

SUNTRUST BANKS INC
Form 10-Q
November 04, 2011

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

FORM 10-Q

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

For the quarterly period ended September 30, 2011

or

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

Commission File Number 001-08918

SUNTRUST BANKS, INC.

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction
of incorporation or organization)

303 Peachtree Street, N.E., Atlanta, Georgia 30308
(Address of principal executive offices) (Zip Code)

(404) 588-7711

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

At October 31, 2011, 536,997,314 shares of the Registrant's Common Stock, \$1.00 par value, were outstanding.

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PART I – FINANCIAL INFORMATION

The following unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and accordingly do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary to comply with Regulation S-X have been included. Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2011.

GLOSSARY OF DEFINED TERMS

ABS — Asset-backed securities.
AFS — Available for sale.
ALCO — Asset/Liability Management Committee.
ALM — Asset/Liability Management.
ALLL — Allowance for loan and lease losses.
AOCI — Accumulated other comprehensive income.
ARS — Auction rate securities.
ASC — FASB Accounting Standard Codification.
ASU — Accounting standards update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
BCBS — Basel Committee on Banking Supervision.
Board — The Company's Board of Directors.
CCAR — Comprehensive Capital Analysis and Review.
CDO — Collateralized debt obligation.
CD — Certificate of deposit.
CDS — Credit default swaps.
CIB — Corporate and Investment Banking.
Class A shares — Visa Inc. Class A common stock.
Class B shares — Visa Inc. Class B common stock.
CLO — Collateralized loan obligation.
Coke — The Coca-Cola Company.
Company — SunTrust Banks, Inc.
CP — Commercial paper.
CPP — Capital Purchase Program.
CRE — Commercial Real Estate.
CSA — Credit support annex.
DBRS — Dun and Bradstreet, Inc.
Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
EPS — Earnings per share.
ERISA — Employee Retirement Income Security Act of 1974.
Exchange Act — Securities Exchange Act of 1934.
FASB — Financial Accounting Standards Board.
FDIC — The Federal Deposit Insurance Corporation.
Federal Reserve — The Board of Governors of the Federal Reserve System.
Fed funds — Federal funds.
FFIEC — Federal Financial Institutions Examination Council.
FHA — Federal Housing Administration.
FHLB — Federal Home Loan Bank.

FICO — Fair Isaac Corporation.
FINRA — Financial Industry Regulatory Authority.
Fitch — Fitch Ratings Ltd.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GB&T — GB&T Bancshares, Inc.
GSE — Government-sponsored enterprise.
IFRS — International Financial Reporting Standards.
IPO — Initial public offering.
IRLC — Interest rate lock commitments.
IRS — Internal Revenue Service.
ISDA — International Swaps and Derivatives Associations Master Agreement.
KBW Bank Sector Index — Keefe, Bruyette & Woods, Inc. Bank Sector Index.
LHFI — Loans held for investment.
LHFI-FV — Loans held for investment carried at fair value.
LHFS — Loans held for sale.
LIBOR — London InterBank Offered Rate.
LOCOM — Lower of cost or market.
LTI — Long-term incentive.
LTV — Loan to value.
MBS — Mortgage-backed securities.
MD&A — Management's Discussion and Analysis of Financial Condition and Results of Operations.
Moody's — Moody's Investors Service.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NEO — Named executive officers.
NOW — Negotiable order of withdrawal account.
NPL — Nonperforming loan.
NSF — Non-sufficient funds.
OCI — Other comprehensive income.
OREO — Other real estate owned.
OTC — Over-the-counter.
OTTI — Other-than-temporary impairment.
Parent Company — Parent Company of SunTrust Banks, Inc. and subsidiaries.
QSPE — Qualifying special-purpose entity.
RidgeWorth — RidgeWorth Capital Management, Inc.
ROA — Return on average total assets.
ROE — Return on average common shareholders' equity.
S&P — Standard and Poor's.
SBA — Small Business Administration.
SEC — U.S. Securities and Exchange Commission.
SERP — Supplemental Executive Retirement Plan.

SIV — Structured investment vehicles.
SPE — Special purpose entity.
STIS — SunTrust Investment Services, Inc.
STM — SunTrust Mortgage, Inc.
STRH — SunTrust Robinson Humphrey, Inc.
SunTrust — SunTrust Banks, Inc.
TARP — Troubled Asset Relief Program.
TDR — Troubled debt restructuring.
The Agreements — Equity forward agreements.
Three Pillars — Three Pillars Funding, LLC.
TRS — Total return swaps.
U.S. — United States.
U.S. GAAP — Generally Accepted Accounting Principles in the United States.
U.S. Treasury — The United States Department of the Treasury.
UTB — Unrecognized tax benefits.
VA — Veteran’s Administration.
VAR — Value at risk.
VI — Variable interest.
VIE — Variable interest entity.
Visa — The Visa, U.S.A. Inc. card association or its affiliates, collectively.
W&IM — Wealth and Investment Management.

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

SunTrust Banks, Inc.

Consolidated Statements of Income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
(Dollars in millions and shares in thousands, except per share data) (Unaudited)	2011	2010	2011	2010
Interest Income				
Interest and fees on loans	\$1,296	\$1,330	\$3,910	\$3,964
Interest and fees on loans held for sale	21	36	71	102
Interest and dividends on securities available for sale:				
Taxable interest	175	189	517	532
Tax-exempt interest	5	7	16	25
Dividends ¹	20	19	61	57
Trading account interest	21	23	63	67
Total interest income	1,538	1,604	4,638	4,747
Interest Expense				
Interest on deposits	154	214	485	672
Interest on long-term debt	110	138	347	451
Interest on trading liabilities	7	9	22	23
Interest on repurchase agreements	1	2	4	4
Interest on other short-term borrowings	3	3	9	10
Total interest expense	275	366	867	1,160
Net interest income	1,263	1,238	3,771	3,587
Provision for credit losses	347	615	1,186	2,138
Net interest income after provision for credit losses	916	623	2,585	1,449
Noninterest Income				
Service charges on deposit accounts	176	184	509	588
Other charges and fees	130	137	386	399
Card fees	104	96	309	277
Trust and investment management income	134	124	404	373
Retail investment services	58	52	175	147
Mortgage production related income	54	133	56	86
Mortgage servicing related income	58	132	202	290
Investment banking income	68	96	231	210
Trading account profits/(losses) and commissions	66	(22)	171	80
Net securities gains ²	2	69	98	128
Other noninterest income	53	46	157	119
Total noninterest income	903	1,047	2,698	2,697
Noninterest Expense				
Employee compensation	642	597	1,898	1,729
Employee benefits	108	112	354	354
Outside processing and software	164	157	484	463
Net occupancy expense	90	92	268	273
Regulatory assessments	80	67	232	197
Other real estate expense	62	78	195	210
Credit and collection services	71	69	182	208
Equipment expense	44	45	132	128
Marketing and customer development	41	43	125	121

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Operating losses	72	27	161	57
Amortization of intangible assets	11	13	34	39
Net (gain)/loss on debt extinguishment	(1) 12	(3) 67
Other noninterest expense	176	187	505	516
Total noninterest expense	1,560	1,499	4,567	4,362
Income/(loss) before provision/(benefit) for income taxes	259	171	716	(216
Provision/(benefit) for income taxes	45	14	136	(230
Net income including income attributable to noncontrolling interest	214	157	580	14
Net (loss)/income attributable to noncontrolling interest	(1) 4	7	9
Net income	\$215	\$153	\$573	\$5
Net income/(loss) available to common shareholders	\$211	\$84	\$424	(\$201
Net income/(loss) per average common share				
Diluted ³	\$0.39	\$0.17	\$0.81	(\$0.41
Basic	0.40	0.17	0.81	(0.41
Dividends declared per common share	\$0.05	\$0.01	\$0.07	\$0.03
Average common shares - diluted	535,395	498,802	524,888	498,515
Average common shares - basic	531,928	495,501	521,248	495,243

Includes dividends on common stock of The Coca-Cola Company of \$14 million and \$42 million during the three and nine months ended September 30, 2011, respectively, and \$13 million and \$40 million during the three and nine months ended September 30, 2010, respectively.

² Includes credit-related other-than-temporary impairment losses of \$2 million for the nine months ended September 30, 2011 and 2010. There were no credit-related other-than-temporary impairment losses for the three months ended September 30, 2011 and 2010.

³ For earnings per share calculation purposes, the impact of dilutive securities are excluded from the diluted share count during periods that the Company has recognized a net loss available to common shareholders because the impact would be anti-dilutive.

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Balance Sheets

(Dollars in millions and shares in thousands) (Unaudited)	As of September 30, 2011	December 31, 2010
Assets		
Cash and due from banks	\$4,637	\$4,296
Interest-bearing deposits in other banks	21	24
Funds sold and securities purchased under agreements to resell	842	1,058
Cash and cash equivalents	5,500	5,378
Trading assets	6,288	6,175
Securities available for sale	27,502	26,895
Loans held for sale ¹ (loans at fair value: \$1,675 as of September 30, 2011 and \$3,168 as of December 31, 2010)	2,243	3,501
Loans ² (loans at fair value: \$452 as of September 30, 2011 and \$492 as of December 31, 2010)	117,475	115,975
Allowance for loan and lease losses	(2,600)	(2,974)
Net loans	114,875	113,001
Premises and equipment	1,559	1,620
Goodwill	6,344	6,323
Other intangible assets (MSRs at fair value: \$1,033 as of September 30, 2011 and \$1,439 as of December 31, 2010)	1,138	1,571
Other real estate owned	509	596
Other assets	6,595	7,814
Total assets	\$172,553	\$172,874
Liabilities and Shareholders' Equity		
Noninterest-bearing consumer and commercial deposits	\$32,447	\$27,290
Interest-bearing consumer and commercial deposits	91,486	92,735
Total consumer and commercial deposits	123,933	120,025
Brokered deposits (CDs at fair value: \$1,056 as of September 30, 2011 and \$1,213 of December 31, 2010)	2,283	2,365
Foreign deposits	35	654
Total deposits	126,251	123,044
Funds purchased	998	951
Securities sold under agreements to repurchase	2,016	2,180
Other short-term borrowings	3,218	2,690
Long-term debt ³ (debt at fair value: \$2,016 as of September 30, 2011 and \$2,837 as of December 31, 2010)	13,544	13,648
Trading liabilities	1,735	2,678
Other liabilities	4,591	4,553
Total liabilities	152,353	149,744
Shareholders' Equity		
Preferred stock, no par value	172	4,942
Common stock, \$1.00 par value	550	515
Additional paid in capital	9,314	8,403
Retained earnings	8,933	8,542
Treasury stock, at cost, and other	(795)	(888)
Accumulated other comprehensive income, net of tax	2,026	1,616
Total shareholders' equity	20,200	23,130
Total liabilities and shareholders' equity	\$172,553	\$172,874

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Common shares outstanding	537,001	500,436
Common shares authorized	750,000	750,000
Preferred shares outstanding	2	50
Preferred shares authorized	50,000	50,000
Treasury shares of common stock	12,919	14,231

¹ Includes loans held for sale, at fair value, of consolidated VIEs \$311 \$316

² Includes loans of consolidated VIEs 3,161 2,869

³ Includes debt of consolidated VIEs (\$285 and \$290 at fair value at September 30, 2011 and December 31, 2010, respectively) 728 764

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.

Consolidated Statements of Shareholders' Equity

(Dollars and shares in millions, except per share data)
(Unaudited)

	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock and Other ¹	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2010	\$4,917	499	\$515	\$8,521	\$8,563	(\$1,055)	\$1,070	\$22,531
Net income	—	—	—	—	5	—	—	5
Other comprehensive income:								
Change in unrealized gains on securities, net of taxes	—	—	—	—	—	—	472	472
Change in unrealized gains on derivatives, net of taxes	—	—	—	—	—	—	438	438
Change related to employee benefit plans	—	—	—	—	—	—	85	85
Total comprehensive income								1,000
Change in noncontrolling interest	—	—	—	—	—	(2)	—	(2)
Common stock dividends, \$0.03 per share	—	—	—	—	(15)	—	—	(15)
Series A preferred stock dividends, \$3,044 per share	—	—	—	—	(6)	—	—	(6)
U.S. Treasury preferred stock dividends, \$3,750 per share	—	—	—	—	(182)	—	—	(182)
Accretion of discount for preferred stock issued to U.S. Treasury	18	—	—	—	(18)	—	—	—
Stock compensation expense	—	—	—	18	—	—	—	18
Restricted stock activity	—	1	—	(73)	—	43	—	(30)
Amortization of restricted stock compensation	—	—	—	—	—	31	—	31
Issuance of stock for employee benefit plans and other	—	—	—	(23)	3	31	—	—