

SUNTRUST BANKS INC
Form 10-Q
November 04, 2016

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, 2016

Commission file number 001-08918
SunTrust Banks, Inc.
(Exact name of registrant as specified in its charter)

Georgia 58-1575035
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
303 Peachtree Street, N.E., Atlanta, Georgia 30308
(Address of principal executive offices) (Zip Code)
(800) 786-8787
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes 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 for 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

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

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At October 27, 2016, 490,797,754 shares of the registrant's common stock, \$1.00 par value, were outstanding.

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GLOSSARY OF DEFINED TERMS

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

Fannie Mae — Federal National Mortgage Association.
Freddie Mac — Federal Home Loan Mortgage Corporation.
FDIC — Federal Deposit Insurance Corporation.
Federal Reserve — Federal Reserve System.
Fed funds — Federal funds.
FHA — Federal Housing Administration.
FHLB — Federal Home Loan Bank.

FICO — Fair Isaac Corporation.
Fitch — Fitch Ratings Ltd.
FRB — Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GenSpring — GenSpring Family Offices, LLC.
Ginnie Mae — Government National Mortgage Association.
GSE — Government-sponsored enterprise.
HUD — U.S. Department of Housing and Urban Development.
IPO — Initial public offering.
IRLC — Interest rate lock commitment.
ISDA — International Swaps and Derivatives Association.
LCR — Liquidity coverage ratio.
LGD — Loss given default.
LHFI — Loans held for investment.
LHFS — Loans held for sale.
LIBOR — London InterBank Offered Rate.
LOCOM — Lower of cost or market.
LTI — Long-term incentive.
LTV — Loan to value.
MasterCard — MasterCard International.
MBS — Mortgage-backed securities.
MD&A — Management’s Discussion and Analysis of Financial Condition and Results of Operation.
Moody’s — Moody’s Investors Service.
MRA — Master Repurchase Agreement.
MRM — Market Risk Management.
MRMG — Model Risk Management Group.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NOW — Negotiable order of withdrawal account.
NPA — Nonperforming asset.
NPL — Nonperforming loan.
OCI — Other comprehensive income.
OREO — Other real estate owned.
OTC — Over-the-counter.
OTTI — Other-than-temporary impairment.
Parent Company — SunTrust Banks, Inc. (the parent Company of SunTrust Bank and other subsidiaries).
PD — Probability of default.
Pillar — Pillar Financial, LLC.
PWM — Private Wealth Management.
ROA — Return on average total assets.
ROE — Return on average common shareholders’ equity.
ROTCE — Return on average tangible common shareholders' equity.

RSU — Restricted stock unit.

RWA — Risk-weighted assets.

S&P — Standard and Poor's.

SBA — Small Business Administration.

SEC — U.S. Securities and Exchange Commission.

STCC — SunTrust Community Capital, LLC.

STIS — SunTrust Investment Services, Inc.

STM — SunTrust Mortgage, Inc.

STRH — SunTrust Robinson Humphrey, Inc.

SunTrust — SunTrust Banks, Inc.

TDR — Troubled debt restructuring.

TRS — Total return swaps.

U.S. — United States.

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

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

UPB — Unpaid principal balance.

VA — Veterans Administration.

VAR — Value at risk.

VI — Variable interest.

VIE — Variable interest entity.

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

Visa Counterparty — A financial institution that purchased the Company's Visa Class B shares.

PART I - FINANCIAL INFORMATION

The following unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and accordingly do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary to comply with Regulation S-X have been included. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2016.

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

SunTrust Banks, Inc.

Consolidated Statements of Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions and shares in thousands, except per share data) (Unaudited)	2016	2015	2016	2015
Interest Income				
Interest and fees on loans	\$1,245	\$1,139	\$3,670	\$3,345
Interest and fees on loans held for sale	25	20	62	66
Interest and dividends on securities available for sale	159	153	483	430
Trading account interest and other	22	21	70	61
Total interest income	1,451	1,333	4,285	3,902
Interest Expense				
Interest on deposits	67	54	188	165
Interest on long-term debt	68	60	191	196
Interest on other borrowings	8	8	29	23
Total interest expense	143	122	408	384
Net interest income	1,308	1,211	3,877	3,518
Provision for credit losses	97	32	343	114
Net interest income after provision for credit losses	1,211	1,179	3,534	3,404
Noninterest Income				
Service charges on deposit accounts	162	159	477	466
Other charges and fees	93	97	290	285
Card fees	83	83	243	247
Investment banking income	147	115	372	357
Trading income	65	31	154	140
Mortgage production related income	118	58	288	217
Mortgage servicing related income	49	40	164	113
Trust and investment management income	80	86	230	255
Retail investment services	71	77	212	229
Gain on sale of premises	—	—	52	—
Net securities gains	—	7	4	21
Other noninterest income	21	58	83	173
Total noninterest income	889	811	2,569	2,503
Noninterest Expense				
Employee compensation	687	641	1,994	1,926
Employee benefits	86	84	315	326
Outside processing and software	225	200	626	593
Net occupancy expense	93	86	256	255
Equipment expense	44	41	126	123
Marketing and customer development	38	42	120	104
Regulatory assessments	47	32	127	104
Operating losses	35	3	85	33
Credit and collection services	17	8	47	52
Amortization	14	9	35	22
Other noninterest expense	123	118	341	334
Total noninterest expense	1,409	1,264	4,072	3,872

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Income before provision for income taxes	691	726	2,031	2,035
Provision for income taxes	215	187	611	579
Net income including income attributable to noncontrolling interest	476	539	1,420	1,456
Net income attributable to noncontrolling interest	2	2	7	7
Net income	\$474	\$537	\$1,413	\$1,449
Net income available to common shareholders	\$457	\$519	\$1,363	\$1,396
Net income per average common share:				
Diluted	\$0.91	\$1.00	\$2.70	\$2.67
Basic	0.92	1.01	2.72	2.70
Dividends declared per common share	0.26	0.24	0.74	0.68
Average common shares - diluted	500,885	518,677	505,619	522,634
Average common shares - basic	496,304	513,010	501,036	516,970

See accompanying Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Comprehensive Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions) (Unaudited)	2016	2015	2016	2015
Net income	\$474	\$537	\$1,413	\$1,449
Components of other comprehensive (loss)/income:				
Change in net unrealized (losses)/gains on securities available for sale, net of tax of (\$19), \$70, \$228, and \$6, respectively	(32)	119	383	4
Change in net unrealized (losses)/gains on derivative instruments, net of tax of (\$51), \$50, \$81, and \$57, respectively	(86)	84	137	94
Change in credit risk adjustment on long-term debt, net of tax of (\$2), \$0, (\$3), and \$0, respectively ¹	(3)	—	(5)	—
Change related to employee benefit plans, net of tax of \$2, \$1, \$39, and (\$44), respectively	3	3	65	(64)
Total other comprehensive (loss)/income, net of tax	(118)	206	580	34
Total comprehensive income	\$356	\$743	\$1,993	\$1,483

¹ Related to the Company's early adoption of the ASU 2016-01 provision related to changes in instrument-specific credit risk. See Note 1, "Significant Accounting Policies," and Note 17, "Accumulated Other Comprehensive Income/(Loss)," for additional information.

See accompanying Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Balance Sheets

	September 30, 2016 (Unaudited)	December 31, 2015
(Dollars in millions and shares in thousands, except per share data)		
Assets		
Cash and due from banks	\$8,019	\$4,299
Federal funds sold and securities borrowed or purchased under agreements to resell	1,697	1,277
Interest-bearing deposits in other banks	24	23
Cash and cash equivalents	9,740	5,599
Trading assets and derivative instruments ¹	7,044	6,119
Securities available for sale	29,672	27,825
Loans held for sale (\$3,026 and \$1,494 at fair value at September 30, 2016 and December 31, 2015, respectively)	3,772	1,838
Loans ² (\$234 and \$257 at fair value at September 30, 2016 and December 31, 2015, respectively)	141,532	136,442
Allowance for loan and lease losses	(1,743)	(1,752)
Net loans	139,789	134,690
Premises and equipment, net	1,510	1,502
Goodwill	6,337	6,337
Other intangible assets (MSRs at fair value: \$1,119 and \$1,307 at September 30, 2016 and December 31, 2015, respectively)	1,131	1,325
Other assets	6,096	5,582
Total assets	\$205,091	\$190,817
Liabilities		
Noninterest-bearing deposits	\$43,835	\$42,272
Interest-bearing deposits (CDs at fair value: \$54 and \$0 at September 30, 2016 and December 31, 2015, respectively)	115,007	107,558
Total deposits	158,842	149,830
Funds purchased	2,226	1,949
Securities sold under agreements to repurchase	1,724	1,654
Other short-term borrowings	949	1,024
Long-term debt ³ (\$963 and \$973 at fair value at September 30, 2016 and December 31, 2015, respectively)	11,866	8,462
Trading liabilities and derivative instruments	1,484	1,263
Other liabilities	3,551	3,198
Total liabilities	180,642	167,380
Shareholders' Equity		
Preferred stock, no par value	1,225	1,225
Common stock, \$1.00 par value	550	550
Additional paid-in capital	9,009	9,094
Retained earnings	15,681	14,686
Treasury stock, at cost, and other ⁴	(2,131)	(1,658)
Accumulated other comprehensive income/(loss), net of tax	115	(460)
Total shareholders' equity	24,449	23,437
Total liabilities and shareholders' equity	\$205,091	\$190,817
Common shares outstanding ⁵	495,936	508,712
Common shares authorized	750,000	750,000

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Preferred shares outstanding	12	12
Preferred shares authorized	50,000	50,000
Treasury shares of common stock	53,985	41,209
¹ Includes trading securities pledged as collateral where counterparties have the right to sell or repledge the collateral	\$1,495	\$1,377
² Includes loans of consolidated VIEs	219	246
³ Includes debt of consolidated VIEs	230	259
⁴ Includes noncontrolling interest	101	108
⁵ Includes restricted shares	21	1,334

See accompanying Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Statements of Shareholders' Equity

(Dollars and shares in millions, except per share data) (Unaudited)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock and Other ¹	Accumulated Other Comprehensive (Loss)/Income	Total
Balance, January 1, 2015	\$1,225	525	\$550	\$9,089	\$13,295	(\$1,032)	(\$122)	\$23,005
Net income	—	—	—	—	1,449	—	—	1,449
Other comprehensive income	—	—	—	—	—	—	34	34
Change in noncontrolling interest	—	—	—	—	—	(2)	—	(2)
Common stock dividends, \$0.68 per share	—	—	—	—	(352)	—	—	(352)
Preferred stock dividends ²	—	—	—	—	(48)	—	—	(48)
Repurchase of common stock	—	(11)	—	—	—	(465)	—	(465)
Exercise of stock options and stock compensation expense	—	—	—	(16)	—	25	—	9
Restricted stock activity	—	—	—	14	(3)	7	—	18
Amortization of restricted stock compensation	—	—	—	—	—	13	—	13
Issuance of stock for employee benefit plans and other	—	—	—	—	—	3	—	3
Balance, September 30, 2015	\$1,225	514	\$550	\$9,087	\$14,341	(\$1,451)	(\$88)	\$23,664
Balance, January 1, 2016	\$1,225	509	\$550	\$9,094	\$14,686	(\$1,658)	(\$460)	\$23,437
Cumulative effect of credit risk adjustment ³	—	—	—	—	5	—	(5)	—
Net income	—	—	—	—	1,413	—	—	1,413
Other comprehensive income	—	—	—	—	—	—	580	580
Change in noncontrolling interest	—	—	—	—	—	(7)	—	(7)
Common stock dividends, \$0.74 per share	—	—	—	—	(370)	—	—	(370)
Preferred stock dividends ²	—	—	—	—	(49)	—	—	(49)
Repurchase of common stock	—	(15)	—	—	—	(566)	—	(566)
Repurchase of common stock warrants	—	—	—	(24)	—	—	—	(24)
Exercise of stock options and stock compensation expense ⁴	—	1	—	(28)	—	43	—	15
Restricted stock activity ⁴	—	1	—	(33)	(4)	55	—	18
Amortization of restricted stock compensation	—	—	—	—	—	2	—	2
Balance, September 30, 2016	\$1,225	496	\$550	\$9,009	\$15,681	(\$2,131)	\$115	\$24,449

¹ At September 30, 2016, includes (\$2,232) million for treasury stock, \$0 million for the compensation element of restricted stock, and \$101 million for noncontrolling interest.

At September 30, 2015, includes (\$1,550) million for treasury stock, (\$7) million for the compensation element of restricted stock, and \$106 million for noncontrolling interest.

² For the nine months ended September 30, 2016, dividends were \$3,056 per share for both Perpetual Preferred Stock Series A and B, \$4,406 per share for Perpetual Preferred Stock Series E, and \$4,219 per share for Perpetual Preferred Stock Series F.

For the nine months ended September 30, 2015, dividends were \$3,044 per share for both Perpetual Preferred Stock Series A and B, \$4,406 per share for Perpetual Preferred Stock Series E, and \$4,813 per share for Perpetual Preferred

Stock Series F.

³ Related to the Company's early adoption of the ASU 2016-01 provision related to changes in instrument-specific credit risk, beginning January 1, 2016. See Note 1, "Significant Accounting Policies," and Note 17, "Accumulated Other Comprehensive Income/(Loss)," for additional information.

⁴ Includes a (\$4) million net reclassification of excess tax benefits from additional paid-in capital to provision for income taxes, related to the Company's early adoption of ASU 2016-09. See Note 1, "Significant Accounting Policies," and Note 11, "Employee Benefit Plans," for additional information.

See accompanying Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Statements of Cash Flows

	Nine Months Ended September 30	
	2016	2015
(Dollars in millions) (Unaudited)		
Cash Flows from Operating Activities		
Net income including income attributable to noncontrolling interest	\$1,420	\$1,456
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Depreciation, amortization, and accretion	533	596
Origination of mortgage servicing rights	(198)	(185)
Provisions for credit losses and foreclosed property	347	122
Stock-based compensation	85	65
Net securities gains	(4)	(21)
Net gain on sale of loans held for sale, loans, and other assets	(376)	(249)
Net (increase)/decrease in loans held for sale	(1,647)	644
Net increase in trading assets	(704)	(183)
Net increase in other assets ¹	(193)	(26)
Net increase/(decrease) in other liabilities ¹	155	(164)
Net cash (used in)/provided by operating activities	(582)	2,055
Cash Flows from Investing Activities		
Proceeds from maturities, calls, and paydowns of securities available for sale	3,763	4,621
Proceeds from sales of securities available for sale	197	2,708
Purchases of securities available for sale	(5,297)	(7,861)
Net increase in loans, including purchases of loans	(7,007)	(2,097)
Proceeds from sales of loans	1,482	2,048
Purchases of mortgage servicing rights	(101)	(113)
Capital expenditures	(188)	(74)
Payments related to acquisitions, including contingent consideration	(23)	(30)
Proceeds from the sale of other real estate owned and other assets	171	179
Net cash used in investing activities	(7,003)	(619)
Cash Flows from Financing Activities		
Net increase in total deposits	9,012	5,804
Net increase/(decrease) in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	272	(5,244)
Proceeds from issuance of long-term debt and other	4,924	1,237
Repayments of long-term debt	(1,448)	(5,670)
Repurchase of common stock	(566)	(465)
Repurchase of common stock warrants	(24)	—
Common and preferred dividends paid	(412)	(393)
Taxes paid related to net share settlement of equity awards ¹	(47)	(32)
Proceeds from exercise of stock options ¹	15	14
Net cash provided by/(used in) financing activities	11,726	(4,749)
Net increase/(decrease) in cash and cash equivalents	4,141	(3,313)
Cash and cash equivalents at beginning of period	5,599	8,229
Cash and cash equivalents at end of period	\$9,740	\$4,916

Supplemental Disclosures:

Loans transferred from loans held for sale to loans	\$23	\$726
Loans transferred from loans to loans held for sale	315	1,734
Loans transferred from loans and loans held for sale to other real estate owned	46	52
Non-cash impact of debt assumed by purchaser in lease sale	74	129

¹ Related to the Company's early adoption of ASU 2016-09, certain prior period amounts have been retrospectively reclassified between operating activities and financing activities. See Note 1, "Significant Accounting Policies," for additional information.

See accompanying Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes; actual results could vary from those estimates. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

These interim Consolidated Financial Statements should be read in conjunction with the Company's 2015 Annual Report on Form 10-K. There have been no significant changes to the

Company's accounting policies as disclosed in the 2015 Annual Report on Form 10-K.

The Company evaluated events that occurred subsequent to September 30, 2016, and there were no material events that would require recognition in the Company's Consolidated Financial Statements or disclosure in the accompanying Notes for the three and nine months ended September 30, 2016, except as follows:

In October of 2016, the Company announced that it signed a definitive agreement to acquire substantially all of the assets of the operating subsidiaries of Pillar Financial, LLC. Pillar is a multi-family agency lending and servicing company with an originate-to-distribute focus that holds licenses with Fannie Mae, Freddie Mac, and the FHA. This acquisition is expected to close in late 2016 or early 2017, subject to certain agency approvals and other closing conditions, and will be part of the Company's Wholesale Banking business segment.

Recently Issued Accounting Pronouncements

The following table summarizes ASUs recently issued by the Financial Accounting Standards Board ("FASB") that could have a material effect on the Company's financial statements:

Standard	Description	Required Date of Adoption	Effect on the Financial Statements or Other Significant Matters
Standards Adopted (or partially adopted) in 2016			
ASU 2015-02, Amendments to the Consolidation Analysis	The ASU rescinds the indefinite deferral of previous amendments to ASC Topic 810, Consolidation, for certain entities and amends components of the consolidation analysis under ASC Topic 810, including evaluating limited partnerships and similar legal entities, evaluating fees paid to a decision maker or service provider as a variable interest, the effects of fee arrangements and/or related parties on the primary beneficiary determination and investment fund specific matters. The ASU may be adopted either retrospectively or on a modified retrospective basis.	January 1, 2016	The Company adopted this ASU on a modified retrospective basis beginning January 1, 2016. The adoption of this standard had no impact to the Consolidated Financial Statements.

<p>ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities</p>	<p>The ASU amends ASC Topic 825, Financial Instruments-Overall, and addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The main provisions require investments in equity securities to be measured at fair value through net income, unless they qualify for a practicability exception, and require fair value changes arising from changes in instrument-specific credit risk for financial liabilities that are measured under the fair value option to be recognized in other comprehensive income. With the exception of disclosure requirements that will be adopted prospectively, the ASU must be adopted on a modified retrospective basis.</p>	<p>Early adoption is permitted beginning January 1, 2016 or 2017 for the provision related to changes in instrument-specific credit risk for financial liabilities under the FVO.</p>	<p>The Company early adopted the provision related to changes in instrument-specific credit risk beginning January 1, 2016, which resulted in an immaterial, cumulative effect adjustment from retained earnings to AOCI. The Company is evaluating the impact of the remaining provisions of this ASU on the Consolidated Financial Statements and related disclosures; however, the impact is not expected to be material.</p>
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Notes to Consolidated Financial Statements (Unaudited), continued

Standard	Description	Required Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2016-09, Improvements to Employee Share-Based Payment Accounting	The ASU amends ASC Topic 718, Compensation-Stock Compensation, which simplifies several aspects of the accounting for employee share-based payments transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Adoption methods are specific to the component of the ASU, ranging from a retrospective and modified retrospective basis to a prospective basis.	January 1, 2017 Early adoption is permitted.	<p>The Company early adopted the ASU on April 1, 2016 with an effective date of January 1, 2016, which resulted in a reclassification of \$4 million from APIC to provision for income taxes, representing excess tax benefits previously recognized in APIC, during the first quarter of 2016. For the second and third quarters of 2016, the Company recognized excess tax benefits of \$6 million and \$1 million, respectively, in the provision for income taxes. The early adoption favorably impacted both basic and diluted EPS by \$0.02 per share for the nine months ended September 30, 2016.</p> <p>The effect of the retrospective change in presentation in the Consolidated Statements of Cash Flows related to excess tax benefits for the nine months ended September 30, 2015 (comparative prior year period) was a reclassification of \$18 million of excess tax benefits from financing activities to operating activities and a reclassification of \$32 million of taxes paid related to net share settlement of equity awards from operating activities to financing activities. The net impact on the Consolidated Statements of Cash Flows was immaterial.</p> <p>The Company had no previously unrecognized excess tax benefits; therefore, there was no impact to the Consolidated Financial Statements as it related to the elimination of the requirement that excess tax benefits be realized before recognition.</p>
			The Company elected to retain its existing accounting policy election to

estimate award forfeitures.

Standards Not Yet Adopted

ASU 2014-09,
Revenue from
Contracts with
Customers

ASU 2015-14,
Deferral of the
Effective Date

These ASUs supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific

ASU 2016-08,
Principal versus
Agent
Considerations

guidance throughout the Industry Topics of the Codification. The core principle of the ASUs is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASUs may be adopted either

January 1,
2018

The Company is evaluating the alternative methods of adoption and the anticipated effects on the Consolidated Financial Statements and related disclosures. The Company does not plan to early adopt the standard.

Early
adoption is
permitted
beginning
January 1,
2017.

ASU 2016-10,
Identifying
Performance
Obligations and
Licensing

retrospectively or on a modified retrospective basis to new contracts and existing contracts, with remaining performance obligations as of the effective date.

ASU 2016-12,
Narrow-Scope
Improvements
and Practical
Expedients

The ASU creates ASC Topic 842, Leases, and supersedes Topic 840, Leases. Topic 842 requires lessees to recognize right-of-use assets and associated liabilities that arise from leases, with the exception of short-term leases. The ASU does not make significant changes to lessor accounting; however, there were certain improvements made to align lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. There are several new qualitative and quantitative disclosures required. Upon transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.

ASU 2016-02,
Leases

January 1,
2019

The adoption of this ASU will result in an increase to the Consolidated Balance Sheets for right-of-use assets and associated lease liabilities for operating leases in which the Company is the lessee. The Company is evaluating the other effects of adoption on the Consolidated Financial Statements and related disclosures.

Early
adoption is
permitted.

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Notes to Consolidated Financial Statements (Unaudited), continued

Standard	Description	Required Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2016-07, Simplifying the Transition to the Equity Method of Accounting	<p>The ASU amends ASC Topic 323, Investments-Equity Method and Joint Ventures, to eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investor obtains significant influence over the investee. In addition, if the investor previously held an AFS equity security, the ASU requires that the investor recognize through earnings the unrealized holding gain or loss in AOCI, as of the date it obtains significant influence. The ASU is to be applied on a prospective basis.</p>	<p>January 1, 2017</p> <p>Early application is permitted.</p>	<p>This ASU will not impact the Consolidated Financial Statements and related disclosures until there is an applicable increase in investment or change in influence resulting in a transition to the equity method.</p>
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	<p>The ASU amends ASC Topic 326, Financial Instruments-Credit Losses, to replace the incurred loss impairment methodology with a current expected credit loss methodology for financial instruments measured at amortized cost and other commitments to extend credit. For this purpose, expected credit losses reflect losses over the remaining contractual life of an asset, considering the effect of voluntary prepayments and considering available information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The resulting allowance for credit losses reflects the portion of the amortized cost basis that the entity does not expect to collect. Additional quantitative and qualitative disclosures are required upon adoption.</p> <p>The CECL model does not apply to AFS debt securities; however the ASU requires entities to record an allowance when recognizing credit losses for AFS securities, rather than recording a direct write-down of the carrying amount.</p>	<p>January 1, 2020</p> <p>Early adoption is permitted beginning January 1, 2019.</p>	<p>The Company is evaluating the impact the ASU will have on the Company's Consolidated Financial Statements and related disclosures.</p>

NOTE 2 - FEDERAL FUNDS SOLD AND SECURITIES FINANCING ACTIVITIES
Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell

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

(Dollars in millions)	September 30, 2016	December 31, 2015
Fed funds sold	\$31	\$38
Securities borrowed	267	277
Securities purchased under agreements to resell	1,399	962
Total Fed funds sold and securities borrowed or purchased under agreements to resell	\$1,697	\$1,277

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

subsequently resold. Securities borrowed are primarily collateralized by corporate securities. The Company borrows securities and purchases securities under agreements to resell as part of its securities financing activities. On the acquisition date of these securities, the Company and the related counterparty agree on the amount of collateral required to secure the principal amount loaned under these arrangements. The Company monitors collateral values daily and calls for additional collateral to be provided as warranted under the respective agreements. At September 30, 2016 and December 31, 2015, the total market value of collateral held was \$1.7 billion and \$1.2 billion, of which \$227 million and \$73 million was repledged, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

Securities Sold Under Agreements to Repurchase

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

(Dollars in millions)	September 30, 2016			December 31, 2015			
	Overnight and Continuous	to 30 days	30-90 days	Total	Overnight and Continuous	to 30 days	Total
U.S. Treasury securities	\$27	\$—	\$—	\$27	\$112	\$—	\$112
Federal agency securities	112	15	—	127	319	—	319
MBS - agency	1,026	64	—	1,090	837	23	860
CP	19	—	—	19	49	—	49
Corporate and other debt securities	351	60	50	461	242	72	314
Total securities sold under agreements to repurchase	\$1,535	\$139	\$50	\$1,724	\$1,559	\$95	\$1,654

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

Netting of Securities - Repurchase and Resell Agreements

The Company has various financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements. The Company's derivatives that are subject to enforceable master netting agreements or similar agreements are discussed in Note 13, "Derivative Financial Instruments." The following table presents the

Company's securities borrowed or purchased under agreements to resell and securities sold under agreements to repurchase that are subject to MRAs. At September 30, 2016 and December 31, 2015, there were no such transactions subject to legally enforceable MRAs that were eligible for balance sheet netting.

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

(Dollars in millions)	Gross Amount	Amount Offset	Net Amount Presented in Consolidated Balance Sheets	Held/Pledged Financial Instruments	Net Amount
September 30, 2016					
Financial assets:					
Securities borrowed or purchased under agreements to resell	\$1,666	\$—	\$1,666	¹ \$1,652	\$14
Financial liabilities:					
Securities sold under agreements to repurchase	1,724	—	1,724	1,724	—
December 31, 2015					
Financial assets:					
Securities borrowed or purchased under agreements to resell	\$1,239	\$—	\$1,239	¹ \$1,229	\$10

Financial liabilities:

Securities sold under agreements to repurchase	1,654	—	1,654	1,654	—
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¹ Excludes \$31 million and \$38 million of Fed funds sold, which are not subject to a master netting agreement at September 30, 2016 and December 31, 2015, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 3 - TRADING ASSETS AND LIABILITIES AND DERIVATIVE INSTRUMENTS

The fair values of the components of trading assets and liabilities and derivative instruments are presented in the following table:

(Dollars in millions)	September 30, December 31,	
	2016	2015
Trading Assets and Derivative Instruments:		
U.S. Treasury securities	\$547	\$538
Federal agency securities	259	588
U.S. states and political subdivisions	187	30
MBS - agency	883	553
CLO securities	1	2
Corporate and other debt securities	723	468
CP	202	67
Equity securities	51	66
Derivative instruments ¹	1,531	1,152
Trading loans ²	2,660	2,655
Total trading assets and derivative instruments	\$7,044	\$6,119

Trading Liabilities and Derivative Instruments:

U.S. Treasury securities	\$918	\$503
MBS - agency	2	37
Corporate and other debt securities	252	259
Derivative instruments ¹	312	464
Total trading liabilities and derivative instruments	\$1,484	\$1,263

¹ Amounts include the impact of offsetting cash collateral received from and paid to the same derivative counterparties, and the impact of netting derivative assets and derivative liabilities when a legally enforceable master netting agreement or similar agreement exists.

² Includes loans related to TRS.

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

market maker for certain debt and equity security transactions, derivative instrument transactions, and foreign exchange transactions. The Company also uses derivatives to manage its interest rate and market risk from non-trading activities. The Company has policies and procedures to manage market risk associated with client trading and non-trading activities, and assumes a limited degree of market risk by managing the size and nature of its exposure. For valuation assumptions and additional information related to the Company's trading products and derivative instruments, see Note 13, "Derivative Financial Instruments," and the "Trading Assets and Derivative Instruments and Securities Available for Sale" section of Note 14, "Fair Value Election and Measurement."

Pledged trading assets are presented in the following table:

(Dollars in millions)	September 30, 2016	December 31, 2015
Pledged trading assets to secure repurchase agreements ¹	\$1,037	\$986
Pledged trading assets to secure derivative agreements	465	393
Pledged trading assets to secure other arrangements	40	40

¹ Repurchase agreements secured by collateral totaled \$999 million and \$950 million at September 30, 2016 and December 31, 2015, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 4 – SECURITIES AVAILABLE FOR SALE

Securities Portfolio Composition

(Dollars in millions)	September 30, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	\$4,850	\$135	\$2	\$4,983
Federal agency securities	324	10	—	334
U.S. states and political subdivisions	250	11	—	261
MBS - agency	22,606	714	4	23,316
MBS - non-agency residential	75	1	—	76
ABS	9	2	—	11
Corporate and other debt securities	35	1	—	36
Other equity securities ¹	655	1	1	655
Total securities AFS	\$28,804	\$875	\$7	\$29,672

(Dollars in millions)	December 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	\$3,460	\$3	\$14	\$3,449
Federal agency securities	402	10	1	411
U.S. states and political subdivisions	156	8	—	164
MBS - agency	22,877	397	150	23,124
MBS - non-agency residential	92	2	—	94
ABS	11	2	1	12
Corporate and other debt securities	37	1	—	38
Other equity securities ¹	533	1	1	533
Total securities AFS	\$27,568	\$424	\$167	\$27,825

¹ At September 30, 2016, the fair value of other equity securities was comprised of the following: \$143 million of FHLB of Atlanta stock, \$402 million of Federal Reserve Bank of Atlanta stock, \$104 million of mutual fund investments, and \$6 million of other.

At December 31, 2015, the fair value of other equity securities was comprised of the following: \$32 million of FHLB of Atlanta stock, \$402 million of Federal Reserve Bank of Atlanta stock, \$93 million of mutual fund investments, and \$6 million of other.

The following table presents interest and dividends on securities AFS:

(Dollars in millions)	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
Taxable interest	\$154	\$143	\$470	\$397
Tax-exempt interest	2	2	4	5
Dividends	3	8	9	28
Total interest and dividends on securities AFS	\$159	\$153	\$483	\$430

Securities AFS pledged to secure public deposits, repurchase agreements, trusts, and other funds had a fair value of \$3.5 billion and \$3.2 billion at September 30, 2016 and December 31, 2015, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

The following table presents the amortized cost, fair value, and weighted average yield of investments in debt securities AFS at September 30, 2016, by remaining contractual maturity, with the exception of MBS and ABS, which are based on estimated average life. Receipt of cash flows may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

(Dollars in millions)	Distribution of Remaining Maturities					Total
	Due in 1 Year or Less	Due After 1 Year through 5 Years	Due After 5 Years through 10 Years	Due After 10 Years		
Amortized Cost:						
U.S. Treasury securities	\$—	\$1,847	\$3,003	\$—		\$4,850
Federal agency securities	118	92	7	107		324
U.S. states and political subdivisions	20	21	125	84		250
MBS - agency	2,024	13,277	7,104	201		22,606
MBS - non-agency residential	—	75	—	—		75
ABS	7	1	1	—		9
Corporate and other debt securities	—	35	—	—		35
Total debt securities AFS	\$2,169	\$15,348	\$10,240	\$392		\$28,149
Fair Value:						
U.S. Treasury securities	\$—	\$1,874	\$3,109	\$—		\$4,983
Federal agency securities	118	98	8	110		334
U.S. states and political subdivisions	20	23	133	85		261
MBS - agency	2,129	13,719	7,259	209		23,316
MBS - non-agency residential	—	76	—	—		76
ABS	7	3	1	—		11
Corporate and other debt securities	—	36	—	—		36
Total debt securities AFS	\$2,274	\$15,829	\$10,510	\$404		\$29,017
Weighted average yield ¹	2.75 %	2.38 %	2.42 %	3.17 %		2.44 %

¹ Weighted average yields are based on amortized cost.

Securities AFS in an Unrealized Loss Position

The Company held certain investment securities AFS where amortized cost exceeded fair value, resulting in unrealized loss positions. Market changes in interest rates and credit spreads may result in temporary unrealized losses as the market prices of securities fluctuate. At September 30, 2016, the Company did not intend to sell these securities nor was it more-likely-than-not

that the Company would be required to sell these securities before their anticipated recovery or maturity. The Company reviewed its portfolio for OTTI in accordance with the accounting policies described in Note 1, "Significant Accounting Policies," of the Company's 2015 Annual Report on Form 10-K.

Securities AFS in an unrealized loss position at period end are presented in the following tables:

(Dollars in millions)	September 30, 2016					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Unrealized Losses ²	Fair Value	Unrealized Losses ²	Fair Value	Unrealized Losses ²
Temporarily impaired securities AFS:						

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U.S. Treasury securities	\$350	\$2	\$—	\$—	\$350	\$2
Federal agency securities	15	—	3	—	18	—
U.S. states and political subdivisions	52	—	—	—	52	—
MBS - agency	611	1	513	3	1,124	4
ABS	—	—	6	—	6	—
Other equity securities	—	—	4	1	4	1
Total temporarily impaired securities AFS	1,028	3	526	4	1,554	7
OTTI securities AFS ¹ :						
MBS - non-agency residential	17	—	—	—	17	—
ABS	1	—	—	—	1	—
Total OTTI securities AFS	18	—	—	—	18	—
Total impaired securities AFS	\$1,046	\$3	\$526	\$4	\$1,572	\$7

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Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	December 31, 2015					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Unrealized Losses ²	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses ²
Temporarily impaired securities AFS:						
U.S. Treasury securities	\$2,169	\$14	\$—	\$—	\$2,169	\$14
Federal agency securities	75	—	34	1	109	1
MBS - agency	11,434	114	958	36	12,392	150
ABS	—	—	7	1	7	1
Other equity securities	3	1	—	—	3	1
Total temporarily impaired securities AFS	13,681	129	999	38	14,680	167
OTTI securities AFS ¹ :						
ABS	1	—	—	—	1	—
Total OTTI securities AFS	1	—	—	—	1	—
Total impaired securities AFS	\$13,682	\$129	\$999	\$38	\$14,681	\$167

¹ OTTI securities AFS are impaired securities for which OTTI credit losses have been previously recognized in earnings.

² Unrealized losses less than \$0.5 million are presented as zero within the table.

At September 30, 2016, temporarily impaired securities AFS that have been in an unrealized loss position for twelve months or longer included agency MBS, federal agency securities, one ABS collateralized by 2004 vintage home equity loans, and one equity security. The temporarily impaired ABS continues to receive timely principal and interest payments, and is evaluated quarterly for credit impairment. Unrealized losses on securities AFS that relate to factors other than credit are recorded in AOCI, net of tax.

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

Net securities gains/(losses) are comprised of gross realized gains, gross realized losses, and OTTI credit losses recognized in earnings. For the three months ended September 30, 2016, no gross realized gains were recognized. For the nine months ended September 30, 2016, gross realized gains were \$4 million. For both the three and nine months ended September 30, 2016, gross realized losses were immaterial and there were no OTTI credit losses recognized in earnings. For the three and nine months ended September 30, 2015, gross realized gains were \$11 million and \$25 million, respectively. Gross realized losses of \$3 million were recognized for both the three and nine months ended September 30, 2015, and OTTI losses recognized in earnings were immaterial for both periods.

Securities AFS in an unrealized loss position are evaluated quarterly for other-than-temporary credit impairment, which is determined using cash flow analyses that take into account security specific collateral and transaction structure. Future expected credit losses are determined using various assumptions, the most significant of which include default rates, prepayment

rates, and loss severities. If, based on this analysis, a security is in an unrealized loss position and the Company does not expect to recover the entire amortized cost basis of the security, the expected cash flows are then discounted at the security's initial effective interest rate to arrive at a present value amount. Credit losses on the OTTI security are recognized in earnings and reflect the difference between the present value of cash flows expected to be collected and the amortized cost basis of the security. See Note 1, "Significant Accounting Policies," in the Company's 2015 Annual Report on Form 10-K for additional information regarding the Company's policy on securities AFS and related impairments.

The Company continues to reduce existing exposure on OTTI securities primarily through paydowns. In certain instances, the amount of credit losses recognized in earnings on a debt security exceeds the total unrealized losses on the security, which may result in unrealized gains relating to factors other than credit recorded in AOCI, net of tax. During the three and nine months ended September 30, 2016, there were no credit impairment losses recognized on securities AFS held at the end of the period. During the three and nine months ended September 30, 2015, credit impairment recognized on securities AFS still held at the end of the period was immaterial, all of which related to one private MBS with a fair value of approximately \$22 million at September 30, 2015. The accumulated balance of OTTI credit losses recognized in earnings on securities AFS held at period end was \$24 million at September 30, 2016 and \$25 million at September 30, 2015. Subsequent credit losses may be recorded on securities without a corresponding further decline in fair value when there has been a decline in expected cash flows.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 5 - LOANS

Composition of Loan Portfolio

(Dollars in millions)	September 30, December 31,	
	2016	2015
Commercial loans:		
C&I	\$68,298	\$67,062
CRE	5,056	6,236
Commercial construction	3,875	1,954
Total commercial loans	77,229	75,252
Residential loans:		
Residential mortgages - guaranteed	521	629
Residential mortgages - nonguaranteed ¹	26,306	24,744
Residential home equity products	12,178	13,171
Residential construction	393	384
Total residential loans	39,398	38,928
Consumer loans:		
Guaranteed student	5,844	4,922
Other direct	7,358	6,127
Indirect	10,434	10,127
Credit cards	1,269	1,086
Total consumer loans	24,905	22,262
LHFI	\$141,532	\$136,442
LHFS ²	\$3,772	\$1,838

¹ Includes \$234 million and \$257 million of LHFI measured at fair value at September 30, 2016 and December 31, 2015, respectively.

² Includes \$3.0 billion and \$1.5 billion of LHFS measured at fair value at September 30, 2016 and December 31, 2015, respectively.

During the three months ended September 30, 2016 and 2015, the Company transferred \$153 million and \$38 million in LHFI to LHFS, and \$13 million and \$75 million in LHFS to LHFI, respectively. In addition to sales of mortgage LHFS in the normal course of business, the Company sold \$1.2 billion and \$178 million in loans and leases for net gains of \$8 million and \$9 million during the three months ended September 30, 2016 and 2015, respectively.

During the nine months ended September 30, 2016 and 2015, the Company transferred \$315 million and \$1.7 billion in LHFI to LHFS, and \$23 million and \$726 million in LHFS to LHFI, respectively. In addition to sales of mortgage LHFS in the normal course of business, the Company sold \$1.5 billion and \$2.0 billion in loans and leases for net gains of \$6 million and \$22 million during the nine months ended September 30, 2016 and 2015, respectively.

At both September 30, 2016 and December 31, 2015, the Company had \$23.6 billion of net eligible loan collateral pledged to the Federal Reserve discount window to support \$17.1 billion and \$17.2 billion of available, unused borrowing capacity, respectively.

At September 30, 2016 and December 31, 2015, the Company had \$36.1 billion and \$33.7 billion of net eligible loan collateral pledged to the FHLB of Atlanta to support \$31.1 billion and \$28.5 billion of available borrowing capacity, respectively. The available FHLB borrowing capacity at September 30, 2016 was used to support \$3.0 billion of long-term debt and \$4.4 billion of letters of credit issued on the Company's behalf. At

December 31, 2015, the available FHLB borrowing capacity was used to support \$408 million of long-term debt and \$6.7 billion of letters of credit issued on the Company's behalf.

Credit Quality Evaluation

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

For the commercial portfolio, the Company believes that the most appropriate credit quality indicator is an individual loan's risk assessment expressed according to the broad regulatory agency classifications of Pass or Criticized. The Company conforms to the following regulatory classifications for Criticized assets: Other Assets Especially Mentioned (or Special Mention), Adversely Classified, Doubtful, and Loss. However, for the purposes of disclosure, management believes the most meaningful distinction within the Criticized categories is between Criticized Accruing (which includes Special Mention and a portion of Adversely Classified) and Criticized Nonaccruing (which includes a portion of Adversely Classified and Doubtful and Loss). This distinction identifies those relatively higher risk loans for which there is a basis to believe that the Company will not collect all amounts due under those loan agreements.

The Company's risk rating system is more granular, with multiple risk ratings in both the Pass and Criticized categories. Pass ratings reflect relatively low PDs, whereas, Criticized assets have higher PDs. The granularity in Pass ratings assists in establishing pricing, loan structures, approval requirements, reserves, and ongoing credit management requirements. Commercial risk ratings are refreshed at least annually, or more frequently as appropriate, based upon considerations such as market conditions, borrower characteristics, and portfolio trends. Additionally, management routinely reviews portfolio risk ratings, trends, and concentrations to support risk identification and mitigation activities. The increase in Criticized accruing and nonaccruing C&I loans at September 30, 2016 compared to December 31, 2015, as presented in the following risk rating table, was driven primarily by downgrades of loans in the energy industry vertical.

For consumer and residential loans, the Company monitors credit risk based on indicators such as delinquencies and FICO scores. The Company believes that consumer credit risk, as assessed by the industry-wide FICO scoring method, is a relevant credit quality indicator. Borrower-specific FICO scores are obtained at origination as part of the Company's formal underwriting process, and refreshed FICO scores are obtained by the Company at least quarterly. For government-guaranteed loans, the Company monitors the credit quality based primarily on delinquency status, as it is a more relevant indicator of credit quality due to the government guarantee. At September 30, 2016 and December 31, 2015, 28% and 31%, respectively, of the guaranteed residential loan

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Notes to Consolidated Financial Statements (Unaudited), continued

portfolio was current with respect to payments. At September 30, 2016 and December 31, 2015, 77% and 78%, respectively, of the guaranteed student loan portfolio was current with respect

to payments. The Company's loss exposure on guaranteed residential and student loans is mitigated by the government guarantee.

LHFI by credit quality indicator are presented in the following tables:

(Dollars in millions)	Commercial Loans					
	C&I		CRE		Commercial Construction	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Risk rating:						
Pass	\$65,800	\$65,379	\$4,688	\$6,067	\$3,749	\$1,931
Criticized accruing	1,997	1,375	358	158	124	23
Criticized nonaccruing	501	308	10	11	2	—
Total	\$68,298	\$67,062	\$5,056	\$6,236	\$3,875	\$1,954

(Dollars in millions)	Residential Loans ¹					
	Residential Mortgages - Nonguaranteed		Residential Home Equity Products		Residential Construction	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current FICO score range:						
700 and above	\$22,342	\$20,422	\$10,016	\$10,772	\$331	\$313
620 - 699	3,037	3,262	1,590	1,741	51	58
Below 620 ²	927	1,060	572	658	11	13
Total	\$26,306	\$24,744	\$12,178	\$13,171	\$393	\$384

(Dollars in millions)	Consumer Loans ³					
	Other Direct		Indirect		Credit Cards	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current FICO score range:						
700 and above	\$6,649	\$5,501	\$7,377	\$7,015	\$878	\$759
620 - 699	659	576	2,483	2,481	317	265
Below 620 ²	50	50	574	631	74	62
Total	\$7,358	\$6,127	\$10,434	\$10,127	\$1,269	\$1,086

¹ Excludes \$521 million and \$629 million of guaranteed residential loans at September 30, 2016 and December 31, 2015, respectively.

² For substantially all loans with refreshed FICO scores below 620, the borrower's FICO score at the time of origination exceeded 620 but has since deteriorated as the loan has seasoned.

³ Excludes \$5.8 billion and \$4.9 billion of guaranteed student loans at September 30, 2016 and December 31, 2015, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

The payment status for the LHFI portfolio is presented in the following tables:

(Dollars in millions)	September 30, 2016				Total
	Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing ²	
Commercial loans:					
C&I	\$67,751	\$36	\$10	\$501	\$68,298
CRE	5,044	2	—	10	5,056
Commercial construction	3,873	—	—	2	3,875
Total commercial loans	76,668	38	10	513	77,229
Residential loans:					
Residential mortgages - guaranteed	148	54	319	—	521
Residential mortgages - nonguaranteed ¹	26,038	77	8	183	26,306
Residential home equity products	11,866	77	—	235	12,178
Residential construction	381	1	—	11	393
Total residential loans	38,433	209	327	429	39,398
Consumer loans:					
Guaranteed student	4,526	522	796	—	5,844
Other direct	7,322	28	3	5	7,358
Indirect	10,329	103	—	2	10,434
Credit cards	1,251	10	8	—	1,269
Total consumer loans	23,428	663	807	7	24,905
Total LHFI	\$138,529	\$910	\$1,144	\$949	\$141,532

¹ Includes \$234 million of loans measured at fair value, the majority of which were accruing current.

² Nonaccruing loans past due 90 days or more totaled \$342 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs, performing second lien loans where the first lien loan is nonperforming, and certain energy-related commercial loans.

(Dollars in millions)	December 31, 2015				Total
	Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing ²	
Commercial loans:					
C&I	\$66,670	\$61	\$23	\$308	\$67,062
CRE	6,222	3	—	11	6,236
Commercial construction	1,952	—	2	—	1,954
Total commercial loans	74,844	64	25	319	75,252
Residential loans:					
Residential mortgages - guaranteed	192	59	378	—	629
Residential mortgages - nonguaranteed ¹	24,449	105	7	183	24,744
Residential home equity products	12,939	87	—	145	13,171
Residential construction	365	3	—	16	384
Total residential loans	37,945	254	385	344	38,928
Consumer loans:					

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Guaranteed student	3,861	500	561	—	4,922
Other direct	6,094	24	3	6	6,127
Indirect	10,022	102	—	3	10,127
Credit cards	1,070	9	7	—	1,086
Total consumer loans	21,047	635	571	9	22,262
Total LHF1	\$133,836	\$953	\$981	\$672	\$136,442

¹ Includes \$257 million of loans measured at fair value, the majority of which were accruing current.

² Nonaccruing loans past due 90 days or more totaled \$336 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs and performing second lien loans where the first lien loan is nonperforming, and certain energy-related commercial loans.

Notes to Consolidated Financial Statements (Unaudited), continued

Impaired Loans

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

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

(Dollars in millions)	September 30, 2016			December 31, 2015		
	Unpaid Principal 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	\$278	\$263	\$—	\$55	\$42	\$—
CRE	—	—	—	11	9	—
Total commercial loans	278	263	—	66	51	—
Residential loans:						
Residential mortgages - nonguaranteed	468	361	—	500	380	—
Residential construction	16	8	—	29	8	—
Total residential loans	484	369	—	529	388	—
Impaired loans with an allowance recorded:						
Commercial loans:						
C&I	239	171	40	173	167	28
Total commercial loans	239	171	40	173	167	28
Residential loans:						
Residential mortgages - nonguaranteed	1,320	1,288	160	1,381	1,344	178
Residential home equity products	837	766	54	740	670	60
Residential construction	113	112	11	127	125	14
Total residential loans	2,270	2,166	225	2,248	2,139	252
Consumer loans:						
Other direct	10	10	1	11	11	1
Indirect	108	107	5	114	114	5
Credit cards	24	6	1	24	6	1
Total consumer loans	142	123	7	149	131	7
Total impaired loans	\$3,413	\$3,092	\$272	\$3,165	\$2,876	\$287

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

Included in the impaired loan balances above at September 30, 2016 and December 31, 2015 were \$2.5 billion and \$2.6 billion, respectively, of accruing TDRs at amortized cost, of which 97% were current. See Note 1, "Significant Accounting Policies," to the Company's 2015 Annual Report on Form 10-K for further information regarding the Company's loan impairment policy.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Three Months Ended September 30				Nine Months Ended September 30			
	2016		2015		2016		2015	
	Average Amortized Cost	Interest Income Recognized ¹	Average Amortized Cost	Interest Income Recognized ¹	Average Amortized Cost	Interest Income Recognized ¹	Average Amortized Cost	Interest Income Recognized ¹
Impaired loans with no related allowance recorded:								
Commercial loans:								
C&I	\$268	\$1	\$51	\$—	\$200	\$1	\$53	\$1
CRE	—	—	9	—	—	—	10	—
Total commercial loans	268	1	60	—	200	1	63	1
Residential loans:								
Residential mortgages - nonguaranteed	364	4	330	4	368	12	335	11
Residential construction	8	—	9	—	8	—	11	—
Total residential loans	372	4	339	4	376	12	346	11
Impaired loans with an allowance recorded:								
Commercial loans:								
C&I	188	—	20	—	185	1	23	1
Total commercial loans	188	—	20	—	185	1	23	1
Residential loans:								
Residential mortgages - nonguaranteed	1,288	15	1,393	17	1,292	48	1,396	52
Residential home equity products	771	7	640	7	780	22	646	21
Residential construction	112	1	124	2	114	4	125	6
Total residential loans	2,171	23	2,157	26	2,186	74	2,167	79
Consumer loans:								
Other direct	10	—	12	—	11	—	12	—
Indirect	109	1	114	1	115	4	119	4
Credit cards	6	—	6	—	6	—	7	—
Total consumer loans	125	1	132	1	132	4	138	4
Total impaired loans	\$3,124	\$29	\$2,708	\$31	\$3,079	\$92	\$2,737	\$96

¹ Of the interest income recognized during the three and nine months ended September 30, 2016, cash basis interest income was less than \$1 million and \$2 million, respectively.

Of the interest income recognized during the three and nine months ended September 30, 2015, cash basis interest income was \$1 million and \$3 million, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

NPAs are presented in the following table:

(Dollars in millions)	September 30, December 31,	
	2016	2015
Nonaccrual/NPLs:		
Commercial loans:		
C&I	\$501	\$308
CRE	10	11
Commercial construction	2	—
Residential loans:		
Residential mortgages - nonguaranteed	183	183
Residential home equity products	235	145
Residential construction	11	16
Consumer loans:		
Other direct	5	6
Indirect	2	3
Total nonaccrual/NPLs ¹	949	672
OREO ²	57	56
Other repossessed assets	13	7
Total NPAs	\$1,019	\$735

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 property is conveyed and the funds are received. The receivable related to proceeds due from the FHA or the VA totaled \$51 million and \$52 million at September 30, 2016 and December 31, 2015, respectively.

The Company's recorded investment of nonaccruing loans secured by residential real estate properties for which formal foreclosure proceedings are in process at September 30, 2016 and December 31, 2015 was \$105 million and \$112 million, respectively. The Company's recorded investment of accruing loans secured by residential real estate properties for which formal foreclosure proceedings are in process at September 30, 2016 and December 31, 2015 was \$140 million and \$152 million, of which \$131 million and \$141 million were insured by the FHA or the VA, respectively.

At September 30, 2016, OREO included \$46 million of foreclosed residential real estate properties and \$9 million of foreclosed commercial real estate properties, with the remainder related to land.

At December 31, 2015, OREO included \$39 million of foreclosed residential real estate properties and \$11 million of foreclosed commercial real estate properties, with the remainder related to land.

Notes to Consolidated Financial Statements (Unaudited), continued

Restructured Loans

A TDR is a loan for which the Company has granted an economic concession to the borrower, in response to certain instances of financial difficulty experienced by the borrower that the Company would not have considered otherwise. When a loan is 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 a contractually specified principal balance.

At September 30, 2016 and December 31, 2015, the Company had \$19 million and \$4 million, respectively, of 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 presented in the following tables:

(Dollars in millions)	Three Months Ended September 30, 2016 ¹				
	Number of Loans Modified	Principal Forgiveness ₂	Rate Modification	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	44	\$—	\$—	\$49	\$49
CRE	2	—	—	—	—
Residential loans:					
Residential mortgages - nonguaranteed	311	2	22	1	25
Residential home equity products	884	—	—	55	55
Residential construction	26	—	—	—	—
Consumer loans:					
Other direct	41	—	—	—	—
Indirect	897	—	—	9	9
Credit cards	187	—	1	—	1
Total TDRs	2,392	\$2	\$23	\$114	\$139

(Dollars in millions)	Nine months ended September 30, 2016 ¹				
	Number of Loans Modified	Principal Forgiveness ₂	Rate Modification	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	79	\$—	\$—	\$95	\$95
CRE	2	—	—	—	—
Commercial construction	1	—	—	—	—
Residential loans:					
Residential mortgages - nonguaranteed	550	2	80	9	91
Residential home equity products	2,415	—	9	182	191
Residential construction	26	—	—	—	—

Consumer loans:

Other direct	73	—	—	1	1
Indirect	1,815	—	—	30	30
Credit cards	539	—	2	—	2
Total TDRs	5,500	\$2	\$91	\$317	\$410

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 may have had other concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the three and nine months ended September 30, 2016 was immaterial.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Three Months Ended September 30, 2015 ¹				
	Number of Loans Modified	Principal Forgiveness ₂	Rate Modification	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	18	\$—	\$—	\$—	\$—
Residential loans:					
Residential mortgages - nonguaranteed	175	3	32	10	45
Residential home equity products	419	—	7	21	28
Residential construction	6	—	—	—	—
Consumer loans:					
Other direct	10	—	—	—	—
Indirect	611	—	—	13	13
Credit cards	157	—	1	—	1
Total TDRs	1,396	\$3	\$40	\$44	\$87

(Dollars in millions)	Nine months ended September 30, 2015 ¹				
	Number of Loans Modified	Principal Forgiveness ₂	Rate Modification	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	63	\$—	\$1	\$5	\$6
CRE	1	—	—	—	—
Residential loans:					
Residential mortgages - nonguaranteed	632	10	95	20	125
Residential home equity products	1,386	—	20	62	82
Residential construction	17	—	—	—	—
Consumer loans:					
Other direct	47	—	—	1	1
Indirect	1,999	—	—	39	39
Credit cards	529	—	2	—	2
Total TDRs	4,674	\$10	\$118	\$127	\$255

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 may have had other concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the three and nine months ended September 30, 2015 was immaterial.

TDRs that have defaulted during the three and nine months ended September 30, 2016 and 2015 that were first modified within the previous 12 months were immaterial. The majority of loans that were modified and subsequently became 90 days or more delinquent have remained on nonaccrual status since the time of delinquency.

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 within Florida, Georgia, Maryland, North Carolina, and Virginia. The Company engages in limited international banking activities. The Company's total cross-border outstanding loans were \$2.1 billion and \$1.6 billion at September 30, 2016 and December 31, 2015, respectively.

With respect to collateral concentration, at September 30, 2016, the Company owned \$39.4 billion in loans secured by residential real estate, representing 28% of total LHFI. Additionally, the Company had \$10.4 billion in commitments to extend credit on home equity lines and \$7.5 billion in mortgage loan commitments outstanding at September 30, 2016. At December 31, 2015, the Company owned \$38.9 billion in loans secured by residential real estate, representing 29% of total LHFI, and had \$10.5 billion in commitments to extend credit on home equity lines and \$3.2 billion in mortgage loan commitments outstanding. At September 30, 2016 and December 31, 2015, 1% and 2% of residential loans owned were guaranteed by a federal agency or a GSE, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 6 - ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses consists of the ALLL and the unfunded commitments reserve. Activity in the allowance for credit losses is summarized in the following table:

(Dollars in millions)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2016	2015	2016	2015
Balance, beginning of period	\$1,840	\$1,886	\$1,815	\$1,991
Provision for loan losses	95	23	338	107
Provision for unfunded commitments	2	9	5	7
Loan charge-offs	(150)	(102)	(428)	(356)
Loan recoveries	24	31	81	98
Balance, end of period	\$1,811	\$1,847	\$1,811	\$1,847

Components:

ALLL		\$1,743	\$1,786
Unfunded commitments reserve ¹		68	61
Allowance for credit losses		\$1,811	\$1,847

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

Activity in the ALLL by loan segment for the three months ended September 30, 2016 and 2015 is presented in the following tables:

(Dollars in millions)	Three Months Ended September 30, 2016			
	Commercial	Residential	Consumer	Total
Balance, beginning of period	\$1,147	\$439	\$188	\$1,774
Provision/(benefit) for loan losses	81	(36)	50	95
Loan charge-offs	(78)	(28)	(44)	(150)
Loan recoveries	7	7	10	24
Balance, end of period	\$1,157	\$382	\$204	\$1,743

(Dollars in millions)	Three Months Ended September 30, 2015			
	Commercial	Residential	Consumer	Total
Balance, beginning of period	\$993	\$676	\$165	\$1,834
Provision/(benefit) for loan losses	33	(39)	29	23
Loan charge-offs	(23)	(47)	(32)	(102)
Loan recoveries	10	11	10	31
Balance, end of period	\$1,013	\$601	\$172	\$1,786

(Dollars in millions)	Nine Months Ended September 30, 2016			
	Commercial	Residential	Consumer	Total
Balance, beginning of period	\$1,047	\$534	\$171	\$1,752
Provision/(benefit) for loan losses	293	(72)	117	338
Loan charge-offs	(209)	(102)	(117)	(428)
Loan recoveries	26	22	33	81
Balance, end of period	\$1,157	\$382	\$204	\$1,743

(Dollars in millions)	Nine Months Ended September 30, 2015			
	Commercial	Residential	Consumer	Total
Balance, beginning of period	\$986	\$777	\$174	\$1,937
Provision/(benefit) for loan losses	74	(30)	63	107
Loan charge-offs	(82)	(177)	(97)	(356)
Loan recoveries	35	31	32	98
Balance, end of period	\$1,013	\$601	\$172	\$1,786

Notes to Consolidated Financial Statements (Unaudited), continued

As discussed in Note 1, "Significant Accounting Policies," to the Company's 2015 Annual Report on Form 10-K, 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 measured 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 presented in the following tables:

		September 30, 2016							
		Commercial		Residential		Consumer		Total	
(Dollars in millions)		Carrying Value	ALLL	Carrying Value	ALLL	Carrying Value	ALLL	Carrying Value	ALLL
Individually evaluated		\$434	\$40	\$2,535	\$225	\$123	\$7	\$3,092	\$272
Collectively evaluated		76,795	1,117	36,629	157	24,782	197	138,206	1,471
Total evaluated		77,229	1,157	39,164	382	24,905	204	141,298	1,743
LHFI at fair value		—	—	234	—	—	—	234	—
Total LHFI		\$77,229	\$1,157	\$39,398	\$382	\$24,905	\$204	\$141,532	\$1,743
		December 31, 2015							
		Commercial		Residential		Consumer		Total	
(Dollars in millions)		Carrying Value	ALLL	Carrying Value	ALLL	Carrying Value	ALLL	Carrying Value	ALLL
Individually evaluated		\$218	\$28	\$2,527	\$252	\$131	\$7	\$2,876	\$287
Collectively evaluated		75,034	1,019	36,144	282	22,131	164	133,309	1,465
Total evaluated		75,252	1,047	38,671	534	22,262	171	136,185	1,752
LHFI at fair value		—	—	257	—	—	—	257	—
Total LHFI		\$75,252	\$1,047	\$38,928	\$534	\$22,262	\$171	\$136,442	\$1,752

NOTE 7 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The Company conducts a goodwill impairment test at the reporting unit level at least annually, or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. See Note 1, "Significant Accounting Policies," in the Company's 2015 Annual Report on Form 10-K for additional information regarding the Company's goodwill accounting policy.

The Company performed a qualitative goodwill assessment in the first, second, and third quarters of 2016, considering changes in key assumptions and monitoring other events or

changes in circumstances occurring since the most recent goodwill impairment analyses performed as of October 1, 2015. The Company concluded, based on the totality of factors observed, that it is not more-likely-than-not that the fair values of its reporting units are less than their respective carrying values. Accordingly, goodwill was not quantitatively tested for impairment during the nine months ended September 30, 2016.

There were no changes in the carrying amount of goodwill by reportable segment for the nine months ended September 30, 2016 and 2015.

Notes to Consolidated Financial Statements (Unaudited), continued

Other Intangible Assets

Changes in the carrying amounts of other intangible assets for the nine months ended September 30 are presented in the following table:

(Dollars in millions)	MSRs - Fair Value	Other	Total
Balance, January 1, 2016	\$1,307	\$18	\$1,325
Amortization ¹	—	(6)	(6)
Servicing rights originated	198	—	198
Servicing rights purchased	104	—	104
Changes in fair value:			
Due to changes in inputs and assumptions ²	(328)	—	(328)
Other changes in fair value ³	(160)	—	(160)
Servicing rights sold	(2)	—	(2)
Balance, September 30, 2016	\$1,119	\$12	\$1,131
Balance, January 1, 2015	\$1,206	\$13	\$1,219
Amortization ¹	—	(6)	(6)
Servicing rights originated	185	13	198
Servicing rights purchased	109	—	109
Changes in fair value:			
Due to changes in inputs and assumptions ²	(74)	—	(74)
Other changes in fair value ³	(161)	—	(161)
Servicing rights sold	(3)	—	(3)
Balance, September 30, 2015	\$1,262	\$20	\$1,282

¹ Does not include expense associated with non-qualified community development investments. See Note 8, "Certain Transfers of Financial Assets and Variable Interest Entities," for additional information.

² Primarily reflects changes in option adjusted spreads and prepayment speed assumptions, due to changes in interest rates.

³ 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 of intangible assets subject to amortization was immaterial at September 30, 2016.

Servicing Rights

The Company acquires servicing rights and retains servicing rights for certain of its sales or securitizations of residential mortgage and consumer indirect loans. MSR's on residential mortgage loans and servicing rights on consumer indirect loans are the only servicing assets capitalized by the Company and are classified within other intangible assets on the Company's Consolidated Balance Sheets.

Mortgage Servicing Rights

Income earned by the Company on its MSR's is derived primarily from contractually specified mortgage servicing fees and late fees, net of curtailment costs. Such income earned for the three and nine months ended September 30, 2016 was \$94 million and \$272 million, respectively, and \$89 million and \$254 million for the three and nine months ended September 30, 2015, respectively. These amounts are reported in mortgage servicing related income in the Consolidated Statements of Income.

At September 30, 2016 and December 31, 2015, the total UPB of mortgage loans serviced was \$154.0 billion and \$148.2

billion, respectively. Included in these amounts were \$123.9 billion and \$121.0 billion at September 30, 2016 and December 31, 2015, respectively, of loans serviced for third parties. The Company purchased MSR on residential loans with a UPB of \$10.9 billion during the nine months ended September 30, 2016; \$8.1 billion of which are reflected in the UPB amounts above and the transfer of servicing for the remainder is scheduled for the fourth quarter of 2016. The Company purchased MSR on residential loans with a UPB of \$10.3 billion during the nine months ended September 30, 2015. During the nine months ended September 30, 2016 and 2015, the Company sold MSR on residential loans, at a price approximating their fair value, with a UPB of \$464 million and \$590 million, respectively. The Company calculates the fair value of MSR using a valuation model that calculates the present value of estimated future net servicing income using prepayment projections, spreads, and other assumptions. Senior management and the STM valuation committee review all significant assumptions at least quarterly, comparing these inputs to various sources of market data. Changes to valuation model inputs are reflected in the periods' results. See Note 14, "Fair Value Election and Measurement," for further information regarding the Company's MSR valuation methodology.

Notes to Consolidated Financial Statements (Unaudited), continued

A summary of the key inputs used to estimate the fair value of the Company's MSR's at September 30, 2016 and December 31, 2015, and the sensitivity of the fair values to immediate 10% and 20% adverse changes in those inputs, are presented in the following table.

(Dollars in millions)	September 30, December 31,			
	2016		2015	
Fair value of MSR's	\$1,119		\$1,307	
Prepayment rate assumption (annual)	14	%	10	%
Decline in fair value from 10% adverse change	\$50		\$49	
Decline in fair value from 20% adverse change	97		94	
Option adjusted spread (annual)	9	%	8	%
Decline in fair value from 10% adverse change	\$40		\$64	
Decline in fair value from 20% adverse change	78		123	
Weighted-average life (in years)	5.4		6.6	
Weighted-average coupon	4.0	%	4.1	%

These MSR sensitivities are hypothetical and should be used with caution. Changes in fair value based on variations in assumptions generally cannot be extrapolated because (i) the relationship of the change in an assumption to the change in fair value may not be linear and (ii) changes in one assumption may result in changes in another, which might magnify or counteract the sensitivities. The sensitivities do not reflect the effect of hedging activity undertaken by the Company to offset changes in the fair value of MSR's. See Note 13, "Derivative Financial Instruments," for further information regarding these hedging activities.

Consumer Loan Servicing Rights

In June 2015, the Company completed the securitization of \$1.0 billion of indirect auto loans, with servicing rights retained, and recognized a \$13 million servicing asset at the time of sale. See Note 8, "Certain Transfers of Financial Assets and Variable Interest Entities," for additional information on the Company's securitization transactions. Income earned by the Company on its consumer loan servicing rights is derived primarily from contractually specified servicing fees and other ancillary fees. Such income earned for the three and nine months ended September 30, 2016 was \$2 million and \$5 million, respectively, and is reported in other noninterest income in the Consolidated Statements of Income. Income earned for the three and nine months ended September 30, 2015 was \$2 million and \$3 million, respectively.

At September 30, 2016 and December 31, 2015, the total UPB of consumer indirect loans serviced was \$578 million and \$807 million, respectively, all of which were serviced for third parties. No consumer loan servicing rights were purchased or sold during the nine months ended September 30, 2016 and 2015.

Consumer loan servicing rights are accounted for at amortized cost and are monitored for impairment on an ongoing basis. The Company calculates the fair value of consumer servicing rights using a valuation model that calculates the present value of estimated future net servicing income using prepayment projections and other assumptions.

Impairment, if any, is recognized when changes in valuation model inputs reflect a fair value for the servicing asset that is below its respective carrying value. At September 30, 2016, the amortized cost of the Company's consumer loan servicing rights was \$5 million.

NOTE 8 - CERTAIN TRANSFERS OF FINANCIAL ASSETS AND VARIABLE INTEREST ENTITIES

The Company has transferred loans and securities in sale or securitization transactions in which the Company retains certain beneficial interests or servicing rights. These transfers of financial assets include certain residential mortgage loans, commercial and corporate loans, and consumer loans, as discussed in the following section, "Transfers of

Financial Assets." Cash receipts on beneficial interests held related to these transfers were \$4 million and \$10 million for the three and nine months ended September 30, 2016, and \$6 million and \$14 million for the three and nine months ended September 30, 2015, respectively. The servicing fees related to these asset transfers (excluding servicing fees for residential mortgage loan transfers to GSEs, which are discussed in Note 7, "Goodwill and Other Intangible Assets") were immaterial for both the three and nine months ended September 30, 2016 and 2015.

When a transfer or other transaction occurs with a VIE, the Company first determines whether 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/or collateral management fees. When determining whether to consolidate the VIE, the Company evaluates whether it is a primary beneficiary which has both (i) the power to direct the activities that most significantly impact the economic

performance of the VIE, and (ii) the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE.

To determine whether a transfer should be accounted for as a sale or a secured borrowing, the Company evaluates whether: (i) the transferred assets are legally isolated, (ii) the transferee has the right to pledge or exchange the transferred assets, and (iii) the Company has relinquished effective control of the transferred assets. If all three conditions are met, then the transfer is accounted for as a sale.

Except as specifically noted herein, 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. No events occurred during the nine months ended September 30, 2016 that changed the Company's previous conclusions regarding whether it is the primary beneficiary of the VIEs described herein. Furthermore, no events occurred during the nine months ended September 30, 2016 that changed the Company's sale conclusion with regards to previously transferred residential mortgage loans, indirect auto loans, student loans, or commercial and corporate loans.

Notes to Consolidated Financial Statements (Unaudited), continued

Transfers of Financial Assets

The following discussion summarizes 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 Ginnie Mae, Fannie Mae, and Freddie Mac, which resulted in pre-tax net gains of \$131 million and \$288 million for the three and nine months ended September 30, 2016, and \$48 million and \$171 million for the three and nine months ended September 30, 2015, respectively. The Company has made certain representations and warranties with respect to the transfer of these loans. See Note 12, "Guarantees," for additional information regarding representations and warranties.

In a limited number of securitizations, the Company has received securities in addition to cash in exchange for the transferred loans, while also retaining servicing rights. The securities received are measured at fair value and classified as securities AFS. At September 30, 2016 and December 31, 2015, the fair value of securities received totaled \$32 million and \$38 million, respectively.

The Company evaluates securitization entities in which it has a VI for potential consolidation under the VIE consolidation model. Notwithstanding the Company's role as servicer, the Company typically does not have power over the securitization entities as a result of rights held by the master servicer. In certain transactions, the Company does have power as the servicer, but does not have an obligation to absorb losses, or the right to receive benefits, that could potentially be significant. In all such cases, the Company does not consolidate the securitization entity. Total assets of the unconsolidated entities in which the Company has a VI were \$211 million and \$241 million at September 30, 2016 and December 31, 2015, respectively.

The Company's maximum exposure to loss related to these unconsolidated residential mortgage loan securitizations is comprised of the loss of value of any interests it retains, which was immaterial at both September 30, 2016 and December 31, 2015, and any repurchase obligations or other losses it incurs as a result of any guarantees related to these securitizations, which is discussed further in Note 12, "Guarantees."

Commercial and Corporate Loans

The Company holds CLOs issued by securitization entities that own commercial leveraged loans and bonds, certain of which were transferred to the entities by the Company. The Company has determined that these entities are VIEs and that it is not the primary beneficiary of these entities because it does not possess the power to direct the activities that most significantly impact the economic performance of the entities. Total assets at September 30, 2016 and December 31, 2015, of unconsolidated entities in which the Company has a VI were \$355 million and \$525 million, respectively. Total liabilities at September 30, 2016 and December 31, 2015, of unconsolidated entities in which the Company has a VI were \$319 million and \$482 million,

respectively. At September 30, 2016 and December 31, 2015, the Company's holdings included an immaterial amount of preference share exposure and senior debt exposure.

Consumer Loans

Guaranteed Student Loans

The Company has securitized government-guaranteed student loans through a transfer of loans to a securitization entity and retained the residual interest in the entity. The Company concluded that this entity should be consolidated because the Company has (i) the power to direct the activities that most significantly impact the economic performance of the VIE and (ii) the obligation to absorb losses, and the right to receive benefits, that could potentially be significant. At September 30, 2016 and December 31, 2015, the Company's Consolidated Balance Sheets reflected \$233 million and \$262 million of assets held by the securitization entity and \$230 million and \$259 million of debt

issued by the entity, respectively.

To the extent that the securitization entity incurs losses on its assets, the securitization entity has recourse to the guarantor of the underlying loan, which is backed by the Department of Education up to a maximum guarantee of 100%. When not fully guaranteed, losses 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 servicing responsibilities, the Company, which functions as the master servicer, may be required to repurchase the defaulting loan(s) at par value. If the breach was caused by the subservicer, the Company would seek reimbursement from the subservicer up to the guaranteed amount. The Company's maximum exposure to loss related to the securitization entity would arise from a breach of its servicing responsibilities. To date, 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, or in limited cases, absorbed by the Company.

Indirect Auto Loans

In June 2015, the Company transferred indirect auto loans to a securitization entity, which was determined to be a VIE, and accounted for the transfer as a sale. The Company retained servicing rights for the transferred loans, but did not retain any debt or equity interest in the securitization entity. The fees received for servicing do not represent a VI and, therefore, the Company does not consolidate the securitization entity.

At the time of the transfer, the UPB of the transferred loans was \$1.0 billion and the consideration received was \$1.0 billion, resulting in an immaterial pre-tax loss for the year ended December 31, 2015, which was recorded in other noninterest income in the Consolidated Statements of Income. See Note 7, "Goodwill and Other Intangible Assets," for additional information regarding the servicing asset recognized in this transaction.

To the extent that losses on the transferred loans are the result of a breach of representations and warranties related to either the initial transfer or the Company's ongoing servicing responsibilities, the Company may be obligated to either cure the breach or repurchase the affected loans. The Company's maximum exposure to loss related to the loans transferred to the securitization entity would arise from a breach of representations

Notes to Consolidated Financial Statements (Unaudited), continued

and warranties and/or a breach of the Company's servicing obligations. Potential losses suffered by the securitization entity that the Company may be liable for are limited to approximately

\$578 million, which is the total remaining UPB of transferred loans and the carrying value of the servicing asset.

The Company's total managed loans, including the LHFI portfolio and other securitized and unsecuritized loans, are presented in the following table by portfolio balance and delinquency status (accruing loans 90 days or more past due and all nonaccrual loans) at September 30, 2016 and December 31, 2015, as well as the related net charge-offs for the three and nine months ended September 30, 2016 and 2015.

	Portfolio Balance ¹		Past Due and Nonaccrual ²		Net Charge-offs			
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	Three Months Ended September 30		Nine Months Ended September 30	
					2016	2015	2016	2015
(Dollars in millions)								
LHFI portfolio:								
Commercial	\$77,229	\$75,252	\$523	\$344	\$71	\$13	\$183	\$47
Residential	39,398	38,928	756	729	21	36	80	146
Consumer	24,905	22,262	814	580	34	22	84	65
Total LHFI portfolio	141,532	136,442	2,093	1,653	126	71	347	258
Managed securitized loans ³ :								
Residential	120,668	116,990	117	³ 126	³ 2	⁴ 4	⁴ 6	⁴ 10
Consumer	578	807	—	1	1	1	2	1
Total managed securitized loans	121,246	117,797	117	127	3	5	8	11
Managed unsecuritized loans ⁵	3,269	3,973	501	597	—	—	—	—
Total managed loans	\$266,047	\$258,212	\$2,711	\$2,377	\$129	\$76	\$355	\$269

¹ Excludes \$3.8 billion and \$1.8 billion of LHFS at September 30, 2016 and December 31, 2015, respectively.

² Excludes \$2 million and \$1 million of past due LHFS at September 30, 2016 and December 31, 2015, respectively.

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

⁴ Net charge-offs are associated with \$429 million and \$501 million of managed securitized residential loans at September 30, 2016 and December 31, 2015, respectively. Net charge-off data is not reported to the Company for the remaining balance of \$120.2 billion and \$116.5 billion of managed securitized residential loans at September 30, 2016 and December 31, 2015, respectively.

⁵ Comprised of unsecuritized residential loans the Company originated and sold to private investors with servicing rights retained. Net charge-offs on these loans are not presented in the table as the data is not reported to the Company by the private investors that own these related loans.

Other Variable Interest Entities

In addition to exposure to VIEs arising from transfers of financial assets, the Company also has involvement with VIEs from other business activities.

Total Return Swaps

At both September 30, 2016 and December 31, 2015, outstanding notional amounts of the Company's VIE-facing TRS contracts totaled \$2.2 billion. The Company's related senior financing outstanding to VIEs was \$2.2 billion at both

September 30, 2016 and December 31, 2015. These financings were classified within trading assets and derivative instruments on the Consolidated Balance Sheets and were measured at fair value. The Company entered into client-facing TRS contracts of the same outstanding notional amounts. The notional amounts of the TRS contracts with VIEs represent the Company's maximum exposure to loss, although this exposure has been mitigated via the TRS contracts with third party clients. For additional information on the Company's TRS contracts and its involvement with these VIEs, see Note 13, "Derivative Financial Instruments," in this Form 10-Q, as well as Note 10, "Certain Transfers of Financial Assets and Variable Interest Entities," to the Company's 2015 Annual Report on Form 10-K.

Community Development Investments

As part of its community reinvestment initiatives, the Company invests 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 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. These properties were held for sale at September 30, 2016 and were immaterial. There were no properties sold during the nine months ended September 30, 2016. During the nine months ended September 30, 2015, properties with a carrying value of \$72 million were sold for gains of \$19 million. No properties were sold during the three months ended September 30, 2015.

The Company has concluded that it is not the primary beneficiary of affordable housing partnerships when it invests as a limited partner and there is a third party general partner. The investments are accounted for in accordance with the accounting guidance for investments in affordable housing projects. The general partner, or an affiliate of the general partner, often provides guarantees to the limited partner, which protects the Company from construction and operating losses and tax credit

Notes to Consolidated Financial Statements (Unaudited), continued

allocation deficits. Assets of \$1.7 billion and \$1.6 billion in these and other community development partnerships were not included in the Consolidated Balance Sheets at September 30, 2016 and December 31, 2015, respectively. The Company's limited partner interests had carrying values of \$804 million and \$672 million at September 30, 2016 and December 31, 2015, respectively, and are recorded in other assets on the Company's Consolidated Balance Sheets. The Company's maximum exposure to loss for these investments totaled \$1.1 billion at both September 30, 2016 and December 31, 2015. The Company's maximum exposure to loss would result from the loss of its limited partner investments along with \$265 million and \$268 million of loans, interest-rate swap fair value exposures, or letters of credit issued by the Company to the entities at September 30, 2016 and December 31, 2015, respectively. The remaining exposure to loss is primarily attributable to unfunded equity commitments that the Company is required to fund if certain conditions are met.

The Company also owns noncontrolling interests in funds whose purpose is to invest in community developments. At September 30, 2016 and December 31, 2015, the Company's investment in these funds totaled \$157 million and \$132 million, respectively. The Company's maximum exposure to loss on its investment in these funds is comprised of its equity investments in the funds, loans issued, and any additional unfunded equity commitments, which totaled \$503 million and \$321 million at September 30, 2016 and December 31, 2015, respectively.

During the three and nine months ended September 30, 2016, the Company recognized \$27 million and \$65 million of tax credits for qualified affordable housing projects, and \$23 million and \$62 million of amortization on these qualified affordable housing projects in the provision for income taxes, respectively. During the three and nine months ended September 30, 2015, the Company recognized \$18 million and \$46 million of tax credits for qualified affordable housing projects, and \$17 million and \$45 million of amortization on these qualified affordable housing projects in the provision for income taxes, respectively.

Certain of the Company's community development investments do not qualify as affordable housing projects for accounting purposes. The Company recognized tax credits for these investments of \$18 million and \$46 million during the three and nine months ended September 30, 2016, respectively, in the provision for income taxes. During the three and nine months ended September 30, 2015, the Company recognized \$12 million and \$30 million of tax credits for these community development investments, respectively, in the provision for income taxes. Amortization recognized on these investments totaled \$13 million and \$33 million, and \$8 million and \$18 million, during the three and nine months ended September 30, 2016 and 2015, respectively. The amortization is classified within Amortization in the Company's Consolidated Statements of Income.

NOTE 9 – NET INCOME PER COMMON SHARE

Equivalent shares of 8 million and 14 million related to common stock options and common stock warrants outstanding at September 30, 2016 and 2015, respectively, were excluded from the computations of diluted net income per average common share because they would have been anti-dilutive. On April 1, 2016, the Company early adopted ASU 2016-09, which provides improvements to employee share-based payment accounting, with an effective date of January 1, 2016. The early adoption

favorably impacted both basic and diluted EPS by \$0.02 per share for the nine months ended September 30, 2016. See Note 1, "Significant Accounting Policies," for additional information.

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 presented in the following table.

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	Three Months Ended		Nine Months Ended	
	September 30		September 30	
(Dollars and shares in millions, except per share data)	2016	2015	2016	2015
Net income	\$474	\$537	\$1,413	\$1,449
Preferred dividends	(17)	(16)	(49)	(48)
Dividends and undistributed earnings allocated to unvested shares	—	(2)	(1)	(5)
Net income available to common shareholders	\$457	\$519	\$1,363	\$1,396
Average basic common shares	496	513	501	517
Effect of dilutive securities:				
Stock options	2	2	2	2
Restricted stock, RSUs, and warrants	3	4	3	4
Average diluted common shares	501	519	506	523
Net income per average common share - diluted	\$0.91	\$1.00	\$2.70	\$2.67
Net income per average common share - basic	0.92	1.01	2.72	2.70

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 10 - INCOME TAXES

For the three months ended September 30, 2016 and 2015, the provision for income taxes was \$215 million and \$187 million, representing effective tax rates of 31% and 26%, respectively. The effective tax rates for the three months ended September 30, 2016 and 2015 were favorably impacted by net discrete income tax benefits of \$3 million and \$35 million, respectively. For the nine months ended September 30, 2016 and 2015, the provision for income taxes was \$611 million and \$579 million, representing effective tax rates of 30% and 29%, respectively. The effective tax rates for the nine months ended September 30, 2016 and 2015 were favorably impacted by net discrete income tax benefits of \$13 million and \$50 million, respectively.

The provision for income taxes includes both federal and state income taxes and differs from the provision using statutory rates primarily due to favorable permanent tax items such as income from lending to tax exempt entities and federal tax credits from community reinvestment activities. The Company calculated the provision for income taxes for the three and nine months ended September 30, 2016 and 2015 by applying the estimated annual effective tax rate to year-to-date pre-tax income and adjusting for discrete items that occurred during the period.

NOTE 11 - EMPLOYEE BENEFIT PLANS

The Company sponsors various short-term incentive and LTI plans and programs for eligible employees, such as defined contribution, noncontributory pension, and other postretirement benefit plans, as well as the issuance of RSUs, restricted stock, performance stock units, and AIP and LTI cash. See Note 15, "Employee Benefit Plans," to the Company's 2015 Annual

Report on Form 10-K for further information regarding the employee benefit plans.

On April 1, 2016, the Company early adopted ASU 2016-09, which provides improvements to employee share-based payment accounting, with an effective date of January 1, 2016. See Note 1, "Significant Accounting Policies," for additional information.

Stock-based compensation expense recognized in noninterest expense consisted of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Stock options	\$—	\$—	\$—	\$1
Restricted stock	—	4	2	13
Performance stock units	16	5	39	21
RSUs	13	7	44	35
Total stock-based compensation	\$29	\$16	\$85	\$70

Stock-based compensation tax benefit \$11 \$6 \$32 \$27

Changes in the components of net periodic benefit related to the Company's pension and other postretirement benefits plans are presented in the following table:

Pension Benefits ¹

	Three		Nine		Other Postretirement Benefits			
	Months Ended September 30		Months Ended September 30		Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015	2016	2015	2016	2015
Service cost	\$1	\$2	\$4	\$4	\$—	\$—	\$—	\$—
Interest cost	24	29	73	87	—	1	1	2
Expected return on plan assets	(46)	(52)	(140)	(155)	(1)	(2)	(3)	(4)
Amortization of prior service credit	—	—	—	—	(1)	(1)	(4)	(4)
Amortization of actuarial loss	6	5	19	16	—	—	—	—
Net periodic benefit	(\$15)	(\$16)	(\$44)	(\$48)	(\$2)	(\$2)	(\$6)	(\$6)

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

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 12 – 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 through provision of the Company's services. The following is a discussion of the guarantees that the Company has issued at September 30, 2016. The Company has also entered into certain contracts that are similar to guarantees, but that are accounted for as derivative instruments as discussed in Note 13, "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, or similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients but 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 September 30, 2016 and December 31, 2015, the Company's maximum potential exposure for issued financial and performance standby letters of credit was \$2.8 billion and \$2.9 billion, respectively. The Company's outstanding letters of credit generally have a term of more than one year. Some standby letters of credit are designed to be drawn upon in the normal course of business and others are drawn upon only in 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 client. If a letter of credit is drawn upon and reimbursement is not provided by the client, the Company may take possession of the collateral securing the letter 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. Consistent with the methodologies used for all commercial borrowers, an internal assessment of the PD and loss severity in the event of default is performed. The management of credit risk for 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 on the Consolidated Balance Sheets

and is included in the allowance for credit losses as disclosed in Note 6, "Allowance for Credit Losses." Additionally, unearned fees relating to letters of credit are recorded in other liabilities on the Consolidated Balance Sheets. The net carrying amount of unearned fees was immaterial at September 30, 2016 and December 31, 2015.

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 mortgage loans through a limited number of Company-sponsored securitizations. When mortgage loans are sold, representations and warranties regarding certain attributes of the loans 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, breaches of underwriting and servicing representations and warranties can result in loan repurchases, as well as adversely affect the valuation of MSR, 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. Loans sold to Ginnie Mae are insured by the FHA or are guaranteed by the 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 may also indemnify the FHA and VA for losses related to loans not originated in accordance with their guidelines.

Notes to Consolidated Financial Statements (Unaudited), continued

The Company previously reached agreements in principle with Freddie Mac and Fannie Mae that relieve the Company of certain existing and future repurchase obligations related to loans sold from 2000-2008 to Freddie Mac and loans sold from 2000-2012 to Fannie Mae. Repurchase requests from GSEs, Ginnie Mae, and non-agency investors, for all vintages, are presented in the following table that summarizes demand activity.

	Nine Months Ended September 30	
(Dollars in millions)	2016	2015
Pending repurchase requests, beginning of period	\$17	\$47
Repurchase requests received	30	58
Repurchase requests resolved:		
Repurchased	(15)	(17)
Cured	(23)	(72)
Total resolved	(38)	(89)
Pending repurchase requests, end of period ¹	\$9	\$16

Percent from non-agency investors:

Ending pending repurchase requests	49.9%	6.0 %
Repurchase requests received	—	% 0.6 %

¹ Comprised of \$4 million and \$15 million from the GSEs, and \$4 million and \$1 million from non-agency investors at September 30, 2016 and 2015, respectively.

The repurchase and make whole requests received have been due primarily 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:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Balance, beginning of period	\$51	\$60	\$57	\$85
Repurchase benefit	(3)	(1)	(9)	(9)
Charge-offs, net of recoveries	—	—	—	(17)
Balance, end of period	\$48	\$59	\$48	\$59

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 other indemnifications.

Notwithstanding the aforementioned agreements with Freddie Mac and Fannie Mae settling certain aspects of the Company's repurchase obligations, those institutions 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 related liability is recorded in other liabilities on the Consolidated Balance Sheets, and the related repurchase benefit is recognized in mortgage production related income in the Consolidated Statements of Income. See Note 15, "Contingencies," for additional information on current legal matters related to loan sales.

The following table summarizes the carrying value of the Company's outstanding repurchased mortgage loans at:

(Dollars in millions)	September 30, 2016	December 31, 2015
Outstanding repurchased mortgage loans:		
Performing LHFI	\$235	\$255
Nonperforming LHFI	11	17
Total carrying value of outstanding repurchased mortgage loans	\$246	\$272

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 MSR's are sold, the Company makes representations and warranties related to servicing standards and obligations, and recognizes a liability for contingent losses recorded in other liabilities on the Consolidated Balance Sheets. This liability, which is separate from the reserve for mortgage loan repurchases, totaled \$8 million and \$14 million at September 30, 2016 and December 31, 2015, respectively.

Visa

The Company executes 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

Notes to Consolidated Financial Statements (Unaudited), continued

arising from its own conduct and the specifically defined Litigation. While the district court approved a class action settlement of the Litigation in 2012, the U.S. Court of Appeals for the Second Circuit reversed the district court's approval of the settlement on June 30, 2016. The parties await further action on the appeal and/or a return of the case to the district court.

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. Additionally, the Company will make a quarterly payment based on the notional of the derivative and a fixed rate until the date on which the Litigation is settled. The fair value of the derivative is estimated based on unobservable inputs consisting of management's estimate of the probability of certain litigation scenarios and the timing of the resolution of the Litigation due in large part to the aforementioned decision by the U.S. Court of Appeals for the Second Circuit. The fair value of the derivative liability was \$15 million and \$6 million at September 30, 2016 and December 31, 2015, respectively. The increase in fair value of the derivative liability was driven by changes in management's estimate of both the probability of certain litigation scenarios as well as the timing of the resolution of the Litigation. However, the ultimate impact to the Company could be significantly different based on the Litigation outcome.

NOTE 13 - 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. The 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 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 measured, in their entirety, at fair value. All freestanding derivatives and any embedded derivatives that the Company bifurcates from the host contracts are measured at fair value in the Consolidated Balance Sheets in trading assets and derivative instruments and trading liabilities and derivative instruments. 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 Derivative Instruments

Derivatives expose the Company to counterparty credit risk if the counterparty to the derivative contract does not perform as expected. The Company manages its exposure to credit risk associated with derivatives by entering into transactions with counterparties with defined exposure limits based on their credit

quality and in accordance with established policies and procedures. All counterparties are reviewed regularly as part of the Company's credit risk management practices and appropriate action is taken to adjust the exposure to certain counterparties as necessary. The Company's derivative transactions may also be governed by ISDA agreements or other legally enforceable industry standard master netting agreements. In certain cases and depending on the nature of the underlying derivative transactions, bilateral collateral agreements are also utilized. Furthermore, the Company and its subsidiaries are subject to OTC derivative clearing requirements, which require certain derivatives to be cleared through central clearinghouses. These clearinghouses require the Company to post initial and variation margin to mitigate the risk of non-payment, the latter of which 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 fair value of its derivative positions with that counterparty. If the net fair value is positive, then the corresponding asset value also reflects cash collateral held. At September 30, 2016, these net asset positions were \$1.1 billion, reflecting \$1.9 billion of net derivative gains, adjusted for cash and other collateral of \$811 million that the Company held in relation to these positions. At December 31, 2015, reported net derivative assets were \$896 million, reflecting \$1.4 billion of net derivative gains, adjusted for cash and other collateral held of \$463 million.

Derivatives also expose the Company to market risk arising from the adverse effects that changes in market factors, such as interest rates, currency rates, equity prices, commodity prices,

Notes to Consolidated Financial Statements (Unaudited), continued

or implied volatility, may have on the value of a derivative. The Company comprehensively manages this risk by establishing and monitoring limits on the types and degree of risk that may be undertaken. The Company measures its risk exposure using a VAR methodology for derivatives designated as trading instruments. Other tools and risk measures are also used to actively manage risk associated with derivatives including scenario analysis and stress testing.

Derivative instruments are priced using observable market inputs at a mid-market valuation point and take into consideration appropriate valuation adjustments for collateral, market liquidity, and counterparty credit risk. For purposes of determining fair value adjustments to its OTC derivative positions, the Company takes into consideration the credit profile and likelihood of default by counterparties and itself, as well as its net exposure, which considers legally enforceable master netting agreements and collateral along with remaining maturities. The expected loss of each counterparty is estimated using market-based views of counterparty default probabilities observed in the single-name CDS market, when available and of sufficient liquidity. When single-name CDS market data is not available or not of sufficient liquidity, the probability of default is estimated using a combination of the Company's internal risk rating system and sector/rating based CDS data.

For purposes of estimating the Company's own credit risk on derivative liability positions, the DVA, the Company uses probabilities of default from observable, sector/rating based CDS data. The Company adjusted the net fair value of its derivative contracts for estimates of counterparty credit risk by approximately \$21 million and \$4 million at September 30, 2016 and December 31, 2015, respectively. The increase in the net fair value adjustment during the nine months ended September 30, 2016 was due primarily to the combination of an enhancement of the Company's CVA/DVA methodology in the second quarter of 2016 to further incorporate market-based views of counterparty default probabilities as well as a decline in interest rates which resulted in higher counterparty exposure profiles. The impact from the associated methodology enhancements was an \$11 million increase in the net fair value adjustment during the nine months ended September 30, 2016. The Company's approach for determining fair value adjustments of derivative instruments is subject to ongoing internal review and enhancement. This review includes consideration of whether to include a funding valuation adjustment in the fair value measurement of derivatives, which relates to the funding cost or benefit associated with collateralized derivative positions. For additional information on the Company's fair value measurements, see Note 14, "Fair Value Election and Measurement."

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 transactions with the Bank on a net basis, at amounts that would approximate the 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 \$1.4 billion and \$1.1 billion in fair value at September 30, 2016 and December 31, 2015, 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 September 30, 2016, the Bank held senior long-term debt credit ratings of Baal/A-/A- from Moody's, S&P, and Fitch, respectively. At September 30, 2016, ATEs have been triggered for less than \$1 million in fair value liabilities. The maximum additional liability that could be triggered from ATEs was approximately \$13 million at September 30, 2016. At September 30, 2016, \$1.4 billion in fair value of derivative liabilities were subject to CSAs, against which the Bank has posted \$1.4 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 additional collateral of approximately \$5 million against these contracts 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 September 30, 2016 and December 31, 2015. The notional amounts in the tables are presented on a gross basis and have been classified within derivative assets or derivative liabilities based on the estimated fair value of the individual contract at September 30, 2016 and December 31, 2015. 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 derivative instruments or trading liabilities and derivative instruments 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 a derivative asset and the written notional amount being presented as a derivative liability. 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.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	September 30, 2016		September 30, 2016	
	Asset Derivatives		Liability Derivatives	
	Notional Amounts	Fair Value	Notional Amounts	Fair Value
Derivative instruments designated in cash flow hedging relationships ¹				
Interest rate contracts hedging floating rate loans	\$18,950	\$359	\$1,500	\$3
Derivative instruments designated in fair value hedging relationships ²				
Interest rate contracts hedging fixed rate debt	2,480	26	1,600	1
Interest rate contracts hedging brokered CDs	60	—	30	—
Total	2,540	26	1,630	1
Derivative instruments not designated as hedging instruments ³				
Interest rate contracts hedging:				
MSRs ⁴	13,499	812	19,800	516
LHFS, IRLCs ⁵	4,620	12	7,015	32
LHFI	15	2	40	4
Trading activity ⁶	66,678	2,600	66,930	2,412
Foreign exchange rate contracts hedging trading activity	3,603	102	3,440	83
Credit contracts hedging:				
Loans	15	—	635	9
Trading activity ⁷	2,334	28	2,472	26

Equity contracts hedging trading activity ⁶	19,841	2,059	29,182	2,464
Other contracts:				
IRLCs and other ⁸	4,884	79	277	15
Commodities	629	59	626	56
Total	116,118	5,753	130,417	5,617
Total derivative instruments	\$137,608	\$6,138	\$133,547	\$5,621
Total gross derivative instruments, before netting		\$6,138		\$5,621
Less: Legally enforceable master netting agreements		(3,932)		(3,932)
Less: Cash collateral received/paid		(675)		(1,377)
Total derivative instruments, after netting		\$1,531		\$312

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 \$7.3 billion 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 Amount includes \$946 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.

⁶ Amounts include \$11.4 billion of notional amounts related to interest rate futures and \$954 million of notional amounts related to equity 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. Amounts also include notional amounts related to interest rate swaps hedging fixed rate debt.

⁷ Asset and liability amounts include \$6 million and \$8 million, respectively, of notional amounts from purchased and written credit risk participation agreements, whose notional is calculated as the notional of the derivative participated adjusted by the relevant RWA conversion factor.

⁸ Includes \$49 million notional amount that is based on the 3.2 million of Visa Class B shares, 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. See Note 12, “Guarantees” for additional information.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	December 31, 2015		December 31, 2015	
	Asset Derivatives Notional Amounts	Fair Value	Liability Derivatives Notional Amounts	Fair Value
Derivative instruments designated in cash flow hedging relationships ¹				
Interest rate contracts hedging floating rate loans	\$14,500	\$130	\$2,900	\$11
Derivative instruments designated in fair value hedging relationships ²				
Interest rate contracts hedging 1,700 fixed rate debt		14	600	—
Interest rate contracts hedging 60 brokered CDs		—	30	—
Total	1,760	14	630	—
Derivative instruments not designated as hedging instruments ³				
Interest rate contracts hedging:				
MSRs ⁴	7,782	198	16,882	98
LHFS, IRLCs ⁵	4,309	10	2,520	5
LHFI	15	—	40	1
Trading activity ⁶	67,164	1,983	66,854	1,796
Foreign exchange rate contracts hedging trading activity	3,648	127	3,227	122
Credit contracts hedging:				
Loans	—	—	175	2
Trading activity ⁷	2,232	57	2,385	54

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Equity contracts hedging trading activity ⁶	19,138	1,812	27,154	2,222
Other contracts:				
IRLCs and other ⁸	2,024	21	299	6
Commodities	453	113	448	111
Total	106,765	4,321	119,984	4,417
Total derivative instruments	\$123,025	\$4,465	\$123,514	\$4,428
Total gross derivative instruments, before netting		\$4,465		\$4,428
Less: Legally enforceable master netting agreements		(2,916)		(2,916)
Less: Cash collateral received/paid		(397)		(1,048)
Total derivative instruments, after netting		\$1,152		\$464

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 \$9.1 billion 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 Amount includes \$518 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.

⁶ Amounts include \$12.6 billion of notional amounts related to interest rate futures and \$329 million of notional amounts related to equity 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. Amounts also include notional amounts related to interest rate swaps hedging fixed rate debt.

⁷ Asset and liability amounts include \$6 million and \$9 million, respectively, of notional amounts from purchased and written credit risk participation agreements, whose notional is calculated as the notional of the derivative participated adjusted by the relevant RWA conversion factor.

⁸ Includes \$49 million notional amount that is based on the 3.2 million of Visa Class B shares, 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. See Note 12, “Guarantees” for additional information.

Notes to Consolidated Financial Statements (Unaudited), continued

Impact of Derivative Instruments on the Consolidated Statements of Income and Shareholders' Equity
 The impacts of derivative instruments on the Consolidated Statements of Income and the Consolidated Statements of Shareholders' Equity for the three and nine months ended September 30 are presented in the following tables. The impacts are segregated between derivatives that are designated in hedge accounting 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.

(Dollars in millions)	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016		Classification of Pre-tax Gain/(Loss) Reclassified from OCI into Income (Effective Portion)
	Amount of Pre-tax Loss Recognized in OCI on Derivatives (Effective Portion)	Amount of Pre-tax Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Pre-tax Loss Recognized in OCI on Derivatives (Effective Portion)	Amount of Pre-tax Gain Recognized in OCI on Derivatives (Effective Portion)	

Derivative instruments in cash flow

hedging relationships:

Interest rate contracts hedging floating rate loans ¹	(\$78)	\$36	\$408	\$113	Interest and fees on loans
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¹ During the three and nine months ended September 30, 2016, the Company also reclassified \$23 million and \$77 million of pre-tax gains from AOCI into net interest income. These gains related to hedging relationships that have been terminated or de-designated and are reclassified into earnings consistent with the pattern of net cash flows expected to be recognized.

(Dollars in millions)	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	Amount of Loss on Derivatives Recognized in Income	Amount of Gain on Related Hedged Items Recognized in Income	Amount of Gain Recognized in Income on Hedges (Ineffective Portion)	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)

Derivative instruments in fair value hedging relationships:

Interest rate contracts hedging fixed rate debt ¹	(\$10)	\$11	\$1	\$20	(\$19)	\$1
Interest rate contracts hedging brokered CDs ¹	—	—	—	—	—	—

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Total (10) \$11 \$1 \$20 (\$19) \$1

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 Three Months Ended September 30, 2016	Recognized in Income on Derivatives During the Nine Months Ended September 30, 2016
Derivative instruments not designated as hedging instruments:			
Interest rate contracts hedging:			
MSRs	Mortgage servicing related income	\$15	\$306
LHFS, IRLCs	Mortgage production related income	(35)	(162)
LHFI	Other noninterest income	—	(3)
Trading activity	Trading income	11	24
Foreign exchange rate contracts hedging trading activity	Trading income	36	52
Credit contracts hedging:			
Loans	Other noninterest income	(1)	(3)
Trading activity	Trading income	5	14
Equity contracts hedging trading activity	Trading income	1	5
Other contracts:			
IRLCs	Mortgage production related income	122	291
Commodities	Trading income	1	2
Total		\$155	\$526

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015		Classification of Pre-tax Gain Reclassified from AOCI into Income (Effective Portion)
	Amount of Pre-tax Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Pre-tax Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Pre-tax Gain Recognized in OCI on Derivatives (Effective Portion)	Amount of Pre-tax Gain Recognized in OCI on Derivatives (Effective Portion)	

Derivative instruments in cash flow hedging relationships:

Interest rate contracts hedging floating rate loans ¹	\$204	\$47	\$338	\$126	Interest and fees on loans
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¹ During the three and nine months ended September 30, 2015, the Company also reclassified \$23 million and \$61 million, respectively, of pre-tax gains from AOCI into net interest income. These gains related to hedging relationships that have been terminated or de-designated and are reclassified into earnings consistent with the pattern of net cash flows expected to be recognized.

(Dollars in millions)	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	Amount of Loss on Related Hedged Derivatives Recognized in Income	Amount of Loss Recognized in Income (Ineffective Portion)	Amount of Loss on Related Hedged Derivatives Recognized in Income	Amount of Loss Recognized in Income (Ineffective Portion)

Derivative instruments in fair value hedging relationships:

Interest rate contracts hedging fixed rate debt ¹	\$(1)	(\$1)	\$7 (\$8)	(\$1)
Interest rate contracts hedging brokered CDs ¹	—	—	—	—
Total	\$(1)	(\$1)	\$7 (\$8)	(\$1)

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 Three Months Ended	Amount of Gain/(Loss) Recognized in Income on Derivatives During
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		September 30, 2015	the Nine Months Ended September 30, 2015
Derivative instruments not designated as hedging instruments:			
Interest rate contracts hedging:			
MSRs	Mortgage servicing related income	\$298	\$223
LHFS, IRLCs	Mortgage production related income	(69)	(60)
LHFI	Other noninterest income	(2)	(2)
Trading activity	Trading income	5	46
Foreign exchange rate contracts hedging trading activity	Trading income	21	57
Credit contracts hedging:			
Loans	Other noninterest income	—	(1)
Trading activity	Trading income	6	19
Equity contracts hedging trading activity	Trading income	—	3
Other contracts:			
IRLCs	Mortgage production related income	58	151
Commodities	Trading income	1	2
Total		\$318	\$438

Notes to Consolidated Financial Statements (Unaudited), continued

Netting of Derivative Instruments

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 2, "Federal Funds Sold and Securities Financing Activities." The Company enters into ISDA or other legally enforceable industry standard master netting agreements with derivative counterparties. Under the terms of the master netting agreements, 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 following tables present total gross derivative instrument assets and liabilities at September 30, 2016 and December 31, 2015, which are adjusted to reflect the effects of legally enforceable master netting agreements and cash collateral received or paid when calculating the net amount reported in the Consolidated Balance Sheets. Also included in the tables are 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 instrument assets and liabilities 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
September 30, 2016					
Derivative instrument assets:					
Derivatives subject to master netting arrangement or similar arrangement	\$5,703	\$4,456	\$1,247	\$136	\$1,111
Derivatives not subject to master netting arrangement or similar arrangement	79	—	79	—	79
Exchange traded derivatives	356	151	205	—	205
Total derivative instrument assets	\$6,138	\$4,607	\$1,531	¹ \$136	\$1,395
Derivative instrument liabilities:					
Derivatives subject to master netting arrangement or similar arrangement	\$5,369	\$5,158	\$211	\$33	\$178
Derivatives not subject to master netting arrangement or similar arrangement	101	—	101	—	101
Exchange traded derivatives	151	151	—	—	—
Total derivative instrument liabilities	\$5,621	\$5,309	\$312	² \$33	\$279
December 31, 2015					
Derivative instrument assets:					
	\$4,184	\$3,156	\$1,028	\$66	\$962

Derivatives subject to master netting arrangement or similar arrangement					
Derivatives not subject to master netting arrangement or similar arrangement	21	—	21	—	21
Exchange traded derivatives	260	157	103	—	103
Total derivative instrument assets	\$4,465	\$3,313	\$1,152	¹ \$66	\$1,086
Derivative instrument liabilities:					
Derivatives subject to master netting arrangement or similar arrangement	\$4,162	\$3,807	\$355	\$19	\$336
Derivatives not subject to master netting arrangement or similar arrangement	105	—	105	—	105
Exchange traded derivatives	161	157	4	—	4
Total derivative instrument liabilities	\$4,428	\$3,964	\$464	² \$19	\$445

¹ At September 30, 2016, \$1.5 billion, net of \$675 million offsetting cash collateral, is recognized in trading assets and derivative instruments within the Company's Consolidated Balance Sheets. At December 31, 2015, \$1.2 billion, net of \$397 million offsetting cash collateral, is recognized in trading assets and derivative instruments within the Company's Consolidated Balance Sheets.

² At September 30, 2016, \$312 million, net of \$1.4 billion offsetting cash collateral, is recognized in trading liabilities and derivative instruments within the Company's Consolidated Balance Sheets. At December 31, 2015, \$464 million, net of \$1.0 billion offsetting cash collateral, is recognized in trading liabilities and derivative instruments within the Company's Consolidated Balance Sheets.

Notes to Consolidated Financial Statements (Unaudited), continued

Credit Derivative Instruments

As part of the Company's 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, records these contracts at fair value, with changes in fair value recognized in trading income in the Consolidated Statements of Income.

The Company periodically 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 settle its obligation net in cash 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. When the Company has written CDS, all written CDS contracts reference single name corporate credits or corporate credit indices. The Company generally enters into offsetting purchased CDS for the underlying reference asset, under which the Company pays 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 September 30, 2016, the Company did not have any material risk of making a non-recoverable payment on any written CDS. During 2016 and 2015, 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 September 30, 2016, written CDS had remaining terms of four years. There were no written CDS at December 31, 2015. The fair value of written CDS was \$3 million at September 30, 2016. The maximum guarantees outstanding at September 30, 2016, as measured by the gross notional amount of written CDS, was \$170 million, which represents risk reduction trades offsetting purchased CDS positions. At September 30, 2016 and December 31, 2015, the gross notional amounts of purchased CDS contracts designated as trading instruments were \$305 million and \$150 million, respectively. The fair values of purchased CDS were \$5 million and \$1 million at September 30, 2016 and December 31, 2015, 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. There were \$2.2 billion of outstanding TRS notional balances at both September 30, 2016 and December 31, 2015. The fair values of these TRS assets and liabilities at September 30, 2016 were \$25 million and \$21 million,

respectively, and related collateral held at September 30, 2016 was \$474 million. The fair values of the TRS assets and liabilities at December 31, 2015 were \$57 million and \$52 million, respectively, and related collateral held at December 31, 2015 was \$492 million. For additional information on the Company's TRS contracts, see Note 8, "Certain Transfers of Financial Assets and Variable Interest Entities," as well as Note 14, "Fair Value Election and Measurement."

The Company writes risk participations, which are credit derivatives, whereby the Company has guaranteed payment to a dealer counterparty in the event 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 manages its payment risk on its risk participations by monitoring the creditworthiness of the obligors, which are all corporations or partnerships, through the normal credit review process that the Company would have performed had it entered into a derivative directly with the obligors. To date, no material losses have been incurred related to the Company's written risk participations. At September 30, 2016, the remaining terms on these risk participations generally ranged from zero to 31 years, with a weighted average term on the maximum estimated exposure of 9.0 years. At December 31,

2015, the remaining terms on these risk participations generally ranged from less than one year to eight years, with a weighted average term on the maximum estimated exposure of 5.6 years. 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 \$78 million and \$55 million at September 30, 2016 and December 31, 2015, respectively. The fair values of the written risk participations were immaterial at both September 30, 2016 and December 31, 2015. The Company may enter into purchased risk participations to mitigate this written credit risk exposure to a derivative counterparty.

Cash Flow Hedging Instruments

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 September 30, 2016, the maturities for hedges of floating rate loans ranged from less than one year to six years, with the weighted average being 4.0 years. At December 31, 2015, the maturities for hedges of floating rate loans ranged from less than one year to seven years, with the weighted average being 3.3 years. These hedges have been highly effective in offsetting the designated risks, yielding an immaterial amount of ineffectiveness for the three and nine

Notes to Consolidated Financial Statements (Unaudited), continued

months ended September 30, 2016 and 2015. At September 30, 2016, \$200 million of deferred net pre-tax gains on derivative instruments designated as cash flow hedges on floating rate loans recognized in AOCI are expected to be reclassified into net interest income during the next twelve months. The amount to be reclassified into income incorporates the impact from both active and terminated or de-designated cash flow hedges, including the net interest income earned on the active hedges, assuming no changes in LIBOR. The Company may choose to terminate or de-designate a hedging relationship 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.

Fair Value Hedging Instruments

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 certain fixed rate long-term debt and CDs 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 expense. 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 Instruments and Trading Activities

In addition to designated hedge accounting 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. The

Company mitigates these risks by entering into offsetting derivatives either on an individual basis or collectively on a macro basis.

The Company utilizes interest rate derivatives related to:

• **MSRs.** The Company hedges these instruments with a combination of interest rate derivatives, including forward and option contracts, futures, and forward rate agreements.

• **IRLCs and mortgage LHFS.** The Company hedges these instruments using forward and option contracts, futures, and forward rate agreements.

The Company is exposed to volatility and changes in foreign exchange rates associated with certain commercial loans. To hedge against this foreign exchange rate risk, the Company enters into foreign exchange rate contracts that provide for the future receipt and delivery of foreign currency at previously agreed-upon terms.

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 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 (predominantly 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.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 14 - FAIR VALUE ELECTION AND MEASUREMENT

The Company measures certain assets and liabilities at fair value, which are classified 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 either a requirement to measure such assets and liabilities at fair value or on 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 better 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 measured using 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 gathering 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 at least quarterly, and any material deterioration in model performance is escalated. This review is performed by different internal groups depending on the type of fair value asset or liability.

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 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 thresholds are exceeded, 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 or not 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 (Unaudited), 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.

(Dollars in millions)	September 30, 2016				Assets/Liabilities at Fair Value
	Fair Value Measurements				
	Level 1	Level 2	Level 3	Netting Adjustments 1	
Assets					
Trading assets and derivative instruments:					
U.S. Treasury securities	\$547	\$—	\$—	\$—	\$547
Federal agency securities	—	259	—	—	259
U.S. states and political subdivisions	—	187	—	—	187
MBS - agency	—	883	—	—	883
CLO securities	—	1	—	—	1
Corporate and other debt securities	—	723	—	—	723
CP	—	202	—	—	202
Equity securities	51	—	—	—	51
Derivative instruments	356	5,703	79	(4,607)	1,531
Trading loans	—	2,660	—	—	2,660
Total trading assets and derivative instruments	954	10,618	79	(4,607)	7,044
Securities AFS:					
U.S. Treasury securities	4,983	—	—	—	4,983
Federal agency securities	—	334	—	—	334
U.S. states and political subdivisions	—	257	4	—	261
MBS - agency	—	23,316	—	—	23,316
MBS - non-agency residential	—	—	76	—	76
ABS	—	—	11	—	11
Corporate and other debt securities	—	31	5	—	36
Other equity securities ²	104	—	551	—	655
Total securities AFS	5,087	23,938	647	—	29,672
Residential LHFS	—	3,023	3	—	3,026
LHFI	—	—	234	—	234
MSRs	—	—	1,119	—	1,119
Liabilities					
Trading liabilities and derivative instruments:					
U.S. Treasury securities	918	—	—	—	918
MBS - agency	—	2	—	—	2
Corporate and other debt securities	—	252	—	—	252
Derivative instruments	152	5,454	15	(5,309)	312
Total trading liabilities and derivative instruments	1,070	5,708	15	(5,309)	1,484
Brokered time deposits	—	54	—	—	54

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Long-term debt — 963 — — 963

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 \$104 million of mutual fund investments, \$143 million of FHLB of Atlanta stock, \$402 million of Federal Reserve Bank of Atlanta stock, and \$6 million of other.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	December 31, 2015				Assets/Liabilities at Fair Value
	Fair Value Measurements				
	Level 1	Level 2	Level 3	Netting Adjustments 1	
Assets					
Trading assets and derivative instruments:					
U.S. Treasury securities	\$538	\$—	\$—	\$—	\$538
Federal agency securities	—	588	—	—	588
U.S. states and political subdivisions	—	30	—	—	30
MBS - agency	—	553	—	—	553
CLO securities	—	2	—	—	2
Corporate and other debt securities	—	379	89	—	468
CP	—	67	—	—	67
Equity securities	66	—	—	—	66
Derivative instruments	262	4,182	21	(3,313)	1,152
Trading loans	—	2,655	—	—	2,655
Total trading assets and derivative instruments	866	8,456	110	(3,313)	6,119
Securities AFS:					
U.S. Treasury securities	3,449	—	—	—	3,449
Federal agency securities	—	411	—	—	411
U.S. states and political subdivisions	—	159	5	—	164
MBS - agency	—	23,124	—	—	23,124
MBS - non-agency residential	—	—	94	—	94
ABS	—	—	12	—	12
Corporate and other debt securities	—	33	5	—	38
Other equity securities ²	93	—	440	—	533
Total securities AFS	3,542	23,727	556	—	27,825
Residential LHFS	—	1,489	5	—	1,494
LHFI	—	—	257	—	257
MSRs	—	—	1,307	—	1,307
Liabilities					
Trading liabilities and derivative instruments:					
U.S. Treasury securities	503	—	—	—	503
MBS - agency	—	37	—	—	37
Corporate and other debt securities	—	259	—	—	259
Derivative instruments	161	4,261	6	(3,964)	464
Total trading liabilities and derivative instruments	664	4,557	6	(3,964)	1,263
Long-term debt	—	973	—	—	973

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Other liabilities ³ — — 23 — 23

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 \$93 million of mutual fund investments, \$32 million of FHLB of Atlanta stock, \$402 million of Federal Reserve Bank of Atlanta stock, and \$6 million of other.

³ Includes contingent consideration obligations related to acquisitions.

Notes to Consolidated Financial Statements (Unaudited), continued

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

(Dollars in millions)	Fair Value at September 30, 2016	Aggregate UPB at September 30, 2016	Fair Value Over/(Under) Unpaid Principal
Assets:			
Trading loans	\$2,660	\$2,607	\$53
LHFS:			
Accruing	3,026	2,914	112
LHFI:			
Accruing	232	233	(1)
Nonaccrual	2	3	(1)
Liabilities:			
Brokered time deposits	54	54	—
Long-term debt	963	907	56

(Dollars in millions)	Fair Value at December 31, 2015	Aggregate UPB at December 31, 2015	Fair Value Over/(Under) Unpaid Principal
Assets:			
Trading loans	\$2,655	\$2,605	\$50
LHFS:			
Accruing	1,494	1,453	41
LHFI:			
Accruing	254	259	(5)
Nonaccrual	3	5	(2)
Liabilities:			
Long-term debt	973	907	66

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Notes to Consolidated Financial Statements (Unaudited), continued

The following tables present the change in fair value during the three and nine months ended September 30, 2016 and 2015 of financial instruments for which the FVO has been elected, as well as for MSR. The tables do not reflect the change in fair value attributable to related economic hedges that the Company uses to mitigate market-related risks associated with the financial instruments. Generally, changes in the fair value of economic

hedges are recognized in trading income, mortgage production related income, mortgage servicing related income, or other noninterest 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.

(Dollars in millions)	Fair Value Gain/(Loss) for the Three Months Ended September 30, 2016 for Items Measured at Fair Value Pursuant to Election of the FVO				Total Changes in Fair Values Included in Earnings ²	Fair Value Gain/(Loss) for the Nine Months Ended September 30, 2016 for Items Measured at Fair Value Pursuant to Election of the FVO				Total Changes in Fair Values Included in Earnings ²
	Trading Income	Mortgage Production Related Income ¹	Mortgage Servicing Related Income	Other Noninterest Income		Trading Income	Mortgage Production Related Income ¹	Mortgage Servicing Related Income	Other Noninterest Income	
Assets:										
Trading loans	\$6	\$—	\$—	\$—	\$6	\$11	\$—	\$—	\$—	\$11
LHFS	—	15	—	—	15	—	92	—	—	92
LHFI	—	—	—	(1)	(1)	—	—	—	5	5
MSRs	—	—	(56)	—	(56)	—	2	(488)	—	(486)
Liabilities:										
Brokered time deposits	1	—	—	—	1	1	—	—	—	1
Long-term debt	7	—	—	—	7	10	—	—	—	10

¹ Income related to LHFS does not include income from IRLCs. For the three and nine months ended September 30, 2016, income related to MSRs includes income recognized upon the sale of loans reported at LOCOM.

² Changes in fair value for the three and nine months ended September 30, 2016 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 measured at fair value are recognized in interest income or interest expense in the Consolidated Statements of Income.

	Fair Value (Loss)/Gain for the Three Months Ended September 30, 2015 for Items Measured at Fair Value Pursuant to Election of the FVO	Fair Value Gain/(Loss) for the Nine Months Ended September 30, 2015 for Items Measured at Fair Value Pursuant to Election of the FVO
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(Dollars in millions)	Trading Income	Mortgage Production Related Income ¹	Mortgage Servicing Related Income	Other Noninterest Income	Total Changes in Fair Values Included in Earnings ²	Trading Income	Mortgage Production Related Income ¹	Mortgage Servicing Related Income	Other Noninterest Income	Total Changes in Fair Values Included in Earnings ²
Assets:										
Trading loans	(\$1)	\$—	\$—	\$—	(\$1)	\$1	\$—	\$—	\$—	\$1
LHFS	—	20	—	—	20	—	32	—	—	32
LHFI	—	—	—	4	4	—	—	—	3	3
MSRs	—	—	(198)	—	(198)	—	1	(235)	—	(234)
Liabilities:										
Long-term debt	9	—	—	—	9	28	—	—	—	28

¹ Income related to LHFS does not include income from IRLCs. For the three and nine months ended September 30, 2015, income related to MSR's includes income recognized upon the sale of loans reported at LOCOM.

² Changes in fair value for the three and nine months ended September 30, 2015 exclude accrued interest for the period then ended. Interest income or interest expense on trading loans, LHFS, LHFI, and long-term debt that have been elected to be measured at fair value are recognized in interest income or interest expense in the Consolidated Statements of Income.

Notes to Consolidated Financial Statements (Unaudited), continued

The following is a discussion of the valuation techniques and inputs used in estimating fair value measurements for assets and liabilities measured at fair value on a recurring basis and classified as level 1, 2, and/or 3.

Trading Assets and Derivative Instruments 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 from a third party pricing service. Accordingly, the Company 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 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 September 30, 2016 and December 31, 2015 includes an immaterial amount of bonds that are 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; therefore, these securities are priced at par.

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 from a third party pricing service; accordingly, the Company has classified these instruments as level 2.

MBS – non-agency residential

Non-agency residential 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 experienced deterioration in credit quality leading to downgrades to non-investment grade levels. The Company obtains pricing for these 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, information received from market participants and analysts, and/or changes in the underlying collateral performance. The Company continued to classify non-agency residential MBS as level 3, as the Company believes that available 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.

CLO Securities

CLO preference share exposure is estimated at fair value based on pricing from observable trading activity for similar securities. Accordingly, the Company has classified these instruments as level 2.

Asset-Backed Securities

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; as such, they are classified as level 3.

Corporate and other debt securities

Corporate debt securities are comprised predominantly of senior and subordinate debt obligations of domestic corporations and are classified as level 2. Other debt securities classified as trading in level 3 at December 31, 2015 included bonds that were not actively traded in the market and for which valuation judgments were highly subjective due to limited observable market data. At December 31, 2015, the fair value of these level 3 bonds were estimated using market comparable bond index yields. These bonds were sold during the first quarter of 2016.

Other debt securities classified as AFS in level 3 at September 30, 2016 and December 31, 2015 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

The Company acquires CP that is generally short-term in nature (maturity of 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; as such, CP is classified as level 2.

Equity securities

Equity securities classified as securities AFS include primarily 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 and they are classified as level 3. 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.

Notes to Consolidated Financial Statements (Unaudited), continued

Derivative instruments

The Company holds derivative instruments for both trading and risk management purposes. Level 1 derivative instruments generally include exchange-traded futures or option contracts for which pricing is readily available. The Company's level 2 instruments are predominantly 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.

The Company's derivative instruments classified as level 2 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. See Note 13, "Derivative Financial Instruments," for additional information on the Company's derivative instruments.

The Company's derivative instruments classified as level 3 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 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 three and nine months ended September 30, 2016, the Company transferred \$116 million and \$232 million, respectively, of net IRLCs out of level 3 as the associated loans were closed. During the three and nine months ended September 30, 2015, the Company transferred \$41 million and \$138 million, respectively, of net IRLCs out of level 3 as the associated loans were closed.

Trading loans

The Company engages in certain businesses whereby electing to measure loans at fair value for financial reporting aligns with the underlying business purpose. Specifically, loans included within this classification include trading loans that are: (i) made or acquired in connection with the Company's TRS business, (ii) part of the loan sales and trading business within the Company's Wholesale Banking segment, and (iii) backed by the SBA. See Note 8, "Certain Transfers of Financial Assets and Variable Interest Entities," and Note 13, "Derivative Financial Instruments," for further discussion of this business. All of these

loans are classified as level 2 due to the nature of market data that the Company uses to estimate fair value.

The loans made in connection with the Company's TRS business are short-term, senior demand loans supported by a pledge agreement granting first priority security interest to the Bank in all the assets held by the borrower, a VIE with assets comprised primarily of corporate loans. 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 both September 30, 2016 and December 31, 2015, the Company had outstanding \$2.2 billion of these short-term loans measured at fair value.

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 both the three and nine months ended September 30, 2016 and 2015, the Company recognized an immaterial amount of gains/(losses) 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. At September 30, 2016 and December 31, 2015, \$407 million and \$356 million, respectively, of loans related to the Company's trading business were held in inventory.

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.

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. Any origination fees are recognized within mortgage production related income in the Consolidated Statements of Income when earned at the time of closing. The servicing value is included in the fair value of the loan and is initially recognized at the time the Company enters into IRLCs with borrowers. The Company employs derivative instruments to economically hedge changes in interest rates and the related impact on 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.

Notes to Consolidated Financial Statements (Unaudited), continued

LHFS classified as level 2 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 three and nine months ended September 30, 2016 and 2015 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 recognized an immaterial amount of gains/(losses) in the Consolidated Statements of Income due to changes in fair value attributable to borrower-specific credit risk for both the three and nine months ended September 30, 2016 and 2015. 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 market conditions.

LHFI

LHFI classified as level 3 includes predominantly mortgage loans that are not marketable, largely due to the identification of loan defects. The Company chooses to measure these mortgage LHFI at fair value to better align reported results with the underlying economic changes in value of the loans and any related hedging 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. 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 using a discounted cash flow approach. 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. 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. For additional information see Note 7, "Goodwill and Other Intangible Assets."

Liabilities**Trading liabilities and derivative instruments**

Trading liabilities are comprised primarily of derivative contracts, but also include various contracts (primarily U.S. Treasury securities, corporate and other debt securities) that the Company uses in certain of its trading businesses. The Company's valuation methodologies for these derivative contracts and securities are consistent with those discussed within the corresponding sections herein under "Trading Assets and Derivative Instruments 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 related derivative liability is classified as a level 3 instrument. See Note 12, "Guarantees," for a discussion of the valuation assumptions.

Brokered time deposits

The Company has elected to measure certain CDs at fair value. These debt instruments include embedded derivatives where the underlying is considered clearly and closely related to the host debt instrument. The Company elected to measure 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 by instrument basis, whether a new issuance would be measured at fair value.

On January 1, 2016, the Company partially adopted ASU 2016-01, which requires changes in credit spreads for financial liabilities measured at fair value pursuant to a fair value option to be recognized in OCI. The impact to OCI is determined from the change in credit spreads above LIBOR swap spreads. For both the three and nine months ended September 30, 2016 the impact on AOCI due to changes in credit spreads was immaterial. For additional information on the Company's partial adoption of ASU 2016-01, see Note 1, "Significant Accounting Policies." The Company has classified CDs measured at fair value as level 2 instruments due to the Company's ability to reasonably measure all significant inputs based on observable market variables. The Company employs a discounted cash flow approach 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 uses the same valuation methodologies as if the derivative were a standalone derivative, as discussed herein under "Derivative instruments."

Long-term debt

The Company has elected to measure at fair value certain fixed rate issuances of public debt that are valued by obtaining price indications 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 these debt issuances is level 2. The election to fair value certain fixed rate debt issuances was made to align the accounting for the debt with the accounting for offsetting derivative positions, without having to apply complex hedge accounting.

The Company utilizes derivative financial instruments to convert interest rates on its debt from fixed to floating rates. Prior to January 1, 2016, changes in the Company's credit spreads for public debt measured at fair value impacted earnings. For the three and nine months ended September 30, 2015, the estimated earnings impact from changes in credit spreads above U.S.

Notes to Consolidated Financial Statements (Unaudited), continued

Treasury rates resulted in an immaterial amount of gains/(losses). On January 1, 2016, the Company partially adopted ASU 2016-01, which requires changes in credit spreads for certain financial instruments elected to be measured at fair value to be recognized in OCI. The impact to OCI for public debt measured at fair value is determined based on the change in credit spreads above LIBOR swap spreads. Upon adoption, the Company recognized a \$5 million one-time, cumulative credit risk adjustment in AOCI to recognize the change in credit spreads that occurred prior to January 1, 2016. For the three and nine months ended September 30, 2016, the impact on AOCI from changes in credit spreads resulted in a loss of \$3 million and \$5 million, respectively, net of tax. For additional information on the Company's partial adoption of ASU 2016-01, see Note 1, "Significant Accounting Policies."

Other liabilities

At December 31, 2015 the Company's other liabilities measured at fair value on a recurring basis included a contingent consideration obligation related to a prior business combination. Contingent consideration was adjusted to fair value until settled. As the assumptions used to measure fair value were based on internal metrics that were not observable in the market, the contingent consideration liability was classified as level 3. During the first quarter of 2016, the Company's contingent consideration obligation under the liability was settled and paid in full.

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 September 30, 2016	Valuation Technique	Unobservable Input ¹ Range (weighted average)
Assets			
Trading assets and derivative instruments:			
Derivative instruments, net ²	\$64	Internal model	Pull through rate MSR value 44-100% (77%) 18-147 bps (95 bps)
Securities AFS:			
U.S. states and political subdivisions	4	Cost	N/A
MBS - non-agency residential	76	Third party pricing	N/A
ABS	11	Third party pricing	N/A
Corporate and other debt securities	5	Cost	N/A
Other equity securities	551	Cost	N/A
Residential LHFS	3	Monte Carlo/Discounted cash flow	Option adjusted spread Conditional prepayment rate Conditional default rate Option adjusted spread 104-197 bps (125 bps) 4-26 CPR (16 CPR) 0-2 CDR (0.6 CDR) 62-784 bps (185 bps)
LHFI	232	Monte Carlo/Discounted cash flow	

		Conditional prepayment rate	5-37 CPR (16 CPR)
		Conditional default rate	0-5 CDR (1.8 CDR)
	2 Collateral based pricing	Appraised value	NM ³
MSRs	1,119	Monte Carlo/Discounted cash flow	Conditional prepayment rate
			3-28 CPR (14 CPR)
		Option adjusted spread	0-124% (9%)

¹ For certain assets and liabilities where the Company utilizes third party pricing, the unobservable inputs and their ranges are not reasonably available, 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 Not meaningful.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Level 3 Significant Unobservable Input Assumptions			Range (weighted average)
	Fair value December 31, 2015	Valuation Technique	Unobservable Input ¹	
Assets				
Trading assets and derivative instruments:				
Corporate and other debt securities	\$89	Market comparables	Yield adjustment	126-447 bps (287 bps)
			Pull through rate	24-100% (79%)
Derivative instruments, net ²	15	Internal model	MSR value	29-210 bps (103 bps)
Securities AFS:				
U.S. states and political subdivisions	5	Cost	N/A	
MBS - non-agency residential ABS	94	Third party pricing	N/A	
	12	Third party pricing	N/A	
Corporate and other debt securities	5	Cost	N/A	
Other equity securities	440	Cost	N/A	
			Option adjusted spread	104-197 bps (125 bps)
Residential LHFS	5	Monte Carlo/Discounted cash flow	Conditional prepayment rate	2-17 CPR (8 CPR)
			Conditional default rate	0-2 CDR (0.5 CDR)
			Option adjusted spread	62-784 bps (193 bps)
LHFI	251	Monte Carlo/Discounted cash flow	Conditional prepayment rate	5-36 CPR (14 CPR)
			Conditional default rate	0-5 CDR (1.7 CDR)
	6	Collateral based pricing	Appraised value	NM ⁴
MSRs	1,307	Monte Carlo/Discounted cash flow	Conditional prepayment rate	2-21 CPR (10 CPR)
			Option adjusted spread	(5)-110% (8%)
Liabilities				
Other liabilities ³	23	Internal model	Loan production volume	150% (150%)

¹ For certain assets and liabilities where the Company utilizes third party pricing, the unobservable inputs and their ranges are not reasonably available, 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 12, "Guarantees," for additional information.

⁴ Not meaningful.

Notes to Consolidated Financial Statements (Unaudited), 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 servicing rights which are disclosed in Note 7, "Goodwill and Other Intangible Assets"). Transfers into and out of the fair value hierarchy levels are assumed to occur at the end

of the period 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 three and nine months ended September 30, 2016 and 2015.

(Dollars in millions)	Fair Value Measurements Using Significant Unobservable Inputs										Included in Earnings (held at September 30, 2016) ¹				
	Beginning Balance July 2016	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 September 30, 2016					
Assets															
Trading assets:															
Derivative instruments, net	\$60	\$118	²	\$—	\$—	\$—	\$2	(\$116)	)	\$—	\$—	\$64	\$73	²
Securities AFS:															
U.S. states and political subdivisions	4	—	—	—	—	—	—	—	—	—	—	4	—		
MBS - non-agency residential	83	—	—	—	—	(7)	)	—	—	—	—	76	—	
ABS	11	—	1	³	—	(1)	)	—	—	—	—	11	—	
Corporate and other debt securities	5	—	—	—	—	—	—	—	—	—	—	5	—		
Other equity securities	610	—	—	—	—	(59)	)	—	—	—	—	551	—	
Total securities AFS	713	—	1	³	—	(67)	)	—	—	—	—	647	—	
Residential LHFS	4	—	—	—	(13)	—	(2)	)	14	—	—	3	—	
LHFI	246	(2))	⁴	—	—	(10))	(2))	2	—	234	(2))

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Fair Value Measurements Using Significant Unobservable Inputs										
	Beginning Balance January 1, 2016	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 September 30, 2016	Included in Earnings (held at September 30, 2016 ¹)
Assets											
Trading assets:											
Corporate and other debt securities	\$89	(\$1) ⁵	\$—	\$—	(\$88)	\$—	\$—	\$—	\$—	\$—	\$—
Derivative instruments, net	15	279 ²	—	—	—	2	(232)	—	—	64	68 ²
Total trading assets	104	278	—	—	(88)	2	(232)	—	—	64	68
Securities AFS:											
U.S. states and political subdivisions	5	—	—	—	—	(1)	—	—	—	4	—
MBS - non-agency residential ABS	94	—	(1) ³	—	—	(17)	—	—	—	76	—
Corporate and other debt securities	12	—	1 ³	—	—	(2)	—	—	—	11	—
Other equity securities	5	—	—	—	—	—	—	—	—	5	—
Total securities AFS	440	—	1 ³	276	—	(166)	—	—	—	551	—
Residential LHFS	556	—	1 ³	276	—	(186)	—	—	—	647	—
LHFI	5	—	—	—	(27)	—	(4)	31	(2)	3	—
Total LHFS	257	4	4	—	—	(32)	(1)	6	—	234	4 ⁴
Liabilities											
Other liabilities	23	—	—	—	—	(23)	—	—	—	—	—

¹ Change in unrealized gains/(losses) included in earnings during the period related to financial assets still held at September 30, 2016.

² Includes issuances, fair value changes, and expirations and are recognized in mortgage production related income.

³ Amounts recognized in OCI are included in change in net unrealized gains/(losses) on securities AFS, net of tax.

⁴ Amounts are generally included in mortgage production related income; however, the mark on certain fair value loans is included in other noninterest income.

⁵ Amounts included in earnings are recognized in trading income.

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Notes to Consolidated Financial Statements (Unaudited), continued

Fair Value Measurements Using Significant Unobservable Inputs													
(Dollars in millions)	Beginning Balance July 1, 2015		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 September 30, 2015	Included in Earnings (held at September 30, 2015 ¹⁾)	
Assets													
Trading assets:													
Derivative instruments, net	\$14	\$58	²	\$—	\$—	\$—	\$1	(\$41)	\$—	\$—	\$32	(\$1) ²	
Securities AFS:													
U.S. states and political subdivisions	5	—	—	—	—	—	—	—	—	—	5	—	
MBS - non-agency residential	112	(1)	1	³	—	—	(10)	—	—	—	102	(1)	
ABS	17	—	—	—	—	—	(2)	—	—	—	15	—	
Corporate and other debt securities	3	—	—	5	—	—	(3)	—	—	—	5	—	
Other equity securities	582	—	(2)	³	—	—	(140)	—	—	—	440	—	
Total securities AFS	719	(1)	(1)	5	—	—	(155)	—	—	—	567	(1)	
Residential LHFS	2	—	—	—	—	(7)	—	(1)	8	—	2	—	
LHFI	263	3	4	—	—	—	(8)	—	4	—	262	3	4
Liabilities													
Other liabilities	23	—	—	—	—	—	—	—	—	—	23	—	

Fair Value Measurements Using Significant Unobservable Inputs												
(Dollars in millions)	Beginning Balance January 1, 2015		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 September 30, 2015	Included in Earnings (held at September 30, 2015 ¹⁾)
Assets												
Trading assets:												
Derivative instruments, net	\$20	\$148	²	\$—	\$—	\$—	\$2	(\$138)	\$—	\$—	\$32	(\$5) ²
Securities AFS:												
U.S. states and political subdivisions	12	—	—	—	—	—	(7)	—	—	—	5	—
MBS - non-agency residential	123	(1)	2	³	—	—	(22)	—	—	—	102	(1)
ABS	21	—	—	—	—	—	(6)	—	—	—	15	—
Corporate and other debt securities	5	—	—	5	—	—	(5)	—	—	—	5	—
Other equity securities	785	—	(2)	³	104	—	(447)	—	—	—	440	—

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Total securities AFS	946	(1)	—	109	—	(487)	—	—	—	567	(1)
Residential LHFS	1	—	—	—	(16	—	(2)	19	—	2	—
LHFI	272	3	4	—	—	(32)	(1)	20	—	262	1 4
Liabilities											
Other liabilities	27	6	5	—	—	(10)	—	—	—	23	6 5

¹ Change in unrealized gains/(losses) included in earnings during the period related to financial assets/liabilities still held at September 30, 2015.

² Includes issuances, fair value changes, and expirations and are recognized in mortgage production related income.

³ Amounts recognized in OCI are included in change in net unrealized gains/(losses) on securities AFS, net of tax.

⁴ Amounts are generally included in mortgage production related income; however, the mark on certain fair value loans is included in trading income.

⁵ Amounts included in earnings are recognized in other noninterest expense.

Notes to Consolidated Financial Statements (Unaudited), continued

Non-recurring Fair Value Measurements

The following tables present losses recognized on assets still held at period end, and measured at fair value on a non-recurring basis, for the three and nine months ended September 30, 2016 and the year ended December 31, 2015. Adjustments to 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.

(Dollars in millions)	September 30, 2016	Fair Value Measurements		Losses for	Losses for
		Level 2	Level 3	the Three Months Ended September 30, 2016	the Nine Months Ended September 30, 2016
LHFI	\$47	\$—	\$47	\$—	\$—
OREO	15	—	15	(1)	(2)
Other assets	125	—	79	46	(13)
				(37)	

(Dollars in millions)	December 31, 2015	Fair Value Measurements		Losses for
		Level 2	Level 3	the Year Ended December 31, 2015
LHFS	\$202	\$—	\$202	(\$6)
LHFI	48	—	48	—
OREO	19	—	19	(4)
Other assets	36	—	29	7
				(6)

Discussed below are the valuation techniques and inputs used in estimating fair values for assets measured at fair value on a non-recurring basis and classified as level 2 and/or 3.

Loans Held for Sale

At December 31, 2015, LHFS consisted of commercial loans that were valued using significant unobservable assumptions from comparably rated loans. As such, these loans are classified as level 3. The decline in LHFS compared to December 31, 2015 was due to the sale of \$185 million of these loans in the second quarter of 2016 and the sale of the remaining \$17 million in the third quarter of 2016.

Loans Held for Investment

At September 30, 2016 and December 31, 2015, 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. 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/(losses) recognized during the three and nine months ended September 30, 2016 or during the year ended December 31, 2015, 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 classified as level 3.

OREO

OREO is measured at the lower of cost, or fair value less costs to sell. OREO classified as level 2 consists primarily of residential homes and commercial properties for which binding purchase agreements exist. OREO classified as level 3 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

limited, highly subjective market information. Updated value estimates are received regularly for level 3 OREO.

Other Assets

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

Investments in cost and equity method investments are valued based on the expected remaining cash flows to be received from these assets discounted at a market rate that is commensurate with the expected risk, considering relevant Company-specific valuation multiples, where applicable. Based on the valuation methodology and associated unobservable inputs, these investments are classified as level 3. During the nine months ended September 30, 2016, the Company recognized impairment charges of \$8 million on its equity investments. There were no impairment charges recognized on equity investments during the three months ended September 30, 2016 or during the year ended December 31, 2015.

Other repossessed assets comprises repossessed personal property that is measured at fair value less cost to sell. These assets are classified as level 3 as their fair value is determined based on a variety of subjective, unobservable factors. There were no losses recognized in earnings by the Company on other repossessed assets during the three and nine months ended September 30, 2016 or during the year ended December 31, 2015, as the impairment charges on repossessed personal property were 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 on the leased asset to the extent the carrying value is not recoverable and is greater than its fair value. Fair value is determined using collateral specific pricing digests, external appraisals, broker opinions, recent sales data from industry

Notes to Consolidated Financial Statements (Unaudited), continued

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 both the three and nine months ended September 30, 2016, the Company recognized impairment charges of \$12 million and \$16 million, respectively, attributable to the fair value of various personal property under operating leases. During the year ended December 31, 2015, the Company recognized impairment charges of \$6 million attributable to changes in the fair value of various personal property under operating leases.

The Company recognized impairment charges of \$1 million and \$8 million on branch properties during the three and nine

months ended September 30, 2016, respectively. These branches are classified as level 3, as their fair values were based on market comparables and broker opinions.

Land held for sale is recorded at the lesser of carrying value or fair value less cost to sell, and is considered level 3 as its fair value is determined based on market comparables and broker opinions. The Company recognized impairment charges of \$5 million on land held for sale during the nine months ended September 30, 2016. There were no impairment charges recognized on land held for sale during the three months ended September 30, 2016, and an immaterial amount of impairment charges were recognized on land held for sale during the year ended December 31, 2015.

Fair Value of Financial Instruments

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

(Dollars in millions)	September 30, 2016		Fair Value Measurements			
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	
Financial assets:						
Cash and cash equivalents	\$9,740	\$9,740	\$9,740	\$—	\$—	(a)
Trading assets and derivative instruments	7,044	7,044	954	6,011	79	(b)
Securities AFS	29,672	29,672	5,087	23,938	647	(b)
LHFS	3,772	3,789	—	3,705	84	(c)
LHFI, net	139,789	138,557	—	273	138,284	(d)
Financial liabilities:						
Deposits	158,842	158,801	—	158,801	—	(e)
Short-term borrowings	4,899	4,899	—	4,899	—	(f)
Long-term debt	11,866	11,896	—	11,181	715	(f)
Trading liabilities and derivative instruments	1,484	1,484	1,070	399	15	(b)
(Dollars in millions)	December 31, 2015		Fair Value Measurements			
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	
Financial assets:						
Cash and cash equivalents	\$5,599	\$5,599	\$5,599	\$—	\$—	(a)
Trading assets and derivative instruments	6,119	6,119	866	5,143	110	(b)
Securities AFS	27,825	27,825	3,542	23,727	556	(b)
LHFS	1,838	1,842	—	1,803	39	(c)
LHFI, net	134,690	131,178	—	397	130,781	(d)

Financial liabilities:

Deposits	149,830	149,889	—	149,889	—	(e)
Short-term borrowings	4,627	4,627	—	4,627	—	(f)
Long-term debt	8,462	8,374	—	7,772	602	(f)
Trading liabilities and derivative instruments	1,263	1,263	664	593	6	(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, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.
- (b) Trading assets and derivative instruments, securities AFS, and trading liabilities and derivative instruments 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, quoted market prices of similar instruments. Refer to the LHFS section within this footnote for further discussion. When 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

Notes to Consolidated Financial Statements (Unaudited), continued

market participant would require under then-current market conditions.

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 (d) 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 nonexistent requires significant judgment.

Generally, the Company measures fair value for LHFI based on estimated future discounted cash flows using current origination rates for loans with similar terms and credit quality, which derived an estimated value of 102% and 101% on the loan portfolio's net carrying value at September 30, 2016 and December 31, 2015, respectively. The value derived from origination rates likely does not represent an exit price; therefore, an incremental market risk and liquidity discount was applied when estimating the fair value of these loans. 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.

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 approach that applies current interest rates to a schedule (e) 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. Refer to the respective valuation section within this footnote for valuation information related to brokered time deposits that the Company measures at fair value as well as those that are carried at amortized cost.

Fair values for short-term borrowings and certain long-term debt are based on quoted market prices for similar instruments or estimated discounted cash flows utilizing the Company's current incremental borrowing rate for similar types of instruments. Refer to the respective valuation section within this footnote for valuation information (f) related to long-term debt that the Company measures at fair value. For level 3 debt, the terms are unique in nature or there are no similar instruments that can be used to value the instrument without using significant unobservable assumptions. In these situations, 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 September 30, 2016 and December 31, 2015, the Company had \$65.0 billion and \$66.2 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 \$72 million and \$66 million at September 30, 2016 and December 31, 2015, respectively. No active trading market exists for these instruments, and the estimated fair value does not include 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 15 – 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 Company's financial statements at September 30, 2016 reflect the Company's current best estimate of probable losses associated with these matters, including costs to comply with various settlement agreements, where applicable.

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 in excess of related reserves, if any. Management currently estimates these losses to range from \$0 to approximately \$190 million. 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 September 30, 2016. 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 of the amounts currently reserved, if any, will not have a material impact on the Company's financial condition, results of operations, or cash

Notes to Consolidated Financial Statements (Unaudited), continued

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 12, "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. In two of such dismissed individual actions, the plaintiffs were unable to appeal the dismissals of their claims until their claims against a third party were resolved. In one of these individual actions, the plaintiffs filed a notice of appeal to the Second Circuit Court of Appeals, but that appeal was denied on July 8, 2016. The plaintiff has filed a petition to appeal the decision to the U.S. Supreme Court. In the other individual action, no appeal has been filed.

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. The Bank filed a motion to compel arbitration and on March 16, 2012, the Court entered an order holding that the Bank'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. The Bank 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 and on September 8, 2015, the Georgia Supreme Court agreed to hear the appeal. On January 4, 2016, the Georgia Supreme Court heard oral argument on the appeal. On July 8, 2016, the Georgia Supreme Court reversed the Court of Appeals of Georgia and remanded the case for further proceedings.

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 15, 2007 to March 30, 2011 and seek to recover alleged losses these participants supposedly incurred as a result of their investment in Company stock.

This case 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.

On April 14, 2011, the U.S. Court of Appeals for the Eleventh Circuit ("the Circuit Court") granted defendants and plaintiffs permission to pursue interlocutory review in separate appeals. The Circuit Court subsequently stayed these 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 that 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 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 employee stock ownership plan fiduciaries receive no presumption of prudence with respect to employer stock plans. The Circuit Court remanded the case back to the District Court for further proceedings in light of *Dudenhoeffer*. On June 18, 2015, the Court entered an order

Notes to Consolidated Financial Statements (Unaudited), continued

granting in part and denying in part the Company's motion to dismiss. The discovery process has begun.

On August 17, 2016, the District Court entered an order that among other things granted certain of the plaintiffs' motion for class certification. According to the Order, the class is defined as "All persons, other than Defendants and members of their immediate families, who were participants in or beneficiaries of the SunTrust Banks, Inc. 401(k) Savings Plan (the "Plan") at any time between May 15, 2007 and March 30, 2011, inclusive (the "Class Period") and whose accounts included investments in SunTrust common stock ("SunTrust Stock") during that time period and who sustained a loss to their account as a result of the investment in SunTrust Stock."

On August 1, 2016, certain non-fiduciary defendants filed a motion for summary judgment as it relates to them, which was granted by the District Court on October 5, 2016.

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 purport 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 seek to recover alleged losses these Plan participants supposedly incurred as a result of their investment in the STI Classic Mutual Funds. This action is 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. The Company 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 issued a decision in *Tibble v. Edison International*. On May 18, 2015, the U.S. Supreme Court decided *Tibble* and held that plan fiduciaries have a duty, separate and apart from investment selection, to monitor and remove imprudent investments.

After *Tibble*, the cases pending on appeal were remanded to the District Court. On March 25, 2016, a consolidated amended complaint was filed, consolidating all of these pending actions into one case. The Company filed an answer to the consolidated amended complaint on June 6, 2016 and discovery is ongoing.

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

This action was filed in the U.S. 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.

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, discussed below at "United States Mortgage Servicing Settlement." SunTrust continues its engagement with the FRB to demonstrate compliance with its commitments under the Consent Order.

United States Mortgage Servicing Settlement

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. The settlement agreement became effective on September 30, 2014 when the court entered the Consent Judgment. Pursuant to the settlements, STM made \$50 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. While subject to confirmation by the independent Office of Mortgage Settlement Oversight ("OMSO") appointed to review and certify compliance with the provisions of the settlement, the Company believes it has fulfilled its consumer relief commitments. STM also implemented all of the prescribed servicing standards within the required timeframes. Compliance with the servicing standards continues to be monitored, tested, and reported

Notes to Consolidated Financial Statements (Unaudited), continued

quarterly by an internal review group and semi-annually by the OMSO. As a result, the Company does not expect to incur additional costs in satisfying its consumer relief obligations or implementation of the servicing standards associated with the settlement.

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.

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 litigation remains active in the Bankruptcy Court and discovery has commenced.

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 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. Thurmond has been stayed pending a ruling in a similar case currently before the Third Circuit. 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.

Felix v. SunTrust Mortgage, Inc.

This putative class action was filed against STM on April 4, 2016. Plaintiff alleges that STM breaches its contract with borrowers when it collects interest on FHA loans at repayment because STM fails to use an approved FHA notice form. Plaintiff also alleges that STM violates the Georgia usury statute by collecting such interest. Plaintiff attempts to bring the breach of contract claim on behalf of all borrowers and the usury claim on behalf of Georgia borrowers. Plaintiff and STM reached a settlement of the action with the class, and the U.S. District Court for the Northern District of Georgia granted preliminary approval of the settlement on September 9, 2016. The settlement terms had an insignificant impact on the Company's financial position. A hearing on final approval has been scheduled for February 6, 2017.

Northern District of Georgia Investigation

On April 28, 2016, the Bank received a subpoena from the United States Attorney's Office for the Northern District of Georgia in connection with an investigation pertaining to a suspected embezzlement by an employee of a SunTrust business client. The subpoena requests information regarding the Bank's Anti-Money Laundering and Bank Secrecy Act compliance processes to detect such crimes by employees of business clients. The Company is cooperating with the investigation.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 16 - BUSINESS SEGMENT REPORTING

The Company measures business activity across three segments: Consumer Banking and Private Wealth Management, Wholesale Banking, and Mortgage Banking, with functional activities included in Corporate Other. 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 primary businesses.

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

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 by telephone (1-800-SUNTRUST). Financial products and services offered to consumers and small business clients include deposits and payments, loans, brokerage, and various fee-based services. Discount/online and full-service brokerage products are offered to individual clients through STIS. Consumer Banking also serves as an entry point for clients and provides services for other lines of business.

Consumer Lending offers an array of lending products to consumers and small business clients via the Company's Consumer Banking and Private Wealth Management businesses, through the internet (www.suntrust.com and www.lightstream.com), as well as through various national offices and partnerships. Products offered include home equity lines, personal credit lines and loans, direct auto, indirect auto, student lending, credit cards, and other lending products.

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 Institutional Investment Solutions 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 is made up of four primary businesses:

CIB delivers comprehensive capital markets solutions, including advisory, capital raising, and financial risk management, with the goal of 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, and technology, media and communications. 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 lending, cash management and investment banking solutions via STRH to commercial clients (generally clients with revenues between \$1 million and \$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 provides 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. 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 STCC, with particular expertise in Low Income Housing Tax Credits and New Market Tax Credits.

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, 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 also services loans for other investors, in addition to loans held in the Company's loan portfolio.

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

Notes to Consolidated Financial Statements (Unaudited), continued

assets. Additionally, Corporate Other includes the Company's functional activities such as marketing, SunTrust online, human resources, finance, Enterprise Risk, legal and compliance, communications, procurement, enterprise information services, corporate real estate, and executive management.

Because 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-FTE – is reconciled from net interest income and is presented on an FTE basis to make income from tax-exempt assets comparable to other taxable products. Segment results reflect matched maturity funds transfer pricing, which ascribes credits or charges based on the economic value or cost created by assets and liabilities of each segment. Differences between these credits and charges are captured as reconciling items. The change in this variance is generally attributable to corporate balance sheet management strategies.

Provision/(benefit) for credit losses – represents net charge-offs by segment combined with an allocation to the segments for the provision/(benefit) attributable to each segment's quarterly change in the ALLL and unfunded commitments reserve balances.

Provision for income taxes-FTE – is 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 for income taxes at the segment level and the consolidated provision for income taxes is reported as reconciling items.

The segment's financial performance is comprised of direct financial results and allocations for various corporate functions that provide management an enhanced view of the segment's financial performance. Internal allocations include the following:

• Operational costs – expenses are charged to segments based on a methodical activity-based costing process, which also allocates residual expenses to the segments. Generally, recoveries 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 (number of equivalent employees, number of PCs/laptops, net revenue, etc.). 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 an active process and undergoes 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. If significant changes to management reporting methodologies take place, the impact of these changes is quantified and prior period information is reclassified, when practicable.

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Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Three Months Ended September 30, 2016					Consolidated
	Consumer Banking and Private Wealth Management	Wholesale Banking	Mortgage Banking	Corporate Other	Reconciling Items	
Balance Sheets:						
Average loans	\$43,405	\$71,634	\$27,146	\$74	(\$2)	\$142,257
Average consumer and commercial deposits	95,924	55,921	3,374	157	(63)	155,313
Average total assets	49,085	85,772	31,202	32,480	2,937	201,476
Average total liabilities	96,492	61,541	3,744	15,351	(62)	177,066
Average total equity	—	—	—	—	24,410	24,410
Statements of Income:						
Net interest income	\$721	\$461	\$111	\$21	(\$6)	\$1,308
FTE adjustment	—	33	—	1	—	34
Net interest income - FTE ¹	721	494	111	22	(6)	1,342
Provision/(benefit) for credit losses ²	30	68	(1)	—	—	97
Net interest income after provision/(benefit) for credit losses - FTE	691	426	112	22	(6)	1,245
Total noninterest income	387	320	167	20	(5)	889
Total noninterest expense	790	427	196	1	(5)	1,409
Income before provision for income taxes - FTE	288	319	83	41	(6)	725
Provision for income taxes - FTE ³	108	95	31	12	3	249
Net income including income attributable to noncontrolling interest	180	224	52	29	(9)	476
Net income attributable to noncontrolling interest	—	—	—	2	—	2
Net income	\$180	\$224	\$52	\$27	(\$9)	\$474

(Dollars in millions)	Three Months Ended September 30, 2015					Consolidated
	Consumer Banking and Private Wealth Management	Wholesale Banking	Mortgage Banking	Corporate Other	Reconciling Items	
Balance Sheets:						
Average loans	\$40,189	\$67,291	\$25,299	\$69	(\$11)	\$132,837
Average consumer and commercial deposits	91,039	51,194	2,918	104	(29)	145,226
Average total assets	45,887	80,067	29,280	29,895	3,212	188,341
Average total liabilities	91,689	56,627	3,290	13,362	(11)	164,957
Average total equity	—	—	—	—	23,384	23,384
Statements of Income:						
Net interest income	\$688	\$452	\$123	\$41	(\$93)	\$1,211
FTE adjustment	—	35	—	1	—	36

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Net interest income - FTE ¹	688	487	123	42	(93)	1,247
Provision/(benefit) for credit losses ²	22	47	(38)	—	1	32
Net interest income after provision/(benefit) for credit losses - FTE	666	440	161	42	(94	)	1,215
Total noninterest income	384	292	109	29	(3	)	811
Total noninterest expense	730	383	153	1	(3	)	1,264
Income before provision for income taxes - FTE	320	349	117	70	(94	)	762
Provision for income taxes - FTE ³	119	113	11	24	(44	)	223
Net income including income attributable to noncontrolling interest	201	236	106	46	(50	)	539
Net income attributable to noncontrolling interest	—	—	—	2	—		2
Net income	\$201	\$236	\$106	\$44	(\$50	)	\$537

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

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

³ Includes regular income tax provision and taxable-equivalent income adjustment reversal.

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Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	Nine Months Ended September 30, 2016					Consolidated
	Consumer Banking and Private Wealth Management	Wholesale Banking	Mortgage Banking	Corporate Other	Reconciling Items	
Balance Sheets:						
Average loans	\$42,502	\$71,499	\$26,563	\$66	(\$2)	\$140,628
Average consumer and commercial deposits	95,389	54,564	2,896	122	(60)	152,911
Average total assets	48,190	85,402	30,178	31,510	2,333	197,613
Average total liabilities	95,975	60,295	3,274	14,019	(26)	173,537
Average total equity	—	—	—	—	24,076	24,076
Statements of Income:						
Net interest income	\$2,124	\$1,362	\$334	\$79	(\$22)	\$3,877
FTE adjustment	—	103	—	2	—	105
Net interest income - FTE ¹	2,124	1,465	334	81	(22)	3,982
Provision/(benefit) for credit losses ²	107	253	(17)	—	—	343
Net interest income after provision/(benefit) for credit losses - FTE	2,017	1,212	351	81	(22)	3,639
Total noninterest income	1,108	906	457	112	(14)	2,569
Total noninterest expense	2,293	1,253	547	(6)	(15)	4,072
Income before provision for income taxes - FTE	832	865	261	199	(21)	2,136
Provision for income taxes - FTE ³	310	264	99	55	(12)	716
Net income including income attributable to noncontrolling interest	522	601	162	144	(9)	1,420
Net income attributable to noncontrolling interest	—	—	—	7	—	7
Net income	\$522	\$601	\$162	\$137	(\$9)	\$1,413

(Dollars in millions)	Nine Months Ended September 30, 2015					Consolidated
	Consumer Banking and Private Wealth Management	Wholesale Banking	Mortgage Banking	Corporate Other	Reconciling Items	
Balance Sheets:						
Average loans	\$40,539	\$67,565	\$24,847	\$58	(\$9)	\$133,000
Average consumer and commercial deposits	90,919	49,142	2,754	106	(52)	142,869
Average total assets	46,511	80,734	28,595	29,493	3,302	188,635
Average total liabilities	91,557	54,872	3,139	15,870	(69)	165,369
Average total equity	—	—	—	—	23,266	23,266
Statements of Income:						
Net interest income	\$2,028	\$1,328	\$366	\$106	(\$310)	\$3,518
FTE adjustment	—	104	—	2	1	107

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Net interest income - FTE ¹	2,028	1,432	366	108	(309) 3,625
Provision/(benefit) for credit losses ²	101	73	(61) —	1	114
Net interest income after provision/(benefit) for credit losses - FTE	1,927	1,359	427	108	(310	) 3,511
Total noninterest income	1,136	914	346	118	(11	) 2,503
Total noninterest expense	2,195	1,165	510	15	(13	) 3,872
Income before provision for income taxes - FTE	868	1,108	263	211	(308	) 2,142
Provision for income taxes - FTE ³	323	371	44	75	(127	) 686
Net income including income attributable to noncontrolling interest	545	737	219	136	(181	) 1,456
Net income attributable to noncontrolling interest	—	—	—	7	—	7
Net income	\$545	\$737	\$219	\$129	(\$181	) \$1,449

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

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

³ Includes regular income tax provision and taxable-equivalent income adjustment reversal.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 17 - ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Changes in the components of AOCI, net of tax, are presented in the following table:

(Dollars in millions)	Securities AFS	Derivative Instruments	Long-Term Debt	Employee Benefit Plans	Total
Three Months Ended September 30, 2016					
Balance, beginning of period	\$550	\$310	(\$7)	(\$620)	\$233
Net unrealized losses arising during the period	(32)	(49)	(3)	—	(84)
Amounts reclassified to net income	—	(37)	—	3	(34)
Other comprehensive (loss)/income, net of tax	(32)	(86)	(3)	3	(118)
Balance, end of period	\$518	\$224	(\$10)	(\$617)	\$115
Three Months Ended September 30, 2015					
Balance, beginning of period	\$183	\$107	\$—	(\$584)	(\$294)
Net unrealized gains arising during the period	123	128	—	—	251
Amounts reclassified to net income	(4)	(44)	—	3	(45)
Other comprehensive income, net of tax	119	84	—	3	206
Balance, end of period	\$302	\$191	\$—	(\$581)	(\$88)
Nine Months Ended September 30, 2016					
Balance, beginning of period	\$135	\$87	\$—	(\$682)	(\$460)
Cumulative credit risk adjustment ¹	—	—	(5)	—	(5)
Net unrealized gains/(losses) arising during the period	386	256	(5)	—	637
Amounts reclassified to net income	(3)	(119)	—	65	(57)
Other comprehensive income/(loss), net of tax	383	137	(5)	65	580
Balance, end of period	\$518	\$224	(\$10)	(\$617)	\$115
Nine Months Ended September 30, 2015					
Balance, beginning of period	\$298	\$97	\$—	(\$517)	(\$122)
Net unrealized gains arising during the period	17	212	—	—	229
Amounts reclassified to net income	(13)	(118)	—	(64)	(195)
Other comprehensive income/(loss), net of tax	4	94	—	(64)	34
Balance, end of period	\$302	\$191	\$—	(\$581)	(\$88)

¹ Related to the Company's early adoption of the ASU 2016-01 provision related to changes in instrument-specific credit risk. See Note 1, "Significant Accounting Policies," for additional information.

Notes to Consolidated Financial Statements (Unaudited), continued

Reclassifications from AOCI, and the related tax effects, are presented in the following table:

(Dollars in millions)	Three		Nine Months		Impacted Line Item in the Consolidated Statements of Income
	Months Ended September 30	2016	2015	2016		2015
Details About AOCI Components					
Securities AFS:					
Realized gains on securities AFS	\$—	(\$7)	(\$4)	(\$21)	Net securities gains
Tax effect	—	3	1	8	Provision for income taxes
	—	(4)	(3)	(13)	
Derivative Instruments:					
Realized gains on cash flow hedges	(59)	(70)	(190)	(187)	Interest and fees on loans
Tax effect	22	26	71	69	Provision for income taxes
	(37)	(44)	(119)	(118)	
Employee Benefit Plans:					
Amortization of prior service credit	(1)	(1)	(4)	(4)	Employee benefits
Amortization of actuarial loss	6	5	19	16	Employee benefits
Adjustment to funded status of employee benefit obligation	—	—	89	(120)	Other assets/other liabilities
	5	4	104	(108)	
Tax effect	(2)	(1)	(39)	44	Provision for income taxes
	3	3	65	(64)	
Total reclassifications from AOCI to net income	(\$34)	(\$45)	(\$57)	(\$195)	

MANAGEMENT'S
DISCUSSION
AND ANALYSIS
Item 2. OF FINANCIAL
CONDITION
AND RESULTS
OF OPERATION

Important Cautionary Statement About Forward-Looking Statements

This report contains forward-looking statements. Statements regarding: (i) future levels of net interest margin, regulatory assessments, share repurchases, provision for loan losses, mortgage production volumes and income, the ratio of ALLL to period end loans, service charges on deposit accounts and the impact of an enhanced posting order process, net occupancy expense, net charge-offs, and the net charge-off ratio; (ii) future rates of NPL formation and energy-related NPLs and charge-offs; (iii) future provision for loan losses exceeding net charge-offs; (iv) future actions taken regarding the LCR and related effects, and our ability to comply with future regulatory requirements within regulatory timelines; (v) our expectations regarding the return to accruing status for certain TDRs; (vi) the size and composition of the securities AFS portfolio; (vii) efficiency goals, (viii) the timing of the closing and estimated financial effects of the Pillar acquisition, and (ix) future, profitable growth of the Wholesale Banking segment are forward-looking statements. Also, any statement that does not describe historical or current facts is a forward-looking statement. These statements often include the words "believes," "expects," "anticipates," "estimates," "intends," "plans," "targets," "initiates," "potentially," "probably," "projects," "outlook" or similar expressions or future conditional verbs such as "may," "should," "would," and "could." Such statements are based upon the current beliefs and expectations of management and on information currently available to management. They speak as of the date hereof, and we do not assume any obligation to update the statements made herein or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements can be found in Part I, Item 1A., "Risk Factors" of our 2015 Annual Report on Form 10-K and also include risks discussed in this report and in other periodic reports that we file with the SEC. Additional factors include: current and future legislation and regulation could require us to change our business practices, reduce revenue, impose additional costs, or otherwise adversely affect business operations or competitiveness; we are subject to increased capital adequacy and liquidity requirements and our failure to meet these would adversely affect our financial condition; the fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings; our financial results have been, and may continue to be, materially affected by general economic conditions, and a deterioration of economic conditions or of the financial markets may materially adversely affect our lending and other businesses and our financial results and condition; changes in market interest rates or capital markets could adversely affect our revenue and

expenses, the value of assets and obligations, and the availability and cost of capital and liquidity; our earnings may be affected by volatility in mortgage production and servicing revenues, and by changes in carrying values of our MSRMs and mortgages held for sale due to changes in interest rates; disruptions in our ability to access global capital markets may adversely affect our capital resources and liquidity; we are subject to credit risk; we may have more credit risk and higher credit losses to the extent that our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral; we rely on the mortgage secondary market and GSEs for some of our liquidity; loss of customer deposits could increase our funding costs; we are subject to litigation, and our expenses related to this litigation may adversely affect our results; we may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations; we are subject to certain risks related to originating and selling mortgages, and may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, or borrower fraud, and this could harm our

liquidity, results of operations, and financial condition; we face certain risks as a servicer of loans; we are subject to risks related to delays in the foreclosure process; clients could pursue alternatives to bank deposits, causing us to lose a relatively inexpensive source of funding; consumers and small businesses may decide not to use banks to complete their financial transactions, which could affect net income; we have businesses other than banking which subject us to a variety of risks; negative public opinion could damage our reputation and adversely impact business and revenues; we rely on other companies to provide key components of our business infrastructure; competition in the financial services industry is intense and we could lose business or suffer margin declines as a result; maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services; our ability to receive dividends from our subsidiaries or other investments could affect our liquidity and ability to pay dividends; any reduction in our credit rating could increase the cost of our funding from the capital markets; we have in the past and may in the future pursue acquisitions, which could affect costs and from which we may not be able to realize anticipated benefits; we depend on the expertise of key personnel, and if these individuals leave or change their roles without effective replacements, operations may suffer; we may not be able to hire or retain additional qualified personnel and recruiting and compensation costs may increase as a result of turnover, both of which may increase costs and reduce profitability and may adversely impact our ability to implement our business strategies; our framework for managing risks may not be effective in mitigating risk and loss to us; our controls and procedures may not prevent or detect all errors or acts of fraud; we are at risk of increased losses from fraud; a failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber-attacks, could disrupt our businesses, result

in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses; the soundness of other financial institutions could adversely affect us; we depend on the accuracy and completeness of information about clients and counterparties; our accounting policies and processes are critical to how we report our financial condition and results of operation, and they require management to make estimates about matters that are uncertain; depressed market values for our stock and adverse economic conditions sustained over a period of time may require us to write down some portion of our goodwill; our financial instruments measured at fair value expose us to certain market risks; our stock price can be volatile; we might not pay dividends on our stock; and certain banking laws and certain provisions of our articles of incorporation may have an anti-takeover effect.

INTRODUCTION

We are a leading provider of financial services with our headquarters located in Atlanta, Georgia. Our principal banking subsidiary, SunTrust Bank, offers a full line of financial services for consumers, businesses, corporations, and institutions, both through its branches (located primarily in Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia) and through other national delivery channels. We operate three business segments: Consumer Banking and Private Wealth Management, Wholesale Banking, and Mortgage Banking, with our functional activities included in Corporate Other. See Note 16, "Business Segment Reporting," to the Consolidated Financial Statements in this Form 10-Q for a description of our business segments. In addition to deposit, credit, mortgage banking, and trust and investment services offered by the Bank, our other subsidiaries provide asset and wealth management, securities brokerage, and capital markets services.

This MD&A is intended to assist readers in their analysis of the accompanying Consolidated Financial Statements and supplemental financial information. It should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements in Item 1 of this Form 10-Q, as well as other information contained in this document and our 2015 Annual Report on Form 10-K. When we refer to "SunTrust," "the Company," "we," "our," and "us" in this narrative, we mean SunTrust Banks, Inc. and the consolidated subsidiaries. In the MD&A, consistent with SEC guidance in Industry Guide 3 that contemplates the calculation of tax exempt income on a tax equivalent basis, we present net interest income, net interest margin, total revenue, and efficiency ratios on an FTE basis. The FTE basis adjusts for the tax-favored status of net interest income from certain loans and investments using a federal tax rate of 35% and state income taxes, where applicable, to increase tax-exempt interest income to a taxable-equivalent basis. We believe this measure to be the preferred industry measurement of net interest income and that it enhances comparability of net interest income arising from taxable and tax-exempt sources. Additionally, we present other non-U.S. GAAP metrics to assist investors in understanding management's view of particular financial measures, as well as to align presentation of these financial measures with peers in the industry who may also provide a similar presentation.

Reconcilements for all non-U.S. GAAP measures are provided in Table 1.

EXECUTIVE OVERVIEW

Financial Performance

We delivered solid revenue growth across all of our business segments, which helped to offset an increase in expenses during the third quarter of 2016. EPS declined compared to the prior quarter and the third quarter of 2015; however, the prior quarter and third quarter of 2015 included \$0.05 and \$0.11 per share, respectively, in discrete items that benefited earnings. Excluding these discrete benefits, EPS grew compared to both prior periods. Total revenue for the current quarter increased modestly compared to the prior quarter and increased 8% year-over-year driven by increases in both net interest income and noninterest income. Net interest income for the third quarter increased 8% year-over-year due to an increase in both average earning assets and net interest margin, while the 10% year-over-year increase in noninterest income was driven by higher mortgage and capital markets-related income, partially offset by a decline in other noninterest income due to gains from the sale of loans and leases in the prior year quarter. The sequential quarter improvement in total revenue was driven by a 1% increase in net interest income, as well as growth in mortgage and capital markets-related income, which offset the effect of net asset-related gains recognized in the prior quarter.

Our net interest margin declined three basis points sequentially, due largely to lower residential mortgage loan and security yields. The full effect of our second quarter of 2016 subordinated debt issuance, together with slightly higher deposit costs, also contributed to the sequential decline. Relative to the third quarter of 2015, net interest margin increased two basis points to 2.96%, reflecting higher benchmark interest rates in addition to a favorable mix shift within the loan portfolio, offset partially by higher funding costs. Assuming a static rate environment, we expect net interest margin to decline by approximately two to three basis points in the fourth quarter of 2016. We continue to carefully manage the duration of our balance sheet given the prolonged low interest rate environment, while also being cognizant of controlling interest rate risk. See additional discussion related to revenue, noninterest income, and net interest income and margin in the "Noninterest Income" and "Net Interest Income/Margin" sections of this MD&A. Also in this MD&A, see Table 13, "Net Interest Income Asset Sensitivity," for an analysis of potential changes in net interest income due to instantaneous moves in benchmark interest rates.

Noninterest expense increased 5% sequentially, and 11% compared to the third quarter of 2015. The sequential quarter increase was driven primarily by higher regulatory and compliance-related costs, increased costs associated with improved business performance, and higher net occupancy costs. The year-over-year increase was driven by the same factors impacting the prior quarter in addition to lower incentive-based compensation costs and discrete mortgage-related benefits in the third quarter of 2015. Regulatory assessments expense increased as a result of the FDIC's surcharge on large depository institutions, which became effective during the current quarter. This incremental surcharge is anticipated to be in effect for 10 quarters. We will continue to work diligently to improve our

execution and the effectiveness of our operations to improve our overall efficiency. See additional discussion related to noninterest expense in the "Noninterest Expense" section of this MD&A. Also see Table 1, "Selected Financial Data and Reconciliation of Non-U.S. GAAP Measures," in this MD&A for additional information regarding, and a reconciliation of, adjusted noninterest expense.

During the third quarter of 2016, our efficiency ratio increased to 63.1% compared to 61.4% in the prior year quarter. Our tangible efficiency ratio also increased during the current quarter to 62.5% compared to 61.0% in the third quarter of 2015, as expense growth outpaced revenue growth. For the nine months ended September 30, 2016, our efficiency ratio and tangible efficiency ratio both improved more than 100 basis points to 62.2% and 61.6%, compared to 63.2% and 62.8% for the same period in 2015, respectively, driven by positive operating leverage. We remain focused on improving our efficiency each year with the objective of achieving our long-term efficiency ratio goal of below 60%. See Table 1, "Selected Financial Data and Reconciliation of Non-U.S. GAAP Measures," in this MD&A for additional information regarding, and a reconciliation of, our tangible efficiency ratio.

Overall asset quality trends remained relatively stable during the third quarter of 2016, reflecting solid economic conditions in our markets and businesses, as well as continued underwriting discipline. Our loan portfolio continued to perform well, evidenced by stable delinquency and NPL levels and a modest net charge-off ratio of 0.35% for the third quarter of 2016, compared to 0.39% for the prior quarter, and 0.21% for the third quarter of 2015. Energy-related net charge-offs improved sequentially to \$33 million during the current quarter, compared to \$70 million in the prior quarter, which drove the four basis point reduction in our net charge-off ratio compared to the second quarter of 2016. The ALLL to period-end LHFI ratio declined two basis points from the prior quarter driven primarily by continued improvements in the asset quality of the residential loan portfolio. We expect our ALLL to period-end LHFI ratio to remain relatively stable in the medium-term, which should result in a provision for loan losses that modestly exceeds net charge-offs. See additional discussion of our energy-related loan exposure, as well as our credit and asset quality, in the "Loans," "Allowance for Credit Losses," and "Nonperforming Assets" sections of this MD&A.

Average loans increased 1% sequentially, driven by growth across our consumer loan portfolios as well as by growth in nonguaranteed residential mortgages. Our consumer lending strategies continue to produce profitable growth through each of our major channels, while our overall lending pipelines remain healthy. We sold approximately \$1 billion of indirect automobile loans in September 2016 as part of our overall balance sheet optimization strategy. Separately, we reclassified \$1.1 billion of CRE loans to the commercial construction loan portfolio this quarter in accordance with a revised interpretation of regulatory classification requirements. Compared to the third quarter of 2015, average loans grew 7%, driven by 5% growth in C&I loans, 20% growth in consumer loans, and 8% growth in nonguaranteed residential mortgages, partially offset by a 10% decline in residential home equity products. We remain focused on generating targeted loan growth at accretive risk-adjusted returns while continuing to meet the financing needs of our clients. See

additional loan discussion in the "Loans," "Nonperforming Assets," and "Net Interest Income/Margin" sections of this MD&A.

Average quarterly consumer and commercial deposits increased 1% sequentially and 7% year-over-year, driven by strong and broad-based growth in lower cost deposits. Our success in growing deposits reflects our overall strategic efforts to meet more clients' deposit and payment needs and thereby improve profitability; this growth has been enabled by investments in our technology platforms and client-facing bankers. Rates paid on our deposits increased one basis point sequentially, driven by a slight mix shift between our Wholesale Banking and Consumer Banking clients. We continue to maintain a disciplined approach to pricing with a focus on maximizing the value proposition, other than rates paid, for our clients. See additional discussion regarding average deposits in the "Net Interest Income/Margin" section of this MD&A.

Capital and Liquidity

Our regulatory capital position was relatively stable during the third quarter of 2016, with a CET1 ratio of 9.78% at September 30, 2016. Additionally, our CET1 ratio, on a fully phased-in basis, was estimated to be 9.66% at September 30, 2016, which is well above the current regulatory requirement. Our book value and tangible book value per common share increased 7% and 9%, respectively, compared to December 31, 2015, due primarily to growth in retained earnings and a 3% decline in common shares outstanding. See additional details related to our capital in Note

13, "Capital," to the Consolidated Financial Statements in our 2015 Annual Report on Form 10-K. Also see Table 1, "Selected Financial Data and Reconciliation of Non-U.S. GAAP Measures," in this MD&A for additional information regarding, and reconciliations of, tangible book value per common share and our fully phased-in CET1 ratio.

During the second quarter of 2016, we announced that the Federal Reserve had no objections to our capital plan submitted in conjunction with the 2016 CCAR. Accordingly, during the third quarter of 2016, we increased the quarterly common stock dividend to \$0.26 per share, which reflects an increase of 8% per common share from the prior quarter. We repurchased \$240 million of our outstanding common stock during the third quarter of 2016 in conjunction with the 2016 capital plan. During October 2016, we repurchased an additional \$240 million of our outstanding common stock as part of the 2016 capital plan, and we expect to repurchase approximately \$480 million of additional outstanding common stock in relatively even quarterly increments through the end of the second quarter of 2017. See additional details related to our capital actions and share repurchases in the "Capital Resources" section of this MD&A and in Part II, Item 2 of this Form 10-Q.

In October 2016, we announced that we signed a definitive agreement to acquire substantially all of the assets of the operating subsidiaries of Pillar Financial, LLC. Pillar is a multi-family agency lending and servicing company with an originate-to-distribute focus that holds licenses with Fannie Mae, Freddie Mac, and the FHA. We expect that this acquisition will expand our capabilities within the commercial real estate business, while also being accretive to our return profile. The acquisition of Pillar is expected to close in late 2016 or early 2017.

Business Segments Highlights

Consumer Banking and Private Wealth Management

Consumer Banking and Private Wealth Management net income increased \$14 million sequentially as a result of higher revenue and lower credit costs, but was \$21 million lower compared to the third quarter of 2015 as higher noninterest expense and provision for loan losses offset a 3% increase in revenue. Net interest income for the current quarter was up 2% sequentially and 5% compared to the prior year, driven by strong loan and deposit growth. More specifically, our investments in direct consumer lending continue to yield positive results. Average quarterly consumer loans were up 20% year-over-year as our product offerings and strong client experience drove continued market share gains. Noninterest income was up 6% sequentially as a result of discrete items in the current quarter and prior quarter, in addition to seasonally higher trust and investment management fees. Quarterly retail investment income decreased sequentially and year-over-year, as reduced transaction-related activity was partially offset by growth in retail brokerage managed assets. Overall asset quality remained strong with delinquencies and net charge-offs near historically low levels. The sequential decline in the provision for loan losses was primarily due to improvements in the residential home equity portfolio. Noninterest expense increased 4% sequentially and 8% compared to the prior year quarter, generally driven by higher FDIC and regulatory costs, higher occupancy costs, and certain discrete costs and investments.

Wholesale Banking

Wholesale Banking had a strong quarter, in part due to strong market conditions, but also as a result of the continued strategic momentum we have had with our clients. Quarterly revenue increased 4% both sequentially and year-over-year, primarily due to strong deal flow activity across most product categories as we continue to expand and deepen client relationships. The growth was due, in large part, to strength in syndicated finance and mergers and acquisitions advisory services. Net interest income was up 2% sequentially as a result of modest increases in loan spreads and continued deposit growth. Quarterly net income was up sequentially and down year-over-year, largely due to the variance in the provision for loan losses, which

decreased sequentially as a result of the decline in energy-related net charge-offs, but increased on a year-over-year basis, also driven by energy. Overall, we believe our Wholesale Banking business is highly differentiated and will continue to deliver profitable growth. Additionally, the acquisition of Pillar is expected to contribute roughly \$90 million to Wholesale Banking's annual revenue beginning in 2017. Pillar's efficiency ratio is approximately 80-85%, and while this would be dilutive to the overall efficiency ratio, we expect the acquisition of Pillar will be accretive to our capabilities, ROA, ROE, and net income.

Mortgage Banking

Mortgage Banking was a key contributor to our overall performance this quarter. Quarterly revenue was up 1% sequentially and 20% year-over-year, driven by higher noninterest income. Production income increased \$7 million sequentially as a result of higher loan production volume. Compared to the prior year quarter, mortgage production income increased \$60 million, driven by higher volume and higher gain on sale margins. Servicing income for the quarter decreased sequentially as a result of anticipated increases in decay expense, but increased \$9 million compared to the prior year as a result of improved net hedge performance and portfolio acquisitions. The UPB of our servicing portfolio grew 3% since September 30, 2015, and we purchased an additional \$2.8 billion in the third quarter of 2016, which is scheduled to transfer in the fourth quarter. Net income for the current quarter was down \$12 million sequentially and \$54 million year-over-year. The sequential decrease was driven by higher noninterest expense, while the year-over-year decrease was due to approximately \$50 million in after-tax discrete benefits recognized in the third quarter of 2015. While we do not expect fourth quarter of 2016 mortgage production income to match the current quarter level, we expect it to improve relative to the fourth quarter of 2015.

Additional information related to our business segments can be found in Note 16, "Business Segment Reporting," to the Consolidated Financial Statements in this Form 10-Q, and further discussion of our business segment results for the third quarter of 2016 and 2015 can be found in the "Business Segment Results" section of this MD&A.

Selected Financial Data and Reconciliation of Non-U.S. GAAP Measures

Table 1

(Dollars in millions and shares in thousands, except per share data)	Three Months Ended		Nine Months Ended		
	September 30	September 30	September 30	September 30	
	2016	2015	2016	2015	
Selected Financial Data					
Summary of Operations:					
Interest income	\$1,451	\$1,333	\$4,285	\$3,902	
Interest expense	143	122	408	384	
Net interest income	1,308	1,211	3,877	3,518	
Provision for credit losses	97	32	343	114	
Net interest income after provision for credit losses	1,211	1,179	3,534	3,404	
Noninterest income	889	811	2,569	2,503	
Noninterest expense	1,409	1,264	4,072	3,872	
Income before provision for income taxes	691	726	2,031	2,035	
Provision for income taxes	215	187	611	579	
Net income attributable to noncontrolling interest	2	2	7	7	
Net income	\$474	\$537	\$1,413	\$1,449	
Net income available to common shareholders	\$457	\$519	\$1,363	\$1,396	
Net interest income-FTE ¹	\$1,342	\$1,247	\$3,982	\$3,625	
Total revenue	2,197	2,022	6,446	6,021	
Total revenue-FTE ¹	2,231	2,058	6,551	6,128	
Net income per average common share:					
Diluted	\$0.91	\$1.00	\$2.70	\$2.67	
Basic	0.92	1.01	2.72	2.70	
Dividends paid per average common share	0.26	0.24	0.74	0.68	
Book value per common share ²			46.63	43.44	
Tangible book value per common share ^{2, 3}			34.34	31.56	
Market capitalization			21,722	19,659	
Selected Average Balances:					
Total assets	\$201,476	\$188,341	\$197,613	\$188,635	
Earning assets	180,523	168,334	177,600	168,325	
Loans	142,257	132,837	140,628	133,000	
Consumer and commercial deposits	155,313	145,226	152,911	142,869	
Intangible assets including MSRs	7,415	7,711	7,509	7,596	
MSRs	1,065	1,352	1,157	1,243	
Preferred stock	1,225	1,225	1,225	1,225	
Total shareholders' equity	24,410	23,384	24,076	23,266	
Average common shares - diluted	500,885	518,677	505,619	522,634	
Average common shares - basic	496,304	513,010	501,036	516,970	
Financial Ratios (Annualized):					
ROA	0.94	% 1.13	% 0.96	% 1.03	%
ROE ²	7.89	9.34	8.01	8.51	
ROTCE ^{2, 4}	10.73	12.95	10.95	11.84	
Net interest margin	2.88	2.86	2.92	2.79	
Net interest margin-FTE ¹	2.96	2.94	2.99	2.88	
Efficiency ratio ⁵	64.13	62.51	63.17	64.31	
Efficiency ratio-FTE ^{1, 5}	63.14	61.44	62.16	63.19	
Tangible efficiency ratio-FTE ^{1, 5, 6}	62.54	60.99	61.63	62.82	
Total average shareholders' equity to total average assets	12.12	12.42	12.18	12.33	
Tangible common equity to tangible assets ⁷			8.57	8.98	

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Capital Ratios at period end ⁸:

CET1	9.78	%	10.04	%
CET1 - fully phased-in	9.66		9.89	
Tier 1 capital	10.50		10.90	
Total capital	12.57		12.72	
Leverage	9.28		9.68	

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Selected Financial Data and Reconciliation of Non-U.S. GAAP Measures (continued)

(Dollars in millions, except per share data)	Three Months		Nine Months Ended		
	Ended September 30		September 30		
Reconciliation of Non-U.S. GAAP Measures	2016	2015	2016	2015	
Net interest margin	2.88	% 2.86	% 2.92	% 2.79	%
Impact of FTE adjustment	0.08	0.08	0.07	0.09	
Net interest margin-FTE ¹	2.96	% 2.94	% 2.99	% 2.88	%
Efficiency ratio ⁵	64.13	% 62.51	% 63.17	% 64.31	%
Impact of FTE adjustment	(0.99)	(1.07)	(1.01)	(1.12))
Efficiency ratio-FTE ^{1,5}	63.14	61.44	62.16	63.19	
Impact of excluding amortization	(0.60)	(0.45)	(0.53)	(0.37))
Tangible efficiency ratio-FTE ^{1,5,6}	62.54	% 60.99	% 61.63	% 62.82	%
ROE ²	7.89	% 9.34	% 8.01	% 8.51	%
Impact of removing average intangible assets (net of deferred taxes), other than MSR and other servicing rights, from average common shareholders' equity	2.84	3.61	2.94	3.33	
ROTCE ^{2,4}	10.73	% 12.95	% 10.95	% 11.84	%
Net interest income	\$1,308	\$1,211	\$3,877	\$3,518	
Fully taxable-equivalent adjustment	34	36	105	107	
Net interest income-FTE ¹	1,342	1,247	3,982	3,625	
Noninterest income	889	811	2,569	2,503	
Total revenue-FTE ¹	\$2,231	\$2,058	\$6,551	\$6,128	

(Dollars in millions, except per share data)	September 30, 2016	September 30, 2015
Total shareholders' equity	\$24,449	\$23,664
Goodwill, net of deferred taxes ⁹	(6,089)	(6,100)
Other intangible assets (including MSR and other servicing rights), net of deferred taxes ¹⁰	(1,129)	(1,279)
MSR and other servicing rights	1,124	1,272
Tangible equity	18,355	17,557
Noncontrolling interest	(101)	(106)
Preferred stock	(1,225)	(1,225)
Tangible common equity ²	\$17,029	\$16,226
Total assets	\$205,091	\$187,036
Goodwill	(6,337)	(6,337)
Other intangible assets, including MSR and other servicing rights	(1,131)	(1,282)
MSR and other servicing rights	1,124	1,272
Tangible assets	\$198,747	\$180,689
Tangible common equity to tangible assets ⁷	8.57	% 8.98
Tangible book value per common share ^{2,3}	\$34.34	\$31.56

Selected Financial Data and Reconciliation of Non-U.S. GAAP
Measures (continued)

Reconciliation of CET1 Ratio ⁸	September		September	
	30, 2016		30, 2015	
CET1	9.78	%	10.04	%
Less:				
MSRs	(0.10)	)	(0.12))
Other ¹¹	(0.02)	)	(0.03))
CET1 - fully phased-in	9.66	%	9.89	%

(Dollars in millions)

Reconciliation of Pre-Provision Net Revenue ("PPNR") ¹²	Three	Nine
	Months	Months
	Ended	Ended
	September	September
	30, 2016	30, 2016
Income before provision for income taxes	\$691	\$2,031
Provision for credit losses	97	343
Less:		
Net securities gains	—	4
PPNR	\$788	\$2,370

¹ We present net interest margin-FTE, net interest income-FTE, total revenue-FTE, efficiency ratio-FTE, and tangible efficiency ratio-FTE on a fully taxable-equivalent ("FTE") basis. The FTE basis adjusts for the tax-favored status of net interest income from certain loans and investments using a federal tax rate of 35% and state income taxes, where applicable, to increase tax-exempt interest income to a taxable-equivalent basis. We believe the FTE basis is the preferred industry measurement basis for these measures and that it enhances comparability of net interest income arising from taxable and tax-exempt sources.

² Beginning January 1, 2016, noncontrolling interest was removed from common shareholders' equity in these calculations to provide more accurate measures of our return on common shareholders' equity and book value per common share. Prior period amounts have been updated for consistent presentation.

³ We present tangible book value per common share, which removes the after-tax impact of purchase accounting intangible assets, noncontrolling interest, and preferred stock from shareholders' equity. We believe this measure is useful to investors because, by removing the amount of intangible assets that result from merger and acquisition activity, and removing the amounts of noncontrolling interest and preferred stock that do not represent our common shareholders' equity, it allows investors to more easily compare our capital position to other companies in the industry.

⁴ We present ROTCE, which removes the after-tax impact of purchase accounting intangible assets from average common shareholders' equity and removes the related intangible asset amortization from net income available to common shareholders. We believe this measure is useful to investors because, by removing the amount of intangible assets that result from merger and acquisition activity and related amortization expense (the level of which may vary from company to company), it allows investors to more easily compare our ROTCE to other companies in the industry who present a similar measure. We also believe that removing these items provides a more relevant measure of our return on common shareholders' equity. This measure is utilized by management to assess our profitability.

⁵ Efficiency ratio is computed by dividing noninterest expense by total revenue. Efficiency ratio-FTE is computed by dividing noninterest expense by total revenue-FTE.

⁶ We present tangible efficiency ratio-FTE, which excludes amortization related to intangible assets and certain tax credits. We believe this measure is useful to investors because, by removing the impact of amortization (the level of which may vary from company to company), it allows investors to more easily compare our efficiency to other

companies in the industry. This measure is utilized by management to assess our efficiency and that of our lines of business.

⁷ We present certain capital information on a tangible basis, including tangible equity, tangible common equity, and the ratio of tangible common equity to tangible assets, which removes the after-tax impact of purchase accounting intangible assets. We believe these measures are useful to investors because, by removing the amount of intangible assets that result from merger and acquisition activity (the level of which may vary from company to company), it allows investors to more easily compare our capital position to other companies in the industry. These measures are utilized by management to analyze capital adequacy.

⁸ Basel III Final Rules became effective for us on January 1, 2015. The CET1 ratio on a fully phased-in basis at September 30, 2016 is estimated and is presented to provide investors with an indication of our capital adequacy under the future CET1 requirements, which will apply to us beginning on January 1, 2018.

⁹ Net of deferred taxes of \$248 million and \$237 million at September 30, 2016 and 2015, respectively.

¹⁰ Net of deferred taxes of \$2 million and \$4 million at September 30, 2016 and 2015, respectively.

¹¹ Primarily includes the deduction from capital of certain carryforward DTAs, the overfunded pension asset, and other intangible assets.

¹² We present the reconciliation of PPNR because it is a performance metric utilized by management and in certain of our compensation plans. PPNR impacts the level of awards if certain thresholds are met. We believe this measure is useful to investors because it allows investors to compare our PPNR to other companies in the industry who present a similar measure.

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Consolidated Daily Average Balances, Income/Expense, and Average Yields Earned/Rates Paid Table 2									
Three Months Ended									
(Dollars in millions)	September 30, 2016			September 30, 2015			Increase/(Decrease)		
	Average Balances	Income/Expense Rates	Yields/Rates	Average Balances	Income/Expense Rates	Yields/Rates	Average Balances	Yields/Rates	
ASSETS									
Loans held for investment: ¹									
C&I	\$68,242	\$536	3.13 %	\$65,269	\$499	3.04 %	\$2,973		0.09
CRE	5,975	44	2.92	6,024	43	2.85	(49)	)	0.07
Commercial construction	2,909	24	3.28	1,609	13	3.12	1,300		0.16
Residential mortgages - guaranteed	540	5	3.34	630	5	3.14	(90)	)	0.20
Residential mortgages - nonguaranteed	26,022	243	3.74	24,109	232	3.85	1,913		(0.11)
Residential home equity products	12,075	119	3.93	13,381	126	3.72	(1,306)	)	0.21
Residential construction	379	4	4.47	379	5	4.68	—		(0.21)
Consumer student - guaranteed	5,705	58	4.03	4,494	43	3.83	1,211		0.20
Consumer other direct	7,090	81	4.56	5,550	61	4.33	1,540		0.23
Consumer indirect	11,161	96	3.41	9,968	83	3.29	1,193		0.12
Consumer credit cards	1,224	31	10.12	965	24	10.14	259		(0.02)
Nonaccrual ²	935	4	1.70	459	5	4.49	476		(2.79)
Total LHFI	142,257	1,245	3.48	132,837	1,139	3.40	9,420		0.08
Securities AFS:									
Taxable	28,460	157	2.21	26,621	151	2.27	1,839		(0.06)
Tax-exempt	181	2	—	170	2	—	11		—
Total securities AFS	28,641	159	2.22	26,791	153	2.28	1,850		(0.06)
Fed funds sold and securities borrowed or purchased under agreements to resell	1,171	—	0.11	1,100	—	0.03	71		0.08
LHFS	2,867	25	3.47	2,288	20	3.60	579		(0.13)
Interest-bearing deposits in other banks	24	—	0.38	22	—	0.14	2		0.24
Interest earning trading assets	5,563	22	1.57	5,296	21	1.57	267		—
Total earning assets	180,523	1,451	3.20	168,334	1,333	3.14	12,189		0.06
ALLL	(1,756)			(1,804)			48		
Cash and due from banks	5,442			5,729			(287)		
Other assets	14,822			14,522			300		
Noninterest earning trading assets and derivative instruments	1,538			1,165			373		
Unrealized gains on securities available for sale, net	907			395			512		
Total assets	\$201,476			\$188,341			\$13,135		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing deposits:									
NOW accounts	\$41,160	\$15	0.14 %	\$35,784	\$8	0.09 %	\$5,376		0.05
Money market accounts	54,500	29	0.21	51,064	21	0.16	3,436		0.05
Savings	6,304	—	0.03	6,203	—	0.03	101		—
Consumer time	5,726	10	0.69	6,286	12	0.75	(560)	)	(0.06)
Other time	3,981	10	0.97	3,738	10	1.01	243		(0.04)
Total interest-bearing consumer and commercial deposits	111,671	64	0.23	103,075	51	0.20	8,596		0.03
Brokered time deposits	959	3	1.31	870	3	1.38	89		(0.07)

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Foreign deposits	130	—	0.37	140	—	0.13	(10)	0.24
Total interest-bearing deposits	112,760	67	0.24	104,085	54	0.21	8,675		0.03
Funds purchased	784	1	0.36	672	—	0.10	112		0.26
Securities sold under agreements to repurchase	1,691	2	0.45	1,765	1	0.22	(74	)	0.23
Interest-bearing trading liabilities	930	5	2.11	840	6	2.55	90		(0.44)
Other short-term borrowings	1,266	—	0.19	2,172	1	0.16	(906	)	0.03
Long-term debt	12,257	68	2.21	9,680	60	2.47	2,577		(0.26)
Total interest-bearing liabilities	129,688	143	0.44	119,214	122	0.41	10,474		0.03
Noninterest-bearing deposits	43,642			42,151			1,491		
Other liabilities	3,356			3,198			158		
Noninterest-bearing trading liabilities and derivative instruments	380			394			(14)	
Shareholders' equity	24,410			23,384			1,026		
Total liabilities and shareholders' equity	\$201,476			\$188,341			\$13,135		
Interest rate spread			2.76 %			2.73 %			0.03
Net interest income ³		\$1,308			\$1,211				
Net interest income-FTE ^{3,4}		\$1,342			\$1,247				
Net interest margin ⁵			2.88 %			2.86 %			0.02
Net interest margin-FTE ^{4,5}			2.96			2.94			0.02

¹ Interest income includes loan fees of \$40 million and \$50 million for the three months ended September 30, 2016 and 2015, respectively.

² Income on consumer and residential nonaccrual loans, if recognized, is recognized on a cash basis.

³ Derivative instruments employed to manage our interest rate sensitivity increased net interest income by \$63 million and \$78 million for the three months ended September 30, 2016 and 2015, respectively.

⁴ See Table 1, "Selected Financial Data and Reconciliation of Non-U.S. GAAP Measures," in this MD&A for additional information and reconciliations of non-U.S. GAAP performance measures. Approximately 95% of the total FTE adjustment for both the three months ended September 30, 2016 and 2015 was attributed to C&I loans.

⁵ Net interest margin is calculated by dividing annualized net interest income by average total earning assets.

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Consolidated Daily Average Balances, Income/Expense, and Average Yields Earned/Rates Paid (continued)

(Dollars in millions)	Nine Months Ended							
	September 30, 2016			September 30, 2015			Increase/(Decrease)	
	Average Balances	Income/Expense Rates	Yields/Rates	Average Balances	Income/Expense Rates	Yields/Rates	Average Balances	Yields/Rates
ASSETS								
Loans held for investment: ¹								
C&I	\$68,405	\$1,599	3.12 %	\$65,577	\$1,466	2.99 %	\$2,828	0.13
CRE	6,032	132	2.91	6,213	131	2.81	(181)	0.10
Commercial construction	2,578	63	3.27	1,491	35	3.15	1,087	0.12
Residential mortgages - guaranteed	587	16	3.72	633	17	3.52	(46)	0.20
Residential mortgages - nonguaranteed	25,383	720	3.78	23,568	680	3.85	1,815	(0.07)
Residential home equity products	12,461	368	3.94	13,662	376	3.68	(1,201)	0.26
Residential construction	374	12	4.44	387	14	4.91	(13)	(0.47)
Consumer student - guaranteed	5,404	162	4.00	4,530	127	3.76	874	0.24
Consumer other direct	6,641	225	4.53	5,149	165	4.28	1,492	0.25
Consumer indirect	10,739	273	3.39	10,317	248	3.20	422	0.19
Consumer credit cards	1,142	87	10.17	917	68	9.95	225	0.22
Nonaccrual ²	882	13	1.98	556	18	4.21	326	(2.23)
Total LHFI	140,628	3,670	3.49	133,000	3,345	3.36	7,628	0.13
Securities AFS:								
Taxable	27,847	479	2.29	26,161	425	2.17	1,686	0.12
Tax-exempt	161	4	3.54	180	5	3.71	(19)	(0.17)
Total securities AFS	28,008	483	2.30	26,341	430	2.18	1,667	0.12
Fed funds sold and securities borrowed or purchased under agreements to resell	1,210	1	0.15	1,153	—	—	57	0.15
LHFS	2,235	62	3.69	2,557	66	3.42	(322)	0.27
Interest-bearing deposits in other banks	24	—	0.38	23	—	0.13	1	0.25
Interest earning trading assets	5,495	69	1.69	5,251	61	1.58	244	0.11
Total earning assets	177,600	4,285	3.22	168,325	3,902	3.10	9,275	0.12
ALLL	(1,754)			(1,859)			105	
Cash and due from banks	4,863			5,832			(969)	
Other assets	14,713			14,530			183	
Noninterest earning trading assets and derivative instruments	1,484			1,276			208	
Unrealized gains on securities available for sale, net	707			531			176	
Total assets	\$197,613			\$188,635			\$8,978	
LIABILITIES AND SHAREHOLDERS' EQUITY								
Interest-bearing deposits:								
NOW accounts	\$40,285	\$38	0.12 %	\$34,443	\$23	0.09 %	\$5,842	0.03
Money market accounts	53,586	77	0.19	49,935	64	0.17	3,651	0.02
Savings	6,294	1	0.03	6,189	2	0.03	105	—
Consumer time	5,937	33	0.75	6,539	37	0.76	(602)	(0.01)
Other time	3,892	30	1.01	3,844	29	1.01	48	—
Total interest-bearing consumer and commercial deposits	109,994	179	0.22	100,950	155	0.20	9,044	0.02
Brokered time deposits	924	9	1.34	887	10	1.43	37	(0.09)

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Foreign deposits	60	—	0.36	238	—	0.13	(178)	0.23
Total interest-bearing deposits	110,978	188	0.23	102,075	165	0.22	8,903	0.01
Funds purchased	1,071	3	0.36	806	1	0.10	265	0.26
Securities sold under agreements to repurchase	1,742	6	0.41	1,837	3	0.20	(95)	0.21
Interest-bearing trading liabilities	984	17	2.36	882	16	2.45	102	(0.09)
Other short-term borrowings	1,611	3	0.25	2,479	3	0.17	(868)	0.08
Long-term debt	10,477	191	2.44	11,690	196	2.24	(1,213)	0.20
Total interest-bearing liabilities	126,863	408	0.43	119,769	384	0.43	7,094	—
Noninterest-bearing deposits	42,917			41,919			998	
Other liabilities	3,299			3,237			62	
Noninterest-bearing trading liabilities and derivative instruments	458			444			14	
Shareholders' equity	24,076			23,266			810	
Total liabilities and shareholders' equity	\$197,613			\$188,635			\$8,978	
Interest rate spread			2.79 %			2.67 %		0.12
Net interest income ³		\$3,877			\$3,518			
Net interest income-FTE ^{3,4}		\$3,982			\$3,625			
Net interest margin ⁵			2.92 %			2.79 %		0.13
Net interest margin-FTE ^{4,5}			2.99			2.88		0.11

¹ Interest income includes loan fees of \$124 million and \$142 million for the nine months ended September 30, 2016 and 2015, respectively.

² Income on consumer and residential nonaccrual loans, if recognized, is recognized on a cash basis.

³ Derivative instruments employed to manage our interest rate sensitivity increased net interest income by \$203 million and \$220 million for the nine months ended September 30, 2016 and 2015, respectively.

⁴ See Table 1, "Selected Financial Data and Reconciliation of Non-U.S. GAAP Measures," in this MD&A for additional information and reconciliations of non-U.S. GAAP performance measures. Approximately 95% of the total FTE adjustment for both the nine months ended September 30, 2016 and 2015 was attributed to C&I loans.

⁵ Net interest margin is calculated by dividing annualized net interest income by average total earning assets.

NET INTEREST INCOME/MARGIN (FTE)

Third Quarter of 2016

Net interest income was \$1.3 billion during the third quarter of 2016, an increase of \$95 million, or 8%, compared to the third quarter of 2015. Net interest margin for the third quarter of 2016 increased two basis points to 2.96%, compared to the same period last year, due to a six basis point increase in average earning asset yields. The earning assets yield increase was driven primarily by higher LHFI yields and was partially offset by lower yields on securities AFS and an increase in rates paid on interest-bearing liabilities.

Average earning assets increased \$12.2 billion, or 7%, during the third quarter of 2016, compared to the third quarter of 2015, driven primarily by a \$9.4 billion, or 7%, increase in average LHFI and a \$1.9 billion, or 7%, increase in average securities AFS. The increase in average LHFI was attributable to growth across all consumer loan categories, as well as C&I loans, nonguaranteed residential mortgages, and commercial construction loans. These increases were partially offset by a decline in residential home equity products as paydowns exceeded new originations and draws. See the "Loans" section in this MD&A for additional discussion regarding loan activity.

Yields on average earning assets increased six basis points to 3.20% for the third quarter of 2016, compared to the third quarter of 2015, driven primarily by an eight basis point increase in LHFI yields, partially offset by a six basis point decline in yields on securities AFS. The increase in LHFI yields was due largely to a favorable mix shift within the LHFI portfolio along with higher benchmark interest rates, which increased late in the fourth quarter of 2015. Specifically, yields increased on commercial loans, particularly the C&I portfolio, as well as on residential home equity products, guaranteed mortgages, and most consumer loan categories. The six basis point decrease in securities AFS yields was due primarily to the addition of lower-yielding U.S. Treasury securities to support LCR requirements that will increase effective January 1, 2017. See the "Securities Available for Sale" section in this MD&A for additional information regarding the composition and associated yields on our investment securities.

We utilize interest rate swaps to manage interest rate risk. These instruments are primarily receive-fixed, pay-variable swaps that synthetically convert a portion of our commercial loan portfolio from floating rates, based on LIBOR, to fixed rates. At September 30, 2016, the outstanding notional balance of active swaps that qualified as cash flow hedges on variable rate commercial loans was \$18.7 billion, compared to active swaps of \$16.9 billion at December 31, 2015.

In addition to the income recognized from active swaps, we continue to recognize interest income over the original hedge period resulting from terminated or de-designated swaps that were previously designated as cash flow hedges on variable rate commercial loans. Interest income from our commercial loan swaps was \$59 million during the third quarter of 2016, compared to \$70 million during the third quarter of 2015. As we manage our interest rate risk we may continue to purchase additional and/or terminate existing interest rate swaps.

Remaining swaps on commercial loans have maturities through 2022 and have an average maturity of 4.0 years at September 30, 2016. The weighted average rate on the receive-

fixed rate leg of the commercial loan swap portfolio was 1.30%, and the weighted average rate on the pay-variable leg was 0.53%, at September 30, 2016.

Average interest-bearing liabilities increased \$10.5 billion, or 9%, during the third quarter of 2016, compared to the third quarter of 2015, due primarily to growth in lower cost deposits, driven by increases in NOW and money market account balances, and an increase in long-term debt. Average consumer and commercial deposits increased \$8.6 billion, or 8%, compared to the same period last year. Average long-term debt increased \$2.6 billion, or 27%, driven by an increase in long-term FHLB advances and the issuance of \$750 million of subordinated debt in the second quarter of 2016. See the "Borrowings" section in this MD&A for additional information regarding other short-term borrowings and long-term debt.

Rates paid on average interest-bearing liabilities increased three basis points during the current quarter, compared to the third quarter of 2015, driven by increased rates in NOW and money market accounts as well as the aforementioned increase in long-term debt. Compared to the third quarter of 2015, the average rate paid on interest-bearing deposits increased three basis points.

Looking forward, assuming a static rate environment, we expect net interest margin to decline by approximately two to three basis points in the fourth quarter of 2016, due largely to the continued low interest rate environment. We are

continuing to carefully manage the duration of our overall balance sheet given the prolonged low interest rate environment, while also being cognizant of controlling interest rate risk. See Table 13, "Net Interest Income Asset Sensitivity," in this MD&A for an analysis of potential changes in net interest income due to instantaneous moves in benchmark interest rates.

First Nine Months of 2016

Net interest income was \$4.0 billion during the first nine months of 2016, an increase of \$357 million, or 10%, compared to the first nine months of 2015. Net interest margin for the first nine months of 2016 increased 11 basis points, to 2.99%, compared to the first nine months of 2015, due to a 12 basis point increase in the average earning asset yields driven by higher loan and securities AFS yields. Compared to the first nine months of 2015, rates paid on interest-bearing liabilities remained stable.

Average earning assets increased \$9.3 billion, or 6%, during the first nine months of 2016, compared to 2015, driven primarily by a \$7.6 billion, or 6%, increase in average LHFI and a \$1.7 billion, or 6%, increase in average securities AFS. The increase in average LHFI was due largely to growth in C&I, nonguaranteed residential mortgages, consumer direct, and commercial construction loans. These increases were partially offset by a decline in residential home equity products as paydowns exceeded new originations and draws. See the "Loans" section in this MD&A for additional discussion regarding loan activity.

Yields on average earning assets increased 12 basis points, to 3.22%, for the first nine months of 2016, compared to 2015, driven primarily by a 13 basis point increase in LHFI yields primarily attributable to increases in yield on average commercial loans, particularly in our C&I portfolio, as well as

an increase in yield on our consumer direct portfolio. The average earning asset LHFY yield increases were driven by higher benchmark interest rates, which increased late in the fourth quarter of 2015. Additionally, the yield on securities AFS increased 12 basis points in the first nine months of 2016, compared to 2015, driven largely by lower premium amortization on MBS securities. See the "Securities Available for Sale" section in this MD&A for additional information regarding the composition and associated yields on our investment securities.

Average interest-bearing liabilities increased \$7.1 billion, or 6%, compared to 2015, primarily due to growth in NOW and money market account balances, partially offset by a decline in long-term debt. Average consumer and commercial deposits increased \$9.0 billion, or 9%, compared to the first nine months of 2015, enabling a \$1.2 billion, or 10%, decrease in average

long-term debt, driven primarily by a decrease in average long-term FHLB advances. See the "Borrowings" section in this MD&A for additional information regarding other short-term borrowings and long-term debt.

Foregone Interest

Foregone interest income from NPLs reduced net interest margin by two basis points for both the three and nine months ended September 30, 2016. Foregone interest income from NPLs had a limited effect on the net interest margin during the three and nine months ended September 30, 2015. See additional discussion of our expectations of future credit quality in the "Loans," "Allowance for Credit Losses," and "Nonperforming Assets" sections of this MD&A. In addition, Table 2 of this MD&A contains more detailed information concerning average balances, yields earned, and rates paid.

NONINTEREST INCOME

(Dollars in millions)	Three Months Ended September 30		% Change ¹	Nine Months Ended September 30		% Change ¹
	2016	2015		2016	2015	
Service charges on deposit accounts	\$162	\$159	2 %	\$477	\$466	2 %
Other charges and fees	93	97	(4)	290	285	2
Card fees	83	83	—	243	247	(2)
Investment banking income	147	115	28	372	357	4
Trading income	65	31	NM	154	140	10
Mortgage production related income	118	58	NM	288	217	33
Mortgage servicing related income	49	40	23	164	113	45
Trust and investment management income	80	86	(7)	230	255	(10)
Retail investment services	71	77	(8)	212	229	(7)
Gain on sale of premises	—	—	—	52	—	NM
Net securities gains	—	7	(100)	4	21	(81)
Other noninterest income	21	58	(64)	83	173	(52)
Total noninterest income	\$889	\$811	10 %	\$2,569	\$2,503	3 %

¹ "NM" - Not meaningful. Those changes over 100 percent were not considered to be meaningful.

Noninterest income increased \$78 million, or 10%, compared to the third quarter of 2015, and increased \$66 million, or 3%, compared to the nine months ended September 30, 2015. The increase compared to the third quarter of 2015

was driven by higher mortgage and capital markets-related income, partially offset by a decline in other noninterest income due to gains from the sale of loans and leases in the prior year quarter. The increase compared to the nine months ended September 30, 2015 was driven by higher mortgage and capital markets-related income, the second quarter gain on sale of premises, and higher client transaction-related fees, partially offset by a decline in wealth management-related income and a reduction in gains from sales of securities, loans, and leases. The growth in noninterest income for both periods reflects our ongoing strategic investments in talent and capabilities across our businesses.

Client transaction-related-fees, which include service charges on deposit accounts, other charges and fees, and card fees, remained relatively flat compared to the third quarter of 2015 and increased \$12 million, or 1%, compared to the nine

months ended September 30, 2015. The increase compared to the nine months ended September 30, 2015 was due primarily to increased client activity. Consistent with our previous guidance, our enhanced posting order process will be fully implemented in the fourth quarter of this year, which we expect will result in a reduction in service charges on deposit accounts of approximately \$10 million per quarter going forward.

Investment banking income increased \$32 million, or 28%, compared to the third quarter of 2015, and increased \$15 million, or 4%, compared to the nine months ended September 30, 2015. The increase for both periods was driven by strong deal flow activity across most product categories as we continue to expand and deepen client relationships. The growth was due, in large part, to strength in equity capital markets and mergers and acquisitions advisory services. The increase compared to the third quarter of 2015 was also driven by strong results in syndicated finance.

Trading income increased \$34 million compared to the third quarter of 2015, and increased \$14 million, or 10%, compared

to the nine months ended September 30, 2015. The increase for both periods was driven primarily by higher client activity and more favorable market conditions, as well as higher core trading revenue in the third quarter, most notably fixed income sales and trading. The increase for the nine months ended September 30, 2016 was offset partially by a CVA-related valuation adjustment recognized in the second quarter of 2016.

Mortgage production related income increased \$60 million compared to the third quarter of 2015, and increased \$71 million, or 33%, compared to the nine months ended September 30, 2015. The increase for both periods was due primarily to higher production volume and an increase in gain-on-sale margins. Mortgage production volume increased 37% compared to the third quarter of 2015, and 16% compared to the nine months ended September 30, 2015. Looking to the fourth quarter of 2016, we expect mortgage production income to decline relative to the third quarter due to moderating application activity; however, we expect mortgage production income to improve relative to the fourth quarter of 2015.

Mortgage servicing related income increased \$9 million, or 23%, compared to the third quarter of 2015, and increased \$51 million, or 45%, compared to the nine months ended September 30, 2015. The increase for both periods was due to higher servicing fees resulting from a larger servicing portfolio and improved net hedge performance. Servicing asset decay was higher in the current quarter due to elevated refinancing activity; however, year-to-date servicing asset decay declined due to a lower MSR value resulting from the lower interest rate environment. The UPB of mortgage loans in the servicing portfolio was \$154.0 billion at September 30, 2016, compared to \$149.2 billion at September 30, 2015. The increase in our servicing portfolio was driven by MSR purchases on residential loans with a UPB of \$2.8 billion and \$10.9 billion during the three and nine months ended September 30, 2016, respectively.

Trust and investment management income decreased \$6 million, or 7%, compared to the third quarter of 2015, and decreased \$25 million, or 10%, compared to the nine months ended September 30, 2015. The decrease for both periods was due primarily to a mix shift in assets under management, as well as a decline in non-recurring revenue. Retail investment services income decreased \$6 million, or 8%, compared to the third quarter of 2015, and decreased \$17 million, or 7%, compared to the nine months ended September 30, 2015. The decline for both periods was due largely to reduced transactional activity, partially offset by an increase in retail brokerage managed assets in response to our clients' strategic shift towards our managed asset products.

Net securities gains decreased \$7 million, or 100%, compared to the third quarter of 2015, and decreased \$17 million, or 81%, compared to the nine months ended September 30, 2015. The decrease for both periods was due to higher gains recognized on the sale of MBS in 2015 as a result of our repositioning of the investment portfolio.

Gain on sale of premises totaled \$52 million for the nine months ended September 30, 2016, associated with the sale-leaseback of one of our office buildings, which supports our strategy of reducing our real estate footprint.

Other noninterest income decreased \$37 million, or 64%, compared to the third quarter of 2015, and declined \$90 million, or 52%, compared to the nine months ended September 30, 2015. The decrease compared to the third quarter of 2015 was due largely to lower gains recognized on the sale of loans and leases as well as asset impairment charges recognized in the current quarter. The decrease compared to the nine months ended September 30, 2015 was due to the same factors impacting the quarterly comparison along with an \$18 million gain on the sale of legacy affordable housing investments in the first quarter of 2015.

NONINTEREST EXPENSE

Table 4

(Dollars in millions)	Three Months Ended September 30			Nine Months Ended September 30				
	2016	2015	% Change ¹	2016	2015	% Change ¹		
Employee compensation	\$687	\$641	7 %	\$1,994	\$1,926	4 %		
Employee benefits	86	84	2	315	326	(3))	
Total personnel expenses	773	725	7	2,309	2,252	3		
Outside processing and software	225	200	13	626	593	6		
Net occupancy expense	93	86	8	256	255	—		
Equipment expense	44	41	7	126	123	2		
Marketing and customer development	38	42	(10)	120	104	15		
Regulatory assessments	47	32	47	127	104	22		
Operating losses	35	3	NM	85	33	NM		
Credit and collection services	17	8	NM	47	52	(10))	
Amortization	14	9	56	35	22	59		
Other noninterest expense	123	118	4	341	334	2		
Total noninterest expense	\$1,409	\$1,264	11 %	\$4,072	\$3,872	5 %		

¹ “NM” - Not meaningful. Those changes over 100 percent were not considered to be meaningful.

Noninterest expense increased \$145 million, or 11%, compared to the third quarter of 2015, and increased \$200 million, or 5%, compared to the nine months ended September 30, 2015. The increase for both periods was driven by higher regulatory and compliance-related costs, higher costs associated with increased revenue and business activity, and lower incentive-based compensation costs and discrete mortgage-related benefits in the third quarter of 2015. Personnel expenses increased \$48 million, or 7%, compared to the third quarter of 2015, and increased \$57 million, or 3%, compared to the nine months ended September 30, 2015. The increase for both periods was due primarily to lower incentive-based compensation in the third quarter of 2015, as well as higher salaries and incentive-based compensation in the current quarter related to improved revenue and business performance.

Outside processing and software expense increased \$25 million, or 13%, compared to the third quarter of 2015, and increased \$33 million, or 6%, compared to the nine months ended September 30, 2015. The increase for both periods was driven by increased business activity levels, higher utilization of third party services, and increased investments in technology to enable ongoing efficiency initiatives.

Net occupancy expense increased \$7 million, or 8%, compared to the third quarter of 2015, and remained relatively stable compared to the nine months ended September 30, 2015. The increase compared to the third quarter of 2015 was due to lower gains from prior sale-leaseback transactions during the current quarter, as well as the recognition of previously deferred sale-leaseback gains in the second quarter of 2016 as a result of a reduction in our usage of leased office space. Relative to the third quarter of 2016 level, we expect net occupancy expense to be relatively stable over the next one to two years, as further reductions in amortized gains will be generally offset by a more efficient branch network.

Marketing and customer development expense decreased \$4 million, or 10%, compared to the third quarter of 2015, and increased \$16 million, or 15%, compared to the nine months ended September 30, 2015. The decrease compared to the third

quarter of 2015 was due primarily to lower advertising costs in the current quarter. The increase compared to the nine months ended September 30, 2015 was primarily due to higher advertising costs during the first half of 2016 associated with our campaign to further advance the Company's purpose.

Regulatory assessments expense increased \$15 million, or 47%, compared to the third quarter of 2015, and increased \$23 million, or 22%, compared to the nine months ended September 30, 2015. The increase for both periods was driven primarily by the FDIC surcharge on large banks, which became effective during the current quarter, and higher FDIC assessment fees due to asset growth and a higher assessment rate.

Operating losses increased \$32 million compared to the third quarter of 2015, and increased \$52 million compared to the nine months ended September 30, 2015. The increase for both periods was due primarily to favorable developments in previous mortgage-related matters, resulting in accrual reductions recognized in 2015.

Credit and collection services increased \$9 million compared to the third quarter of 2015, and decreased \$5 million, or 10%, compared to the nine months ended September 30, 2015. The increase compared to the third quarter of 2015 was driven primarily by higher credit-related expenses recognized in the current quarter related to increased business activity. The decrease compared to the nine months ended September 30, 2015 was driven primarily by mortgage transaction related reserve releases due to the expiration of representation and warranty obligations, offset partially by the current quarter increase in credit-related expenses.

Amortization expense increased \$5 million, or 56%, compared to the third quarter of 2015, and increased \$13 million, or 59%, compared to the nine months ended September 30, 2015. The increase for both periods was driven by increased investments in certain low-income community development projects, which also resulted in a similar increase in tax credits. See Note 8, "Certain Transfers of Financial Assets and Variable Interest Entities," for additional information regarding our community development investments.

LOANS

Our loan portfolio consists of three loan segments: commercial, residential, and consumer. Loans are assigned to these segments based on the type of borrower, purpose, collateral, and/or our underlying credit management processes. Additionally, we further disaggregate each loan segment into loan types based on common characteristics within each loan segment.

Commercial Loans

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

Residential Loans

Residential mortgages, both government-guaranteed and nonguaranteed, consist of loans secured by 1-4 family homes, mostly prime, first-lien loans. Residential home equity products consist of equity lines of credit and closed-end equity loans that may be in either a first lien or junior lien position. Residential construction loans include owner-occupied residential lot loans and construction-to-perm loans.

Consumer Loans

Consumer loans include government-guaranteed student loans, indirect loans (consisting of loans secured by automobiles, boats, and recreational vehicles), other direct loans (consisting primarily of unsecured loans, direct auto loans, loans secured by negotiable collateral, and private student loans), and consumer credit cards.

The composition of our loan portfolio is shown in Table 5.

Loan Portfolio by Types of Loans (Dollars in millions)	Table 5	
	September 30, 2016	December 31, 2015
Commercial loans:		
C&I	\$68,298	\$67,062
CRE	5,056	6,236
Commercial construction	3,875	1,954
Total commercial loans	77,229	75,252
Residential loans:		
Residential mortgages - guaranteed	521	629
Residential mortgages - nonguaranteed ¹	26,306	24,744
Residential home equity products	12,178	13,171
Residential construction	393	384
Total residential loans	39,398	38,928
Consumer loans:		
Guaranteed student	5,844	4,922
Other direct	7,358	6,127
Indirect	10,434	10,127
Credit cards	1,269	1,086
Total consumer loans	24,905	22,262
LHFI	\$141,532	\$136,442
LHFS ²	\$3,772	\$1,838

¹ Includes \$234 million and \$257 million of LHFI measured at fair value at September 30, 2016 and December 31, 2015, respectively.

² Includes \$3.0 billion and \$1.5 billion of LHFS measured at fair value at September 30, 2016 and December 31, 2015, respectively.

Table 6 presents our LHFI portfolio by geography (based on the U.S. Census Bureau's classifications of U.S. regions):

Table 6

(Dollars in millions)	September 30, 2016 Commercial		Residential		Consumer		Total LHFI	
	Balance	% of Total Commercial	Balance	% of Total Residential	Balance	% of Total Consumer	Balance	% of Total LHFI
South region:								
Florida	\$12,708	16 %	\$9,491	24 %	\$3,924	16 %	\$26,123	18 %
Georgia	9,712	13	5,912	15	2,093	8	17,717	13
Virginia	6,420	8	5,986	15	1,550	6	13,956	10
Maryland	4,156	5	4,510	11	1,341	5	10,007	7
North Carolina	4,201	5	3,543	9	1,554	6	9,298	7
Tennessee	4,483	6	2,049	5	943	4	7,475	5
Texas	3,918	5	479	1	2,830	11	7,227	5
South Carolina	1,598	2	1,749	4	570	2	3,917	3
District of Columbia	1,334	2	875	2	98	—	2,307	2
Other Southern states	4,009	5	587	1	1,479	6	6,075	4
Total South region	52,539	68	35,181	89	16,382	66	104,102	74
Northeast region:								
New York	4,791	6	131	—	868	3	5,790	4
Pennsylvania	1,651	2	110	—	930	4	2,691	2
New Jersey	1,418	2	136	—	483	2	2,037	1
Other Northeastern states	2,530	3	228	1	594	2	3,352	2
Total Northeast region	10,390	13	605	2	2,875	12	13,870	10
West region:								
California	4,106	5	2,205	6	1,234	5	7,545	5
Other Western states	2,326	3	861	2	1,184	5	4,371	3
Total West region	6,432	8	3,066	8	2,418	10	11,916	8
Midwest region:								
Illinois	1,649	2	218	1	530	2	2,397	2
Ohio	921	1	44	—	551	2	1,516	1
Other Midwestern states	3,286	4	284	1	2,084	8	5,654	4
Total Midwest region	5,856	8	546	1	3,165	13	9,567	7
Foreign loans	2,012	3	—	—	65	—	2,077	1
Total	\$77,229	100 %	\$39,398	100 %	\$24,905	100 %	\$141,532	100 %

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(Dollars in millions)	December 31, 2015											
	Commercial			Residential			Consumer			Total LHFI		
	Balance	% of Total Commercial		Balance	% of Total Residential		Balance	% of Total Consumer		Balance	% of Total LHFI	
South region:												
Florida	\$12,712	17	%	\$9,752	25	%	\$3,764	17	%	\$26,228	19	%
Georgia	9,820	13		5,917	15		1,769	8		17,506	13	
Virginia	6,650	9		5,976	15		1,446	6		14,072	10	
Maryland	4,220	6		4,280	11		1,262	6		9,762	7	
North Carolina	4,106	5		3,549	9		1,419	6		9,074	7	
Tennessee	4,710	6		2,123	5		818	4		7,651	6	
Texas	3,362	4		351	1		2,592	12		6,305	5	
South Carolina	1,517	2		1,796	5		497	2		3,810	3	
District of Columbia	1,375	2		790	2		85	—		2,250	2	
Other Southern states	4,100	5		556	1		1,346	6		6,002	4	
Total South region	52,572	70		35,090	90		14,998	67		102,660	75	
Northeast region:												
New York	4,489	6		142	—		717	3		5,348	4	
Pennsylvania	1,651	2		111	—		776	3		2,538	2	
New Jersey	1,563	2		137	—		400	2		2,100	2	
Other Northeastern states	2,165	3		230	1		516	2		2,911	2	
Total Northeast region	9,868	13		620	2		2,409	11		12,897	9	
West region:												
California	3,368	4		1,954	5		1,091	5		6,413	5	
Other Western states	2,059	3		752	2		1,037	5		3,848	3	
Total West region	5,427	7		2,706	7		2,128	10		10,261	8	
Midwest region:												
Illinois	1,614	2		185	—		420	2		2,219	2	
Ohio	885	1		52	—		457	2		1,394	1	
Other Midwestern states	3,360	4		275	1		1,803	8		5,438	4	
Total Midwest region	5,859	8		512	1		2,680	12		9,051	7	
Foreign loans	1,526	2		—	—		47	—		1,573	1	
Total	\$75,252	100	%	\$38,928	100	%	\$22,262	100	%	\$136,442	100	%

Loans Held for Investment

LHFI totaled \$141.5 billion at September 30, 2016, an increase of \$5.1 billion, or 4%, from December 31, 2015, driven largely by growth in consumer loans, nonguaranteed residential mortgages, C&I loans, and commercial construction loans, partially offset by decreases in residential home equity products and CRE loans.

Average loans during the third quarter of 2016 totaled \$142.3 billion, up \$1.0 billion, or 1%, compared to the prior quarter driven primarily by loan growth in consumer loans and nonguaranteed residential mortgages, partially offset by declines in C&I loans and residential home equity products. See the "Net Interest Income/Margin" section of this MD&A for more information regarding average loan balances.

Commercial loans increased \$2.0 billion, or 3%, during the first nine months of 2016, driven largely by a \$1.2 billion, or 2%, increase in C&I loans resulting from growth in a number of industry verticals and client segments. Commercial construction loans also increased by \$1.9 billion, or 98%, compared to December 31, 2015, due to a reclassification of \$1.1 billion of CRE loans to the commercial construction loan portfolio this quarter in accordance with a revised interpretation of regulatory classification requirements. CRE loans decreased \$1.2 billion, or 19%, compared to December 31, 2015, due primarily to the aforementioned reclassification.

Residential loans increased \$470 million, or 1%, compared to December 31, 2015, driven by a \$1.6 billion, or 6%, increase in nonguaranteed residential mortgages as new originations exceeded paydowns. The increase in nonguaranteed residential mortgages was offset largely by a \$993 million, or 8%, decrease

in residential home equity products as paydowns exceeded new originations and draws during the first nine months of 2016.

At September 30, 2016, 40% of our residential home equity products were in a first lien position and 60% were in a junior lien position. For residential home equity products in a junior lien position, we own or service 30% of the loans that are senior to the home equity product. Approximately 10% of the home equity line portfolio is due to convert to amortizing term loans by the end of 2016 and an additional 28% enter the conversion phase over the following three years.

We perform credit management activities to limit our loss exposure on home equity accounts. These activities may result in the suspension of available credit and curtailment of available draws of most home equity junior lien accounts when the first lien position is delinquent, including when the junior lien is still current. We monitor the delinquency status of first mortgages serviced by other parties and actively monitor refreshed credit bureau scores of borrowers with junior liens, as these scores are highly sensitive to first lien mortgage delinquency. The loss severity on home equity junior lien accounts was approximately 71% and 75% at September 30, 2016 and December 31, 2015, respectively. The average borrower FICO score related to loans in our home equity portfolio was approximately 760 and the average outstanding loan size was approximately \$46,000 at both September 30, 2016 and December 31, 2015.

Consumer loans increased \$2.6 billion, or 12%, during the first nine months of 2016, driven by growth across all consumer loan classes as our consumer lending strategies continue to produce profitable growth through each of our major channels.

Specifically, other direct loans increased \$1.2 billion, or 20%, guaranteed student loans increased \$922 million, or 19%, indirect loans increased \$307 million, or 3%, and credit card loans increased \$183 million, or 17%. These increases were partially offset by a \$1.0 billion indirect automobile loan sale in the third quarter of 2016, resulting in a gain of \$8 million, as part of our overall balance sheet optimization strategy.

Loans Held for Sale

LHFS increased \$1.9 billion during the first nine months of 2016, driven primarily by increased mortgage production.

Asset Quality

Our asset quality, excluding energy-related exposure, remained strong during the quarter and first nine months of 2016, driven by economic growth and improved residential housing markets. Our strong position reflects the proactive actions we have taken over the past several years to de-risk, diversify, and improve the quality of our loan portfolio. NPAs increased \$284 million, or 39%, compared to December 31, 2015, driven by increases in energy-related C&I NPLs and residential home equity NPLs, the latter of which was associated with changes to our home equity line risk mitigation program that were implemented during the first quarter of 2016. At September 30, 2016, substantially all of the home equity NPLs modified in 2016 were current with respect to payments and the majority are expected to return to accruing status after the borrowers have demonstrated six months of consistent payment history. At September 30, 2016, NPLs to total LHFI was 0.67%, an increase of 18 basis points compared to December 31, 2015, due to the aforementioned increase in home equity and energy-related NPLs (for additional discussion, see the following "Energy-related Loan Exposure" section).

Net charge-offs were \$126 million during the third quarter of 2016, compared to \$137 million during the prior quarter and \$71 million during the third quarter of 2015. The current quarter included \$33 million in energy-related net charge-offs, compared to \$70 million in the prior quarter. This improvement in energy-related charge-offs drove a four basis point reduction in our net charge-off ratio to 0.35% for the third quarter of 2016, compared to 0.39% for the prior quarter, and 0.21% for the third quarter of 2015. Net charge-offs were \$347 million and \$258 million, and the net charge-off ratio was 0.33% and 0.26%, for the first nine months of 2016 and 2015, respectively.

Early stage delinquencies decreased six basis points from December 31, 2015, to 0.64% of total loans at September 30, 2016. Early stage delinquencies, excluding government-guaranteed loans, were 0.25% and 0.30% at September 30, 2016 and December 31, 2015, respectively.

Going forward, assuming no significant changes in the macroeconomic environment, we expect NPLs to modestly decline in the near-term and expect our overall net charge-off ratio to be between 30 and 35 basis points for the full year 2016. We also expect our ALLL to period-end LHFI ratio to remain relatively stable in the medium-term, which should result in a provision for loan losses that modestly exceeds net charge-offs.

Energy-related Loan Exposure

We believe that our LHFI portfolio is well diversified by product, client, and geography. However, the LHFI portfolio may be exposed to concentrations of credit risk which exist in relation to individual borrowers or groups of borrowers, types of collateral, certain industries, certain loan products, or regions of the country.

The energy industry vertical is a component of our CIB business. At both September 30, 2016 and December 31, 2015, outstanding loans in the energy portfolio totaled \$3.1 billion, and represented 2% of the total loan portfolio. Total exposure, which includes funded and unfunded commitments, was \$8.8 billion and \$9.3 billion at September 30, 2016 and December 31, 2015, respectively, and represented 4% of our total funded and unfunded commitments at each period end. Loans in the energy portfolio that were in a second lien position at September 30, 2016, were immaterial.

Outstanding loan exposure to the two most adversely impacted sectors, namely oil field services and exploration & production, represented 14% and 21%, respectively, of our energy loan portfolio at September 30, 2016, compared to 15% and 23%, respectively, at December 31, 2015. The remaining energy loan portfolio relates to borrowers in the midstream (i.e., pipeline & transportation) and downstream (i.e., refining & distribution) energy sectors, which have not been as meaningfully impacted by lower commodity prices.

During the third quarter of 2016, net charge-offs on energy loans totaled \$33 million and energy-related NPLs declined from \$354 million at June 30, 2016 to \$337 million at September 30, 2016. At September 30, 2016, 11% of our total energy loans were nonperforming and 30% were criticized (which includes nonperforming loans and

criticized accruing loans), both unchanged from the prior quarter, but up from 6% and 19%, respectively, at December 31, 2015. At September 30, 2016, 89% of our nonperforming energy loans were current with respect to payments; however, they are classified as nonperforming due to uncertainty regarding the full collectability of principal, as discussed in the "Critical Accounting Policies" MD&A section and Note 1, "Significant Accounting Policies," to the Consolidated Financial Statements in our 2015 Annual Report on Form 10-K.

We have taken a thorough approach to managing our energy exposure and accounting for increased probable loss content in our reserve estimation process. This includes increasing the resources and intensity around mitigating our risk and helping our clients navigate through this downturn. Reserves associated with the energy portfolio represented 5.5% and 4.6% of total outstanding energy loans at September 30, 2016 and December 31, 2015, respectively. Assuming no significant changes in the macroeconomic environment, we expect \$40 million to \$60 million of energy-related charge-offs over the next two to three quarters. We continue to view our energy-related risk as manageable in the context of our overall Company. See Note 5, "Loans," to the Consolidated Financial Statements in this Form 10-Q for more information on our LHF portfolio.

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses consists of the ALLL and the reserve for unfunded commitments. A rollforward of our allowance for credit losses and summarized credit loss experience is shown in Table 7. See Note 1, "Significant Accounting Policies," and the "Critical Accounting Policies"

MD&A section of our 2015 Annual Report on Form 10-K, as well as Note 6, "Allowance for Credit Losses," to the Consolidated Financial Statements in this Form 10-Q for further information regarding our ALLL accounting policy, determination, and allocation.

Summary of Credit Losses Experience

Table 7

(Dollars in millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change 4	2016	2015	% Change 4
Allowance for Credit Losses						
Balance - beginning of period	\$1,840	\$1,886	(2)%	\$1,815	\$1,991	(9)%
Provision for unfunded commitments	2	9	(78)	5	7	(29)
Provision/(benefit) for loan losses:						
Commercial loans	81	33	NM	293	74	NM
Residential loans	(36)	(39)	8	(72)	(30)	NM
Consumer loans	50	29	72	117	63	86
Total provision for loan losses	95	23	NM	338	107	NM
Charge-offs:						
Commercial loans	(78)	(23)	NM	(209)	(82)	NM
Residential loans	(28)	(47)	(40)	(102)	(177)	(42)
Consumer loans	(44)	(32)	38	(117)	(97)	21
Total charge-offs	(150)	(102)	47	(428)	(356)	20
Recoveries:						
Commercial loans	7	10	(30)	26	35	(26)
Residential loans	7	11	(36)	22	31	(29)
Consumer loans	10	10	—	33	32	3
Total recoveries	24	31	(23)	81	98	(17)
Net charge-offs	(126)	(71)	77	(347)	(258)	34
Balance - end of period	\$1,811	\$1,847	(2)%	\$1,811	\$1,847	(2)%
Components:						
ALLL				\$1,743	\$1,786	(2)%
Unfunded commitments reserve ¹				68	61	11
Allowance for credit losses				\$1,811	\$1,847	(2)%
Average LHFI	\$142,257	\$132,837	7 %	\$140,628	\$133,000	6 %
Period-end LHFI outstanding				141,532	133,560	6
Ratios:						
ALLL to period-end LHFI ²	1.23	% 1.34	% (8)%	1.23	% 1.34	% (8)%
ALLL to NPLs ³	1.84x	3.87x	(52)	1.84x	3.87x	(52)
ALLL to net charge-offs (annualized)	3.49x	6.33x	(45)	3.76x	5.18x	(27)
Net charge-offs to average LHFI (annualized)	0.35	% 0.21	% 67	0.33	% 0.26	% 27

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

² \$234 million and \$262 million of LHFI measured at fair value at September 30, 2016 and 2015, respectively, were excluded from period-end LHFI in the calculation, as no allowance is recorded for loans measured at fair value. We

believe that this presentation more appropriately reflects the relationship between the ALLL and loans that attract an allowance.

³ \$2 million of NPLs measured at fair value at both September 30, 2016 and 2015, were excluded from NPLs in the calculation.

⁴ "NM" - Not meaningful. Those changes over 100 percent were not considered to be meaningful.

Provision for Credit Losses

The total provision for credit losses includes the provision/(benefit) for loan losses and the provision/(benefit) for unfunded commitments. The provision for loan losses is the result of a detailed analysis performed to estimate an appropriate and adequate ALLL. For the third quarter of 2016, the total provision for loan losses increased \$72 million compared to the third quarter of 2015. For the first nine months of 2016, the total provision for loan losses increased \$231 million compared to the same period in 2015. These increases in the overall provision for loan losses were driven primarily by higher energy-related charge-offs, loan growth, and moderating asset quality improvements, partially offset by lower charge-offs on residential loans.

Our quarterly review processes to determine the level of reserves and provision are informed by trends in our LHFI portfolio (including historical loss experience, expected loss calculations, delinquencies, performing status, size and composition of the loan portfolio, and concentrations within the portfolio) combined with a view on economic conditions. In addition to internal credit quality metrics, the ALLL estimate is impacted by other indicators of credit risk associated with the portfolio, such as geopolitical and economic risks, and the increasing availability of credit and resultant higher levels of leverage for consumers and commercial borrowers.

Allowance for Loan and Lease Losses

ALLL by Loan Segment Table 8
 (Dollars in millions) September 30, December 31,
2016 2015

ALLL:

Commercial loans	\$1,157	\$1,047
Residential loans	382	534
Consumer loans	204	171
Total	\$1,743	\$1,752

Segment ALLL as a % of total ALLL:

Commercial loans	66	%	60	%
Residential loans	22		30	
Consumer loans	12		10	
Total	100	%	100	%

Segment LHFI as a % of total LHFI:

Commercial loans	54	%	55	%
Residential loans	28		29	
Consumer loans	18		16	
Total	100	%	100	%

The ALLL decreased \$9 million, or 1%, from December 31, 2015, to \$1.7 billion at September 30, 2016. The slight decrease reflects continued improvements in the asset quality of the residential loan portfolio, largely offset by loan growth. The ALLL to period-end LHFI ratio (excluding loans measured at fair value) decreased six basis points from December 31, 2015, to 1.23% at September 30, 2016. The ratio of the ALLL to total NPLs decreased to 1.84x at September 30, 2016, compared to 2.62x at December 31, 2015, reflecting our first quarter of 2016 migration of energy loans to nonperforming status, higher residential NPLs associated with changes to our home equity line risk mitigation program, and a slight decrease in the ALLL.

NONPERFORMING ASSETS

The following table presents our NPAs:

(Dollars in millions)	Table 9		
	September 30, 2016	December 31, 2015	% Change ³
Nonaccrual/NPLs:			
Commercial loans:			
C&I	\$501	\$308	63 %
CRE	10	11	(9)
Commercial construction	2	—	NM
Total commercial NPLs	513	319	61
Residential loans:			
Residential mortgages - nonguaranteed	183	183	—
Residential home equity products	235	145	62
Residential construction	11	16	(31)
Total residential NPLs	429	344	25
Consumer loans:			
Other direct	5	6	(17)
Indirect	2	3	(33)
Total consumer NPLs	7	9	(22)
Total nonaccrual/NPLs ¹	949	672	41
OREO ²	57	56	2
Other repossessed assets	13	7	86
Total NPAs	\$1,019	\$735	39 %
Accruing LHFI past due 90 days or more	\$1,144	\$981	17 %
Accruing LHFS past due 90 days or more	2	—	NM
TDRs:			
Accruing restructured loans	\$2,522	\$2,603	(3)%
Nonaccruing restructured loans ¹	306	176	74
Ratios:			
NPLs to period-end LHFI	0.67	% 0.49	% 37 %
NPAs to period-end LHFI, OREO, and other repossessed assets	0.72	0.54	33

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 property is conveyed and the funds are received. The receivable related to proceeds due from the FHA or the VA totaled \$51 million and \$52 million at September 30, 2016 and December 31, 2015, respectively.

³ "NM" - not meaningful. Those changes over 100 percent were not considered to be meaningful.

NPAs increased \$284 million, or 39%, during the first nine months of 2016, largely due to downgrades of certain energy-related loans as well as home equity lines. At September 30, 2016, our ratio of NPLs to period-end LHFI was 0.67%, up 18 basis points from December 31, 2015, driven by a deterioration of certain loans in our energy industry vertical and due to an increase in residential home equity NPLs, driven by changes in our home equity line risk mitigation program.

Problem loans or loans with potential weaknesses, such as nonaccrual loans, loans over 90 days past due and still accruing, and TDR loans, are disclosed in the NPA table above. Loans with known potential credit problems that may not otherwise be disclosed in this table include accruing criticized commercial loans, which are disclosed along with additional credit quality information in Note 5, "Loans," to the Consolidated Financial Statements in this Form 10-Q. At September 30, 2016 and

December 31, 2015, there were no known significant potential problem loans that are not otherwise disclosed.

Nonperforming Loans

NPLs at September 30, 2016 totaled \$949 million, an increase of \$277 million, or 41%, from December 31, 2015.

Commercial NPLs increased \$194 million, or 61%, due largely to downgrades of certain energy-related loans. While certain of these loans may be current with respect to their contractual debt service agreements, the decline in oil prices over the last two years, combined with facts and circumstances associated with these specific loan arrangements, raised uncertainty regarding the full collectability of principal. See the "Critical Accounting Policies" section of our 2015 Annual Report on Form 10-K for additional information regarding our policy on loans classified as nonaccrual. See the "Loans" section of this MD&A for additional information regarding our energy-related loan exposure.

Residential NPLs increased \$85 million, or 25%, from December 31, 2015, primarily due to an increase in residential home equity NPLs driven by changes to our home equity line risk mitigation program implemented during the first quarter of 2016. At September 30, 2016, substantially all of the home equity NPLs modified in 2016 were current with respect to payments and the majority are expected to return to accruing status after the borrowers have demonstrated six months of consistent payment history.

Interest income on consumer and residential nonaccrual loans, if recognized, is recognized on a cash basis. Interest income on commercial nonaccrual loans is not generally recognized until after the principal amount has been reduced to zero. We recognized \$4 million and \$5 million of interest income related to nonaccrual loans during the third quarter of 2016 and 2015, respectively, and \$13 million and \$18 million during the first nine months of 2016 and 2015, respectively. If all such loans had been accruing interest according to their original contractual terms, estimated interest income of \$13 million and \$6 million would have been recognized during the third quarter of 2016 and 2015, respectively, and \$35 million and \$22 million during the first nine months of 2016 and 2015, respectively.

Other Nonperforming Assets

OREO increased \$1 million, or 2%, during the first nine months of 2016. Sales of OREO resulted in proceeds of \$46 million and \$98 million during the first nine months of 2016 and 2015, respectively, contributing to net gains of \$8 million and \$19 million, respectively, inclusive of valuation reserves.

Most of our OREO properties are located in Florida, North Carolina, and Maryland. Residential and commercial real estate properties comprised 80% and 16%, respectively, of the \$57 million in total OREO at September 30, 2016, with the remainder related to land. Upon foreclosure, the values of these properties were reevaluated and, if necessary, written down to their then-current estimated value less estimated costs to sell. Any further decreases in property values could result in additional losses as they are periodically revalued. See the "Non-recurring Fair Value Measurements" section within Note 14, "Fair Value Election and Measurement," to the Consolidated Financial Statements in this Form 10-Q for additional information.

Gains and losses on the sale of OREO are recorded in other noninterest expense in the Consolidated Statements of Income. Sales of OREO and the related gains or losses are highly dependent on our disposition strategy and buyer opportunities. We are actively managing and disposing of these foreclosed assets to minimize future losses.

Accruing loans past due 90 days or more included LHFI and LHFS, and totaled \$1.1 billion and \$981 million at September 30, 2016 and December 31, 2015, respectively. Of these, 97% and 96% were government-guaranteed at September 30, 2016 and December 31, 2015, respectively. Accruing LHFI past due 90 days or more increased \$163 million, or 17%, during the first

nine months of 2016, driven primarily by an increase in government-guaranteed student loans, offset partially by a decrease in government-guaranteed residential mortgages.

Restructured Loans

To maximize the collection of loan balances, we evaluate troubled loans on a case-by-case basis to determine if a loan modification is appropriate. We pursue loan modifications when there is a reasonable chance that an appropriate modification would allow our client to continue servicing the debt. For loans secured by residential real estate, if the client demonstrates a loss of income such that the client cannot reasonably support a modified loan, we may pursue short sales and/or deed-in-lieu arrangements. For loans secured by income producing commercial properties, we perform an in-depth and ongoing programmatic review of a number of factors, including cash flows, loan structures, collateral values, and guarantees to identify loans within our income producing commercial loan portfolio that are most likely to experience distress.

Based on our review of the aforementioned factors and our assessment of overall risk, we evaluate the benefits of proactively initiating discussions with our clients to improve a loan's risk profile. In some cases, we may renegotiate terms of their loans so that they have a higher likelihood of continuing to perform. To date, we have restructured loans in a variety of ways to help our clients service their debt and to mitigate the potential for additional losses. The restructuring methods being offered to our residential clients are reductions in interest rates, extensions of terms, or forgiveness of principal. Specifically, for home equity lines nearing the end of the draw period and for commercial loans, the primary restructuring method is an extension of terms.

Loans with modifications deemed to be economic concessions resulting from borrower financial difficulties are reported as TDRs. Accruing loans may retain accruing status at the time of restructure and the status is determined by, among other things, the nature of the restructure, the borrower's repayment history, and the borrower's repayment capacity.

Nonaccruing loans that are modified and demonstrate a sustainable history of repayment performance in accordance with their modified terms, typically six months, are usually reclassified to accruing TDR status. Generally, once a residential loan becomes a TDR, we expect that the loan will continue to be reported as a TDR for its remaining life, even after returning to accruing status (unless the modified rates and terms at the time of modification were available in the market at the time of the modification, or if the loan is subsequently remodified at market rates). Some restructurings may not ultimately result in the complete collection of principal and interest (as modified by the terms of the restructuring), culminating in default, which could result in additional incremental losses. These potential incremental losses are factored into our ALLL estimate. The level of re-defaults will likely be affected by future economic conditions.

Table 10 presents our recorded investment of residential TDRs by payment status. Guaranteed loans that have been repurchased from Ginnie Mae under an early buyout clause and subsequently modified have been excluded from the table. Such loans totaled approximately \$47 million and \$61 million at September 30, 2016 and December 31, 2015, respectively.

Residential TDR Data	September 30, 2016						Table 10
	Accruing TDRs			Nonaccruing TDRs			
(Dollars in millions)	Current	Delinquent ¹	Total	Current	Delinquent ¹	Total	
Residential mortgages - nonguaranteed	\$1,491	\$114	\$1,605	\$13	\$75	\$88	
Residential home equity products	600	21	621	114	31	145	
Residential construction	112	3	115	—	5	5	
Total residential TDRs	\$2,203	\$138	\$2,341	\$127	\$111	\$238	

Residential TDR Data	December 31, 2015					
	Accruing TDRs			Nonaccruing TDRs		
(Dollars in millions)	Current	Delinquent ¹	Total	Current	Delinquent ¹	Total
Residential mortgages - nonguaranteed	\$1,537	\$138	\$1,675	\$15	\$83	\$98
Residential home equity products	596	25	621	15	25	40
Residential construction	124	2	126	—	6	6
Total residential TDRs	\$2,257	\$165	\$2,422	\$30	\$114	\$144

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

At September 30, 2016, our total TDR portfolio was \$2.8 billion and was comprised of \$2.6 billion, or 91%, of residential loans (predominantly first and second lien residential mortgages and home equity lines of credit), \$126 million, or 5%, of commercial loans, and \$123 million, or 4%, of consumer loans. Total TDRs increased \$49 million, or 2%, from December 31, 2015. Nonaccruing TDRs increased \$130 million, or 74%, and accruing TDRs decreased \$81 million, or 3%, from December 31, 2015. The increase in nonaccruing TDRs was driven largely by the changes to our home equity line risk mitigation program implemented during the first quarter of 2016.

Generally, interest income on restructured loans that have met sustained performance criteria and returned to accruing

status is recognized according to the terms of the restructuring. Such recognized interest income was \$28 million and \$29 million during the third quarter of 2016 and 2015, respectively, and \$84 million and \$86 million for the first nine months of 2016 and 2015, respectively. If all such loans had been accruing interest according to their original contractual terms, estimated interest income of \$34 million and \$36 million during the third quarter of 2016 and 2015, respectively, and \$105 million and \$110 million for the first nine months of 2016 and 2015, respectively, would have been recognized.

SELECTED FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following is a discussion of the more significant financial assets and financial liabilities that are measured at fair value on the Consolidated Balance Sheets at September 30, 2016 and December 31, 2015. For a complete discussion of our financial instruments measured at fair value and the methodologies used to estimate the fair values of our financial instruments, see Note 14, "Fair Value Election and Measurement," to the Consolidated Financial Statements in this Form 10-Q.

Trading Assets and Liabilities and Derivative Instruments

Trading assets and derivative instruments increased \$925 million, or 15%, compared to December 31, 2015. This increase was primarily due to increases in net derivative instruments, agency MBS, corporate and other debt securities, U.S. states and political subdivisions securities, and CP, offset partially by a decrease in federal agency

securities, resulting from normal changes in the trading portfolio product mix as we manage our

business and continue to meet our clients' needs, as well as, increased MSR hedging activity related to the fluctuations in long-term interest rates. Trading liabilities and derivative instruments increased \$221 million, or 17%, compared to December 31, 2015, due to an increase in U.S. Treasury securities, offset partially by decreases in net derivative instruments and agency MBS. For composition and valuation assumptions related to our trading products, as well as additional information on our derivative instruments, see Note 3, "Trading Assets and Liabilities and Derivative Instruments," Note 13, "Derivative Financial Instruments," and the "Trading Assets and Derivative Instruments and Securities Available for Sale" section of Note 14, "Fair Value Election and Measurement," to the Consolidated Financial Statements in this Form 10-Q. Also, for a discussion of market risk associated with our trading activities, refer to the "Market Risk Management—Market Risk from Trading Activities" section of this MD&A.

Securities Available for Sale

(Dollars in millions)	September 30, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	U.S. Treasury securities	\$4,850	\$135	\$2	$4,983
Federal agency securities	324	10	—	334
U.S. states and political subdivisions	250	11	—	261
MBS - agency	22,606	714	4	23,316
MBS - non-agency residential	75	1	—	76
ABS	9	2	—	11
Corporate and other debt securities	35	1	—	36
Other equity securities ¹	655	1	1	655
Total securities AFS	\$28,804	\$875	\$7	\$29,672

¹ At September 30, 2016, the fair value of other equity securities was comprised of the following: \$143 million of FHLB of Atlanta stock, \$402 million of Federal Reserve Bank of Atlanta stock, \$104 million of mutual fund investments, and \$6 million of other.

(Dollars in millions)	December 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	U.S. Treasury securities	\$3,460	\$3	\$14	$3,449
Federal agency securities	402	10	1	411
U.S. states and political subdivisions	156	8	—	164
MBS - agency	22,877	397	150	23,124
MBS - non-agency residential	92	2	—	94
ABS	11	2	1	12
Corporate and other debt securities	37	1	—	38
Other equity securities ¹	533	1	1	533
Total securities AFS	\$27,568	\$424	\$167	\$27,825

¹ At December 31, 2015, the fair value of other equity securities was comprised of the following: \$32 million of FHLB of Atlanta stock, \$402 million of Federal Reserve Bank of Atlanta stock, \$93 million of mutual fund investments, and \$6 million of other.

The securities AFS portfolio is managed as part of our overall liquidity management and ALM process to optimize income and portfolio value over an entire interest rate cycle while mitigating the associated risks. Changes in the size and composition of the portfolio reflect our efforts to maintain a high quality, liquid portfolio, while managing our interest rate risk profile. The amortized cost of the portfolio increased \$1.2 billion during the nine months ended September 30, 2016, primarily driven by an increase in U.S. Treasury securities to support LCR requirements that will increase effective January 1, 2017, as well as an increase in other equity securities due to increased holdings of FHLB of Atlanta capital stock. We expect to add approximately \$1 billion of high-quality, liquid securities in the fourth quarter to finalize our progress towards the increased 2017 LCR requirements. The fair value of the portfolio increased \$1.8 billion compared to December 31, 2015, primarily due to the aforementioned addition of U.S. Treasury securities and a \$611 million increase in net unrealized gains, most notably on agency MBS, due to a decline in market interest rates. At September 30, 2016, the overall securities AFS portfolio was in a \$868 million net gain position.

For the nine months ended September 30, 2016 and 2015, we recorded \$4 million and \$21 million, respectively, in net realized gains related to the sale of securities AFS. There were no OTTI losses recognized in earnings for the nine months ended September 30, 2016, and OTTI losses recognized in earnings for the nine months ended September 30,

2015 were immaterial. For

additional information on our accounting policies, composition, and valuation assumptions related to the securities AFS portfolio, see Note 1, "Significant Accounting Policies," in our 2015 Annual Report on Form 10-K, as well as Note 4, "Securities Available for Sale," and the "Trading Assets and Derivative Instruments and Securities Available for Sale" section of Note 14, "Fair Value Election and Measurement," to the Consolidated Financial Statements in this Form 10-Q.

For the third quarter of 2016, the average yield on the securities AFS portfolio was 2.22%, compared to 2.28% for the third quarter of 2015. For the nine months ended September 30, 2016, the average yield on the securities AFS portfolio was 2.30%, compared to 2.18% for the nine months ended September 30, 2015. The year-over-year decrease in average yield for the third quarter of 2016 was primarily due to the addition of lower-yielding U.S. Treasury securities during the current quarter. The year-over-year increase in average yield for the nine months ended September 30, 2016 was primarily due to lower MBS premium amortization in the current year. See additional discussion related to average yields on securities AFS in the "Net Interest Income/Margin" section of this MD&A. The securities AFS portfolio had an effective duration of 3.8 years at September 30, 2016 compared to 4.5 years at December 31, 2015. Effective duration is a measure of price sensitivity of a bond portfolio to an immediate change in market interest rates, taking into consideration embedded options. An effective duration of 3.8 years suggests an expected price change

of approximately 3.8% for a 100 basis point instantaneous and parallel change in market interest rates. The credit quality and liquidity profile of the securities AFS portfolio remained strong at September 30, 2016 and consequently, we believe that we have the flexibility to respond to changes in the economic environment and take actions as opportunities arise to manage our interest rate risk profile and balance liquidity risk against investment returns. Over the longer term, the size and composition of the securities AFS portfolio will reflect balance sheet trends, our overall liquidity objectives, and interest rate risk management objectives. Accordingly, the size and composition of the securities AFS portfolio could change over time.

Federal Home Loan Bank and Federal Reserve Bank Stock

We previously acquired capital stock in the FHLB of Atlanta as a precondition for becoming a member of that institution. As a member, we are able to take advantage of competitively priced advances as a wholesale funding source and to access grants and low-cost loans for affordable housing and community development projects, among other benefits. At September 30, 2016, we held a total of \$143 million of capital stock in the FHLB of Atlanta, an increase of \$111 million compared to December 31, 2015. This increase was due to our purchase of FHLB of Atlanta capital stock during the first half of 2016 related to an increase in FHLB borrowings during the same period, partially offset by a redemption of FHLB capital stock related to a decline in FHLB borrowings during the third quarter of 2016. Dividends recognized in relation to FHLB capital stock were immaterial for both the three and nine months ended September 30, 2016, compared to \$2 million and \$10 million for the three and nine months ended September 30, 2015, respectively.

Similarly, to remain a member of the Federal Reserve System, we are required to hold a certain amount of capital stock, determined as either a percentage of the Bank's capital or as a percentage of total deposit liabilities. At September 30, 2016, we held \$402 million of Federal Reserve Bank of Atlanta stock, unchanged from December 31, 2015. For the three and nine months ended September 30, 2016, we recognized dividends related to Federal Reserve Bank of Atlanta stock of \$2 million and \$5 million, respectively, compared to \$6 million and \$18 million for the three and nine months ended September 30, 2015, respectively. The decline in dividends recognized was due to legislation passed by the U.S. Congress in December 2015, which changed the dividend rate on our statutory investment in Federal Reserve Bank of Atlanta stock from 6% to the lower of 6% or the 10-year Treasury note rate (which, at September 30, 2016, was 1.60%).

BORROWINGS

Short-Term Borrowings

Our total period-end short-term borrowings at September 30, 2016 increased \$272 million, or 6%, from December 31, 2015, driven by a \$277 million increase in funds purchased and a \$70 million increase in securities sold under agreements to repurchase, partially offset by a \$75 million decrease in other short-term borrowings. The decrease in other short-term

borrowings was primarily due to a \$106 million decline in master notes outstanding.

Long-Term Debt

During the nine months ended September 30, 2016, our long-term debt increased by \$3.4 billion, or 40%. This increase was primarily due to the addition of \$2.6 billion of long-term FHLB advances and the issuance of \$750 million of 10-year fixed rate subordinated notes in the second quarter of 2016. Additionally, during the first quarter of 2016, we issued \$1.0 billion of 5-year fixed rate senior notes and used the proceeds to pay off \$1.0 billion of higher cost, fixed rate senior notes that were due in 2016. There have been no other material changes in our long-term debt as described in our 2015 Annual Report on Form 10-K.

CAPITAL RESOURCES

Regulatory Capital

Our primary federal regulator, the Federal Reserve, measures capital adequacy within a framework that sets capital requirements relative to the risk profiles of individual banks. The framework assigns risk weights to assets and

off-balance sheet risk exposures according to predefined classifications, creating a base from which to compare capital levels. We measure capital adequacy using the standardized approach to the Federal Reserve's Basel III Final Rule. Basel III retained the general framework from the prior capital adequacy calculations under Basel I, but certain predefined classifications have changed and risk weightings have been revised. Additionally, Basel III introduced a new capital measure, CET1, and revised what comprises Tier 1 and Total capital. Further, Basel III revised the requirements related to minimum capital adequacy levels.

In the third quarter, the Federal Reserve released a notice of proposed rulemaking related to capital plan and stress test rules and also indicated that an additional notice of proposed rulemaking is forthcoming in 2017 that would address other elements of Basel III and stress test rules. We are in the process of evaluating this information, but do not expect the final rules to significantly impact our minimum capital requirements.

CET1 is limited to common equity and related surplus (net of treasury stock), retained earnings, AOCI, and common equity minority interest, subject to limitations. Certain regulatory adjustments and exclusions are made to CET1, including removal of goodwill, other intangible assets, certain DTAs, the impact on capital arising from mark-to-market adjustments related to our credit spreads, which is now included in AOCI, and certain defined benefit pension fund net assets. Further, banks employing the standardized approach to Basel III were granted a one-time permanent election to exclude AOCI from the calculation of regulatory capital. We elected to exclude AOCI from the calculation of our CET1.

Tier 1 capital includes CET1, qualified preferred equity instruments, qualifying minority interest not included in CET1, subject to limitations, and certain other regulatory deductions. Tier 1 capital included a portion of trust preferred securities in 2015; however, those instruments were completely phased-out of Tier 1 capital effective January 1, 2016 and are now classified as Tier 2 capital. As a result, the \$627 million in principal amount of Parent Company trust preferred securities outstanding that

received partial Tier 1 capital treatment in 2015 are now treated as Tier 2 capital using the methodology specified in Basel III.

Total capital consists of Tier 1 capital and Tier 2 capital, which includes qualifying portions of subordinated debt, trust preferred securities and minority interest not included in Tier 1 capital, ALLL up to a maximum of 1.25% of RWA, and a limited percentage of unrealized gains on equity securities.

To be considered "adequately capitalized," we are subject to minimum CET1, Tier 1 capital, and Total capital ratios of 4.5%, 6%, and 8%, respectively, plus, beginning in 2016, a CCB amount of 0.625% is required to be maintained above the minimum capital ratios. The CCB will continue to increase each year through January 1, 2019 when the CCB amount will be fully phased-in at 2.5% above the minimum capital ratios. The CCB places restrictions on the amount of retained earnings that may be used for capital distributions or discretionary bonus payments as risk-based capital ratios approach their respective "adequately capitalized" minimum capital ratios plus the CCB. To be considered "well-capitalized," Tier 1 and Total capital ratios of 6% and 10%, respectively, are required.

We are also subject to a Tier 1 leverage ratio requirement, which measures Tier 1 capital against average total assets less certain deductions, as calculated in accordance with regulatory guidelines. The minimum leverage ratio threshold is 4% and is not subject to the CCB.

Risk weighting under Basel III was modified primarily to enhance risk sensitivity of RWA. Additional risk weight categories were added and certain calculation methodologies were introduced to more precisely calculate exposure risk. Exposures that received a significant risk weight and/or calculation methodology change compared to Basel I included certain nonperforming and past-due loans, MSRs, certain unfunded commitments, derivatives, securitizations, and certain commercial and CRE loans.

A transition period applies to certain capital elements and risk weighted assets, where phase-in percentages are applicable in the calculations of capital and RWA. One of the more significant transitions required by the Basel III Final Rule relates to the risk weighting applied to MSRs, which will impact the CET1 ratio during the transition period when compared to the CET1 ratio that is calculated on a fully phased-in basis. Specifically, the fully phased-in risk weight of MSRs is 250%, while the risk weight to be applied during the transition period is 100%. The transition period is applicable from January 1, 2015 through December 31, 2017. Table 12 presents transitional Basel III regulatory capital metrics at September 30, 2016 and December 31, 2015.

Regulatory Capital Metrics ¹ (Dollars in millions)	Table 12			
	September 30, 2016		December 31, 2015	
Regulatory capital:				
CET1	\$16,862		\$16,421	
Tier 1 capital	18,101		17,804	
Total capital	21,671		20,668	
Assets:				
RWA	\$172,461		\$164,851	
Average total assets for leverage ratio	195,105		183,763	
Risk-based ratios:				
CET1	9.78	%	9.96	%
CET1 - fully phased-in ²	9.66		9.80	
Tier 1 capital	10.50		10.80	
Total capital	12.57		12.54	
Leverage	9.28		9.69	
Total shareholders' equity to assets	11.92		12.28	

¹ Basel III Final Rules became effective for us on January 1, 2015. Our calculation of these measures may differ from those of other financial services companies that calculate similar metrics.

² The CET1 ratio on a fully phased-in basis at September 30, 2016 is estimated. See Table 1, "Selected Financial Data and Reconciliation of Non-U.S. GAAP Measures," in this MD&A for a reconciliation of our transitional CET1 ratio

to our fully phased-in, estimated CET1 ratio.

All of our capital ratios, except for the Total capital ratio, declined modestly compared to December 31, 2015, as growth in retained earnings was offset by the impact of growth in RWA due to increased on- and off-balance sheet exposures. Further, as mentioned above, the phase-out of the trust preferred securities from Tier 1 capital to Tier 2 capital resulted in an additional decline in the Tier 1 capital and Leverage ratios. The Total capital ratio increased slightly compared to December 31, 2015, due primarily to our \$750 million subordinated debt issuance in the second quarter of 2016. At September 30, 2016, our capital ratios were well above current regulatory requirements.

Our estimate of the fully phased-in CET1 ratio of 9.66% at September 30, 2016 considers a 250% risk-weighting for MSRs, which is the primary driver for the difference in the CET1 ratio at September 30, 2016 compared to the estimated fully phased-in ratio in the same period. Our estimated fully phased-in ratio is in excess of the 4.5% minimum CET1 ratio, and is also in excess of the 7.0% limit that includes the minimum level of 4.5% plus the 2.5% fully phased-in CCB. See Table 1, "Selected Financial Data and Reconciliation of Non-U.S. GAAP Measures," in this MD&A for a reconciliation of our fully phased-in CET1 ratio.

Capital Actions

We declared and paid common dividends of \$370 million, or \$0.74 per common share, during the nine months ended September 30, 2016, compared to \$352 million, or \$0.68 per common share, during the nine months ended September 30, 2015. We also recognized dividends on our preferred stock of \$49 million and \$48 million during the nine months ended September 30, 2016 and 2015, respectively.

Various regulations administered by federal and state bank regulatory authorities restrict the Bank's ability to distribute its retained earnings. At September 30, 2016 and December 31, 2015, the Bank's capacity to pay cash dividends to the Parent Company under these regulations totaled approximately \$2.3 billion and \$2.7 billion, respectively.

During the first quarter of 2016, we repurchased \$151 million of our outstanding common stock and \$24 million of our outstanding common stock warrants as part of our 2015 capital plan. During the second quarter of 2016, we repurchased an additional \$175 million of our outstanding common stock at market value, which completed our authorized \$875 million common equity repurchases as approved by the Board in conjunction with the 2015 capital plan.

In June 2016, we announced capital plans in response to the Federal Reserve's review of and non-objection to our capital plan submitted in conjunction with the 2016 CCAR. Our 2016 capital plan includes increases in our share repurchase program and quarterly common stock dividend, while maintaining the current level of preferred stock dividends. Specifically, the 2016 capital plan authorizes the repurchase of up to \$960 million of our outstanding common stock between the third quarter of 2016 and the second quarter of 2017, which we expect to conduct relatively evenly on a quarterly basis, as well as an 8% increase in our quarterly common stock dividend from \$0.24 per share to \$0.26 per share, beginning in the third quarter of 2016. During the third quarter of 2016, we repurchased \$240 million of our outstanding common stock at market value as part of this 2016 capital plan. During October of 2016, we repurchased an additional \$240 million of our outstanding common stock at market value as part of this capital plan.

See Item 5 and Note 13, "Capital," to the Consolidated Financial Statements in our 2015 Annual Report on Form 10-K, as well as Part II, Item 2 in this Form 10-Q for additional information regarding our 2015 capital plan and related share repurchase activity.

CRITICAL ACCOUNTING POLICIES

There have been no significant changes to our Critical Accounting Policies as described in our 2015 Annual Report on Form 10-K.

ENTERPRISE RISK MANAGEMENT

Except as noted below, there have been no other significant changes in our Enterprise Risk Management practices as described in our 2015 Annual Report on Form 10-K.

To ensure increased role clarity and enhanced independent oversight of risk-taking activity, the reporting relationship of all teammates with risk oversight responsibility were realigned under the CRO. To more accurately reflect its scope and mandate, Corporate Risk Management ("CRM") was renamed Enterprise Risk ("ER") in the second quarter of 2016.

Credit Risk Management

There have been no significant changes in our Credit Risk Management practices as described in our 2015 Annual Report on Form 10-K.

Operational Risk Management

There have been no significant changes in our Operational Risk Management practices as described in our 2015 Annual Report on Form 10-K.

Market Risk Management

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices, and other relevant market rates or prices. Interest rate risk, defined as the exposure of net interest income and MVE to changes in interest rates, is our primary market risk and mainly arises from the structure of our balance sheet. Variable rate loans, prior to any hedging related actions, were approximately 60% of total loans at September 30, 2016, and after giving consideration to hedging related actions, were approximately 45% of total loans. Approximately 7% of our variable rate loans at September 30, 2016 had coupon rates that were equal to a contractually specified interest rate floor. In addition to interest rate risk, we are also exposed to market risk in our trading instruments measured at fair value. Our ALCO meets regularly and is responsible for reviewing our open market positions and establishing policies to monitor and limit exposure to market risk.

Market Risk from Non-Trading Activities

The primary goal of interest rate risk management is to control exposure to interest rate risk, within policy limits approved by the Board. These limits and guidelines reflect our appetite for interest rate risk over both short-term and long-term horizons. No limit breaches occurred during the nine months ended September 30, 2016.

The major sources of our non-trading interest rate risk are timing differences in the maturity and repricing characteristics of assets and liabilities, changes in the shape of the yield curve, and the potential exercise of freestanding or embedded options. We measure these risks and their impact by identifying and quantifying exposures through the use of sophisticated simulation and valuation models, which, as described in additional detail below, are employed by management to understand net interest income sensitivity and MVE sensitivity. These measures show that our interest rate risk profile is moderately asset sensitive at September 30, 2016.

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

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

One of the primary methods that we use to quantify and manage interest rate risk is simulation analysis, which we use to model net interest income from assets, liabilities, and derivative positions under various interest rate scenarios and balance sheet structures. This analysis measures the sensitivity of net interest income over a two-year time horizon, which differs from the interest rate sensitivities in Table 13, which reflect a one-year time horizon. Key assumptions in the simulation analysis (and in the valuation analysis discussed below) relate to the behavior of interest rates and spreads, the changes in product balances, and the behavior of loan and deposit clients in different rate environments. This analysis incorporates several assumptions, the most significant of which relate to the repricing and behavioral fluctuations of deposits with indeterminate or non-contractual maturities.

As the future path of interest rates is not known, we use simulation analysis to project net interest income under various scenarios including implied forward, deliberately extreme, and other scenarios that are unlikely. The analyses may include rapid and gradual ramping of interest rates, rate shocks, basis risk analysis, and yield curve twists. Specific strategies are also analyzed to determine their impact on net interest income levels and sensitivities.

The sensitivity analysis presented in Table 13 is measured as a percentage change in net interest income due to instantaneous moves in benchmark interest rates. Estimated changes below are dependent upon material assumptions such as those previously discussed.

Net Interest Income Asset
Sensitivity

Table 13

Estimated % Change in
Net Interest Income Over 12 Months ¹
September 30, 2016 December 31, 2015

Rate Change

+200 bps	3.6%	5.7%
+100 bps	2.1%	3.0%
-25 bps	(0.7)%	(1.2)%

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

Net interest income asset sensitivity at September 30, 2016 decreased compared to December 31, 2015. This decrease resulted from an increase in the notional balance of received-fixed swaps, growth in fixed rate assets, and an increase in floating rate liabilities during the first nine months of 2016. See additional discussion related to net interest income in the "Net Interest Income/Margin" section of this MD&A.

We also perform valuation analyses, which we use for discerning levels of risk present in the balance sheet and derivative positions that might not be taken into account in the net interest income simulation horizon. Whereas a net interest income simulation highlights exposures over a relatively short time horizon, our valuation analysis incorporates all cash flows over the estimated remaining life of all balance sheet and derivative positions.

The valuation of the balance sheet, at a point in time, is defined as the discounted present value of asset and derivative cash flows minus the discounted present value of liability cash flows, the net of which is referred to as MVE. The sensitivity of MVE to changes in the level of interest rates is a measure of the

longer-term repricing risk and options risk embedded in the balance sheet. Similar to the net interest income simulation, MVE uses instantaneous changes in rates. However, MVE values only the current balance sheet and does not incorporate originations of new/replacement business or balance sheet growth that are used in the net interest income simulation model. As with the net interest income simulation model, assumptions about the timing and variability of balance sheet cash flows are critical in the MVE analysis. Significant MVE assumptions include those that drive prepayment speeds, expected changes in balances, and pricing of the indeterminate deposit portfolios. At September 30, 2016, the MVE profile in Table 14 indicates a decline in net balance sheet value due to instantaneous upward changes in rates. This MVE sensitivity is reported for both upward and downward rate shocks.

Market Value of Equity
Sensitivity

Table 14

Estimated % Change in MVE
September 30, 2016 December 31, 2015

Rate Change

+200 bps	(7.3)%	(8.2)%
+100 bps	(2.9)%	(3.7)%
-25 bps	0.3%	0.7%

The decrease in MVE sensitivity at September 30, 2016 compared to December 31, 2015 was due to lower balance sheet duration, primarily from (i) lower long-term interest rates, which drive faster prepayment speeds on mortgage loans and securities, and (ii) the implementation of the annual update on client deposit behaviors on indeterminate maturity deposits. The 10-year swap rate at September 30, 2016 declined 72 basis points to 1.46%, compared to 2.18% at December 31, 2015. Updated deposit assumptions reflect increasing balances and slower decays, which lengthens deposit lives, thereby shortening overall balance sheet duration. While an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these rate scenarios, we believe that a gradual shift in interest rates would have a much more modest impact.

Since MVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in MVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Furthermore, MVE does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could mitigate the impact of changes in interest rates. The net interest income simulation and valuation analyses do not include actions that management may undertake to manage this risk in response to anticipated changes in interest rates.

Market Risk from Trading Activities

We manage market risk associated with trading activities using a comprehensive risk management approach, which includes VAR metrics, stress testing, and sensitivity analyses. Risk metrics are measured and monitored on a daily basis at both the trading desk and at the aggregate portfolio level to ensure exposures are in line with our risk appetite. Our risk measurement for covered positions takes into account trading exposures

resulting from interest rate risk, equity risk, foreign exchange rate risk, credit spread risk, and commodity price risk. For trading portfolios, VAR measures the estimated maximum loss from a trading position, given a specified confidence level and time horizon. VAR results are monitored daily against established limits. For risk management purposes, our VAR calculation is based on a historical simulation and measures the potential trading losses using a one-day holding period at a one-tail, 99% confidence level. This means that, on average, trading losses are expected to exceed VAR one out of 100 trading days or two to three times per year. Due to inherent VAR limitations, such as the assumption that past market behavior is indicative of future market performance, VAR is only one of several tools used to manage market risk. Other tools used to actively manage market risk include scenario analysis, stress testing, profit and loss attribution, and stop loss limits.

In addition to VAR, as required by the Market Risk Rule issued by the U.S. banking regulators, we calculate Stressed VAR, which is used as a component of the total market risk capital charge. We calculate the Stressed VAR risk measure using a ten-day holding period at a one-tail, 99% confidence level and employ a historical simulation approach based on a continuous twelve-month historical window. The historical period used in the selection of the stress window encompasses all recent financial crises including the 2008-2009 global financial crisis, which captures the most significant period of financial stress applicable to our specific portfolio. Our Stressed VAR calculation uses the same methodology and models as regular VAR, which is a requirement under the Market Risk Rule.

Table 15 presents VAR and Stressed VAR for the three and nine months ended September 30, 2016 and 2015, as well as VAR by Risk Factor at September 30, 2016 and 2015.

Value at Risk Profile Table 15

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
VAR (1-day holding period):				
Period end	\$2	\$2	\$2	\$2
High	3	3	3	3
Low	1	2	1	2
Average	2	2	3	2

Stressed VAR (10-day holding period):				
Period end	\$72	\$39	\$72	\$39
High	87	81	87	104
Low	11	29	8	24
Average	39	47	31	57

VAR by Risk Factor at period end (1-day holding period):		
Equity risk	\$1	\$1
Interest rate risk	2	2
Credit spread risk	5	2
VAR total at period end (1-day diversified)	2	2

The trading portfolio, measured in terms of VAR, is predominantly comprised of four sub-portfolios of covered positions: (i) credit trading, (ii) fixed income securities, (iii) interest rate derivatives, and (iv) equity derivatives. The trading portfolio also contains other sub-portfolios, including foreign exchange and commodities; however, these

trading risk exposures are not material. Our covered positions originate primarily from underwriting, market making and associated risk mitigating hedging activity, and other services for our clients. As illustrated in Table 15, there was a modest increase in average daily VAR for the nine months ended September 30, 2016 compared to the same period of 2015, while the average daily VAR for the three months ended September 30, 2016 remained at the same level year-over-year. The period end VAR at September 30, 2016 was \$2 million, unchanged compared to September 30, 2015. Continued risk mitigating activities within our equity derivatives business since the second half of 2015 contributed to a lower average Stressed VAR for the three and nine months ended September 30, 2016 compared to the same periods of 2015. The period end Stressed VAR at September 30, 2016 was higher compared to September 30, 2015 primarily due to an increase in balance sheet usage within the credit trading business during the third quarter of 2016 in response to increased client demand and more favorable market conditions. Additionally, period end Stressed VaR at September 30, 2016 reflected the temporary impact of maturing positions in the equity derivatives portfolio. The trading portfolio of covered positions did not contain any correlation trading positions or on- or off-balance sheet securitization positions in 2015 or the nine months ended September 30, 2016.

In accordance with the Market Risk Rule, we evaluate the accuracy of our VAR model through daily backtesting by comparing daily trading gains and losses (excluding fees, commissions, reserves, net interest income, and intraday trading) from covered positions with the corresponding daily VAR-based measures derived from the model. As illustrated in the following graph for the twelve months ended September 30, 2016, there were no VAR backtesting exceptions during this period. The total number of VAR backtesting exceptions over the preceding 12 months is used to determine the multiplication factor for the VAR-based capital requirement under the Market Risk Rule. The capital multiplication factor increases from a minimum of three to a maximum of four, depending on the number of exceptions. There was no change in the capital multiplication factor over the preceding 12 months.

We have valuation policies, procedures, and methodologies for all covered positions. Additionally, trading positions are reported in accordance with U.S. GAAP and are subject to independent price verification. See Note 13, "Derivative Financial Instruments" and Note 14, "Fair Value Election and Measurement" to the Consolidated Financial Statements in this Form 10-Q, as well as the "Critical Accounting Policies" MD&A section in our 2015 Annual Report on Form 10-K for discussion of valuation policies, procedures, and methodologies.

Model risk management: Our approach for validating and evaluating the accuracy of internal and external models, and associated processes, includes developmental and implementation testing as well as ongoing monitoring and maintenance performed by the various model developers in conjunction with model owners. The MRMG is responsible for the independent model validation for trading risk models. The validation typically includes evaluation of all model documentation, as well as model monitoring and maintenance plans. In addition, the MRMG performs its own independent testing. We regularly review the performance of all trading risk models through our model monitoring and maintenance process to preemptively address emerging developments in financial markets, assess evolving modeling approaches, and to identify potential model enhancement.

Stress testing: We use a comprehensive range of stress testing techniques to help monitor risks across trading desks and to augment standard daily VAR and other risk limits reporting. The stress testing framework is designed to quantify the impact of extreme, but plausible, stress scenarios that could lead to large unexpected losses. Our stress tests include historical repeats and simulations using hypothetical risk factor shocks. All trading positions within each applicable market risk category (interest rate risk, equity risk, foreign exchange rate risk, credit spread risk, and commodity price risk) are included in our comprehensive stress testing framework. We review stress testing scenarios on an ongoing basis and make updates as necessary to ensure that both current and emerging risks are captured appropriately.

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

Liquidity Risk Management

Liquidity risk is the risk of being unable, at a reasonable cost, to meet financial obligations as they come due. We manage liquidity risk consistent with our ER management practices in order to mitigate our three primary liquidity risks: (i) structural liquidity risk, (ii) market liquidity risk, and (iii) contingent liquidity risk. Structural liquidity risk arises from our maturity transformation activities and balance sheet structure, which may create differences in the timing of cash inflows and outflows. Market liquidity risk, which we also describe as refinancing or refunding risk, constitutes the risk that we could lose access to the financial markets or the cost of such access may rise to undesirable levels. Contingent liquidity risk arises from rare and severely adverse liquidity events; these events may be idiosyncratic or systemic, or a combination thereof.

We mitigate these risks utilizing a variety of tested liquidity management techniques in keeping with regulatory guidance and industry best practices. For example, we mitigate structural liquidity risk by structuring our balance sheet prudently so that we fund less liquid assets, such as loans, with stable funding sources, such as consumer and commercial deposits, long-term debt, and capital. We mitigate market liquidity risk by maintaining diverse borrowing resources to fund projected cash needs and structuring our liabilities to avoid maturity concentrations. We test contingent liquidity risk from a range of potential adverse circumstances in our contingency funding scenarios. These scenarios inform the amount of contingency liquidity sources we maintain as a liquidity buffer to ensure we can meet our obligations in a timely manner under adverse contingent liquidity events.

Governance. We maintain a comprehensive liquidity risk governance structure in keeping with regulatory guidance and industry best practices. Our Board, through the BRC, oversees liquidity risk management and establishes our liquidity risk appetite via a set of cascading risk limits. The BRC reviews and approves risk policies to establish these limits and regularly reviews reports prepared by senior management to monitor compliance with these policies. The Board charges the CEO with determining corporate strategies in accordance with its risk appetite and the CEO is a member of our ALCO, which is the executive level committee with oversight of liquidity risk management. The ALCO regularly monitors our liquidity and compliance with liquidity risk limits, and also reviews and approves liquidity management strategies and tactics.

Management and Reporting Framework. Corporate Treasury, under the oversight of the ALCO, is responsible for managing consolidated liquidity risks we encounter in the course of our business. In so doing, Corporate Treasury develops and implements short-term and long-term liquidity management strategies, funding plans, and liquidity stress tests, and also monitors early warning indicators; all of which assist in identifying, measuring, monitoring, reporting, and managing our liquidity risks. Corporate Treasury primarily monitors and manages liquidity risk at the Parent Company and Bank levels as the non-bank subsidiaries are relatively small and ultimately rely upon the Parent Company as a source of liquidity in adverse environments. However, Corporate Treasury also monitors

liquidity developments of, and maintains a regular dialogue with, our other legal entities.

MRM conducts independent oversight and governance of liquidity risk management activities. For example, MRM works with Corporate Treasury to ensure our liquidity risk management practices conform to applicable laws and regulations and evaluates key assumptions incorporated in our contingency funding scenarios.

Further, the internal audit function performs the risk assurance role for liquidity risk management. Internal audit conducts an independent assessment of the adequacy of internal controls, including procedural documentation, approval processes, reconciliations, and other mechanisms employed by liquidity risk management and MRM to ensure that liquidity risk is consistent with applicable policies, procedures, laws, and regulations.

LCR requirements under Regulation WW became effective for us on January 1, 2016. The LCR requires banking organizations to hold unencumbered high-quality liquid assets sufficient to withstand projected cash outflows under a prescribed liquidity stress scenario. Regulation WW will be phased in as specified by the regulatory requirements and requires that we maintain an LCR above 90% during 2016 and 100% beginning January 1, 2017. We expect to meet or exceed LCR requirements within the regulatory timelines. At September 30, 2016, our LCR was above 90%.

On May 3, 2016, Federal banking regulators moved forward with a joint proposed rule that would implement a stable funding requirement, the net stable funding ratio ("NSFR"), for large and internationally active banking organizations, and would modify certain definitions in the LCR Final Rule which was finalized in September 2014. The proposed NSFR requirement seeks to (i) reduce vulnerability to liquidity risk in financial institution funding structures and (ii)

promote improved standardization in the measurement, management and disclosure of liquidity risk. It would apply to the same large and internationally active banking organizations that are subject to the LCR rule, but with a broader focus. It seeks to require stable funding relative to each bank's entire balance sheet using a one-year time horizon rather than the LCR's short-term, 30-day stress test requirement. The proposed rule contains an implementation date of January 1, 2018.

Uses of Funds. Our primary uses of funds include the extension of loans and credit, the purchase of investment securities, working capital, and debt and capital service. The Bank and the Parent Company borrow from the money markets using instruments such as Fed funds, Eurodollars, and securities sold under agreements to repurchase. At September 30, 2016, the Bank retained a material cash position in its Federal Reserve account. The Parent Company also retains a material cash position in its Federal Reserve account in accordance with our policies and risk limits, discussed in greater detail below.

Sources of Funds. Our primary source of funds is a large, stable deposit base. Core deposits, predominantly made up of consumer and commercial deposits originated primarily from our retail branch network and Wholesale Banking client base, are our largest and most cost-effective source of funding. Total deposits

increased to \$158.8 billion at September 30, 2016, from \$149.8 billion at December 31, 2015.

We also maintain access to diversified sources for both secured and unsecured wholesale funding. These uncommitted sources include Fed funds purchased from other banks, securities sold under agreements to repurchase, FHLB advances, and global bank notes. Aggregate borrowings increased to \$16.8 billion at September 30, 2016, from \$13.1 billion at December 31, 2015. This increase in aggregate borrowings was due to growth in both lending activity and the high-quality, liquid asset portfolio.

As mentioned above, the Bank and Parent Company maintain programs to access the debt capital markets. The Parent Company maintains an SEC shelf registration from which it may issue senior or subordinated notes and various capital securities, such as common or preferred stock. Our Board has authorized the issuance of up to \$5.0 billion of such securities, of which \$4.0 billion of issuance capacity remained available at September 30, 2016. In February 2016, the Parent Company issued \$1.0 billion of 5-year fixed rate senior notes.

The Bank maintains a global bank note program under which it may issue senior or subordinated debt with various terms. In May 2016, the Bank issued \$750 million of 10-year fixed rate subordinated notes under this program. At September 30, 2016, the Bank retained \$35.8 billion of remaining capacity to issue notes under the global bank note program.

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

We assess liquidity needs that may occur in both the normal course of business and during times of unusual, adverse events, considering both on and off-balance sheet arrangements and commitments that may impact liquidity in certain business environments. We have contingency funding scenarios and plans that assess liquidity needs that may arise from certain stress events such as severe economic recessions, financial market disruptions, and credit rating downgrades. In particular, a ratings downgrade could adversely impact the cost and availability of

some of our liquid funding sources. Factors that affect our credit ratings include, but are not limited to, the credit risk profile of our assets, the adequacy of our ALLL, the level and stability of our earnings, the liquidity profile of both the Bank and the Parent Company, the economic environment, and the adequacy of our capital base.

As illustrated in Table 16, Moody's, S&P, and Fitch all assigned a "Stable" outlook on our credit ratings based on our improved earnings profile, good asset quality performance, solid liquidity profile, and sound capital position. Future credit rating downgrades are possible, although not currently anticipated given these "Stable" credit rating outlooks.

Credit Ratings and Outlook	Table 16		
	September 30, 2016		
	Moody's	S&P	Fitch

SunTrust Banks, Inc.:

Senior debt	Baa1	BBB+	A-
Preferred stock	Baa3	BB+	BB

SunTrust Bank:

Long-term deposits	A1	A-	A
Short-term deposits	P-1	A-2	F1
Senior debt	Baa1	A-	A-
Outlook	Stable	Stable	Stable

Our investment portfolio is a use of funds and we manage the portfolio primarily as a store of liquidity, maintaining the majority of our securities in liquid and high-grade asset classes, such as agency MBS, agency debt, and U.S. Treasury securities; nearly all of these securities qualify as high-quality liquid assets under the U.S. LCR Final Rule. At September 30, 2016, our securities AFS portfolio contained \$25.0 billion of unencumbered high-quality, liquid

securities at market value.

As mentioned above, we maintain contingency funding scenarios to anticipate and manage the likely impact of impaired capital markets access and other adverse liquidity circumstances. Our contingency plans also provide for continuous monitoring of net borrowed funds dependence and available sources of contingency liquidity. These sources of contingency liquidity include available cash reserves, the ability to sell, pledge, or borrow against unencumbered securities in our investment portfolio, the capacity to borrow from the FHLB system or the Federal Reserve discount window, and the ability to sell or securitize certain loan portfolios.

Table 17 presents period end and average balances for our contingency liquidity sources for the third quarter of 2016 and 2015. These sources exceed our contingent liquidity needs as measured in our contingency funding scenarios.

Contingency Liquidity Sources

Table 17

(Dollars in billions)	As of		Average for the Three Months Ended ¹	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Excess reserves	\$5.7	\$2.3	\$3.4	\$3.8
Free and liquid investment portfolio securities	25.0	23.5	25.0	23.8
Unused FHLB borrowing capacity	23.7	19.6	22.6	17.9
Unused discount window borrowing capacity	17.1	17.0	17.5	17.0
Total	\$71.5	\$62.4	\$68.5	\$62.5

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

Parent Company Liquidity. Our primary measure of Parent Company liquidity is the length of time the Parent Company can meet its existing and forecasted obligations using its cash resources. We measure and manage this metric using forecasts from both normal and adverse conditions. Under adverse conditions, we measure how long the Parent Company can meet its capital and debt service obligations after experiencing material attrition of short-term unsecured funding and without the support of dividends from the Bank or access to the capital markets. In accordance with these risk limits established by ALCO and the Board, we manage the Parent Company's liquidity by structuring its net maturity schedule to minimize the amount of debt maturing within a short period of time. A majority of the Parent Company's liabilities are long-term in nature, coming from the proceeds of issuances of our capital securities and long-term senior and subordinated notes. See the "Borrowings" section of this MD&A, as well as Note 11, "Borrowings and Contractual Commitments," to the Consolidated Financial Statements in our 2015 Annual Report on Form 10-K for further information regarding our debt.

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

The primary uses of Parent Company liquidity include debt service, dividends on capital instruments, the periodic purchase

of investment securities, loans to our subsidiaries, and common share repurchases. See further details of the authorized common share repurchases in the "Capital Resources" section of this MD&A and in Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds" in this Form 10-Q. We fund corporate dividends with Parent Company cash, the primary sources of which are dividends from our banking subsidiary and proceeds from the issuance of debt and capital securities. We are subject to both state and federal banking regulations that limit our ability to pay common stock dividends in certain circumstances.

Other Liquidity Considerations. As presented in Table 18, we had an aggregate potential obligation of \$89.7 billion to our clients in unused lines of credit at September 30, 2016. Commitments to extend credit are arrangements to lend to clients who have complied with predetermined contractual obligations. We also had \$2.8 billion in letters of credit outstanding at September 30, 2016, most of which are standby letters of credit, which require that we provide funding if certain future events occur. Approximately \$464 million of these letters supported variable rate demand obligations at September 30, 2016. Unused commercial lines of credit have decreased since December 31, 2015, driven by revolver utilization. Unused credit card lines increased since December 31, 2015 due to our strategic focus on growing this business and our launch of new, streamlined credit card product offerings in 2015. Additionally, our mortgage commitments increased since December 31, 2015 due to higher purchase and refinance production volume driven by the low interest rate environment.

Unfunded Lending Commitments (Dollars in millions)	Table 18			
	As of		Average for the Three	
	September 30, 2016	December 31, 2015	Months Ended September 30, 2016	Months Ended September 30, 2015
Unused lines of credit:				
Commercial	\$57,927	\$58,855	\$57,175	\$55,671
Mortgage commitments ¹	7,488	3,232	7,222	4,459
Home equity lines	10,370	10,523	10,420	10,675
CRE	4,303	4,455	4,485	3,710
Credit card	9,655	8,478	9,495	7,725
Total unused lines of credit	\$89,743	\$85,543	\$88,797	\$82,240
Letters of credit:				
Financial standby	\$2,656	\$2,775	\$2,662	\$2,780
Performance standby	131	137	129	137
Commercial	19	27	17	30
Total letters of credit	\$2,806	\$2,939	\$2,808	\$2,947

¹ Includes IRLCs and forward loan sales commitments with notional balances of \$5.1 billion and \$2.3 billion at September 30, 2016 and December 31, 2015, respectively.

Other Market Risk

Except as discussed below, there have been no other significant changes to other market risk as described in our 2015 Annual Report on Form 10-K.

MSRs are measured at fair value and totaled \$1.1 billion and \$1.3 billion at September 30, 2016 and December 31, 2015, respectively, and are managed within established risk limits and monitored as part of an established governance process.

We originated MSRs with fair values at the time of origination of \$88 million and \$198 million during the three and nine months ended September 30, 2016, respectively, and \$68 million and \$185 million during the three and nine months ended September 30, 2015, respectively. Additionally, we purchased MSRs with fair values of approximately \$27 million and \$104 million during the three and nine months ended September 30, 2016, respectively, and \$109 million during the nine months ended September 30, 2015. No MSRs were purchased during the three months ended September 30, 2015.

We recognized mark-to-market decreases in the fair value of the MSR portfolio of \$56 million and \$488 million during the three and nine months ended September 30, 2016, respectively. During the three and nine months ended September 30, 2015, we recognized mark-to-market decreases of \$198 million and \$235 million in the fair value of the MSR portfolio, respectively. Changes in fair value include the decay resulting from the realization of monthly net servicing cash flows. We recognized net losses related to MSRs, inclusive of decay and related hedges, of \$44 million and \$107 million for the three and nine months ended September 30, 2016, and net losses of \$47 million and \$137 million for the three and nine months ended September 30, 2015, respectively. Compared to the prior year quarter, the decrease in net losses related to MSRs was primarily driven by stronger net hedge performance. Compared to the nine months ended September 30, 2015, the decrease in net losses related to MSRs was primarily driven by lower decay along with improved net hedge performance.

OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business we engage in certain activities that are not reflected in our Consolidated Balance Sheets, generally referred to as "off-balance sheet arrangements." These activities involve transactions with unconsolidated VIEs as well as other arrangements, such as commitments and guarantees, to meet the financing needs of our customers and to support ongoing operations. Additional information regarding these types of activities is included in the "Borrowings" and "Liquidity Risk Management" sections of this MD&A, Note 8, "Certain Transfers of

Financial Assets and Variable Interest Entities,” and Note 12, “Guarantees,” to the Consolidated Financial Statements in this Form 10-Q, as well as in our 2015 Annual Report on Form 10-K.

Contractual Obligations

In the normal course of business, we enter into certain contractual obligations, including obligations to make future payments on debt and lease arrangements, as well as contractual commitments for capital expenditures and service contracts.

Except for changes in unfunded lending commitments (presented in Table 18 within the "Liquidity Risk Management" section of this MD&A), borrowings (presented in the "Borrowings" section of this MD&A), and pension and other postretirement benefit plans (disclosed in Note 11, "Employee Benefit Plans," to the Consolidated Financial Statements in this Form 10-Q), there have been no material changes in our contractual obligations from those disclosed in our 2015 Annual Report on Form 10-K.

BUSINESS SEGMENTS

Table 19 presents net income for our reportable business segments:

Net Income by Business Segment

Table
19

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2016	2015	2016	2015
Consumer Banking and Private Wealth Management	\$180	\$201	\$522	\$545
Wholesale Banking	224	236	601	737
Mortgage Banking	52	106	162	219
Corporate Other	27	44	137	129
Reconciling Items ¹	(9)	(50)	(9)	(181)
Total Corporate Other	18	(6)	128	(52)
Consolidated Net Income	\$474	\$537	\$1,413	\$1,449

¹ Includes differences between net income reported for each business segment using management accounting practices and U.S. GAAP. Prior period information has been restated to reflect changes in internal reporting methodology. See additional information in Note 16, "Business Segment Reporting," to the Consolidated Financial Statements in this Form 10-Q.

Table 20 presents average loans and average deposits for our reportable business segments:

Average Loans and Deposits by Business Segment

Table 20

	Three Months Ended September 30			
(Dollars in millions)	Average Loans		Average Consumer and Commercial Deposits	
	2016	2015	2016	2015
Consumer Banking and Private Wealth Management	\$43,405	\$40,189	\$95,924	\$91,039
Wholesale Banking	71,634	67,291	55,921	51,194
Mortgage Banking	27,146	25,299	3,374	2,918
Corporate Other	72	58	94	75
	Nine Months Ended September 30			
(Dollars in millions)	Average Loans		Average Consumer and Commercial Deposits	
	2016	2015	2016	2015
Consumer Banking and Private Wealth Management	\$42,502	\$40,539	\$95,389	\$90,919
Wholesale Banking	71,499	67,565	54,564	49,142
Mortgage Banking	26,563	24,847	2,896	2,754
Corporate Other	64	49	62	54

See Note 16, "Business Segment Reporting," to the Consolidated Financial Statements in this Form 10-Q for a discussion of our segment structure, basis of presentation, and internal management reporting methodologies.

BUSINESS SEGMENT RESULTS

Nine Months Ended September 30, 2016 vs. Nine Months Ended September 30, 2015

Consumer Banking and Private Wealth Management

Consumer Banking and Private Wealth Management reported net income of \$522 million for the nine months ended September 30, 2016, a decrease of \$23 million, or 4%, compared to the same period in 2015, driven by increased noninterest expense and decreased noninterest income, partially offset by higher net interest income.

Net interest income was \$2.1 billion, an increase of \$96 million, or 5%, compared to the same period in 2015, primarily driven by an increase in average loan and deposit growth, favorable deposit product mix, and improved loan spreads, partially offset by lower deposit spreads. Net interest income related to deposits increased \$57 million, or 4%, driven by a \$4.5 billion, or 5%, increase in average deposit balances. Net interest income related to loans increased \$41 million, or 5%, largely driven by a \$2.0 billion, or 5%, increase in average loan balances.

Provision for credit losses was \$107 million, an increase of \$6 million, or 6%, compared to the same period in 2015, driven primarily by an increase in net charge-offs.

Total noninterest income was \$1.1 billion, a decrease of \$28 million, or 2%, compared to the same period in 2015.

The decrease was largely driven by lower wealth management-related income due to lower transactional volumes and lower average assets under management. Other miscellaneous income decreased due to an asset impairment recognized in 2016 and the impact of loan sale gains recognized in 2015. These decreases were partially offset by increased service charges on deposits, card services income, and ATM fees.

Total noninterest expense was \$2.3 billion, an increase of \$98 million, or 4%, compared to the same period in 2015.

The increase was primarily driven by higher allocated functional support costs, increased occupancy expense, outside processing expense, and increases in other noninterest expense categories.

Wholesale Banking

Wholesale Banking reported net income of \$601 million for the nine months ended September 30, 2016, a decrease of \$136 million, or 18%, compared to the same period in 2015. The decrease in net income was attributable to an increase in provision for credit losses and higher noninterest expense, which were partially offset by an increase in net interest income.

Net interest income was \$1.5 billion, an increase of \$33 million, or 2%, compared to the same period in 2015, primarily driven by an increase in average deposit balances. Deposit-related net interest income increased \$39 million as average deposit balances grew \$5.4 billion, or 11%. Combined average balance growth in interest-bearing transaction accounts and money market accounts increased \$5.3 billion, or 21%. Average loans grew \$3.9 billion, or 6%, primarily led by C&I loans; however, net interest income growth related to loans was mitigated due to lower loan spreads.

Provision for credit losses was \$253 million, an increase of \$180 million, compared to the same period in 2015. The increase was due primarily to higher energy-related charge-offs and related reserves, as well as loan growth.

Total noninterest income was \$906 million, a decrease of \$8 million, or 1%, compared to the same period in 2015.

The decrease was due to lower card fees and lower leasing-related income, which were offset by higher investment banking, trading income, and non-margin loan fees. See additional discussion related to trading income in the "Noninterest Income" section of this MD&A.

Total noninterest expense was \$1.3 billion, an increase of \$88 million, or 8%, compared to the same period in 2015.

The increase was primarily due to an increase in employee compensation as we continue to invest in talent to meet our clients' needs and augment our capabilities, higher amortization expenses associated with our new market tax credit investments (offsetting benefit in tax credits), and increased investment related expense in our loan origination and treasury payments platform along with increased FDIC insurance premiums.

Mortgage Banking

Mortgage Banking reported net income of \$162 million for the nine months ended September 30, 2016, a decrease of \$57 million, or 26%, compared to the same period in 2015. The \$57 million decrease is due to higher noninterest expense, lower benefit from credit losses, and lower net interest income, partially offset by higher noninterest income.

Net interest income was \$334 million, a decrease of \$32 million, or 9%, compared to the same period in 2015. The decrease was predominantly due to lower net interest income on loans and LHFS. Net interest income on loans decreased \$32 million, or 12%, due to lower spreads on residential mortgages, partially offset by a \$1.7 billion, or 7%, increase in average loan balances. Compared to the same period in 2015, net interest income on LHFS decreased \$4 million due to lower spreads, partially offset by higher average balances while net interest income on deposits increased \$7 million due to growth in both balances and spreads.

Provision for credit losses was a benefit of \$17 million, a decrease of \$44 million, or 72%, compared to the same period in 2015 due to moderating asset quality improvements.

Total noninterest income was \$457 million, an increase of \$111 million, or 32%, compared to the same period in 2015. The increase was driven by higher mortgage production and servicing income. Mortgage production-related income increased \$72 million compared to the same period in 2015, due to higher production volume and higher gain on sale margins. Loan originations were \$20.7 billion, an increase of \$2.9 billion, or 16%, compared to the same period in 2015. Mortgage servicing-related income was \$164 million, an increase of \$50 million, or 44%, compared to the same period in 2015. The increase was driven primarily by favorable net hedge performance, higher servicing fees, and lower decay expense. Total loans serviced were \$154.0 billion at September 30, 2016, compared to \$149.2 billion at September 30, 2015, an increase of 3%.

Total noninterest expense was \$547 million, an increase of \$37 million, or 7%, compared to the same period in 2015.

The increase was due to a \$42 million increase in operating losses from the favorable resolution of legacy mortgage-related matters in the prior year, partially offset by a \$14 million decrease in staff expenses.

Corporate Other

Corporate Other net income was \$137 million for the nine months ended September 30, 2016, an increase of \$8 million, or 6%, compared to the same period in 2015. The increase in net income was primarily due to discrete tax benefits and lower cost allocations during the current period.

Net interest income was \$81 million, a decrease of \$27 million, or 25%, compared to the same period in 2015. The decrease was driven by lower spreads on mortgage backed securities and funding liabilities, which were partially offset by higher swap-related income. Average long-term debt decreased \$1.3 billion, or 12%, and average short-term borrowings decreased \$0.5 billion, or 21%, compared to the same period in 2015, driven by balance sheet management activities. Net interest income within reconciling items improved compared to the same period in 2015 driven by the funds transfer pricing

residual, which became less negative as the average funds transfer pricing rate charged for segment assets increased more than the average funds transfer pricing rate credited for segment liabilities.

Total noninterest income was \$112 million, a decrease of \$6 million, or 5%, compared to the same period in 2015.

The decrease was driven primarily by higher gains recognized in 2015 related to the disposition of the affordable housing investments, the sale of securities, and mark-to-market valuations on our fixed rate long-term debt measured at fair value, partially offset by the gain on the sale of one of our office buildings in 2016.

Total noninterest expense decreased \$21 million compared to the same period in 2015 due to lower allocated expenses, partially offset by higher FDIC-related expense tied to the increase in the large bank surcharge.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the "Enterprise Risk Management" section of the MD&A in this Form 10-Q, which is incorporated herein by reference.

Item 4. 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 September 30, 2016. 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 September 30, 2016.

Changes in Internal Control over Financial Reporting

There have been no changes to the Company's internal control over financial reporting during the nine months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Refer to the Company's 2015 Annual Report on Form 10-K for additional information.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company and its subsidiaries are parties to numerous claims and lawsuits arising in the normal course of its business activities, some of which involve claims for substantial amounts. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management that none of these matters, when resolved, will have a material effect on the Company's consolidated results of operations, cash flows, or financial condition. For additional information, see Note 15, "Contingencies," to the Consolidated Financial Statements in this Form 10-Q, which is incorporated herein by reference.

Item 1A. RISK FACTORS

The risks described in this report and in the Company's 2015 Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known, or that the Company currently deems to be immaterial, also may adversely affect the Company's business, financial condition, or future results. In addition to the other information set forth in this report, factors discussed in Part I, Item 1A., "Risk Factors," in the Company's 2015 Annual Report on Form 10-K, which could materially affect the Company's business, financial condition, or future results, should be carefully considered.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) Issuer Purchases of Equity Securities:

Table 21				
	Common Stock ¹		Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Equity that May Yet Be Purchased Under the Plans or Programs at Period End (in millions)
	Total Number of Shares Purchased	Average Price Paid per Share		
January 1 - 31 ²	4,224,215	\$35.37	4,224,215	\$180
February 1 - 29 ²	36,212	34.66	36,212	175
March 1 - 31	—	—	—	175
Total during first quarter of 2016	4,260,427	35.36	4,260,427	175
April 1 - 30	4,783,004	36.59	4,783,004	—
May 1 - 31	—	—	—	—
June 1 - 30	—	—	—	—
Total during second quarter of 2016	4,783,004	36.59	4,783,004	—
July 1 - 31	5,734,988	41.85	5,734,988	720
August 1 - 31	—	—	—	720

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September 1 - 30	—	—	—	720
Total during third quarter of 2016	5,734,988	41.85	5,734,988	720

Total year-to-date 2016 14,778,419 \$38.28 14,778,419 \$720

¹ During the three and nine months ended September 30, 2016, no shares of SunTrust common stock were surrendered by participants in SunTrust's employee stock option plans, where participants may pay the exercise price upon exercise of SunTrust stock options by surrendering shares of SunTrust common stock that the participant already owns. SunTrust considers any such shares surrendered by participants in SunTrust's employee stock option plans to be repurchased pursuant to the authority and terms of the applicable stock option plan rather than pursuant to publicly announced share repurchase programs.

² During the first quarter of 2016, the Company also repurchased \$24 million of its outstanding common stock warrants as part of its 2015 CCAR capital plan. In January 2016, 1,035,800 Series A warrants were repurchased at an average price paid of \$6.91 per warrant, and 4,272,780 Series B warrants were repurchased at an average price paid of \$3.14 per warrant. In February 2016, 14,451 Series A warrants were repurchased at an average price paid of \$7.18 per warrant, and 1,120,089 Series B warrants were repurchased at an average price paid of \$3.25 per warrant. No warrants were repurchased in March 2016, nor in the second or third quarters of 2016.

During the second quarter of 2016, the Company completed its repurchase of authorized common equity under the 2015 CCAR capital plan, which the Company initially announced on March 11, 2015 and which effectively expired on June 30, 2016.

On June 29, 2016, the Company announced that the Federal Reserve had no objections to the repurchase of up to \$960 million

of the Company's outstanding common stock to be completed between July 1, 2016 and June 30, 2017, as part of the Company's 2016 capital plan submitted in connection with the 2016 CCAR. During the third quarter of 2016, the Company repurchased \$240 million of its outstanding common stock at market value as part of this publicly announced plan. In October of 2016, the

Company repurchased an additional \$240 million of its outstanding common stock at market value as part of this publicly announced plan and the Company expects to repurchase approximately \$480 million of additional outstanding common stock through the end of the second quarter of 2017.

At September 30, 2016, 7.4 million warrants remained outstanding and the Company had authority from its Board to repurchase all of these outstanding stock purchase warrants; however, any such repurchase would be subject to the non-objection of the Federal Reserve through the capital planning and stress testing process.

SunTrust did not repurchase any shares of its Series A Preferred Stock Depositary Shares, Series B Preferred Stock, Series E Preferred Stock Depositary Shares, or Series F Preferred Stock Depositary Shares during the third quarter of 2016, and there was no unused Board authority to repurchase any shares of Series A Preferred Stock Depositary Shares, Series B Preferred Stock, Series E Preferred Stock Depositary Shares, or the Series F Preferred Stock Depositary Shares.

Refer to the Company's 2015 Annual Report on Form 10-K for additional information regarding the Company's equity securities.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit Description

- | | | |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 3.1 | Amended and Restated Articles of Incorporation, restated effective January 20, 2009, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed January 22, 2009, as further amended by Articles of Amendment dated December 13, 2012, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed December 20, 2012, and as further amended by Articles of Amendment dated November 6, 2014, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed November 7, 2014. | * |
| 3.2 | Bylaws of the Registrant, as amended and restated on August 11, 2015, incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q filed August 13, 2015. | * |
| 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. | ** |

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|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 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. | ** |

* incorporated by reference

** filed herewith

SIGNATURE

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.
(Registrant)

Dated: November 4, 2016 By: /s/ Thomas E. Panther
Thomas E. Panther,
Senior Vice President, Director of Corporate Finance and Controller
(on behalf of the Registrant and as Principal Accounting Officer)