the Company enters into indemnification agreements and provides standard representations and warranties in connection with numerous transactions. These transactions include those arising from securitization activities, underwriting agreements, merger and acquisition agreements, swap clearing agreements, loan sales, contractual commitments, payment processing, sponsorship agreements, and various other business transactions or

arrangements. The extent of the Company's obligations under these indemnification agreements depends upon the occurrence of future events; therefore, the Company's potential future liability under these arrangements is not determinable.

STIS and STRH, broker-dealer affiliates of the Company, use a common third party clearing broker to clear and execute their customers' securities transactions and to hold customer accounts. Under their respective agreements, STIS and STRH agree to indemnify the clearing broker for losses that result from a customer's failure to fulfill its contractual obligations. As the clearing broker's rights to charge STIS and STRH have no maximum amount, the Company believes that the maximum potential obligation cannot be estimated. However, to mitigate exposure, the affiliate may seek recourse from the customer through cash or securities held in the defaulting customers' account. For the years ended December 31, 2014, 2013, and 2012, STIS and STRH experienced minimal net losses as a result of the indemnity. The clearing agreements expire in May 2020 for both STIS and STRH.

NOTE 17 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into various derivative financial instruments, both in a dealer capacity to facilitate client transactions and as an end user as a risk management tool. ALCO monitors all derivative activities. When derivatives have been entered into with clients, the Company generally manages the risk associated with these derivatives within the framework of its VAR methodology that monitors total daily exposure and seeks to manage the exposure on an overall basis. Derivatives are also used as a risk management tool to hedge the Company’s balance sheet exposure to changes in identified cash flow and fair value risks, either economically or in accordance with hedge accounting provisions. The Company’s Corporate Treasury function is responsible for employing the various hedge accounting strategies to manage these objectives. Additionally, as a normal part of its operations, the Company enters into IRLCs on mortgage loans that are accounted for as freestanding derivatives and has certain contracts containing embedded derivatives that are carried, in their entirety, at fair value. All freestanding derivatives and any embedded derivatives that the Company bifurcates from the host contracts are carried at fair value in the Consolidated Balance Sheets in trading assets and derivatives and trading liabilities and derivatives. The associated gains and losses are either recognized in AOCI, net of tax, or within the Consolidated Statements of Income, depending upon the use and designation of the derivatives.

Credit and Market Risk Associated with Derivatives

Derivatives expose the Company to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. The Company minimizes the credit risk of derivatives by entering into transactions with counterparties with defined exposure limits based on credit quality that are reviewed periodically by the Company’s Credit Risk Management division. The Company’s derivatives may also be governed by an ISDA or other master agreement, and depending on the nature of the derivative, bilateral collateral agreements. The Company is subject to OTC derivative

clearing requirements as a registered

swap dealer, which requires certain derivatives to be cleared through central clearing members in which the Company is required to post initial margin. To further mitigate the risk of non-payment, variation margin is received or paid daily based on the net asset or liability position of the contracts. When the Company has more than one outstanding derivative transaction with a single counterparty and there exists a legal right of offset with that counterparty, the Company considers its exposure to the counterparty to be the net market value of its derivative positions with that counterparty. If the net market value is positive, then the counterparty asset value also reflects held collateral. At December 31, 2014, these net derivative asset positions were $1.1 billion, representing the $1.5 billion of derivative net gains adjusted for cash and other collateral of $386 million that the Company held in relation to these gain positions. At December 31, 2013, net derivative asset positions were $1.0 billion, representing $1.5 billion of derivative net gains, adjusted for cash and other collateral of $523 million that the Company held in relation to these gain positions.

Derivatives also expose the Company to market risk. Market risk is the adverse effect that a change in market factors, such as interest rates, currency rates, equity prices, commodity prices, or implied volatility, has on the value of a derivative. Under an established risk governance framework, the Company comprehensively manages the market risk associated with its derivatives by establishing and monitoring limits on the types and degree of risk that may be undertaken. The Company continually measures this risk associated with its derivatives designated as trading instruments using a VAR methodology. Other tools and risk measures are also used to actively manage derivatives risk including scenario analysis and stress testing.

Derivative instruments are priced with observable market assumptions at a mid-market valuation point, with appropriate valuation adjustments for liquidity and credit risk. For purposes of valuation adjustments to its derivative positions, the Company has evaluated liquidity premiums that may be demanded by market participants, as well as the credit risk of its counterparties

and its own credit. The Company has considered factors such as the likelihood of default by itself and its counterparties, its net exposures, and remaining maturities in determining the appropriate fair value adjustments to recognize. Generally, the expected loss of each counterparty is estimated using the Company’s internal risk rating system. The risk rating system utilizes counterparty-specific PD and LGD estimates to derive the expected loss. During the fourth quarter of 2014, the Company enhanced its approach toward determining fair value adjustments of derivatives by leveraging publicly available counterparty information. In particular, for purposes of determining the CVA, the Company started incorporating market-based views of counterparty default probabilities derived from observed credit spreads in the CDS market when data of acceptable quality was available. This enhanced approach did not have a material impact on the Company's financial position, results of operations, or cash flows. For purposes of estimating the Company’s own credit risk on derivative liability positions, the DVA, the Company began using market-based probabilities of default from observed credit spreads of Company-specific CDS. Additionally, counterparty exposure is evaluated by offsetting derivatives positions that are subject to legally enforceable master netting arrangements, as well as by considering the amount of marketable collateral securing the positions. All counterparties and defined exposure limits are explicitly approved under established internal policies and procedures. Counterparties are regularly reviewed and appropriate business action is taken to adjust the exposure to certain counterparties as necessary. The Company adjusted the net fair value of its derivative contracts for estimates of net counterparty credit risk by approximately $7 million and $13 million at December 31, 2014 and 2013, respectively. Currently, the majority of the Company’s derivatives contain contingencies that relate to the creditworthiness of the Bank. These contingencies, which are contained in industry standard master netting agreements, may be considered events of default. Should the Bank be in default under any of these provisions, the Bank’s counterparties would be permitted to close-out net at amounts that would approximate the then-fair values of the derivatives, resulting in a single sum due by one party to the other. The counterparties would have the right to apply any collateral posted by the Bank against any net amount owed by the Bank. Additionally, certain of the Company’s derivative liability positions, totaling $1.1 billion and $941 million in fair value at December 31, 2014 and 2013,

respectively, contain provisions conditioned on downgrades of the Bank’s credit rating. These provisions, if triggered, would either give rise to an ATE that permits the counterparties to close-out net and apply collateral or, where a CSA is present, require the Bank to post additional collateral. At December 31, 2014, the Bank carried senior long-term debt ratings of A3/A-/BBB+ from Moody’s, S&P, and Fitch, respectively. At December 31, 2014, ATEs have been triggered for approximately $1 million in fair value liabilities. The maximum additional liability that could be triggered from ATEs was approximately $27 million at December 31, 2014. At December 31, 2014, $1.1 billion in fair value of derivative liabilities were subject to CSAs, against which the Bank has posted $1.0 billion in collateral, primarily in the form of cash. If requested by the counterparty pursuant to the terms of the CSA, the Bank would be required to post estimated additional collateral against these contracts at December 31, 2014, of $20 million if the Bank were downgraded to Baa3/BBB-. Further downgrades to Ba1/BB+ or below do not contain predetermined collateral posting levels.

Notional and Fair Value of Derivative Positions

The following tables present the Company’s derivative positions at December 31, 2014 and 2013. The notional amounts in the tables are presented on a gross basis and have been classified within Asset Derivatives or Liability Derivatives based on the estimated fair value of the individual contract at December 31, 2014 and 2013. Gross positive and gross negative fair value amounts associated with respective notional amounts are presented without consideration of any netting agreements, including collateral arrangements. Net fair value derivative amounts are adjusted on an aggregate basis, where applicable, to take into consideration the effects of legally enforceable master netting agreements, including any cash collateral received or paid, and are recognized in trading assets and derivatives or trading liabilities and derivatives on the Consolidated Balance Sheets. For contracts constituting a combination of options that contain a written option and a purchased option (such as a collar), the notional amount of each option is presented separately, with the purchased notional amount generally being presented as an Asset Derivative and the

written notional amount being presented as a Liability Derivative. For contracts that contain a combination of options, the fair value is generally presented as a single value with the purchased notional amount if the combined fair value is positive, and with the written notional amount, if the combined fair value is negative.

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Notes to Consolidated Financial Statements, continued

	December 31, 2014			
	Asset Derivatives		Liability Derivatives	
(Dollars in millions)	Notional Amounts	Fair Value	Notional Amounts	Fair Value
Derivatives designated in cash flow hedging relationships [1]				
Interest rate contracts hedging floating rate loans	$18,150	$208	$2,850	$8
Derivatives designated in fair value hedging relationships [2]				
Interest rate contracts covering fixed rate debt	2,700	30	2,600	1
Interest rate contracts covering brokered CDs	30	—	—	—
Total	2,730	30	2,600	1
Derivatives not designated as hedging instruments [3]				
Interest rate contracts covering:				
Fixed rate debt	—	—	60	6
MSRs	5,172	163	8,807	30
LHFS, IRLCs [4]	1,840	4	4,923	23
Trading activity [5]	61,049	2,405	61,005	2,219
Foreign exchange rate contracts covering trading activity	2,429	104	2,414	100
Credit contracts covering:				
Loans	—	—	392	5
Trading activity [6]	2,282	20	2,452	20
Equity contracts - Trading activity [5]	21,875	2,809	28,128	3,090
Other contracts:				
IRLCs and other [7]	2,231	25	139	5
Commodities	381	71	374	70
Total	97,259	5,601	108,694	5,568
Total derivatives	$118,139	$5,839	$114,144	$5,577
Total gross derivatives, before netting		$5,839		$5,577
Less: Legally enforceable master netting agreements		(4,083)		(4,083)
Less: Cash collateral received/paid		(449)		(1,032)
Total derivatives, after netting		$1,307		$462

[1] See “Cash Flow Hedges” in this Note for further discussion.
[2] See “Fair Value Hedges” in this Note for further discussion.
[3] See “Economic Hedging and Trading Activities” in this Note for further discussion.
[4] Amount includes $791 million of notional amounts related to interest rate futures. These futures contracts settle in cash daily, one day in arrears. The derivative asset or liability associated with the one day lag is included in the fair value column of this table.
[5] Amounts include $10.3 billion and $563 million of notional related to interest rate futures and equity futures, respectively. These futures contracts settle in cash daily, one day in arrears. The derivative assets/liabilities associated with the one day lag are included in the fair value column of this table.
[6] Asset and liability amounts each include $4 million of notional from purchased and written credit risk participation agreements, respectively, whose notional is calculated as the notional of the derivative participated adjusted by the relevant RWA conversion factor.
[7] Includes a notional amount that is based on the number of Visa Class B shares, 3.2 million, the conversion ratio from Class B shares to Class A shares, and the Class A share price at the derivative inception date of May 28, 2009. This derivative was established upon the sale of Class B shares in the second quarter of 2009 as discussed in Note 16, “Guarantees.” The fair value of the derivative liability, which relates to a notional amount of $49 million, is immaterial

and is recognized in trading assets and derivatives in the Consolidated Balance Sheets.

Notes to Consolidated Financial Statements, continued

(Dollars in millions)	December 31, 2013			
	Asset Derivatives		Liability Derivatives	
	Notional Amounts	Fair Value	Notional Amounts	Fair Value
Derivatives designated in cash flow hedging relationships [1]				
Interest rate contracts hedging floating rate loans	$17,250	$471	$—	$—
Derivatives designated in fair value hedging relationships [2]				
Interest rate contracts covering fixed rate debt	2,000	52	900	24
Derivatives not designated as hedging instruments [3]				
Interest rate contracts covering:				
Fixed rate debt	—	—	60	7
MSRs	1,425	27	6,898	79
LHFS, IRLCs [4]	4,561	30	1,317	5
Trading activity [5]	70,615	2,917	65,299	2,742
Foreign exchange rate contracts covering trading activity	2,449	61	2,624	57
Credit contracts covering:				
Loans	—	—	427	5
Trading activity [6]	1,568	37	1,579	34
Equity contracts - Trading activity [5]	19,595	2,504	24,712	2,702
Other contracts:				
IRLCs and other [7]	1,114	12	755	4
Commodities	241	14	228	14
Total	101,568	5,602	103,899	5,649
Total derivatives	$120,818	$6,125	$104,799	$5,673
Total gross derivatives, before netting		$6,125		$5,673
Less: Legally enforceable master netting agreements		(4,284)		(4,284)
Less: Cash collateral received/paid		(457)		(864)
Total derivatives, after netting		$1,384		$525

[1] See “Cash Flow Hedges” in this Note for further discussion.
[2] See “Fair Value Hedges” in this Note for further discussion.
[3] See “Economic Hedging and Trading Activities” in this Note for further discussion.
[4] Amount includes $885 million of notional amounts related to interest rate futures. These futures contracts settle in cash daily, one day in arrears. The derivative liability associated with the one day lag is included in the fair value column of this table.
[5] Amounts include $15.2 billion and $157 million of notional related to interest rate futures and equity futures, respectively. These futures contracts settle in cash daily, one day in arrears. The derivative asset associated with the one day lag is included in the fair value column of this table.
[6] Asset and liability amounts each include $4 million and $5 million of notional from purchased and written interest rate swap risk participation agreements, respectively, whose notional is calculated as the notional of the interest rate swap participated adjusted by the relevant RWA conversion factor.
[7] Includes a notional amount that is based on the number of Visa Class B shares, 3.2 million, the conversion ratio from Class B shares to Class A shares, and the Class A share price at the derivative inception date of May 28, 2009. This derivative was established upon the sale of Class B shares in the second quarter of 2009 as discussed in Note 16, “Guarantees.” The fair value of the derivative liability, which relates to a notional amount of $55 million, is immaterial and is recognized in other liabilities in the Consolidated Balance Sheets.

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Notes to Consolidated Financial Statements, continued

Impact of Derivatives on the Consolidated Statements of Income and Shareholders' Equity

The impacts of derivatives on the Consolidated Statements of Income and the Consolidated Statements of Shareholders' Equity for the years ended December 31, 2014, 2013 and 2012 are presented below. The impacts are segregated between those derivatives that are designated in hedging relationships and those

that are used for economic hedging or trading purposes, with further identification of the underlying risks in the derivatives and the hedged items, where appropriate. The tables do not disclose the financial impact of the activities that these derivative instruments are intended to hedge.

	Year Ended December 31, 2014		
(Dollars in millions)	Amount of pre-tax gain recognized in OCI on Derivatives (Effective Portion)	Classification of gain reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax gain reclassified from AOCI into Income (Effective Portion)
Derivatives in cash flow hedging relationships:			
Interest rate contracts hedging floating rate loans [1]	$99	Interest and fees on loans	$290

[1] During the year ended December 31, 2014, the Company also reclassified $97 million of pre-tax gains from AOCI into net interest income. These gains related to hedging relationships that have been previously terminated or de-designated and are reclassified into earnings in the same period in which the forecasted transaction occurs.

	Year Ended December 31, 2014		
(Dollars in millions)	Amount of gain on Derivatives recognized in Income	Amount of loss on related Hedged Items recognized in Income	Amount of gain recognized in Income on Hedges (Ineffective Portion)
Derivatives in fair value hedging relationships:			
Interest rate contracts hedging fixed rate debt [1]	$8	($7)	$1
Interest rate contracts covering brokered CDs [1]	—	—	—
Total	$8	($7)	$1

[1] Amounts are recognized in trading income in the Consolidated Statements of Income.

(Dollars in millions)	Classification of (loss)/gain recognized in Income on Derivatives	Amount of (loss)/gain recognized in Income on Derivatives during the Year Ended December 31, 2014
Derivatives not designated as hedging instruments:		
Interest rate contracts covering:		
Fixed rate debt	Trading income	($1)

MSRs	Mortgage servicing related income	257	
LHFS, IRLCs	Mortgage production related income	(149	)
Trading activity	Trading income	50	
Foreign exchange rate contracts covering:			
Trading activity	Trading income	69	
Credit contracts covering:			
Loans	Other noninterest income	(1	)
Trading activity	Trading income	17	
Equity contracts - trading activity	Trading income	4	
Other contracts - IRLCs	Mortgage production related income	261	
Total		$507	

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Notes to Consolidated Financial Statements, continued

(Dollars in millions)	Year Ended December 31, 2013 Amount of pre-tax (loss)/gain recognized in OCI on Derivatives (Effective Portion)	Classification of (loss)/gain reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax gain reclassified from AOCI into Income (Effective Portion)
Derivatives in cash flow hedging relationships:			
Interest rate contracts hedging forecasted debt	($2)	Interest on long-term debt	$—
Interest rate contracts hedging floating rate loans [1]	18	Interest and fees on loans	327
Total	$16		$327

[1] During the year ended December 31, 2013, the Company also reclassified $90 million pre-tax gains from AOCI into net interest income. These gains related to hedging relationships that have been previously terminated or de-designated and are reclassified into earnings in the same period in which the forecasted transaction occurs.

(Dollars in millions)	Year Ended December 31, 2013 Amount of loss on Derivatives recognized in Income	Amount of gain on related Hedged Items recognized in Income	Amount of loss recognized in Income on Hedges (Ineffective Portion)
Derivatives in fair value hedging relationships:			
Interest rate contracts hedging fixed rate debt [1]	($36)	$33	($3)

[1] Amounts are recognized in trading income in the Consolidated Statements of Income.

(Dollars in millions)	Classification of gain/(loss) recognized in Income on Derivatives	Amount of gain/(loss) recognized in Income on Derivatives during the Year Ended December 31, 2013
Derivatives not designated as hedging instruments:		
Interest rate contracts covering:		
Fixed rate debt	Trading income	$2
MSRs	Mortgage servicing related income	($284)
LHFS, IRLCs	Mortgage production related income	289
Trading activity	Trading income	59
Foreign exchange rate contracts covering:		
Commercial loans	Trading income	1
Trading activity	Trading income	23
Credit contracts covering:		
Loans	Other noninterest income	(4)
Trading activity	Trading income	21
Equity contracts - trading activity	Trading income	(15)
Other contracts - IRLCs	Mortgage production related income	98
Total		$190

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Notes to Consolidated Financial Statements, continued

(Dollars in millions)	Year Ended December 31, 2012 Amount of pre-tax (loss)/gain recognized in OCI on Derivatives (Effective Portion)	Classification of (loss)/gain reclassified from AOCI into Income (Effective Portion)	Amount of pre-tax (loss)/gain reclassified from AOCI into Income (Effective Portion)
Derivatives in cash flow hedging relationships:			
Equity contracts hedging Securities AFS [1]	($171)	Net securities (losses)/gains	($365)
Interest rate contracts hedging Floating rate loans [2]	252	Interest and fees on loans	337
Total	$81		($28)

[1] During the year ended December 31, 2012, the Company also recognized $60 million of pre-tax gains directly into net securities (losses)/gains related to mark-to-market changes of The Coca-Cola Company hedging contracts when the cash flow hedging relationship failed to qualify for hedge accounting.
[2] During the year ended December 31, 2013, the Company also reclassified $171 million pre-tax gains from AOCI into net interest income. These gains related to hedging relationships that have been previously terminated or de-designated and are reclassified into earnings in the same period in which the forecasted transaction occurs.

(Dollars in millions)	Year Ended December 31, 2012 Amount of gain on Derivatives recognized in Income	Amount of loss on related Hedged Items recognized in Income	Amount of gain/(loss) recognized in Income on Hedges (Ineffective Portion)
Derivatives in fair value hedging relationships [1]:			
Interest rate contracts hedging Fixed rate debt	$5	($5)	$—
Interest rate contracts hedging Securities AFS	1	(1)	—
Total	$6	($6)	$—

[1] Amounts are recognized in trading income in the Consolidated Statements of Income.

(Dollars in millions)	Classification of (loss)/gain recognized in Income on Derivatives	Amount of (loss)/gain recognized in Income on Derivatives during the Year Ended December 31, 2012
Derivatives not designated as hedging instruments:		
Interest rate contracts covering:		
Fixed rate debt	Trading income	($2)
MSRs	Mortgage servicing related income	284
LHFS, IRLCs, LHFI-FV	Mortgage production related income	(331)
Trading activity	Trading income	86
Foreign exchange rate contracts covering:		
Commercial loans and foreign-denominated debt	Trading income	129
Trading activity	Trading income	14

Credit contracts covering:		
Loans [1]	Other noninterest income	(8)
Trading activity	Trading income	24
Equity contracts - trading activity	Trading income	8
Other contracts - IRLCs	Mortgage production related income	930
Total		$1,134

[1] For the six months ended June 30, 2012, losses of $3 million were recorded in trading income.

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Notes to Consolidated Financial Statements, continued

Netting of Derivatives

The Company has various financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements. The Company's securities borrowed or purchased under agreements to resell, and securities sold under agreements to repurchase, that are subject to enforceable master netting agreements or similar agreements, are discussed in Note 3, "Federal Funds Sold and Securities Financing Activities." The Company enters into ISDA or other legally enforceable industry standard master netting arrangements with derivative counterparties. Under the terms of the master netting arrangements, all transactions between the Company and the counterparty constitute a single business relationship such that in the event of default, the nondefaulting party is entitled to set off claims and apply property held by that party in respect of any transaction against obligations owed. Any payments, deliveries, or other transfers may be applied against each other and netted.

The table below shows total gross derivative financial assets and liabilities at December 31, 2014 and 2013, which are adjusted to reflect the effects of legally enforceable master netting agreements and cash collateral received or paid on the net reported amount in the Consolidated Balance Sheets. Also included in the table is financial instrument collateral related to legally enforceable master netting agreements that represents securities collateral received or pledged and customer cash collateral held at third party custodians. These amounts are not offset on the Consolidated Balance Sheets but are shown as a reduction to total derivative assets and liabilities in the table to derive net derivative assets and liabilities. These amounts are limited to the derivative asset/liability balance, and accordingly, do not include excess collateral received/pledged.

(Dollars in millions)	Gross Amount	Amount Offset	Net Amount Presented in Consolidated Balance Sheets		Held/Pledged Financial Instruments	Net Amount
December 31, 2014						
Derivative financial assets:						
Derivatives subject to master netting arrangement or similar arrangement	$5,127	$4,095	$1,032		$63	$969
Derivatives not subject to master netting arrangement or similar arrangement	25	—	25		—	25
Exchange traded derivatives	687	437	250		—	250
Total derivative financial assets	$5,839	$4,532	$1,307	[1]	$63	$1,244
Derivative financial liabilities:						
Derivatives subject to master netting arrangement or similar arrangement	$5,001	$4,678	$323		$12	$311
Derivatives not subject to master netting arrangement or similar arrangement	133	—	133		—	133
Exchange traded derivatives	443	437	6		—	6
Total derivative financial liabilities	$5,577	$5,115	$462	[2]	$12	$450
December 31, 2013						
Derivative financial assets:						
Derivatives subject to master netting arrangement or similar arrangement	$5,285	$4,239	$1,046		$51	$995
Derivatives not subject to master netting arrangement or similar arrangement	12	—	12		—	12

Exchange traded derivatives	828	502	326	—	326
Total derivative financial assets	$6,125	$4,741	$1,384 [1]	$51	$1,333
Derivative financial liabilities:					
Derivatives subject to master netting arrangement or similar arrangement	$4,982	$4,646	$336	$13	$323
Derivatives not subject to master netting arrangement or similar arrangement	189	—	189	—	189
Exchange traded derivatives	502	502	—	—	—
Total derivative financial liabilities	$5,673	$5,148	$525 [2]	$13	$512

[1] At December 31, 2014, $1.3 billion, net of $449 million offsetting cash collateral, is recognized in trading assets and derivatives within the Company's Consolidated Balance Sheets.
At December 31, 2013, $1.4 billion, net of $457 million offsetting cash collateral, is recognized in trading assets and derivatives within the Company's Consolidated Balance Sheets.
[2] At December 31, 2014, $462 million, net of $1.0 billion offsetting cash collateral, is recognized in trading liabilities and derivatives within the Company's Consolidated Balance Sheets. At December 31, 2013, $525 million, net of $864 million offsetting cash collateral, is recognized in trading liabilities and derivatives within the Company's Consolidated Balance Sheets.

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Notes to Consolidated Financial Statements, continued

Credit Derivatives

As part of its trading businesses, the Company enters into contracts that are, in form or substance, written guarantees: specifically, CDS, risk participations, and TRS. The Company accounts for these contracts as derivatives and, accordingly, recognizes these contracts at fair value, with changes in fair value recognized in trading income in the Consolidated Statements of Income.

The Company writes CDS, which are agreements under which the Company receives premium payments from its counterparty for protection against an event of default of a reference asset. In the event of default under the CDS, the Company would either net cash settle or make a cash payment to its counterparty and take delivery of the defaulted reference asset, from which the Company may recover all, a portion, or none of the credit loss, depending on the performance of the reference asset. Events of default, as defined in the CDS agreements, are generally triggered upon the failure to pay and similar events related to the issuer(s) of the reference asset. At December 31, 2014 and 2013, all written CDS contracts reference single name corporate credits or corporate credit indices. When the Company has written CDS, it has generally entered into offsetting CDS for the underlying reference asset, under which the Company paid a premium to its counterparty for protection against an event of default on the reference asset. The counterparties to these purchased CDS are generally of high creditworthiness and typically have ISDA master netting agreements in place that subject the CDS to master netting provisions, thereby mitigating the risk of non-payment to the Company. As such, at December 31, 2014, the Company did not have any material risk of making a non-recoverable payment on any written CDS. During 2014 and 2013, the only instances of default on written CDS were driven by credit indices with constituent credit default. In all cases where the Company made resulting cash payments to settle, the Company collected like amounts from the counterparties to the offsetting purchased CDS.

At December 31, 2014 and 2013, the written CDS had remaining terms of four years. The fair values of written CDS were $1 million and $3 million at December 31, 2014 and 2013, respectively. The maximum guarantees outstanding at December 31, 2014 and 2013, as measured by the gross notional amounts of written CDS, were $20 million and $60 million, respectively, which represent the termination or collapse of a mirror purchase CDS. At December 31, 2014 and 2013, the gross notional amounts of purchased CDS contracts, which represent benefits to, rather than obligations of, the Company, were $190 million and $70 million, respectively. The fair values of purchased CDS were $5 million and $3 million at December 31, 2014 and 2013, respectively.

The Company has also entered into TRS contracts on loans. The Company’s TRS business consists of matched trades, such that when the Company pays depreciation on one TRS, it receives the same amount on the matched TRS. To mitigate its credit risk, the Company typically receives initial cash collateral from the counterparty upon entering into the TRS and is entitled to additional collateral if the fair value of the underlying reference assets deteriorates. At December 31, 2014 and 2013, there were $2.3 billion and $1.5 billion of outstanding TRS notional balances, respectively. The fair values of the TRS derivative

assets and liabilities at December 31, 2014 were $19 million and $14 million, respectively, and related collateral held at December 31, 2014 was $373 million. The fair values of the TRS derivative assets and liabilities at December 31, 2013 were $35 million and $31 million, respectively, and related collateral held at December 31, 2013 was $228 million. For additional information on the Company's TRS contracts, see Note 10, "Certain Transfers of Financial Assets and Variable Interest Entities."

The Company writes risk participations, which are credit derivatives, whereby the Company has guaranteed payment to a dealer counterparty in the event that the counterparty experiences a loss on a derivative, such as an interest rate swap, due to a failure to pay by the counterparty’s customer (the “obligor”) on that derivative. The Company monitors its payment risk on its risk participations by monitoring the creditworthiness of the obligors, which is based on the normal credit review process the Company would have performed had it entered into the derivatives directly with the obligors. The obligors are all corporations or partnerships. The Company continues to monitor the creditworthiness of its obligors and the likelihood of payment could change at any time due to unforeseen circumstances. To date, no material losses have been incurred related to the Company’s written risk participations. At December 31, 2014 and

2013, the remaining terms on these risk participations generally ranged from one to nine years and from one to twelve years, respectively, with a weighted average on the maximum estimated exposure of 5.2 and 6.9 years, respectively. The Company's maximum estimated exposure to written risk participations, as measured by projecting a maximum value of the guaranteed derivative instruments based on interest rate curve simulations and assuming 100% default by all obligors on the maximum values, was approximately $31 million and $33 million at December 31, 2014 and 2013, respectively. The fair values of the written risk participations were less than $1 million at December 31, 2014 and 2013. As part of its trading activities, the Company may enter into purchased risk participations to mitigate credit exposure to a derivative counterparty.

Cash Flow Hedges

The Company utilizes a comprehensive risk management strategy to monitor sensitivity of earnings to movements in interest rates. Specific types of funding and principal amounts hedged are determined based on prevailing market conditions and the shape of the yield curve. In conjunction with this strategy, the Company may employ various interest rate derivatives as risk management tools to hedge interest rate risk from recognized assets and liabilities or from forecasted transactions. The terms and notional amounts of derivatives are determined based on management's assessment of future interest rates, as well as other factors.

Interest rate swaps have been designated as hedging the exposure to the benchmark interest rate risk associated with floating rate loans. At December 31, 2014 and 2013, the hedge maturities for hedges of floating rate loans ranged from less than one year to four years and from less than one year to five years, respectively, with the weighted average being 1.9 and 2.0 years, respectively. Ineffectiveness on these hedges was immaterial for all years presented. At December 31, 2014, $203 million of the deferred net gains on derivatives that are recognized in AOCI

are expected to be reclassified to net interest income over the next twelve months in connection with the recognition of interest income on these hedged items. The amount to be reclassified into income includes both active and terminated or de-designated cash flow hedges. The Company may choose to terminate or de-designate a hedging relationship in this program due to a change in the risk management objective for that specific hedge item, which may arise in conjunction with an overall balance sheet management strategy.

During 2008, the Company executed zero-cost equity collars on 60 million common shares of The Coca-Cola Company pursuant to the Agreements, which were to be derivatives in their entirety. The Company designated the collars as cash flow hedges of the Company's probable forecasted sales of The Coca-Cola Company common shares. The risk management objective was to hedge the cash flows on the forecasted sales of The Coca-Cola Company common shares at market values equal to or above the call strike price and equal to or below the put strike price. The Company assessed hedge effectiveness on a quarterly basis and measured hedge ineffectiveness with the effective portion of the changes in fair value of the Agreements recognized in AOCI and any ineffective portions recognized in trading income.

During 2012, the Company and The Coca-Cola Company Counterparty accelerated the termination of the Agreements, and the Company sold in the market or to The Coca-Cola Company Counterparty 59 million of its 60 million shares of The Coca-Cola Company and contributed the remaining 1 million shares to the SunTrust Foundation for a net gain of $1.9 billion, which is net of a $305 million loss related to the derivative contract termination of the Agreements. Upon approval by the Board to terminate the Agreements and sell and donate The Coca-Cola Company shares, the Agreements no longer qualified as cash flow hedges. Thus, subsequent changes in value of the Agreements, totaling $60 million, were recognized in net securities (losses)/gains in the Consolidated Statements of Income. Amounts recognized in AOCI in the Consolidated Statements of Shareholders' Equity during the period the Agreements qualified as cash flow hedges totaled $365 million in losses. These amounts remained in AOCI until the sale of The Coca-Cola Company shares, at which time the amounts were reclassified to net securities (losses)/gains in the Consolidated Statements of Income. See additional discussion regarding The Coca-Cola Company Agreements in the "Securities Available for Sale" sections of MD&A in this Form 10-K.

Fair Value Hedges

The Company enters into interest rate swap agreements as part of the Company’s risk management objectives for hedging its exposure to changes in fair value due to changes in interest rates. These hedging arrangements convert Company-issued fixed rate long-term debt to floating rates. Consistent with this objective, the Company reflects the accrued contractual interest on the hedged item and the related swaps as part of current period interest. There were no components of derivative gains or losses excluded in the Company’s assessment of hedge effectiveness related to the fair value hedges.

Economic Hedging and Trading Activities

In addition to designated hedging relationships, the Company also enters into derivatives as an end user to economically hedge risks associated with certain non-derivative and derivative instruments, along with entering into derivatives in a trading capacity with its clients.

The primary risks that the Company economically hedges are interest rate risk, foreign exchange risk, and credit risk. Economic hedging objectives are accomplished by entering into offsetting derivatives either on an individual basis or collectively on a macro basis and generally accomplish the Company’s goal of mitigating the targeted risk. To the extent that specific derivatives are associated with specific hedged items, the notional amounts, fair values, and gains/(losses) on the derivatives are illustrated in the tables in this footnote.

- The Company utilizes interest rate derivatives to mitigate exposures from various instruments.

  The Company is subject to interest rate risk on its fixed rate debt. As market interest rates move, the fair value of the Company’s debt is affected. To protect against this risk on certain debt issuances that the Company has elected to carry at fair value, the Company has entered into pay variable-receive fixed interest rate swaps that decrease in value in a

rising rate environment and increase in value in a declining rate environment.

The Company is exposed to risk on the returns of certain of its brokered deposits that are carried at fair value. To hedge against this risk, the Company has entered into interest rate derivatives that mirror the risk profile of the returns on these instruments.

The Company is exposed to interest rate risk associated with MSRs, which the Company hedges with a combination of mortgage and interest rate derivatives, including forward and option contracts, futures, and forward rate agreements.

The Company enters into mortgage and interest rate derivatives, including forward contracts, futures, and option contracts to mitigate interest rate risk associated with IRLCs and mortgage LHFS.

- The Company is exposed to foreign exchange rate risk associated with certain commercial loans.
- The Company enters into CDS to hedge credit risk associated with certain loans held within its Wholesale Banking segment. The Company accounts for these contracts as derivatives and, accordingly, recognizes these contracts at fair value, with changes in fair value recognized in other noninterest income in the Consolidated Statements of Income.
- Trading activity, as illustrated in the tables within this footnote, primarily includes interest rate swaps, equity derivatives, CDS, futures, options, foreign currency contracts, and commodities. These derivatives are entered into in a dealer capacity to facilitate client transactions or are utilized as a risk management tool by the Company as an end user in certain macro-hedging strategies. The macro-hedging strategies are focused on managing the Company's overall interest rate risk exposure that is not otherwise hedged by derivatives or in connection with specific hedges and, therefore, the Company does not specifically associate individual derivatives with specific assets or liabilities.

NOTE 18 - FAIR VALUE ELECTION AND MEASUREMENT

The Company measures certain assets and liabilities at fair value and classifies them as level 1, 2, or 3 within the fair value hierarchy, as shown below, on the basis of whether the measurement employs observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions taking into account information about market participant assumptions that is readily available.

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's recurring fair value measurements are based on a requirement to measure such assets and liabilities at fair value or the Company's election to measure certain financial assets and liabilities at fair value. Assets and liabilities that are required to be measured at fair value on a recurring basis include trading securities, securities AFS, and derivative financial instruments. Assets and liabilities that the Company has elected to measure at fair value on a recurring basis include MSRs and certain LHFS, LHFI, trading loans, brokered time deposits, and issuances of fixed rate debt.

The Company elects to measure certain assets and liabilities at fair value to more accurately align its financial performance with the economic value of actively traded or hedged assets or liabilities. The use of fair value also enables the Company to mitigate non-economic earnings volatility caused from financial assets and liabilities being carried at different bases of accounting, as well as to more accurately portray the active and dynamic management of the Company's balance sheet.

The Company uses various valuation techniques and assumptions in estimating fair value. The assumptions used to estimate the value of an instrument have varying degrees of impact to the overall fair value of an asset or liability. This process involves the gathering of multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other identical or similar securities, market indices, and pricing matrices. When observable market prices for the asset or liability are not available, the Company employs various modeling techniques,

such as discounted cash flow analyses to estimate fair value. Models used to produce material financial reporting information are validated prior to use, and following any material change in methodology. Their performance is monitored quarterly, and any material deterioration in model performance is addressed. This review is performed by an internal group that reports to the Corporate Risk Function.

The Company has formal processes and controls in place to support the appropriateness of its fair value estimates. For fair values obtained from a third party or those that include certain trader estimates of fair value, there is an independent price validation function that provides oversight for these estimates. For level 2 instruments and certain level 3 instruments, the validation generally involves evaluating pricing received from two or more other third party pricing sources that are widely used by market participants. The Company evaluates this pricing information from both a qualitative and quantitative perspective and determines whether any pricing differences exceed acceptable thresholds. If these thresholds are exceeded, then the Company assesses differences in valuation approaches used, which may include contacting a pricing service to gain further insight into the valuation of a particular security or class of securities to resolve the pricing variance, which could include an adjustment to the price used for financial reporting purposes.

The Company classifies instruments within level 2 in the fair value hierarchy when it determines that external pricing sources estimated fair value using prices for similar instruments trading in active markets. A wide range of quoted

values from pricing sources may imply a reduced level of market activity and indicate that significant adjustments to price indications have been made. In such cases, the Company evaluates whether the asset or liability should be classified as level 3.

Determining whether to classify an instrument as level 3 involves judgment and is based on a variety of subjective factors including whether a market is inactive. A market is considered inactive if significant decreases in the volume and level of activity for the asset or liability have been observed. In making this determination the Company evaluates the number of recent transactions in either the primary or secondary market, whether price quotations are current, the nature of market participants, the variability of price quotations, the breadth of bid/ask spreads, declines in (or the absence of) new issuances, and the availability of public information. When a market is determined to be inactive, significant adjustments may be made to price indications when estimating fair value. In making these adjustments the Company seeks to employ assumptions a market participant would use to value the asset or liability, including consideration of illiquidity in the referenced market.

Notes to Consolidated Financial Statements, continued

Recurring Fair Value Measurements

The following tables present certain information regarding assets and liabilities measured at fair value on a recurring basis

and the changes in fair value for those specific financial instruments for which fair value has been elected.

	December 31, 2014 Fair Value Measurements				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments [1]	Assets/Liabilities at Fair Value
Assets					
Trading assets and derivatives:					
U.S. Treasury securities	$267	$—	$—	$—	$267
Federal agency securities	—	547	—	—	547
U.S. states and political subdivisions	—	42	—	—	42
MBS - agency	—	545	—	—	545
CLO securities	—	3	—	—	3
Corporate and other debt securities	—	509	—	—	509
CP	—	327	—	—	327
Equity securities	45	—	—	—	45
Derivative contracts	688	5,126	25	(4,532)	1,307
Trading loans	—	2,610	—	—	2,610
Total trading assets and derivatives	1,000	9,709	25	(4,532)	6,202
Securities AFS:					
U.S. Treasury securities	1,921	—	—	—	1,921
Federal agency securities	—	484	—	—	484
U.S. states and political subdivisions	—	197	12	—	209
MBS - agency	—	23,048	—	—	23,048
MBS - private	—	—	123	—	123
ABS	—	—	21	—	21
Corporate and other debt securities	—	36	5	—	41
Other equity securities [2]	138	—	785	—	923
Total securities AFS	2,059	23,765	946	—	26,770
Residential LHFS	—	1,891	1	—	1,892
LHFI	—	—	272	—	272
MSRs	—	—	1,206	—	1,206
Liabilities					
Trading liabilities and derivatives:					
U.S. Treasury securities	485	—	—	—	485
MBS - agency	—	1	—	—	1
Corporate and other debt securities	—	279	—	—	279
Derivative contracts	444	5,128	5	(5,115)	462
Total trading liabilities and derivatives	929	5,408	5	(5,115)	1,227
Long-term debt	—	1,283	—	—	1,283
Other liabilities [3]	—	—	27	—	27

[1] Amounts represent offsetting cash collateral received from, and paid to, the same derivative counterparties, and the impact of netting derivative assets and derivative liabilities when a legally enforceable master netting agreement or similar agreement exists.
[2] Includes $376 million of FHLB of Atlanta stock, $402 million of Federal Reserve Bank of Atlanta stock, $138 million in mutual fund investments, and $7 million of other.
[3] Includes contingent consideration obligations related to acquisitions.

Notes to Consolidated Financial Statements, continued

(Dollars in millions)	December 31, 2013 Fair Value Measurements Level 1	Level 2	Level 3	Netting Adjustments [1]	Assets/Liabilities at Fair Value
Assets					
Trading assets and derivatives:					
U.S. Treasury securities	$219	$—	$—	$—	$219
Federal agency securities	—	426	—	—	426
U.S. states and political subdivisions	—	65	—	—	65
MBS - agency	—	323	—	—	323
CDO/CLO securities	—	3	54	—	57
ABS	—	—	6	—	6
Corporate and other debt securities	—	534	—	—	534
CP	—	29	—	—	29
Equity securities	109	—	—	—	109
Derivative contracts	828	5,285	12	(4,741)	1,384
Trading loans	—	1,888	—	—	1,888
Total trading assets and derivatives	1,156	8,553	72	(4,741)	5,040
Securities AFS:					
U.S. Treasury securities	1,293	—	—	—	1,293
Federal agency securities	—	984	—	—	984
U.S. states and political subdivisions	—	203	34	—	237
MBS - agency	—	18,911	—	—	18,911
MBS - private	—	—	154	—	154
ABS	—	58	21	—	79
Corporate and other debt securities	—	37	5	—	42
Other equity securities [2]	103	—	739	—	842
Total securities AFS	1,396	20,193	953	—	22,542
LHFS:					
Residential loans	—	1,114	3	—	1,117
Corporate and other loans	—	261	—	—	261
Total LHFS	—	1,375	3	—	1,378
LHFI	—	—	302	—	302
MSRs	—	—	1,300	—	1,300
Liabilities					
Trading liabilities and derivatives:					
U.S. Treasury securities	472	—	—	—	472
Corporate and other debt securities	—	179	—	—	179
Equity securities	5	—	—	—	5
Derivative contracts	502	5,167	4	(5,148)	525
Total trading liabilities and derivatives	979	5,346	4	(5,148)	1,181
Brokered time deposits	—	764	—	—	764
Long-term debt	—	1,556	—	—	1,556

Other liabilities [3]	—	—	29	—	29

[1] Amounts represent offsetting cash collateral received from, and paid to, the same derivative counterparties, and the impact of netting derivative assets and derivative liabilities when a legally enforceable master netting agreement or similar agreement exists.
[2] Includes $336 million of FHLB of Atlanta stock, $402 million of Federal Reserve Bank of Atlanta stock, $103 million in mutual fund investments, and $1 million of other.
[3] Includes contingent consideration obligations related to acquisitions, as well as the derivative associated with the Company's sale of Visa shares during the year ended December 31, 2009.

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The following tables present the difference between the aggregate fair value and the UPB of trading loans, LHFS, LHFI, brokered time deposits, and long-term debt instruments for which the FVO has been elected. For LHFS and LHFI for which

the FVO has been elected, the tables also include the difference between aggregate fair value and the UPB of loans that are 90 days or more past due, if any, as well as loans in nonaccrual status.

(Dollars in millions)	Aggregate Fair Value at December 31, 2014	Aggregate UPB under FVO at December 31, 2014	Fair Value Over/(Under) Unpaid Principal
Assets:			
Trading loans	$2,610	$2,589	$21
LHFS	1,891	1,817	74
Nonaccrual	1	1	—
LHFI	269	281	(12)
Nonaccrual	3	5	(2)
Liabilities:			
Long-term debt	1,283	1,176	107

(Dollars in millions)	Aggregate Fair Value at December 31, 2013	Aggregate UPB under FVO at December 31, 2013	Fair Value Over/(Under) Unpaid Principal
Assets:			
Trading loans	$1,888	$1,858	$30
LHFS	1,375	1,359	16
Past due 90 days or more	1	2	(1)
Nonaccrual	2	15	(13)
LHFI	294	317	(23)
Nonaccrual	8	12	(4)
Liabilities:			
Brokered time deposits	764	761	3
Long-term debt	1,556	1,432	124

The following tables present the change in fair value during the years ended December 31, 2014 and 2013 of financial instruments for which the FVO has been elected, as well as MSRs. The tables do not reflect the change in fair value attributable to the related economic hedges the Company uses to mitigate the market-related risks associated with the financial instruments. Generally, the changes in the fair value of economic

hedges are also recognized in trading income, mortgage production related income, or mortgage servicing related income, as appropriate, and are designed to partially offset the change in fair value of the financial instruments referenced in the tables below. The Company's economic hedging activities are deployed at both the instrument and portfolio level.

	Fair Value Gain/(Loss) for the Year Ended December 31, 2014 for Items Measured at Fair Value Pursuant to Election of the FVO			
(Dollars in millions)	Trading Income	Mortgage Production Related Income [1]	Mortgage Servicing Related Income	Total Changes in Fair Values Included in Current Period Earnings [2]
Assets:				
Trading loans	$11	$—	$—	$11
LHFS	—	3	—	3
LHFI	—	11	—	11
MSRs	—	3	(401)	(398)
Liabilities:				
Brokered time deposits	6	—	—	6
Long-term debt	17	—	—	17

[1] Income related to LHFS does not include income from IRLCs. For the year ended December 31, 2014, income related to MSRs includes mortgage servicing income recognized upon the sale of loans reported at LOCOM.
[2] Changes in fair value for the year ended December 31, 2014 exclude accrued interest for the period then ended. Interest income or interest expense on trading loans, LHFS, LHFI, brokered time deposits, and long-term debt that have been elected to be carried at fair value are recognized in interest income or interest expense in the Consolidated Statements of Income.

	Fair Value Gain/(Loss) for the Year Ended December 31, 2013 for Items Measured at Fair Value Pursuant to Election of the FVO			
(Dollars in millions)	Trading Income	Mortgage Production Related Income [1]	Mortgage Servicing Related Income	Total Changes in Fair Values Included in

				Current Period Earnings [2]
Assets:				
Trading loans	$13	$—	$—	$13
LHFS	1	(135)	—	(134)
LHFI	—	(10)	—	(10)
MSRs	—	4	50	54
Liabilities:				
Brokered time deposits	8	—	—	8
Long-term debt	36	—	—	36

[1] Income related to LHFS does not include income from IRLCs. For the year ended December 31, 2013, income related to MSRs includes mortgage servicing income recognized upon the sale of loans reported at LOCOM.
[2] Changes in fair value for the year ended December 31, 2013 exclude accrued interest for the period then ended. Interest income or interest expense on trading loans, LHFS, LHFI, brokered time deposits, and long-term debt that have been elected to be carried at fair value are recognized in interest income or interest expense in the Consolidated Statements of Income.

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Notes to Consolidated Financial Statements, continued

(Dollars in millions)	Fair Value Gain/(Loss) for the Year Ended December 31, 2012, for Items Measured at Fair Value Pursuant to Election of the FVO			
	Trading income	Mortgage Production Related Income [1]	Mortgage Servicing Related Income	Total Changes in Fair Values Included in Current Period Earnings [2]
Assets:				
Trading loans	$8	$—	$—	$8
LHFS	10	161	—	171
LHFI	1	20	—	21
MSRs	—	31	(353)	(322)
Liabilities:				
Brokered time deposits	5	—	—	5
Long-term debt	(65)	—	—	(65)

[1] Income related to LHFS does not include income from IRLCs. For the year ended December 31, 2012, income related to MSRs includes mortgage servicing income recognized upon the sale of loans reported at LOCOM.
[2] Changes in fair value for the year ended December 31, 2012 exclude accrued interest for the period then ended. Interest income or interest expense on trading loans, LHFS, LHFI, brokered time deposits, and long-term debt that have been elected to be carried at fair value are recognized in interest income or interest expense in the Consolidated Statements of Income.

The following is a discussion of the valuation techniques and inputs used in developing fair value measurements for assets and liabilities classified as level 2 or 3 that are measured at fair value on a recurring basis, based on the class of asset or liability as determined by the nature and risks of the instrument.

Trading Assets and Derivatives and Securities Available for Sale

Unless otherwise indicated, trading assets are priced by the trading desk and securities AFS are valued by an independent third party pricing service.

Federal agency securities

The Company includes in this classification securities issued by federal agencies and GSEs. Agency securities consist of debt obligations issued by HUD, FHLB, and other agencies or collateralized by loans that are guaranteed by the SBA and are, therefore, backed by the full faith and credit of the U.S. government. For SBA instruments, the Company estimated fair value based on pricing from observable trading activity for similar securities or obtained fair values from a third party pricing service. Accordingly, the Company has classified these instruments as level 2.

U.S. states and political subdivisions

The Company’s investments in U.S. states and political subdivisions (collectively “municipals”) include obligations of county and municipal authorities and agency bonds, which are general obligations of the municipality or are supported by a specified revenue source. Holdings were geographically dispersed, with no significant concentrations in any one state or municipality. Additionally, all but an immaterial amount of AFS municipal obligations classified as level 2 are highly rated or are otherwise collateralized by securities backed by the full faith and credit of the federal government. Level 3 AFS municipal securities at December 31, 2014 includes bonds that 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.

To estimate pricing on these securities, the Company utilized a third party municipal bond yield curve for the lowest investment

grade bonds and priced each bond based on the yield associated with that maturity.
Level 3 AFS municipal securities at December 31, 2013 includes ARS purchased since the auction rate market began failing in February 2008 and have been considered level 3 securities due to the significant decrease in the volume and level of activity in these markets, which has necessitated the use of significant unobservable inputs into the Company's valuations. These securities were valued based on comparisons to similar ARS for which auctions are currently successful and/or to longer term, non-ARS issued by similar municipalities. The Company also evaluated the relative strength of the municipality and made appropriate downward adjustments in price based on the credit rating of the municipality, as well as the relative financial strength of the insurer on those bonds. Although auctions for several municipal ARS have been operating successfully, ARS owned by the Company at December 31, 2013 were classified as level 3 as they were ARS for which the auctions continued to fail. Accordingly, due to the uncertainty around the success rates for auctions, and the absence of any successful auctions for these identical securities, the Company priced the ARS below par. Subsequent to December 31, 2013, the Company sold these remaining ARS securities.

MBS – agency
Agency MBS includes pass-through securities and collateralized mortgage obligations issued by GSEs and U.S. government agencies, such as Fannie Mae, Freddie Mac, and Ginnie Mae. Each security contains a guarantee by the issuing GSE or agency. For agency MBS, the Company estimated fair value based on pricing from observable trading activity for similar securities or obtained fair values from a third party pricing service; accordingly, the Company has classified these instruments as level 2.
MBS – private
Private MBS includes purchased interests in third party securitizations, as well as retained interests in Company-sponsored securitizations of 2006 and 2007 vintage residential mortgages; including both prime jumbo fixed rate collateral and floating rate collateral. At the time of purchase or origination,

these securities had high investment grade ratings; however, through the credit crisis, they have experienced deterioration in credit quality leading to downgrades to non-investment grade levels. Generally, the Company obtains pricing for its securities from an independent pricing service. The Company evaluates third party pricing to determine the reasonableness of the information relative to changes in market data, such as any recent trades, market information received from outside market participants and analysts, and/or changes in the underlying collateral performance. Even though third party pricing has been available, the Company continued to classify private MBS as level 3, as the Company believes that this third party pricing relies 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 vintage and exposures held by the Company.

These securities that are classified as AFS are in a small net unrealized gain position at December 31, 2014. See Note 5, "Securities Available for Sale," for details regarding assumptions used to value private MBS.

CLO securities

The Company has CLO preference share exposure valued at $3 million at December 31, 2014. The Company estimated fair value based on pricing from observable trading activity for similar securities. Accordingly, the Company has classified these instruments as level 2.

The Company's investments in level 3 trading CDOs at December 31, 2013 consisted of senior ARS interests in Company-sponsored securitizations of trust preferred collateral. The auctions related to these securities were failing, requiring the Company to make significant adjustments to valuation assumptions. As such, the Company classified these as level 3 investments. The Company valued these interests utilizing a pricing matrix based on a range of overcollateralization levels that was periodically updated based on discussions with the dealer community and limited trade data. Under this modified approach, at December 31, 2013, all CDO ARS were valued using a simplified discounted cash flow approach that prices the securities to their expected maturity. The primary inputs and assumptions considered by the Company in valuing these retained interests were overcollateralization levels (impacted by credit losses) and the discount margin over LIBOR. See the level 3 assumptions table in this note for information on the sensitivity of these interests to changes in the assumptions. The Company sold all of its level 3 investments in trading CDOs during 2014.

Asset-Backed Securities

Level 2 ABS classified as securities AFS at December 31, 2013 were primarily interests collateralized by third party securitizations of 2009 through 2011 vintage auto loans. These ABS were either publicly traded or 144A privately placed bonds. The Company utilized an independent pricing service to obtain fair values for publicly traded securities and similar securities for estimating the fair value of the privately placed bonds. No significant unobservable assumptions were used in pricing the auto loan ABS, therefore, the Company classified these bonds as level 2. The Company sold all of its interests in these level 2 ABS during 2014.

Level 3 ABS classified as securities AFS includes purchased interests in third party securitizations collateralized by home equity loans and are valued based on third party pricing with significant unobservable assumptions. At December 31, 2013 trading ARS consisted of student loan ABS that were generally collateralized by FFELP student loans, the majority of which benefited from a maximum guarantee amount of 97%. However, for valuations of subordinate securities in the same structure, the Company adjusts valuations on the senior securities based on the likelihood that the issuer will refinance in the near term, a security's level of subordination in the structure, and/or the perceived risk of the issuer as determined by credit ratings or total leverage of the trust. These adjustments may be significant; therefore, the subordinate student loan ARS held as trading assets was classified as level 3. The Company sold the remaining interests in these subordinate student loan ARS during 2014.

Corporate and other debt securities

Corporate debt securities are predominantly comprised of senior and subordinate debt obligations of domestic corporations and are classified as level 2. Other debt securities in level 3 primarily include bonds that are redeemable

with the issuer at par and cannot be traded in the market; as such, observable market data for these instruments is not available.
Commercial Paper
From time to time, the Company acquires third party CP that is generally short-term in nature (less than 30 days) and highly rated. The Company estimates the fair value of this CP based on observable pricing from executed trades of similar instruments; thus, CP is classified as level 2.
Equity securities
Level 3 equity securities classified as securities AFS include FHLB of Atlanta stock and Federal Reserve Bank of Atlanta stock, which are redeemable with the issuer at cost and cannot be traded in the market. As such, observable market data for these instruments is not available. The Company accounts for the stock based on industry guidance that requires these investments be carried at cost and evaluated for impairment based on the ultimate recovery of cost.

Derivative contracts
The Company holds derivative instruments for both trading purposes and risk management purposes.
Level 1 derivative contracts generally include exchange-traded futures or option contracts for which pricing is readily available. The Company’s level 2 instruments are predominantly standard OTC swaps, options, and forwards, measured using observable market assumptions for interest rates, foreign exchange, equity, and credit. Because fair values for OTC contracts are not readily available, the Company estimates fair values using internal, but standard, valuation models. The selection of valuation models is driven by the type of contract: for option-based products, the Company uses an appropriate option pricing model such as Black-Scholes. For forward-based products, the Company’s valuation methodology is generally a discounted cash flow approach.
Level 2 derivative instruments are primarily transacted in the institutional dealer market and priced with observable

market assumptions at a mid-market valuation point, with appropriate valuation adjustments for liquidity and credit risk. To this end, the Company has evaluated liquidity premiums required by market participants, as well as the credit risk of its counterparties and its own credit. The Company has considered factors such as the likelihood of default by itself and its counterparties, its net exposures, and remaining maturities in determining the appropriate fair value adjustments to record. See Note 17, “Derivative Financial Instruments,” for additional information on the Company's derivative contracts.

The Company's level 3 derivatives include IRLCs that satisfy the criteria to be treated as derivative financial instruments. The fair value of IRLCs on residential LHFS, while based on interest rates observable in the market, is highly dependent on the ultimate closing of the loans. These “pull-through” rates are based on the Company’s historical data and reflect the Company’s best estimate of the likelihood that a commitment will ultimately result in a closed loan. As pull-through rates increase, the fair value of IRLCs also increases. Servicing value is included in the fair value of IRLCs, and the fair value of servicing is determined by projecting cash flows, which are then discounted to estimate an expected fair value. The fair value of servicing is impacted by a variety of factors, including prepayment assumptions, discount rates, delinquency rates, contractually specified servicing fees, servicing costs, and underlying portfolio characteristics. Because these inputs are not transparent in market trades, IRLCs are considered to be level 3 assets. During the years ended December 31, 2014 and 2013, the Company transferred $245 million and $222 million, respectively, of net IRLCs out of level 3 as the associated loans were closed.

Trading loans

The Company engages in certain businesses whereby the election to measure loans at fair value for financial reporting aligns with the underlying business purpose. Specifically, the loans that are included within this classification are: (i) loans made or acquired in connection with the Company’s TRS business, (ii) loans backed by the SBA, and (iii) the loan sales and trading business within the Company’s Wholesale Banking segment. See Note 10, "Certain Transfers of Financial Assets and Variable Interest Entities," and Note 17, “Derivative Financial Instruments,” for further discussion of this business. All of these loans are classified as level 2, due to the market data that the Company uses in the estimate of fair value.

The loans made in connection with the Company’s TRS business are short-term, demand loans, whereby the repayment is senior in priority and whose value is collateralized. While these loans do not trade in the market, the Company believes that the par amount of the loans approximates fair value and no unobservable assumptions are used by the Company to value these loans. At December 31, 2014 and 2013, the Company had outstanding $2.3 billion and $1.5 billion, respectively, of such short-term loans carried at fair value.

SBA loans are similar to SBA securities discussed herein under “Federal agency securities,” except for their legal form. In both cases, the Company trades instruments that are fully guaranteed by the U.S. government as to contractual principal and interest and there is sufficient observable trading activity upon which to base the estimate of fair value. As these SBA

loans are fully guaranteed, the changes in fair value are attributable to factors other than instrument-specific credit risk.

The loans from the Company’s sales and trading business are commercial and corporate leveraged loans that are either traded in the market or for which similar loans trade. The Company elected to measure these loans at fair value since they are actively traded. For the years ended December 31, 2014, 2013, and 2012, the Company recognized an immaterial amount of gains in the Consolidated Statements of Income due to changes in fair value attributable to instrument-specific credit risk. The Company is able to obtain fair value estimates for substantially all of these loans through a third party valuation service that is broadly used by market participants. While most of the loans are traded in the market, the Company does not believe that trading activity qualifies the loans as level 1 instruments, as the volume and level of trading activity is subject to variability and the loans are not exchange-traded. The Company believes that level 2 is a more appropriate presentation of the underlying market activity for the loans. At December

31, 2014 and 2013, $284 million and $313 million, respectively, of loans related to the Company's trading business were held in inventory.

Loans Held for Sale and Loans Held for Investment

Residential LHFS

The Company values certain newly-originated mortgage LHFS predominantly at fair value based upon defined product criteria. The Company chooses to fair value these mortgage LHFS to eliminate the complexities and inherent difficulties of achieving hedge accounting and to better align reported results with the underlying economic changes in value of the loans and related hedge instruments. Origination fees and costs are recognized in earnings when earned or incurred. The servicing value is included in the fair value of the loan and initially recognized at the time the Company enters into IRLCs with borrowers. The Company uses derivatives to economically hedge changes in interest rates and servicing value in the fair value of the loan. The mark-to-market adjustments related to LHFS and the associated economic hedges are captured in mortgage production related income.

Level 2 LHFS are primarily agency loans which trade in active secondary markets and are priced using current market pricing for similar securities adjusted for servicing, interest rate risk, and credit risk. Non-agency residential mortgages are also included in level 2 LHFS. Transfers of certain mortgage LHFS into level 3 during the years ended December 31, 2014 and 2013 were not due to using alternative valuation approaches, but were largely due to borrower defaults or the identification of other loan defects impacting the marketability of the loans.

For residential loans that the Company has elected to measure at fair value, the Company considers the component of the fair value changes due to instrument-specific credit risk, which is intended to be an approximation of the fair value change attributable to changes in borrower-specific credit risk. For the years ended December 31, 2014 and 2013, gains or losses the Company recognized in the Consolidated Statements of Income due to changes in fair value attributable to borrower-specific credit risk were immaterial. For the year ended December 31, 2012, gains the Company recognized in the Consolidated Statements of Income due to changes in fair value attributable

to borrower-specific credit risk were $12 million. In addition to borrower-specific credit risk, there are other, more significant, variables that drive changes in the fair values of the loans, including interest rates and general conditions in the markets for the loans.

Corporate and other LHFS

As discussed in Note 10, “Certain Transfers of Financial Assets and Variable Interest Entities,” the Company was previously the primary beneficiary of a CLO entity, which resulted in the Company consolidating the entity's underlying loans. During the second quarter of 2014, in connection with the sale of RidgeWorth, the Company determined it was no longer the primary beneficiary of the CLO, and accordingly, the CLO was deconsolidated. Prior to the second quarter of 2014, the Company elected to measure the loans of the CLO at fair value because the loans were periodically traded by the CLO. For the years ended December 31, 2014 and 2013, the Company recognized an immaterial amount of gains due to changes in fair value attributable to borrower-specific credit risk in the Consolidated Statements of Income. For the year ended December 31, 2012, gains the Company recognized due to changes in fair value attributable to borrower-specific credit risk in the Consolidated Statements of Income were $10 million.

LHFI

Level 3 LHFI predominantly includes mortgage loans that are deemed not marketable, largely due to the identification of loan defects. The Company chooses to fair value these mortgage LHFI to eliminate the complexities and inherent difficulties of achieving hedge accounting and to better align reported results with the underlying economic changes in value of the loans and related hedge instruments. The Company values these loans using a discounted cash flow approach based on assumptions that are generally not observable in current markets, such as prepayment speeds, default rates, loss severity rates, and discount rates. These assumptions have an inverse relationship to the overall fair value. Level 3 LHFI also includes mortgage loans that are valued using collateral based pricing. Changes in the applicable housing price index since the time of the loan origination are considered and applied to the loan's collateral value. An additional discount representing the return that a buyer would require is also considered in the overall fair value.

Mortgage Servicing Rights

The Company records MSR assets at fair value. These values are determined by projecting cash flows, which are then discounted. The fair values of MSRs are impacted by a variety of factors, including prepayment assumptions, spreads, delinquency rates, contractually specified servicing fees, servicing costs, and underlying portfolio characteristics. For additional information, see Note 9, "Goodwill and Other Intangible Assets." The underlying assumptions and estimated values are corroborated by values received from independent third parties based on their review of the servicing portfolio, and comparisons to market transactions. Because these inputs are not transparent in market trades, MSRs are classified as level 3 assets.

Liabilities

Trading liabilities and derivatives

Trading liabilities are primarily comprised of derivative contracts, but also include various contracts involving U.S. Treasury securities, equity securities, and corporate and other debt securities that the Company uses in certain of its trading businesses. The Company employs the same valuation methodologies for these derivative contracts and securities as are discussed within the corresponding sections herein under “Trading Assets and Derivatives and Securities Available for Sale.”

During the second quarter of 2009, in connection with its sale of Visa Class B shares, the Company entered into a derivative contract whereby the ultimate cash payments received or paid, if any, under the contract are based on the ultimate resolution of litigation involving Visa. The value of the derivative was estimated based on the Company’s expectations regarding the ultimate resolution of that litigation, which involved a high degree of judgment and

subjectivity. Accordingly, the value of the derivative liability is classified as a level 3 instrument. See Note 16, "Guarantees," for a discussion of the valuation assumptions.
Brokered time deposits
The Company elected to measure certain CDs at fair value. These debt instruments included embedded derivatives that were generally based on underlying equity securities or equity indices, but may have been based on other underlyings that may or may not have been clearly and closely related to the host debt instrument. The Company measured certain of these instruments at fair value to better align the economics of the CDs with the Company's risk management strategies. The Company evaluated, on an instrument specific basis, whether a new issuance should be measured at fair value.
The Company classified these CDs as level 2 instruments due to the Company's ability to reasonably measure all significant inputs based on observable market variables. The Company employed a discounted cash flow approach to the host debt component of the CD, based on observable market interest rates for the term of the CD, and an estimate of the Bank's credit risk. For the embedded derivative features, the Company used the same valuation methodologies as if the derivative were a standalone derivative, as discussed herein under "Derivative contracts."
For brokered time deposits carried at fair value at December 31, 2013, the Company estimated credit spreads above LIBOR based on credit spreads from actual or estimated trading levels of the debt or other relevant market data. For the years ended December 31, 2014 and 2013, the Company recognized an immaterial amount of losses due to changes in its own credit spread on its brokered time deposits carried at fair value. For the year ended December 31, 2012, the Company recognized $15 million of losses due to changes in its own credit spread on its brokered time deposits carried at fair value. At December 31, 2014 the Company did not have any brokered time deposits carried at fair value.

Long-term debt

The Company has elected to measure at fair value certain fixed rate debt issuances of public debt which are valued by obtaining quotes from a third party pricing service and utilizing broker quotes to corroborate the reasonableness of those marks. Additionally, information from market data of recent observable trades and indications from buy side investors, if available, are taken into consideration as additional support for the value. Due to the availability of this information, the Company determined that the appropriate classification for the debt is level 2. The election to fair value the debt was made to align the accounting for the debt with the accounting for the derivatives without having to account for the debt under hedge accounting, thus avoiding the complex and time consuming fair value hedge accounting requirements.

The Company's public debt carried at fair value impacts earnings predominantly through changes in the Company's credit spreads as the Company has entered into derivative financial instruments that economically convert the interest rate on the debt from a fixed to a floating rate. The estimated earnings impact from changes in credit spreads above U.S. Treasury rates were losses of $19 million and gains of $40 million and $78 million for the years ended December 31, 2014, 2013, and 2012, respectively.

At December 31, 2014, the Company did not measure any issued securities of a CLO at fair value. Previously, the Company

classified these types of securities as level 2, as the primary driver of their fair values were the loans owned by the CLO, which the Company also elected to measure at fair value prior to the deconsolidation of the CLO, as discussed herein under "Loans Held for Sale and Loans Held for Investment–Corporate and other LHFS."

Other liabilities

The Company's other liabilities that are carried at fair value on a recurring basis include contingent consideration obligations related to acquisitions. Contingent consideration associated with acquisitions is adjusted to fair value until settled. As the assumptions used to measure fair value are based on internal metrics that are not market observable, the earn-out is considered a level 3 liability. Additionally, the derivative that the Company obtained as a result of its sale of Visa Class B shares was included in other liabilities at December 31, 2013. This derivative was included in derivative contracts at December 31, 2014 and accordingly, reclassified to derivative contracts in the prior year level 3 assumptions and reconciliation below for comparability.

The valuation technique and range, including weighted average, of the unobservable inputs associated with the Company's level 3 assets and liabilities are as follows:

	Level 3 Significant Unobservable Input Assumptions			
(Dollars in millions)	Fair value December 31, 2014	Valuation Technique	Unobservable Input [1]	Range (weighted average)
Assets				
Trading assets and derivatives:				
Derivative contracts, net [2]	$20	Internal model	Pull through rate MSR value	40-100% (75%) 39-218 bps (107 bps)
Securities AFS:				
U.S. states and political subdivisions	12	Cost	N/A	
MBS - private	123	Third party pricing	N/A	
ABS	21	Third party pricing	N/A	
Corporate and other debt securities	5	Cost	N/A	
Other equity securities	785	Cost	N/A	

Residential LHFS	1	Monte Carlo/Discounted cash flow	Option adjusted spread	145-225 (157 bps)
			Conditional prepayment rate	1-30 CPR (15 CPR)
			Conditional default rate	0-3 CDR (0.75 CDR)
LHFI	269	Monte Carlo/Discounted cash flow	Option adjusted spread	0-450 (286 bps)
			Conditional prepayment rate	4-30 CPR (13.75 CPR)
			Conditional default rate	0-7 CDR (1.75 CDR)
	3	Collateral based pricing	Appraised value	NM [4]
MSRs	1,206	Monte Carlo/Discounted cash flow	Conditional prepayment rate	2-47 CPR (11 CPR)
			Option adjusted spread	(1.34%)-122.1% (9.96%)
Liabilities				
Other liabilities [3]	27	Internal model	Loan production volume	0-150% (107%)

[1] For certain assets and liabilities where the Company utilizes third party pricing, the unobservable inputs and their ranges are not reasonably available to the Company, and therefore, have been noted as not applicable, "N/A."
[2] Represents the net of IRLC assets and liabilities entered into by the Mortgage Banking segment and includes the derivative liability associated with the Company's sale of Visa shares.
[3] Input assumptions relate to the Company's contingent consideration obligations related to acquisitions. See Note 16, "Guarantees," for additional information.
[4] Not meaningful.

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Notes to Consolidated Financial Statements, continued

(Dollars in millions)	Level 3 Significant Unobservable Input Assumptions Fair value December 31, 2013	Valuation Technique	Unobservable Input [1]	Range (weighted average)
Assets				
Trading assets and derivatives:				
CDO/CLO securities	$54	Matrix pricing/Discounted cash flow	Indicative pricing based on overcollateralization ratio	$50-$60 ($54)
			Discount margin	4-6% (5%)
ABS	6	Matrix pricing	Indicative pricing	$55 ($55)
Derivative contracts, net [2, 3]	5	Internal model	Pull through rate	1-99% (74%)
			MSR value	42-222 bps (111 bps)
Securities AFS:				
U.S. states and political subdivisions	34	Matrix pricing	Indicative pricing	$80-$111 ($95)
MBS - private	154	Third party pricing	N/A	
ABS	21	Third party pricing	N/A	
Corporate and other debt securities	5	Cost	N/A	
Other equity securities	739	Cost	N/A	
Residential LHFS	3	Monte Carlo/Discounted cash flow	Option adjusted spread	250-675 bps (277 bps)
			Conditional prepayment rate	2-10 CPR (7 CPR)
			Conditional default rate	0-4 CDR (0.5 CDR)
LHFI	292	Monte Carlo/Discounted cash flow	Option adjusted spread	0-675 bps (307 bps)
			Conditional prepayment rate	1-30 CPR (13 CPR)
			Conditional default rate	0-7 CDR (2.5 CDR)
	10	Collateral based pricing	Appraised value	NM [4]
MSRs	1,300	Discounted cash flow	Conditional prepayment rate	4-25 CPR (8 CPR)
			Discount rate	9-28% (12%)
Liabilities				
Other liabilities [4]	23	Internal model	Loan production volume	0-150% (92%)
	3	Internal model	Revenue run rate	NM [5]

[1] For certain assets and liabilities where the Company utilizes third party pricing, the unobservable inputs and their ranges are not reasonably available to the Company, and therefore, have been noted as not applicable, "N/A."
[2] Represents the net of IRLC assets and liabilities entered into by the Mortgage Banking segment.
[3] Includes a $3 million derivative liability associated with the Company's sale of Visa shares during the year ended December 31, 2009.
[4] Input assumptions relate to the Company's contingent consideration obligations related to acquisitions. Excludes $3 million of Other Liabilities. See Note 16, "Guarantees," for additional information.
[5] Not meaningful.

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Notes to Consolidated Financial Statements, continued

The following tables present a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (other than MSRs which are disclosed in Note 9, “Goodwill and Other Intangible Assets”). Transfers into and out of the fair value hierarchy levels are assumed to be as of the end of the quarter

in which the transfer occurred. None of the transfers into or out of level 3 have been the result of using alternative valuation approaches to estimate fair values. There were no transfers between level 1 and 2 during the years ended December 31, 2014 and 2013.

	Fair Value Measurements Using Significant Unobservable Inputs										
(Dollars in millions)	Beginning balance January 1, 2014	Included in earnings	OCI	Purchases	Sales	Settlements	Transfers to/from other balance sheet line items	Transfers into Level 3	Transfers out of Level 3	Fair value December 31, 2014	Included in earnings (held at December 31, 2014) [1]
Assets											
Trading assets and derivatives:											
CDO/CLO securities	$54	$11 [3]	$—	$—	($65)	$—	$—	$—	$—	$—	$—
ABS	6	1 [3]	—	—	(7)	—	—	—	—	—	—
Derivative contracts, net	5	252 [2]	—	—	—	8	(245)	—	—	20	—
Total trading assets and derivatives	65	264	—	—	(72)	8	(245)	—	—	20	—
Securities AFS:											
U.S. states and political subdivisions	34	(2)	—	—	(20)	—	—	—	—	12	—
MBS - private	154	(1)	2	—	—	(32)	—	—	—	123	(1)
ABS	21	—	2	—	—	(2)	—	—	—	21	—
Corporate and other debt securities	5	—	—	—	—	—	—	—	—	5	—
Other equity securities	739	—	—	360	—	(320)	6	—	—	785	—
Total securities AFS	953	(3) [4]	4 [5]	360	(20)	(354)	6	—	—	946	(1) [4]
Residential LHFS	3	—	—	—	(10)	—	(6)	17	(3)	1	—
LHFI	302	12 [6]	—	—	—	(45)	1	2	—	272	9 [6]
Liabilities											
Other liabilities	26	4 [7]	—	—	—	(3)	—	—	—	27	—

[1] Change in unrealized gains/(losses) included in earnings during the period related to financial assets still held at December 31, 2014.

[2] Amounts included in earnings are net of issuances, fair value changes, and expirations and are recognized in mortgage production related income.
[3] Amounts included in earnings are recognized in trading income.
[4] Amounts included in earnings are recognized in net securities (losses)/gains.
[5] Amount recognized in OCI is recognized in change in unrealized gains/(losses) on AFS securities.
[6] Amounts are generally included in mortgage production related income; however, the mark on certain fair value loans is included in trading income.
[7] Amounts included in earnings are recognized in other noninterest expense.

Notes to Consolidated Financial Statements, continued

	Fair Value Measurements Using Significant Unobservable Inputs										
(Dollars in millions)	Beginning balance January 1, 2013	Included in earnings	OCI	Purchases	Sales	Settlements	Transfers to/from other balance sheet line items	Transfers into Level 3	Transfers out of Level 3	Fair value December 31, 2013	Included in earnings (held at December 31, 2013) [1]
Assets											
Trading assets and derivatives:											
CDO/CLO securities	$52	$23 [3]	$—	$—	($20)	($1)	$—	$—	$—	$54	$15 [3]
ABS	5	1 [3]	—	—	—	—	—	—	—	6	1 [3]
Derivative contracts, net	132	93 [2]	—	—	—	2	(222)	—	—	5 [7]	(5) [2]
Corporate and other debt securities	1	—	—	—	—	(1)	—	—	—	—	—
Total trading assets and derivatives	190	117	—	—	(20)	—	(222)	—	—	65	11
Securities AFS:											
U.S. states and political subdivisions	46	—	2	—	(6)	(8)	—	—	—	34	—
MBS - private	209	—	(5)	—	—	(50)	—	—	—	154	—
ABS	21	(1)	4	—	—	(3)	—	—	—	21	(1)
Corporate and other debt securities	5	—	—	4	—	(4)	—	—	—	5	—
Other equity securities	633	—	—	200	—	(94)	—	—	—	739	—
Total securities AFS	914	(1) [4]	1 [5]	204	(6)	(159)	—	—	—	953	(1) [4]
Residential LHFS	8	1 [6]	—	—	(25)	(1)	(8)	32	(4)	3	—
LHFI	379	(5) [6]	—	—	—	(55)	(17)	—	—	302	(11) [6]
Liabilities											
Other liabilities	31	(1) [7]	—	—	—	(4)	—	—	—	26	(1) [7]

[1] Change in unrealized gains/(losses) included in earnings for the period related to financial assets still held at December 31, 2013.

[2] Amounts included in earnings are net of issuances, fair value changes, and expirations and are recognized in mortgage production related income.

[3] Amounts included in earnings are recognized in trading income.

[4] Amounts included in earnings are recognized in net securities (losses)/gains.

[5] Amounts recognized in OCI are recognized in change in unrealized gains/(losses) on AFS securities.

[6] Amounts are generally included in mortgage production related income; however, the mark on certain fair value loans is included in trading income.

[7] Amounts included in earnings are recognized in other interest expense.

Non-recurring Fair Value Measurements
The following tables present those assets measured at fair value on a non-recurring basis at December 31, 2014 and 2013 as well as corresponding losses recognized during the years ended December 31, 2014 and 2013. When comparing balances at December 31, 2014 to those at December 31, 2013, the changes

in fair value generally result from the application of LOCOM or through write-downs of individual assets. The tables do not reflect changes in fair value attributable to economic hedges the Company may have used to mitigate interest rate risk associated with LHFS and MSRs.

(Dollars in millions)	December 31, 2014	Level 1	Level 2	Level 3	Losses for the Year Ended December 31, 2014
LHFS	$1,108	$121	$45	$942	($6)
LHFI	24	—	—	24	—
OREO	29	—	1	28	(6)
Affordable housing	77	—	—	77	(21)
Other assets	225	—	216	9	(64)

(Dollars in millions)	December 31, 2013	Level 1	Level 2	Level 3	Losses for the Year Ended December 31, 2013
LHFS	$278	$—	$278	$—	($3)
LHFI	75	—	—	75	—
OREO	49	—	1	48	(10)
Affordable housing	7	—	—	7	(3)
Other assets	171	—	158	13	(61)

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The following is a discussion of the valuation techniques and inputs used in developing fair value measurements for assets classified as level 2 or 3 that are measured at fair value on a non-recurring basis, as determined by the nature and risks of the instrument.

Loans Held for Sale

At December 31, 2014, LHFS level 1 assets consisted of commercial and industrial loans. At December 31, 2014 and 2013 level 2 assets consisted primarily of agency and non-agency residential mortgages, which were measured using observable collateral valuations, and corporate loans that are accounted for at LOCOM. Level 3 assets at December 31, 2014 consisted primarily of indirect auto loans and tax-exempt municipal leases. These loans were valued consistent with the methodology discussed in the Recurring Fair Value Measurement section of this footnote.

During the fourth quarter of 2014, the Company transferred $470 million of C&I loans to LHFS as the Company elected to actively market these loans for sale, and are expected to be sold in the first quarter of 2015; $340 million of these were tax-exempt municipal leases included in level 3 and the remainder were included in level 1 at December 31, 2014. Also, during the fourth quarter of 2014, the Company transferred $38 million of residential mortgage NPLs to LHFS, which are included in level 2 at December 31, 2014, as the Company elected to actively market these loans for sale. These transferred loans were predominantly reported at amortized cost prior to transferring to LHFS; however, a portion of the NPLs were carried at fair value. Additionally, during the fourth quarter of 2014, the Company transferred approximately $600 million of indirect auto loans to LHFS, which the Company elected to actively market for sale in anticipation of a first quarter 2015 sale. These loans are included in level 3 at December 31, 2014.

During 2013, the Company transferred $25 million of residential mortgage NPLs to LHFS, as the Company elected to actively market these loans for sale. These loans were predominantly reported at amortized cost prior to transferring to LHFS; however, a portion of the NPLs was carried at fair value. As a result of transferring the loans to LHFS, the Company recognized a $3 million charge-off to reflect the loans' estimated market value. These transferred NPL loans were sold at approximately their carrying value during 2013. The Company also sold an additional $63 million of residential mortgage NPLs which had either been transferred to LHFS in a prior period or repurchased into LHFS directly. These additional loans were sold at a gain of approximately $12 million during 2013.

Loans Held for Investment

At December 31, 2014 and 2013, LHFI consisted primarily of consumer and residential real estate loans discharged in Chapter 7 bankruptcy that had not been reaffirmed by the borrower, as well as nonperforming CRE loans for which specific reserves had been recognized. As these loans have been classified as nonperforming, cash proceeds from the sale of the underlying collateral is the expected source of repayment for a majority of these loans. Accordingly, the fair value of these loans is derived from the estimated fair value of the underlying collateral, incorporating market data if available. There were no gains or losses during the years ended December 31, 2014 and 2013 as

the charge-offs related to these loans are a component of the ALLL. Due to the lack of market data for similar assets, all of these loans are considered level 3.

OREO

OREO is measured at the lower of cost, or its fair value, less costs to sell. Level 2 OREO consists primarily of residential homes, commercial properties, and vacant lots and land for which binding purchase agreements exist. Level 3 OREO consists primarily of residential homes, commercial properties, and vacant lots and land for which initial valuations are based on property-specific appraisals, broker pricing opinions, or other available market information. Updated value estimates are received regularly on level 3 OREO.

Affordable Housing

The Company evaluates its consolidated affordable housing properties for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized if the carrying amount of the property exceeds its fair value.

During the first quarter of 2014, the Company decided to actively market for sale certain consolidated affordable housing properties, and accordingly, recognized an impairment charge of $36 million to adjust the carrying values of these properties to their estimated net realizable values obtained from a third party broker opinion and were considered level 3. During the year ended December 31, 2014, the Company recognized gains of $15 million on these affordable housing properties as a result of increased estimated net realizable values. The Company anticipates that the sale of a majority of these properties will occur within the next three months.

At December 31, 2013, fair value measurements for affordable housing properties were derived from internal analyses using market assumptions. Significant assumptions utilized in these analyses included cash flows, market capitalization rates, and tax credit market pricing. Due to the lack of comparable sales in the marketplace, these valuations were considered level 3. During the year ended December 31, 2013, the Company recognized impairment of $3 million on its held for use consolidated affordable housing properties.

Other Assets

Other assets consist of other repossessed assets, assets under operating leases where the Company is the lessor, land held for sale, and equity method investments.

Other repossessed assets consist of repossessed personal property that is measured at fair value less cost to sell. These assets are considered level 3 as their fair value is determined based on a variety of subjective unobservable factors. During the years ended December 31, 2014 and 2013, no losses were recognized by the Company on other repossessed assets as the impairment charges on repossessed personal property are a component of the ALLL.

The Company monitors the fair value of assets under operating leases where the Company is the lessor and recognizes impairment to the extent the carrying value is not recoverable and the fair value is less than its carrying value. Fair value is determined using collateral specific pricing digests, external appraisals, broker opinions, recent sales data from industry

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equipment dealers, and the discounted cash flows derived from the underlying lease agreement. As market data for similar assets and lease arrangements is available and used in the valuation, these assets are considered level 2. During the years ended December 31, 2014 and 2013, the Company recognized impairment charges of $59 million and $50 million, respectively, attributable to the fair value of various personal property under operating leases.

Land held for sale is recorded at the lesser of carrying value or fair value less cost to sell. Land held for sale is considered level 2 as its fair value is determined based on market comparables and broker opinions. The Company recognized $5 million in impairment charges on land held for sale during the year ended December 31, 2014. No impairment charges were recognized on land held for sale during the year ended December 31, 2013.

Fair Value of Financial Instruments

The measured amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2014		Fair Value Measurement Using			
(Dollars in millions)	Measured Amount	Fair Value	Level 1	Level 2	Level 3	
Financial assets:						
Cash and cash equivalents	$8,229	$8,229	$8,229	$—	$—	(a)
Trading assets and derivatives	6,202	6,202	1,000	5,177	25	(b)
Securities AFS	26,770	26,770	2,059	23,765	946	(b)
LHFS	3,232	3,240	—	2,063	1,177	(c)
LHFI, net	131,175	126,855	—	545	126,310	(d)
Financial liabilities:						
Deposits	140,567	140,562	—	140,562	—	(e)
Short-term borrowings	9,186	9,186	—	9,186	—	(f)
Long-term debt	13,022	13,056	—	12,398	658	(f)
Trading liabilities and derivatives	1,227	1,227	929	293	5	(b)

	December 31, 2013		Fair Value Measurement Using			
(Dollars in millions)	Measured Amount	Fair Value	Level 1	Level 2	Level 3	
Financial assets:						
Cash and cash equivalents	$5,263	$5,263	$5,263	$—	$—	(a)
Trading assets and derivatives	5,040	5,040	1,156	3,812	72	(b)
Securities AFS	22,542	22,542	1,396	20,193	953	(b)
LHFS	1,699	1,700	—	1,666	34	(c)
LHFI, net	125,833	121,341	—	2,860	118,481	(d)
Financial liabilities:						
Deposits	129,759	129,801	—	129,801	—	(e)
Short-term borrowings	8,739	8,739	—	8,739	—	(f)
Long-term debt	10,700	10,678	—	10,086	592	(f)
Trading liabilities and derivatives	1,181	1,181	979	198	4	(b)

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments:

(a) Cash and cash equivalents are valued at their carrying amounts reported in the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.

(b) Trading assets and derivatives, securities AFS, and trading liabilities and derivatives that are classified as level 1 are valued based on quoted market prices. For those instruments classified as level 2 or 3, refer to the respective valuation discussions within this footnote.

(c) LHFS are generally valued based on observable current market prices or, if quoted market prices are not available, on quoted market prices of similar instruments. Refer to the LHFS section within this footnote for further discussion of

the LHFS carried at fair value. In instances for which significant valuation assumptions are not readily observable in the market, instruments are valued based on the best available data to approximate fair value. This data may be internally-developed and considers risk premiums that a market participant would require under then-current market conditions.

(d) LHFI fair values are based on a hypothetical exit price, which does not represent the estimated intrinsic value of the loan if held for investment. The assumptions used are expected to approximate those that a market participant purchasing the loans would use to value the loans, including a market risk premium and liquidity discount. Estimating the fair value of the loan portfolio when loan sales and trading markets are illiquid, or for certain loan types, nonexistent, requires significant judgment. Therefore, the

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estimated fair value can vary significantly depending on a market participant's ultimate considerations and assumptions. The final value yields a market participant's expected return on investment that is indicative of the current market conditions, but it does not take into consideration the Company's estimated value from continuing to hold these loans or its lack of willingness to transact at these estimated values.
The Company generally estimated fair value for LHFI based on estimated future cash flows discounted, initially, at current origination rates for loans with similar terms and credit quality, which derived an estimated value of 100% and 99% on the loan portfolio's net carrying value at December 31, 2014 and 2013, respectively. The value derived from origination rates likely does not represent an exit price; therefore, an incremental market risk and liquidity discount was subtracted from the initial value at December 31, 2014 and 2013. The discounted value is a function of a market participant's required yield in the current environment and is not a reflection of the expected cumulative losses on the loans. Loan prepayments are used to adjust future cash flows based on historical experience and prepayment model forecasts. The value of related accrued interest on loans approximates fair value; however, it is not included in the carrying amount or fair value of loans. The value of long-term customer relationships is not permitted under current U.S. GAAP to be included in the estimated fair value.

(e) Deposit liabilities with no defined maturity such as DDAs, NOW/money market accounts, and savings accounts have a fair value equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for CDs are estimated using a discounted cash flow measurement that applies current interest rates to a schedule of aggregated expected maturities. The assumptions used in the discounted cash flow analysis are expected to

approximate those that market participants would use in valuing deposits. The value of long-term relationships with depositors is not taken into account in estimating fair values. For valuation of brokered time deposits that the Company measures at fair value as well as those that are carried at amortized cost, refer to the respective valuation section within this footnote.

(f) Fair values for short-term borrowings and certain long-term debt are based on quoted market prices for similar instruments or estimated using discounted cash flow analysis and the Company's current incremental borrowing rates for similar types of instruments. For long-term debt that the Company measures at fair value, refer to the respective valuation section within this footnote. For level 3 debt, the terms are unique in nature or there are otherwise no similar instruments that can be used to value the instrument without using significant unobservable assumptions. In this situation, the Company reviews current borrowing rates along with the collateral levels that secure the debt in determining an appropriate fair value adjustment.

Unfunded loan commitments and letters of credit are not included in the table above. At December 31, 2014 and 2013, the Company had $56.5 billion and $48.9 billion, respectively, of unfunded commercial loan commitments and letters of credit. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related unfunded commitments reserve, which was a combined $59 million and $53 million at December 31, 2014 and 2013, respectively. No active trading market exists for these instruments, and the estimated fair value does not include any value associated with the borrower relationship. The Company does not estimate the fair values of consumer unfunded lending commitments which can generally be canceled by providing notice to the borrower.

NOTE 19 – CONTINGENCIES

Litigation and Regulatory Matters

In the ordinary course of business, the Company and its subsidiaries are parties to numerous civil claims and lawsuits and subject to regulatory examinations, investigations, and requests for information. Some of these matters involve claims for substantial amounts. The Company's experience has shown that the damages alleged by plaintiffs or claimants are often overstated, based on unsubstantiated legal theories, unsupported by facts, and/or bear no relation to the ultimate award that a court might grant. Additionally, the outcome of litigation and regulatory matters and the

timing of ultimate resolution are inherently difficult to predict. These factors make it difficult for the Company to provide a meaningful estimate of the range of reasonably possible outcomes of claims in the aggregate or by individual claim. However, on a case-by-case basis, reserves are established for those legal claims in which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. The actual costs of resolving these claims may be substantially higher or lower than the amounts reserved.

For a limited number of legal matters in which the Company is involved, the Company is able to estimate a range of reasonably possible losses. For other matters for which a loss is probable or reasonably possible, such an estimate is not possible. For those matters where a loss is reasonably possible, management currently estimates the aggregate range of reasonably possible losses as $0 to approximately $180 million in excess of the reserves, if any, related to those matters. This estimated range of reasonably possible losses represents the estimated possible losses over the life of such legal matters, which may span a currently indeterminable number of years, and is based on information available at December 31, 2014. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those matters for which an estimate is not possible are not included within this estimated range; therefore, this estimated range does not represent the Company’s maximum loss exposure. Based on current knowledge, it is the opinion of management that liabilities arising from legal claims in excess

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of the amounts currently reserved, if any, will not have a material impact on the Company's financial condition, results of operations, or cash flows. However, in light of the significant uncertainties involved in these matters and the large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's financial condition, results of operations, or cash flows for any given reporting period.

The following is a description of certain litigation and regulatory matters:

Card Association Antitrust Litigation

The Company is a defendant, along with Visa and MasterCard, as well as several other banks, in several antitrust lawsuits challenging their practices. For a discussion regarding the Company's involvement in this litigation matter, see Note 16, "Guarantees."

Lehman Brothers Holdings, Inc. Litigation

Beginning in October 2008, STRH, along with other underwriters and individuals, were named as defendants in several individual and putative class action complaints filed in the U.S. District Court for the Southern District of New York and state and federal courts in Arkansas, California, Texas, and Washington. Plaintiffs alleged violations of Sections 11 and 12 of the Securities Act of 1933 and/or state law for allegedly false and misleading disclosures in connection with various debt and preferred stock offerings of Lehman Brothers Holdings, Inc. ("Lehman Brothers") and sought unspecified damages. All cases were transferred for coordination to the multi-district litigation captioned In re Lehman Brothers Equity/Debt Securities Litigation pending in the U.S. District Court for the Southern District of New York. Defendants filed a motion to dismiss all claims asserted in the class action. On July 27, 2011, the District Court granted in part and denied in part the motion to dismiss the claims against STRH and the other underwriter defendants in the class action. A settlement with the class plaintiffs was approved by the Court and the class settlement approval process was completed. A number of individual lawsuits and smaller putative class actions remained following the class settlement. STRH settled two such individual actions. The other individual lawsuits were dismissed. The appeal period for two of the individual actions will not expire until the plaintiffs' claims against a third party have been resolved.

Colonial BancGroup Securities Litigation

Beginning in July 2009, STRH, certain other underwriters, the Colonial BancGroup, Inc. ("Colonial BancGroup") and certain officers and directors of Colonial BancGroup were named as defendants in a putative class action filed in the U.S. District Court for the Middle District of Alabama entitled In re Colonial BancGroup, Inc. Securities Litigation. The complaint was brought by purchasers of certain debt and equity securities of Colonial BancGroup and seeks unspecified damages. Plaintiffs allege violations of Sections 11 and 12 of the Securities Act of 1933 due to allegedly false and misleading disclosures in the relevant registration statement and prospectus relating to Colonial BancGroup's goodwill impairment, mortgage underwriting standards, and credit quality. On February 3, 2015,

the parties settled this matter and, if approved by the Court, the settlement will become final and will resolve all remaining claims against STRH.

Bickerstaff v. SunTrust Bank

This case was filed in the Fulton County State Court on July 12, 2010, and an amended complaint was filed on August 9, 2010. Plaintiff asserts that all overdraft fees charged to his account which related to debit card and ATM transactions are actually interest charges and therefore subject to the usury laws of Georgia. Plaintiff has brought claims for violations of civil and criminal usury laws, conversion, and money had and received, and purports to bring the action on behalf of all Georgia citizens who incurred such overdraft fees within the four years before the complaint was filed where the overdraft fee resulted in an interest rate being charged in excess of the usury rate. SunTrust filed a motion to compel arbitration and on March 16, 2012, the Court entered an order holding that SunTrust's arbitration

provision is enforceable but that the named plaintiff in the case had opted out of that provision pursuant to its terms. The Court explicitly stated that it was not ruling at that time on the question of whether the named plaintiff could have opted out for the putative class members. SunTrust filed an appeal of this decision, but this appeal was dismissed based on a finding that the appeal was prematurely granted. On April 8, 2013, the plaintiff filed a motion for class certification and that motion was denied on February 19, 2014. Plaintiff appealed the denial of class certification on February 26, 2014. The parties have filed briefs and conducted oral arguments, and now await the Court's ruling.

Putative ERISA Class Actions
Company Stock Class Action
Beginning in July 2008, the Company and certain officers, directors, and employees of the Company were named in a putative class action alleging that they breached their fiduciary duties under ERISA by offering the Company's common stock as an investment option in the SunTrust Banks, Inc. 401(k) Plan (the “Plan”). The plaintiffs purport to represent all current and former Plan participants who held the Company stock in their Plan accounts from May 2007 to the present and seek to recover alleged losses these participants supposedly incurred as a result of their investment in Company stock.
The Company Stock Class Action was originally filed in the U.S. District Court for the Southern District of Florida but was transferred to the U.S. District Court for the Northern District of Georgia, Atlanta Division, (the “District Court”) in November 2008. On October 26, 2009, an amended complaint was filed. On December 9, 2009, defendants filed a motion to dismiss the amended complaint. On October 25, 2010, the District Court granted in part and denied in part defendants' motion to dismiss the amended complaint. Defendants and plaintiffs filed separate motions for the District Court to certify its October 25, 2010 order for immediate interlocutory appeal. On January 3, 2011, the District Court granted both motions.
On January 13, 2011, defendants and plaintiffs filed separate petitions seeking permission to pursue interlocutory appeals with the U.S. Court of Appeals for the Eleventh Circuit (“the Circuit Court”). On April 14, 2011, the Circuit Court granted defendants and plaintiffs permission to pursue interlocutory review in separate appeals. The Circuit Court subsequently stayed these

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appeals pending decision of a separate appeal involving The Home Depot in which substantially similar issues are presented. On May 8, 2012, the Circuit Court decided this appeal in favor of The Home Depot. On March 5, 2013, the Circuit Court issued an order remanding the case to the District Court for further proceedings in light of its decision in The Home Depot case. On September 26, 2013, the District Court granted the defendants' motion to dismiss plaintiffs' claims. Plaintiffs have filed an appeal of this decision in the Circuit Court. Subsequent to the filing of this appeal, the U.S. Supreme Court decided Fifth Third Bancorp v. Dudenhoeffer, which held that ESOP fiduciaries receive no presumption of prudence with respect to employer stock plans. The Eleventh Circuit has remanded the case back to the District Court for further proceedings in light of Dudenhoeffer.

Mutual Funds Class Actions

On March 11, 2011, the Company and certain officers, directors, and employees of the Company were named in a putative class action alleging that they breached their fiduciary duties under ERISA by offering certain STI Classic Mutual Funds as investment options in the Plan. The plaintiffs purports to represent all current and former Plan participants who held the STI Classic Mutual Funds in their Plan accounts from April 2002 through December 2010 and seeks to recover alleged losses these Plan participants supposedly incurred as a result of their investment in the STI Classic Mutual Funds. This action was pending in the U.S. District Court for the Northern District of Georgia, Atlanta Division (the “District Court”). On June 6, 2011, plaintiffs filed an amended complaint, and, on June 20, 2011, defendants filed a motion to dismiss the amended complaint. On March 12, 2012, the Court granted in part and denied in part the motion to dismiss. The Company filed a subsequent motion to dismiss the remainder of the case on the ground that the Court lacked subject matter jurisdiction over the remaining claims. On October 30, 2012, the Court dismissed all claims in this action. Immediately thereafter, plaintiffs' counsel initiated a substantially similar lawsuit against the Company naming two new plaintiffs and also filed an appeal of the dismissal with the U.S. Court of Appeals for the Eleventh Circuit. SunTrust filed a motion to dismiss in the new action and this motion was granted. On February 26, 2014, the U.S. Court of Appeals for the Eleventh Circuit upheld the District Court's dismissal. On March 18, 2014, the plaintiffs' counsel filed a motion for reconsideration with the Eleventh Circuit. On August 26, 2014, plaintiffs in the original action filed a Motion for Consolidation of Appeals requesting that the Court consider this appeal jointly with the appeal in the second action. This motion was granted on October 9, 2014 and plaintiffs filed their consolidated appeal on December 16, 2014.

On June 27, 2014, the Company and certain current and former officers, directors, and employees of the Company were named in another putative class action alleging breach of fiduciary duties associated with the inclusion of STI Classic Mutual Funds as investment options in the Plan. This case, Brown, et al. v. SunTrust Banks, Inc., et al., was filed in the U.S. District Court for the District of Columbia. On September 3, 2014, the U.S. District Court for the District of Columbia issued an order transferring the case to the U.S. District Court for the Northern District of Georgia. On November 12, 2014, the Court

granted plaintiffs’ motion to stay this case until the U.S. Supreme Court issues a decision in Tibble v. Eidson International.

Intellectual Ventures II v. SunTrust Banks, Inc. and SunTrust Bank

This action was filed in the United States District Court for the Northern District of Georgia on July 24, 2013. Plaintiff alleges that SunTrust violates one or more of several patents held by plaintiff in connection with SunTrust’s provision of online banking services and other systems and services. Plaintiff seeks damages for alleged patent infringement of an unspecified amount, as well as attorney’s fees and expenses. The matter was stayed on October 7, 2014 pending inter partes review of a number of the claims asserted against SunTrust.

Consent Order with the Federal Reserve

On April 13, 2011, SunTrust, SunTrust Bank, and STM entered into a Consent Order with the FRB in which SunTrust, SunTrust Bank, and STM agreed to strengthen oversight of, and improve risk management, internal audit, and compliance programs concerning the residential mortgage loan servicing, loss mitigation, and foreclosure activities of STM. SunTrust continues its engagement with the FRB and to demonstrate compliance with its commitments under the Consent Order.

As expected, on July 25, 2014, the FRB imposed a $160 million civil money penalty as a result of the FRB’s review of the Company’s residential mortgage loan servicing and foreclosure processing practices that preceded the Consent Order. The Company expects to satisfy the entirety of this assessed penalty by providing consumer relief and certain cash payments as contemplated by the settlement with the U.S. and the States Attorneys' General regarding certain mortgage servicing claims, which is discussed below at “United States Mortgage Servicing Settlement and HUD Investigation of Origination Practices (FHA).” The Company's financial statements at December 31, 2014 continue to reflect the Company's costs associated with this penalty.

United States Mortgage Servicing Settlement and HUD Investigation of Origination Practices (FHA)

In the second quarter of 2014, STM and the U.S., through the DOJ, HUD, and Attorneys General for several states reached a final settlement agreement related to the National Mortgage Servicing Settlement and HUD's investigation of STM's FHA origination practices. SunTrust filed the settlement agreement as Exhibit 10.3 to the 10-Q for the quarterly period ended June 30, 2014. The settlement agreement became effective on September 30, 2014 when the court entered the Consent Judgment. Pursuant to the settlements, STM made $468 million in cash payments and committed to provide $500 million of consumer relief by the fourth quarter of 2017 and to implement certain mortgage servicing standards. The financial statements at December 31, 2014 reflect the estimated cost of the anticipated requirements of fulfilling these commitments. Even with the settlements, the Company faces the risk of being unable to meet certain consumer relief commitments, which could result in increased costs to resolve this matter. The Company does not expect the consumer relief efforts or implementation of certain servicing standards

associated with the settlements to have a material impact on its future financial results.

DOJ Investigation of GSE Loan Origination Practices

In January 2014, STM received notice from the DOJ of an investigation regarding the origination and underwriting of single family residential mortgage loans sold by STM to Fannie Mae and Freddie Mac. The DOJ and STM have not yet engaged in any material dialogue about how this matter may proceed and no allegations have been raised against STM. STM continues to cooperate with the investigation.

Mortgage Modification Investigation

In the third quarter of 2014, STM resolved claims by the United States Attorney’s Office for the Western District of Virginia and the Office of the Special Inspector General for the Troubled Asset Relief Program relating to STM's administration of HAMP. Pursuant to the settlement, SunTrust paid $46 million, including $20 million to fund housing counseling for homeowners, $10 million in restitution to Fannie Mae and Freddie Mac, and $16 million to the U.S. Treasury, and transferred its minimum consumer remediation obligation of $179 million (which may increase to a maximum of $274 million) to the required deposit account to be controlled by a third party claims administrator. The claims administrator will validate consumers eligible for remediation and administer the payment process. The Company incurred a $204 million pre-tax charge in the second quarter of 2014 in connection with this matter, which includes its estimate of the consumer remediation obligation. A copy of the Restitution and Remediation Agreement dated as of July 3, 2014 between SunTrust Mortgage, Inc. and the United States of America is filed as Exhibit 10.15 to this report. The financial statements at December 31, 2014 reflect the estimated cost of the anticipated requirements of fulfilling these commitments.

Residential Funding Company, LLC v. SunTrust Mortgage, Inc.

STM has been named as a defendant in a complaint filed December 17, 2013 in the Southern District of New York by Residential Funding Company, LLC ("RFC"), a Chapter 11 debtor-affiliate of GMAC Mortgage, LLC, alleging breaches of representations and warranties made in connection with loan sales and seeking indemnification against losses allegedly suffered by RFC as a result of such alleged breaches. The case was transferred to the United States Bankruptcy Court for the Southern District of New York. The Company filed a motion to transfer the case back to the District Court, which is pending. The litigation remains active in the Bankruptcy Court. Discovery has commenced.

SunTrust Mortgage Lender Placed Insurance Class Actions

STM has been named in four putative class actions similar to those that other financial institutions are facing which allege that STM violated various duties by failing to properly negotiate pricing for force placed insurance and by receiving kickbacks or other improper benefits from the providers of such insurance. Three of the cases involve activity relating to STM’s relationship with QBE First Specialty as STM’s lender placed insurance vendor. The first case, Timothy Smith v. SunTrust Mortgage, Inc. et al., is pending in the United States District Court for the Central

District of California. STM filed a motion to dismiss this case and this motion was granted in part and denied in part. The second case, Carina Hamilton v. SunTrust Mortgage, Inc. et al., is pending in the U.S. District Court for the Southern District of Florida. The third case, Yaghoub Mahdavieh et al. v. SunTrust Mortgage, Inc. et al., was filed in the U.S. District Court for the Northern District of Georgia. STM filed a motion to dismiss and a motion to transfer the case. The Court granted the motion to transfer this case to the Southern District of Florida. STM has entered into an agreement to settle these cases in the context of a nationwide settlement class, which was approved by the Court on October 24, 2014. STM’s liability in this settlement has been fully accrued and is reflected in the Company's financial statements at December 31, 2014. However, the plaintiffs in Mahdavieh have opted out of the class action settlement and their case will proceed on an individual basis. The fourth case, Douglas Morales v. SunTrust Mortgage, et al, is pending in the U.S. District Court for the Southern District of Florida and involves activity relating to STM’s

relationship with Assurant as its lender placed insurance vendor. The case is in its early stages.

SunTrust Mortgage, Inc. v. United Guaranty Residential Insurance Company of North Carolina
STM filed suit in the Eastern District of Virginia in July 2009 against United Guaranty Residential Insurance Company of North Carolina ("UGRIC") seeking payment of denied MI claims on second lien mortgages. UGRIC counterclaimed for declaratory relief involving interpretation of whether STM was obligated to continue to pay premiums after any caps were met. Previously, the Court granted STM's motion for summary judgment on its claim and awarded STM $34 million along with $6 million in prejudgment interest and $5 million in other damages. This award was affirmed on appeal. On UGRIC's counterclaim, the Court granted judgment to SunTrust and held that UGRIC was not entitled to additional premiums from STM. UGRIC appealed this finding. The parties reached a settlement during the fourth quarter of 2014, which resulted in the dismissal of UGRIC's appeal and resolution of all remaining issues.

SunTrust Mortgage Reinsurance Class Actions
STM and Twin Rivers Insurance Company ("Twin Rivers") have been named as defendants in two putative class actions alleging that the companies entered into illegal "captive reinsurance" arrangements with private mortgage insurers. More specifically, plaintiffs allege that SunTrust's selection of private mortgage insurers who agree to reinsure with Twin Rivers certain loans referred to them by SunTrust results in illegal "kickbacks" in the form of the insurance premiums paid to Twin Rivers. Plaintiffs contend that this arrangement violates the Real Estate Settlement Procedures Act ("RESPA") and results in unjust enrichment to the detriment of borrowers. The first of these cases, Thurmond, Christopher, et al. v. SunTrust Banks, Inc. et al., was filed in February 2011 in the U.S. District Court for the Eastern District of Pennsylvania. This case was stayed by the Court pending the outcome of Edwards v. First American Financial Corporation, a captive reinsurance case that was pending before the U.S. Supreme Court at the time. The second of these cases, Acosta, Lemuel & Maria Ventrella et al. v. SunTrust Bank, SunTrust Mortgage, Inc., et al., was filed in the U.S. District Court for the Central District of California in December 2011. This case was

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stayed pending a decision in the Edwards case also. In June 2012, the U.S. Supreme Court withdrew its grant of certiorari in Edwards and, as a result, the stays in these cases were lifted. SunTrust has filed a motion to dismiss the Thurmond case which was granted in part and denied in part, allowing limited discovery surrounding the argument that the statute of limitations for certain claims should be equitably tolled. Discovery on this matter is underway. The Acosta plaintiffs have voluntarily dismissed their case.

United States Attorney’s Office for the Southern District of New York Foreclosure Expense Investigation

STM has been cooperating with the United States Attorney's Office for the Southern District of New York (the "Southern

District") in a broad-based industry investigation regarding claims for foreclosure-related expenses charged by law firms in connection with the foreclosure of loans guaranteed or insured by Fannie Mae, Freddie Mac, or FHA. The investigation relates to a private litigant qui tam lawsuit filed under seal and remains in early stages. The Southern District has not yet advised STM how it will proceed in this matter. The Southern District and STM engaged in dialogue regarding potential resolution of this matter as part of the National Mortgage Servicing Settlement, but were unable to reach agreement. The Company's financial statements at December 31, 2014 reflect the Company's current estimate of probable losses associated with the matter.

NOTE 20 - BUSINESS SEGMENT REPORTING

The Company has three segments used to measure business activity: Consumer Banking and Private Wealth Management, Wholesale Banking, and Mortgage Banking, with functional activities included in Corporate Other. The business segments are determined based on the products and services provided or the type of client served, and they reflect the manner in which financial information is evaluated by management. The following is a description of the segments and their composition.

The Consumer Banking and Private Wealth Management segment is made up of two primary businesses: Consumer Banking and Private Wealth Management.

- Consumer Banking provides services to consumers and branch-managed small business clients through an extensive network of traditional and in-store branches, ATMs, the internet (www.suntrust.com), mobile banking, and telephone (1-800-SUNTRUST). Financial products and services offered to consumers and small business clients include deposits, home equity lines and loans, credit lines, indirect auto, student lending, bank card, other lending products, and various fee-based services. Consumer Banking also serves as an entry point for clients and provides services for other lines of business.
- PWM provides a full array of wealth management products and professional services to both individual and institutional clients including loans, deposits, brokerage, professional investment management, and trust services to clients seeking active management of their financial resources. Institutional clients are served by the IIS business. Discount/online and full-service brokerage products are offered to individual clients through STIS. PWM also includes GenSpring, which provides family office solutions to ultra-high net worth individuals and their families. Utilizing teams of multi-disciplinary specialists with expertise in investments, tax, accounting, estate planning, and other wealth management disciplines, GenSpring helps families manage and sustain wealth across multiple generations.

The Wholesale Banking segment includes the following four businesses:

- CIB delivers comprehensive capital markets solutions, including advisory, capital raising, and financial risk management, with the first goal of best serving the needs of

both public and private companies in the Wholesale Banking segment and PWM business. Investment Banking and Corporate Banking teams within CIB serve clients across the nation, offering a full suite of traditional banking and investment banking products and services to companies with annual revenues typically greater than $150 million.

Investment Banking serves select industry segments including consumer and retail, energy, financial services, healthcare, industrials, media and communications, real estate, and technology. Corporate Banking serves clients across diversified industry sectors based on size, complexity, and frequency of capital markets issuance. Also managed within CIB is the Equipment Finance Group, which provides lease financing solutions (through SunTrust Equipment Finance & Leasing).

- Commercial & Business Banking offers an array of traditional banking products, including cash management services and investment banking solutions via STRH to commercial clients (generally those with average revenues $1 million to $150 million), not-for-profit organizations, and governmental entities, as well as auto dealer financing (floor plan inventory financing). Also managed within Commercial & Business Banking is the Premium Assignment Corporation, which creates corporate insurance premium financing solutions.
- Commercial Real Estate provides a full range of financial solutions for commercial real estate developers, owners, and investors, including construction, mini-perm, and permanent real estate financing as well as tailored financing and equity investment solutions via STRH, primarily through the REIT group focused on Real Estate Investment Trusts. The Institutional Real Estate team targets relationships with institutional advisors, private funds, and insurance companies and the Regional team focuses on real estate owners and developers through a regional delivery structure. Commercial Real Estate also offers tailored financing and equity investment solutions for community development and affordable housing projects through SunTrust Community Capital, with particular expertise in Low Income Housing Tax Credits and New Market Tax Credits.

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- Treasury & Payment Solutions provides all SunTrust business clients with services required to manage their payments and receipts, combined with the ability to manage and optimize their deposits across all aspects of their business. Treasury & Payment Solutions operates all electronic and paper payment types, including card, wire transfer, ACH, check, and cash. It also provides clients the means to manage their accounts electronically online, both domestically and internationally.

Mortgage Banking offers residential mortgage products nationally through its retail and correspondent channels, as well as via the internet (www.suntrust.com) and by telephone (1-800-SUNTRUST). These products are either sold in the secondary market, primarily with servicing rights retained, or held in the Company's loan portfolio. Mortgage Banking services loans for itself and for other investors, and includes ValuTree Real Estate Services, LLC, a tax service subsidiary.

Corporate Other includes management of the Company's investment securities portfolio, long-term debt, end user derivative instruments, short-term liquidity and funding activities, balance sheet risk management, and most real estate assets. Additionally, it includes Enterprise Information Services, which is the primary information technology and operations group; Corporate Real Estate, Marketing, SunTrust Online, Human Resources, Finance, Corporate Risk Management, Legal and Compliance, Communications, Procurement, and Executive Management. The financial results of RidgeWorth, including the gain on sale, are reflected in the Corporate Other segment. Prior to the sale of RidgeWorth, RidgeWorth's financial performance was reported in the Wholesale Banking segment. See Note 2, "Acquisitions/Dispositions," for additional information related to the sale of RidgeWorth.

Because the business segment results are presented based on management accounting practices, the transition to the consolidated results, which are prepared under U.S. GAAP, creates certain differences which are reflected in Reconciling Items. Business segment reporting conventions are described below.

- Net interest income – Net interest income is presented on a FTE basis to make income from tax-exempt assets comparable to other taxable products. The segment results reflect maturity funds transfer pricing, which ascribes credits or charges based on the economic value or cost created by the assets and liabilities of each segment. The mismatch between funds credits and funds charges at the segment level resides in Reconciling Items. The change in this mismatch is generally attributable to corporate balance sheet management strategies.
- Provision for credit losses – Represents net charge-offs by segment combined with an allocation to the segments of the provision attributable to each segment's quarterly change in the ALLL and unfunded commitment reserve balances.
- Provision/(benefit) for income taxes – Calculated using a blended income tax rate for each segment. This calculation includes the impact of various adjustments, such as the reversal of the FTE gross up on tax-exempt assets, tax adjustments, and credits that are unique to each segment. The difference between the calculated provision/(benefit) for income taxes at the segment level and the consolidated provision/(benefit) for income taxes is reported in Reconciling Items.

The segment's financial performance is comprised of direct financial results, as well as various allocations that for internal management reporting purposes provide an enhanced view of the segment's financial performance. The internal allocations include the following:

- Operational Costs – Expenses are charged to the segments based on various statistical volumes multiplied by activity based cost rates. As a result of the activity based costing process, residual expenses are also allocated to the segments. The recoveries for the majority of these costs are reported in Corporate Other.
- Support and Overhead Costs – Expenses not directly attributable to a specific segment are allocated based on various drivers (e.g., number of equivalent employees, number of PC's/Laptops and net revenue). The recoveries for these allocations are reported in Corporate Other.
- Sales and Referral Credits – Segments may compensate another segment for referring or selling certain products. The majority of the revenue resides in the segment where the product is ultimately managed.

The application and development of management reporting methodologies is a dynamic process and is subject to periodic enhancements. The implementation of these enhancements to the internal management reporting

methodology may materially affect the results disclosed for each segment, with no impact on consolidated results. Whenever significant changes to management reporting methodologies take place, the impact of these changes is quantified and prior period information is reclassified wherever practicable. Prior year results have been restated to reflect a refinement in the provision for credit losses methodology.

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(Dollars in millions)	Year Ended December 31, 2014 Consumer Banking and Private Wealth Management	Wholesale Banking	Mortgage Banking	Corporate Other	Reconciling Items	Consolidated
Balance Sheets:						
Average loans	$41,694	$62,643	$26,494	$43	$—	$130,874
Average consumer and commercial deposits	86,249	43,502	2,333	(72)	—	132,012
Average total assets	47,377	74,307	30,386	26,964	3,142	182,176
Average total liabilities	86,982	50,242	2,665	20,128	(11)	160,006
Average total equity	—	—	—	—	22,170	22,170
Statements of Income/(Loss):						
Net interest income	$2,636	$1,682	$552	$273	($303)	$4,840
FTE adjustment	1	139	—	3	(1)	142
Net interest income - FTE [1]	2,637	1,821	552	276	(304)	4,982
Provision for credit losses [2]	191	71	81	—	(1)	342
Net interest income after provision for credit losses - FTE	2,446	1,750	471	276	(303)	4,640
Total noninterest income	1,528	1,104	473	238	(20)	3,323
Total noninterest expense	2,887	1,536	1,050	87	(17)	5,543
Income/(loss) before provision/(benefit) for income taxes - FTE	1,087	1,318	(106)	427	(306)	2,420
Provision/(benefit) for income taxes - FTE [3]	400	418	(50)	(20)	(113)	635
Net income/(loss) including income attributable to noncontrolling interest	687	900	(56)	447	(193)	1,785
Net income attributable to noncontrolling interest	—	—	—	11	—	11
Net income/(loss)	$687	$900	($56)	$436	($193)	$1,774

(Dollars in millions)	Year Ended December 31, 2013 Consumer Banking and Private Wealth Management	Wholesale Banking	Mortgage Banking	Corporate Other	Reconciling Items	Consolidated
Balance Sheets:						
Average loans	$40,511	$54,141	$27,974	$31	$—	$122,657
Average consumer and commercial deposits	84,359	39,577	3,206	(66)	—	127,076
Average total assets	45,541	66,094	32,708	26,503	1,651	172,497
Average total liabilities	85,237	46,697	3,845	15,645	(94)	151,330
Average total equity	—	—	—	—	21,167	21,167
Statements of Income/(Loss):						

Net interest income	$2,599	$1,566	$539	$314	($165)	$4,853
FTE adjustment	1	124	—	3	(1)	127
Net interest income - FTE [1]	2,600	1,690	539	317	(166)	4,980
Provision/(benefit) for credit losses [2]	261	124	170	(1)	(1)	553
Net interest income after provision/(benefit) for credit losses - FTE	2,339	1,566	369	318	(165)	4,427
Total noninterest income	1,478	1,103	402	241	(10)	3,214
Total noninterest expense	2,801	1,450	1,503	86	(9)	5,831
Income/(loss) before provision/(benefit) for income taxes - FTE	1,016	1,219	(732)	473	(166)	1,810
Provision/(benefit) for income taxes - FTE [3]	374	397	(205)	(63)	(54)	449
Net income/(loss) including income attributable to noncontrolling interest	642	822	(527)	536	(112)	1,361
Net income attributable to noncontrolling interest	—	—	—	17	—	17
Net income/(loss)	$642	$822	($527)	$519	($112)	$1,344

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	Year Ended December 31, 2012					
(Dollars in millions)	Consumer Banking and Private Wealth Management	Wholesale Banking	Mortgage Banking	Corporate Other	Reconciling Items	Consolidated
Balance Sheets:						
Average loans	$41,823	$50,741	$30,288	$41	$—	$122,893
Average consumer and commercial deposits	83,917	38,697	3,638	(3)	—	126,249
Average total assets	47,022	63,296	35,153	28,317	2,346	176,134
Average total liabilities	84,662	46,618	4,484	20,039	(164)	155,639
Average total equity	—	—	—	—	20,495	20,495
Statements of Income/(Loss):						
Net interest income	$2,722	$1,531	$511	$397	($59)	$5,102
FTE adjustment	—	119	—	4	—	123
Net interest income - FTE [1]	2,722	1,650	511	401	(59)	5,225
Provision for credit losses [2]	583	193	618	1	—	1,395
Net interest income/(loss) after provision for credit losses - FTE	2,139	1,457	(107)	400	(59)	3,830
Total noninterest income	1,495	1,222	502	2,160	(6)	5,373
Total noninterest expense	3,082	1,627	1,369	211	(5)	6,284
Income/(loss) before provision/(benefit) for income taxes - FTE	552	1,052	(974)	2,349	(60)	2,919
Provision/(benefit) for income taxes - FTE [3]	203	333	(369)	781	(13)	935
Net income/(loss) including income attributable to noncontrolling interest	349	719	(605)	1,568	(47)	1,984
Net income attributable to noncontrolling interest	—	—	—	26	—	26
Net income/(loss)	$349	$719	($605)	$1,542	($47)	$1,958

[1] Presented on a matched maturity funds transfer price basis for the segments.

[2] Provision for credit losses represents net charge-offs by segment combined with an allocation to the segments of the provision attributable to quarterly changes in the ALLL and unfunded commitment reserve balances.

[3] Includes regular income tax provision/(benefit) and taxable-equivalent income adjustment reversal.

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NOTE 21 - ACCUMULATED OTHER COMPREHENSIVE (LOSS)/INCOME

AOCI was calculated as follows:

(Dollars in millions)	Pre-tax Amount	Income Tax (Expense)/ Benefit	After-tax Amount
AOCI, January 1, 2012	$2,744	($995)	$1,749
Unrealized gains on AFS securities:			
Unrealized net gains	198	(72)	126
Less: Reclassification adjustment for realized net gains [1]	(2,279)	810	(1,469)
Unrealized gains on cash flow hedges:			
Unrealized net gains	81	(28)	53
Less: Reclassification adjustment for realized net gains	(143)	53	(90)
Change related to employee benefit plans	(95)	35	(60)
AOCI, December 31, 2012	506	(197)	309
Unrealized (losses)/gains on AFS securities:			
Unrealized net losses	(944)	348	(596)
Less: Reclassification adjustment for realized net gains	(2)	1	(1)
Unrealized gains on cash flow hedges:			
Unrealized net gains	16	(6)	10
Less: Reclassification adjustment for realized net gains	(417)	154	(263)
Change related to employee benefit plans	399	(147)	252
AOCI, December 31, 2013	(442)	153	(289)
Unrealized gains/(losses) on AFS securities:			
Unrealized net gains	578	(212)	366
Less: Reclassification adjustment for realized net losses	15	(6)	9
Unrealized gains on cash flow hedges:			
Unrealized net gains	99	(37)	62
Less: Reclassification adjustment for realized net gains	(387)	143	(244)
Change related to employee benefit plans	(41)	15	(26)
AOCI, December 31, 2014	($178)	$56	($122)

[1] Excludes $305 million of losses related to derivatives associated with The Coca-Cola Company Agreements termination that was recorded in securities gains on the Consolidated Statements of Income.

The reclassification from AOCI consisted of the following:

(Dollars in millions)	Year Ended December 31			Affected line item in the
Details about AOCI components	2014	2013	2012	Consolidated Statements of Income
Realized losses/(gains) on AFS securities:				
	$15	($2)	($2,279)	Net securities (losses)/gains
	(6)	1	810	Provision for income taxes
	$9	($1)	($1,469)	
Gains on cash flow hedges:				
	($387)	($417)	($143)	Interest and fees on loans
	143	154	53	Provision for income taxes
	($244)	($263)	($90)	
Change related to employee benefit plans:				

Amortization of actuarial losses	$10	$26	$27	Employee benefits
	(51)	373	(122)	Other assets/other liabilities [1]
	(41)	399	(95)	
	15	(147)	35	Provision for income taxes
	($26)	$252	($60)	

[1] This AOCI component is recognized as an adjustment to the funded status of employee benefit plans in the Company's Consolidated Balance Sheets. (For additional information, see Note 15, "Employee Benefit Plans.")

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Notes to Consolidated Financial Statements, continued

NOTE 22 - SUNTRUST BANKS, INC. (PARENT COMPANY ONLY) FINANCIAL INFORMATION

Statements of Income - Parent Company Only

	Year Ended December 31		
(Dollars in millions)	2014	2013	2012
Income			
Dividends [1]	$1,057	$1,200	$27
Interest on loans	7	10	36
Trading income	10	16	18
Gain on sale of subsidiary	105	—	—
Other income	13	7	23
Total income	1,192	1,233	104
Expense			
Interest on short-term borrowings	7	12	13
Interest on long-term debt	122	96	177
Employee compensation and benefits [2]	42	24	111
Service fees to subsidiaries	10	3	3
Other expense	11	(113) [3]	43
Total expense	192	22	347
Income/(loss) before income tax benefit and equity in undistributed income of subsidiaries	1,000	1,211	(243)
Income tax benefit	2	8	91
Income/(loss) before equity in undistributed income of subsidiaries	1,002	1,219	(152)
Equity in undistributed income of subsidiaries	772	125	2,110
Net income	1,774	1,344	1,958
Preferred dividends	(42)	(37)	(12)
Dividends and undistributed earnings allocated to unvested shares	(10)	(10)	(15)
Net income available to common shareholders	$1,722	$1,297	$1,931

[1] Substantially all dividend income received from subsidiaries.

[2] Includes incentive compensation allocations between the Parent Company and subsidiaries.

[3] Includes the transfer to STM of certain mortgage legal-related expenses recorded at the Parent Company in prior years.

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Notes to Consolidated Financial Statements, continued

Balance Sheets - Parent Company Only

(Dollars in millions)	December 31 2014	2013
Assets		
Cash held at SunTrust Bank	$192	$238
Interest-bearing deposits held at SunTrust Bank	2,410	2,756
Interest-bearing deposits held at other banks	21	20
Cash and cash equivalents	2,623	3,014
Trading assets and derivatives	26	92
Securities available for sale	251	316
Loans to subsidiaries	2,669	1,311
Investment in capital stock of subsidiaries stated on the basis of the Company's equity in subsidiaries' capital accounts:		
Banking subsidiaries	22,783	21,772
Nonbanking subsidiaries	1,222	1,465
Goodwill	211	99
Other assets	298	534
Total assets	$30,083	$28,603
Liabilities and Shareholders' Equity		
Short-term borrowings:		
Subsidiaries	$243	$656
Non-affiliated companies	1,281	1,554
Long-term debt:		
Subsidiaries	—	160
Non-affiliated companies	4,815	4,111
Other liabilities	847	819
Total liabilities	7,186	7,300
Preferred stock	1,225	725
Common stock	550	550
Additional paid in capital	9,089	9,115
Retained earnings	13,295	11,936
Treasury stock, at cost, and other [1]	(1,140)	(734)
Accumulated other comprehensive loss, net of tax	(122)	(289)
Total shareholders' equity	22,897	21,303
Total liabilities and shareholders' equity	$30,083	$28,603

[1] At December 31, 2014, includes ($1.1) billion for treasury stock and ($21) million for compensation element of restricted stock.
At December 31, 2013, includes ($684) million for treasury stock and ($50) million for compensation element of restricted stock.

Notes to Consolidated Financial Statements, continued

Statements of Cash Flows - Parent Company Only

	Year Ended December 31		
(Dollars in millions)	2014	2013	2012
Cash Flows from Operating Activities:			
Net income	$1,774	$1,344	$1,958
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of subsidiary	(105)	—	—
Equity in undistributed income of subsidiaries	(772)	(125)	(2,110)
Depreciation, amortization, and accretion	5	5	10
Deferred income tax expense	35	74	18
Stock-based compensation	21	34	35
Net loss on extinguishment of debt	—	—	15
Net securities losses/(gains)	2	(2)	(6)
Net decrease/(increase) in other assets	207	51	(188)
Net increase/(decrease) in other liabilities	7	(339)	332
Net cash provided by operating activities	1,174	1,042	64
Cash Flows from Investing Activities:			
Proceeds from maturities, calls, and paydowns of securities available for sale	71	55	65
Proceeds from sales of securities available for sale	21	57	47
Purchases of securities available for sale	(26)	(25)	(68)
Proceeds from sales of auction rate securities	59	8	—
Net (increase)/decrease in loans to subsidiaries	(1,518)	1,422	940
Proceeds from sale of subsidiary	193	—	—
Net capital contributions to subsidiaries	(32)	—	(150)
Other, net	(10)	—	—
Net cash (used in)/provided by investing activities	(1,242)	1,517	834
Cash Flows from Financing Activities:			
Net (decrease)/increase in short-term borrowings	(686)	(827)	935
Proceeds from long-term debt	723	888	15
Repayment of long-term debt	(5)	(9)	(3,073)
Proceeds from the issuance of preferred stock	496	—	438
Repurchase of common stock	(458)	(150)	—
Incentive compensation related activity	16	17	26
Common and preferred dividends paid	(409)	(225)	(119)
Net cash used in financing activities	(323)	(306)	(1,778)
Net (decrease)/increase in cash and cash equivalents	(391)	2,253	(880)
Cash and cash equivalents at beginning of period	3,014	761	1,641
Cash and cash equivalents at end of period	$2,623	$3,014	$761
Supplemental Disclosures:			
Income taxes (paid to)/received from subsidiaries	($219)	($195)	$621
Income taxes received from/(paid by) by Parent Company	171	55	(605)
Net income taxes (paid)/received by Parent Company	($48)	($140)	$16
Interest paid	$131	$112	$189

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company conducted an evaluation, under the supervision and with the participation of its CEO and CFO, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) at December 31, 2014. The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to the Company’s management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based upon the evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures were effective at December 31, 2014.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) for the Company. The Company’s internal control over financial reporting is a process designed under the supervision of the Company’s CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external purposes in accordance with U.S. GAAP.

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

Management has made a comprehensive review, evaluation, and assessment of the Company’s internal control over financial reporting at December 31, 2014. In making its assessment of internal control over financial reporting, management utilized the updated framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Based on that assessment, management concluded that, at December 31, 2014, the Company’s internal control over financial reporting is effective.

Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements at, and for, the year ended December 31, 2014, has issued a report on the effectiveness of the Company’s internal

control over financial reporting at December 31, 2014. The report of Ernst & Young LLP is included under Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There have been no changes to the Company’s internal control over financial reporting that occurred during the year ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information at the captions “Nominees for Directorship,” “Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance and Director Independence,” “Shareholder Recommendations and Nominations for Election to the Board,” and “Board Committees” in the Registrant’s definitive proxy statement for its annual meeting of shareholders to be held on April 28, 2015 and to be filed with the Commission is incorporated by reference into this Item 10.

Item 11. EXECUTIVE COMPENSATION

The information at the captions “Compensation Policies that Affect Risk Management,” “Executive Compensation” (“Compensation Discussion and Analysis,” “Compensation Committee Report,” “2014 Summary Compensation Table,” “2014 Grants of Plan-Based Awards,” “Option Exercises and Stock Vested in 2014,” “Outstanding Equity Awards at December 31, 2014,” “2014 Pension Benefits Table,” “2014 Nonqualified Deferred Compensation Table,” and “2014 Potential Payments Upon Termination or Change in Control”), “2014 Director Compensation,” and “Compensation Committee Interlocks and Insider Participation” in the Registrant’s definitive proxy statement for its annual meeting of shareholders to be held on April 28, 2015 and to be filed with the Commission is incorporated by reference into this Item 11.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information at the captions “Equity Compensation Plans,” and “Stock Ownership of Directors, Management, and Certain Principal Shareholders” in the Registrant’s definitive proxy statement for its annual meeting of shareholders to be held on April 28, 2015 and to be filed with the Commission is incorporated by reference into this Item 12.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information at the captions “Policies and Procedures for Approval of Related Party Transactions,” “Transactions with Related Persons, Promoters, and Certain Control Persons,” and “Corporate Governance and Director Independence” in the Registrant’s definitive proxy statement for its annual meeting of shareholders to be held on April 28, 2015 and to be filed with the Commission is incorporated by reference into this Item 13.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information at the captions “Audit Fees and Related Matters,” “Audit and Non-Audit Fees,” and “Audit Committee Policy for Pre-approval of Independent Auditor Services” in the Registrant’s definitive proxy statement for its annual meeting of shareholders to be held on April 28, 2015 and to be filed with the Commission is incorporated by reference into this Item 14.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements of SunTrust Banks, Inc. included in this report:

Consolidated Statements of Income for the year ended December 31, 2014, 2013, and 2012;

Consolidated Statements of Comprehensive Income for the year ended December 31, 2014, 2013, and 2012;

Consolidated Balance Sheets as of December 31, 2014 and 2013;

Consolidated Statements of Shareholders' Equity as of December 31, 2014, 2013, and 2012; and

Consolidated Statements of Cash Flows for the year ended December 31, 2014, 2013, and 2012.

(a)(2) Financial Statement Schedules

All financial statement schedules for the Company have been included in the Consolidated Financial Statements or the related footnotes, or are either inapplicable or not required.

(a)(3) Exhibits

The following documents are filed as part of this report:

Exhibit	Description	
3.1	Amended and Restated Articles of Incorporation of the Registrant, restated effective January 16, 2009, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed January 22, 2009, as further amended by Articles of Amendment dated December 19, 2012, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed December 20, 2012.	*
3.2	Bylaws of the Registrant, as amended and restated on August 8, 2011, incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed August 9, 2011.	*
4.1	Indenture between Registrant and PNC, N.A., as Trustee, incorporated by reference to Exhibit 4(a) to Registration Statement No. 33-62162.	*
4.2	Indenture between Registrant and The First National Bank of Chicago, as Trustee, incorporated by reference to Exhibit 4(b) to Registration Statement No. 33-62162.	*
4.3	Form of Indenture between Registrant and The First National Bank of Chicago, as Trustee, to be used in connection with the issuance of Subordinated Debt Securities, incorporated by reference to Exhibit 4.4 to Registration Statement No. 333-25381.	*
4.4	Second Supplemental Indenture by and among National Commerce Financial Corporation, SunTrust Banks, Inc. and The Bank of New York, as Trustee, dated September 22, 2004, incorporated by reference to Exhibit 4.9 to Registrant's 2004 Annual Report on Form 10-K.	*
4.5	First Supplemental Indenture between National Commerce Financial Corporation and the Bank of New York, as Trustee, dated as of March 27, 1997, incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-4 of National Commerce Bancorporation (File No. 333-29251).	*
4.6	Indenture between National Commerce Financial Corporation and The Bank of New York, as Trustee, dated as of March 27, 1997, incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of National Commerce Bancorporation (File No. 333-29251).	*
4.7	Indenture, dated as of October 25, 2006, between SunTrust Banks, Inc. and U.S. Bank National Association, as Trustee, incorporated by reference to Exhibit 4.3 to the Registrant's Registration	*

	Statement on Form 8-A filed on December 5, 2006.	
4.8	Form of First Supplemental Indenture (to Indenture dated as of October 25, 2006) between SunTrust Banks, Inc. and U.S. Bank National Association, as Trustee, incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form 8-A filed on October 24, 2006.	*

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Exhibit	Description	
4.9	Form of Second Supplemental Indenture (to Indenture dated as of October 25, 2006) between SunTrust Banks, Inc. and U.S. Bank National Association, as Trustee, incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form 8-A filed on December 5, 2006.	*
4.10	Senior Indenture dated as of September 10, 2007 by and between SunTrust Banks, Inc. and U.S. Bank National Association, as Trustee, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on September 10, 2007.	*
4.11	Form of Third Supplemental Indenture to the Junior Subordinated Notes Indenture between SunTrust Banks, Inc. and U.S. Bank National Association, as Trustee, incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form 8-A filed on March 3, 2008.	*
4.12	Warrant Agreement dated September 22, 2011, among SunTrust Banks, Inc., Computershare Inc. and Computershare Trust Company, N.A., incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-A filed September 23, 2011.	*
4.13	Warrant Agreement dated September 22, 2011, among SunTrust Banks, Inc., Computershare Inc. and Computershare Trust Company, N.A., incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-A filed September 23, 2011.	*
4.14	Form of Series A Preferred Stock Certificate, incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed September 12, 2006.	*
4.15	Form of Stock Certificate Representing the 5.853% Fixed-to-Floating Rate Normal Preferred Purchase Securities of SunTrust Preferred Capital I, incorporated by reference to Exhibit 4.7 to Registrant's Current Report on Form 8-A filed October 24, 2006.	*
4.16	Form of Series E Preferred Stock Certificate, incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed December 20, 2012.	*
4.17	Form of Series F Preferred Stock Certificate, incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed November 7, 2014.	*
10.1	SunTrust Banks, Inc. Annual Incentive Plan (formerly Management Incentive Plan), amended and restated as of January 1, 2014, incorporated by reference to Appendix B to the Registrant's Proxy Statement filed March 10, 2014.	*

Exhibit	Description	
10.2	SunTrust Banks, Inc. 2009 Stock Plan, amended and restated as of April 22, 2014, incorporated by reference to Appendix A to the Company's definitive proxy statement filed March 10, 2014, together with (i) Form of Nonqualified Stock Option Agreement; (ii) Form of Performance-Vested Stock Option Agreement; (iii) Form of Pro-Rata Nonqualified Stock Option Award Agreement; (iv) Form of Restricted Stock Agreement (3-year cliff vesting); (v) Form of Restricted Stock Agreement (3-year ratable vesting); (vi) Form of Performance Stock Agreement; (vii) Form of CCP Long Term Restricted Stock Award Agreement; (viii) Form of Performance Stock Unit Agreement; (ix) Form of TSR Performance-Vested Restricted Stock Unit Award Agreement; (x) Form of Tier 1 Capital Performance-Vested Restricted Stock Unit Award Agreement; (xi) Form of (2010) Salary Share Stock Unit Award Agreement; (xii) Form of (2011) SunTrust Banks, Inc. Salary Share Stock Unit Agreement; (xiii) Form of Non-Employee Director Restricted Stock Award Agreement; (xiv) Form of Non-Employee Director Restricted Stock Unit Award Agreement; (xv) Form of Co-investment Restricted Stock Unit Award Agreement with clawback under the SunTrust Banks, Inc. 2009 Stock Plan; (xvi) Form of Performance Vested (ROA) Restricted Stock Unit Award Agreement with clawback under the SunTrust Banks, Inc. 2009 Stock Plan; (xvii) Form of Performance Vested (TSR) Restricted Stock Unit Award Agreement with clawback under the SunTrust Banks, Inc. 2009 Stock Plan; (xviii) Form of Nonqualified Stock Option Award Agreement with clawback under the SunTrust Banks, Inc. 2009 Stock Plan; (xix) Form of Time Vested Restricted Stock Award Agreement with clawback under the SunTrust Banks, Inc. 2009 Stock Plan; (xx) Form of 2012 Non-Qualified Stock Option Award Agreement (2-year cliff vested) under the SunTrust Banks, Inc. 2009 Stock Plan; (xxi) Form of Restricted Stock Unit Award Agreement, 2013 RORWA; (xxii) Form of Restricted Stock Unit Award Agreement, 2013 TSR; (xxiii) Form of Restricted Stock Unit Agreement, 2014 TSR/Return on Tangible Common Equity (corrected); (xxiv) Form of Time-Vested Restricted Stock Unit Agreement, 2014 Type I; (xxv) Form of Time-Vested Restricted Stock Unit Agreement, 2014 Type II; and (xxvi) Form of Restricted Stock Unit Agreement, 2015 TSR/Return on Tangible Common Equity; incorporated by reference to (i) Exhibit 10.1.1 to the Company's Registration Statement No. 333-158866 on Form S-8 filed April 28, 2009; (ii) Exhibit 10.1.2 to the Company's Registration Statement No. 333-158866 on Form S-8 filed April 28, 2009; (iii) Exhibit 10.3 of the Company's Current Report on Form 8-K filed April 4, 2011; (iv) Exhibit 10.1.4 to the Company's Registration Statement No. 333-158866 on Form S-8 filed April 28, 2009; (v) Exhibit 10.1.3 to the Company's Registration Statement No. 333-158866 on Form S-8 filed April 28, 2009; (vi) Exhibit 10.1.6 to the Company's Registration Statement No. 333-158866 on Form S-8 filed April 28, 2009; (vii) Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed November 5, 2010; (viii) Exhibit 10.1.7 to the Company's Registration Statement No. 333-158866 on Form S-8 filed April 28, 2009; (ix) Exhibit 10.1 of the Company's Current Report on Form 8-K/A filed April 27, 2011; (x) Exhibit 10.2 of the Company's Current Report on Form 8-K filed April 4, 2011; (xi) Exhibit 10.2 of the Company's Current Report on Form 8-K/A filed January 13, 2010; (xii) Exhibit 10.5 of the Company's Current Report on Form 8-K filed January 6, 2011; (xiii) Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 27, 2011; (xiv) Exhibit 10.2 of the Company's Current Report on Form 8-K filed April 27, 2011; (xv) to (xix) Exhibits 10.26 to 10.30 to the Company's Annual Report on Form 10-K filed February 24, 2012; (xx) Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed August 1, 2012; (xxi) Exhibit 10.23 of the Company's Annual Report on Form 10-K filed February 27, 2013; (xxii) Exhibit 10.24 of the Company's Annual Report on Form 10-K filed February 27, 2013; (xxiii) Exhibit 10.17 of this Annual Report; (xxiv) Exhibit 10.18 of the Company's Annual Report on Form 10-K filed February 24, 2014; (xxv) Exhibit 10.19 of the Company's Annual Report on Form 10-K filed February 24, 2014; and (xxvi) Exhibit 10.18 of this Annual Report.	*

10.3	SunTrust Banks, Inc. 2004 Stock Plan effective April 20, 2004, as amended and restated February 12, 2008, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 15, 2008, as further amended effective January 1, 2009, incorporated by reference to Exhibit 10.14 to the Registrant's Current Report on Form 8-K filed January 7, 2009, together with (i) Form of Non-Qualified Stock Option Agreement, (ii) Form of Restricted Stock Agreement, (iii) Form of Director Restricted Stock Agreement, and (iv) Form of Director Restricted Stock Unit Agreement, incorporated by reference to (i) Exhibit 10.70 of the Registrant's Quarterly Report on Form 10-Q filed May 8, 2006, (ii)Exhibit 10.71 of the Registrant's Quarterly Report on Form 10-Q filed May 8, 2006, (iii) Exhibit 10.72 of the Registrant's Quarterly Report on Form 10-Q filed May 8, 2006, and (iv) Exhibit 10.74 of the Registrant's Quarterly Report on Form 10-Q filed May 8, 2006.	*
10.4	SunTrust Banks, Inc. 2000 Stock Plan, effective February 8, 2000, and amendments effective January 1, 2005, November 14, 2006, and January 1, 2009, incorporated by reference to Exhibit A to Registrant's 2000 Proxy Statement on Form 14A (File No. 001-08918), to Exhibits 10.1 and 10.2 to the Registrant's Current Report on Form 8-K filed February 16, 2007, and to Exhibit 10.12 to the Registrant's Current Report on Form 8-K filed January 7, 2009.	*
10.5	SunTrust Banks, Inc. Supplemental Executive Retirement Plan, amended and restated as of January 1, 2011, incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q filed August 9, 2011, as further amended by Amendment Number One, effective as of January 1, 2012, incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K filed February 24, 2012.	*

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Exhibit	Description	
10.6	SunTrust Banks, Inc. ERISA Excess Retirement Plan, amended and restated effective as of January 1, 2011, incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q filed August 9, 2011, as further amended by Amendment Number One, effective as of January 1, 2012, incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K filed February 24, 2012.	*
10.7	SunTrust Restoration Plan, amended and restated effective May 31, 2011, incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q filed August 9, 2011, as further amended by Amendment Number One, effective as of January 1, 2012, incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed February 24, 2012.	*
10.8	Forms of Change in Control Agreements between Registrant and (i) William H. Rogers, Jr., (ii) Aleem Gillani, (iii) Thomas E. Freeman, (iv) Mark A. Chancy, and (v) Anil Cheriyan, incorporated by reference to: (i) - (iii), Exhibit 10.13 to the Registrant's Annual Report on Form 10-K filed February 23, 2010; (iv), Exhibit 10.12 to the Registrant's Annual Report on Form 10-K filed February 23, 2010; and (v) Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed February 24, 2012.	*
10.9	Executive Severance Plan, amended and restated July 24, 2014, incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed August 6, 2014.	*
10.10	SunTrust Banks, Inc. Deferred Compensation Plan, amended and restated effective as of January 1, 2015.	**
10.11	SunTrust Banks, Inc. 401(k) Plan, amended and restated effective as of January 1, 2012 (including amendments through December 31, 2012), incorporated by reference to Exhibits 10.1, 10.1.1, 10.1.2, 10.1.3, and 10.1.4 to the Registrant's Current Report on Form 8-K filed December 27, 2012.	*
10.12	SunTrust Banks, Inc. 401(k) Plan Trust Agreement, amended and restated as of July 1, 2011, incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K filed February 24, 2012.	*
10.13	Consent Order dated April 13, 2011 by and among the Board of Governors of the Federal Reserve System, SunTrust Banks, Inc.; SunTrust Bank; and SunTrust Mortgage, Inc., incorporated by reference to Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q filed August 9, 2011, as amended February 28, 2013, such amendment incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed May 7, 2013.	*
10.14	Consent Judgment between SunTrust Mortgage, Inc. ("SunTrust Mortgage") on the one hand and the United States Department of Justice, the United States Department of Housing and Urban Development, certain other federal agencies, and the Attorneys General for forty-nine states and the District of Columbia dated as of June 17, 2014.	*
10.15	Restitution and Remediation Agreement dated as of July 3, 2014 between SunTrust Mortgage, Inc. and the United States of America, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 3, 2014.	*

10.16	Master Agency Agreement, dated as of September 13, 2010 among SunTrust and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 1.1 to the Registrant's Form 8-K filed on September 14, 2010), as amended by Amendment No. 1 to Master Agency Agreement, dated October 3, 2012, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed October 3, 2012.	*
10.17	Form of Restricted Stock Unit Agreement, 2014 Return on Tangible Common Equity (corrected).	**
10.18	Form of Restricted Stock Unit Agreement, 2015 Return on Tangible Common Equity.	**
10.19	GB&T Bancshares, Inc. Stock Option Plan of 1997, incorporated by reference to Exhibit 10.6 to the annual report on Form 10-K of GB&T Bancshares Inc. filed March 31, 2003 (File No. 005-82430).	*

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Exhibit	Description	
10.20	GB&T Bancshares, Inc. 2007 Omnibus Long-Term Incentive Plan, incorporated by reference to Appendix A to the definitive proxy statement of GB&T Bancshares Inc. filed April 18, 2007 (File No. 005-82430).	*
12.1	Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.	**
21.1	Registrant's Subsidiaries.	**
23.1	Consent of Independent Registered Public Accounting Firm.	**
31.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	**
31.2	Certification of Corporate Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	**
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	**
32.2	Certification of Corporate Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	**
101.1	Interactive Data File.	**

Certain instruments defining rights of holders of long-term debt of the Registrant and its subsidiaries are not filed herewith pursuant to Item 601(b)(4)(iii) of Regulation S-K. At the Commission’s request, the Registrant agrees to give the Commission a copy of any instrument with respect to long-term debt of the Registrant and its consolidated subsidiaries and any of its unconsolidated subsidiaries for which financial statements are required to be filed under which the total amount of debt securities authorized does not exceed ten percent of the total assets of the Registrant and its subsidiaries on a consolidated basis.

* incorporated by reference

** filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		SUNTRUST BANKS, INC.
Dated:	February 24, 2015	By: /s/ William H. Rogers, Jr. William H. Rogers, Jr., Chairman and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Raymond D. Fortin and Aleem Gillani and each of them acting individually, as his attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the SEC, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments said Form 10-K.

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Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signatures	Date	Title
Principal Executive Officer:		
/s/ William H. Rogers, Jr.	February 24, 2015	Chairman of the Board (Director) and
William H. Rogers, Jr.	Date	Chief Executive Officer
Principal Financial Officer:		
/s/ Aleem Gillani	February 24, 2015	Corporate Executive Vice President and
Aleem Gillani	Date	Chief Financial Officer
Principal Accounting Officer:		
/s/ Thomas E. Panther	February 24, 2015	Senior Vice President and Director of Corporate
Thomas E. Panther	Date	Finance & Controller
Directors:		
/s/ Robert M. Beall, II	February 16, 2015	Director
Robert M. Beall, II	Date	
/s/ Paul R. Garcia	February 10, 2015	Director
Paul R. Garcia	Date	
/s/ David H. Hughes	February 10, 2015	Director
David H. Hughes	Date	
/s/ M. Douglas Ivester	February 10, 2015	Director
M. Douglas Ivester	Date	
/s/ Kyle Prechtl Legg	February 10, 2015	Director
Kyle Prechtl Legg	Date	
/s/ William A. Linnenbringer	February 10, 2015	Director
William A. Linnenbringer	Date	
/s/ Donna S. Morea	February 10, 2015	Director
Donna S. Morea	Date	
/s/ David M. Ratcliffe	February 10, 2015	Director
David M. Ratcliffe	Date	
/s/ Frank P. Scruggs, Jr.	February 10, 2015	Director
Frank P. Scruggs, Jr.	Date	
/s/ Thomas R. Watjen	February 10, 2015	Director
Thomas R. Watjen	Date	
/s/ Dr. Phail Wynn, Jr.	February 10, 2015	Director
Dr. Phail Wynn, Jr.	Date	

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