SUNTRUST BANKS INC
Form 10-Q
November 07, 2014

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-08918

SUNTRUST BANKS, INC.
(Exact name of registrant as specified in its charter)

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

303 Peachtree Street, N.E., Atlanta, Georgia 30308
(Address of principal executive offices) (Zip Code)
(404) 588-7711
(Registrant’s telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
ý Yes ¨ No
Indicate by check mark 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 x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý
At October 31, 2014, 521,456,462 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 Management Committee.
ALM — Asset/Liability Management.
ALLL — Allowance for loan and lease losses.
AOCI — Accumulated other comprehensive income.
ASU — Accounting standards update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
Basel III — The third Basel Accord developed by the BCBS to strengthen existing regulatory capital requirements.
BCBS — Basel Committee on Banking Supervision.
Board — The Company's Board of Directors.
bps — Basis points.
BRC — Board Risk Committee.
CCAR — Comprehensive Capital Analysis and Review.
CDO — Collateralized debt obligation.
CD — Certificate of deposit.
CDR — Conditional default rate.
CDS — Credit default swaps.
CET 1 — Common Equity Tier 1 Capital.
CEO — Chief Executive Officer.
CFO — Chief Financial Officer.
CIB — Corporate and Investment Banking.
C&I — Commercial and Industrial.
Class A shares — Visa Inc. Class A common stock.
Class B shares —Visa Inc. Class B common stock.
CLO — Collateralized loan obligation.
Company — SunTrust Banks, Inc.
CP — Commercial paper.
CPR — Conditional prepayment rate.
CRE — Commercial real estate.
CSA — Credit support annex.
DDA — Demand deposit account.
Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DOJ — Department of Justice.
DTA — Deferred tax asset.
EPS — Earnings per share.
ERISA — Employee Retirement Income Security Act of 1974.
Exchange Act — Securities Exchange Act of 1934.

Fannie Mae — The Federal National Mortgage Association.
Freddie Mac — The Federal Home Loan Mortgage Corporation.
FASB — Financial Accounting Standards Board.
FDIC — The Federal Deposit Insurance Corporation.
Federal Reserve — The Board of Governors of the Federal Reserve System.
Fed funds — Federal funds.
FHA — Federal Housing Administration.
FHLB — Federal Home Loan Bank.
FICO — Fair Isaac Corporation.
Fitch — Fitch Ratings Ltd.
Form 8-K and other legacy mortgage-related items — Items disclosed in Form 8-K filed with the SEC on September 9, 2014, July 3, 2014, or October 10, 2013, and other legacy mortgage-related items.
FRB — Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GenSpring — GenSpring Family Offices, LLC.
Ginnie Mae — The Government National Mortgage Association.
GSE — Government-sponsored enterprise.
HAMP — Home Affordable Modification Program.
HUD — U.S. Department of Housing and Urban Development.
IPO — Initial public offering.
IRLC — Interest rate lock commitment.
ISDA — International Swaps and Derivatives Association.
LCR — Liquidity coverage ratio.
LGD — Loss given default.
LHFI — Loans held for investment.
LHFS — Loans held for sale.
LIBOR —London InterBank Offered Rate.
LOCOM – Lower of cost or market.
LTI — Long-term incentive.
LTV— Loan to value.
MBS — Mortgage-backed securities.
MD&A — Management’s Discussion and Analysis of Financial Condition and Results of Operations.
MI — Mortgage insurance.
Moody’s — Moody’s Investors Service.
MRA — Master Repurchase Agreement.
MRM — Market Risk Management.
MRMG — Model Risk Management Group.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NCF — National Commerce Financial Corporation.
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 of SunTrust Banks, Inc.
PD — Probability of default.
QSPE — Qualifying special-purpose entity.
REIT — Real estate investment trust.
RidgeWorth — RidgeWorth Capital Management, Inc.
ROA — Return on average total assets.
ROE — Return on average common shareholders’ equity.
ROTCE — Return on average tangible common shareholders' equity.
RSU — Restricted stock unit.
RWA — Risk-weighted assets.
S&P — Standard and Poor’s.
SBA — Small Business Administration.
SEC — U.S. Securities and Exchange Commission.
SERP — Supplemental Executive Retirement Plan.
SPE — Special purpose entity.
STIS — SunTrust Investment Services, Inc.
STM — SunTrust Mortgage, Inc.
STRH — SunTrust Robinson Humphrey, Inc.
SunTrust — SunTrust Banks, Inc.
SunTrust Community Capital — SunTrust Community Capital, LLC.
TDR — Troubled debt restructuring.
TRS — Total return swaps.
U.S. — United States.
U.S. GAAP — Generally Accepted Accounting Principles in the United States.
U.S. Treasury — The United States Department of the Treasury.
UPB — Unpaid principal balance.
UTB — Unrecognized tax benefit.
VA —Veterans Administration.
VAR —Value at risk.
VI — Variable interest.
VIE — Variable interest entity.
Visa —The Visa, U.S.A. Inc. card association or its affiliates, collectively.
Visa Counterparty — A financial institution which 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, 2014, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2014.

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)	2014	2013	2014	2013
Interest Income				
Interest and fees on loans	$1,152	$1,148	$3,464	$3,474
Interest and fees on loans held for sale	30	30	61	90
Interest and dividends on securities available for sale	153	143	456	429
Trading account interest and other	18	18	55	52
Total interest income	1,353	1,339	4,036	4,045
Interest Expense				
Interest on deposits	54	70	180	224
Interest on long-term debt	74	52	198	156
Interest on other borrowings	10	9	29	25
Total interest expense	138	131	407	405
Net interest income	1,215	1,208	3,629	3,640
Provision for credit losses	93	95	268	453
Net interest income after provision for credit losses	1,122	1,113	3,361	3,187
Noninterest Income				
Service charges on deposit accounts	169	168	483	492
Other charges and fees	95	91	274	277
Card fees	81	77	239	231
Trust and investment management income	93	133	339	387
Retail investment services	76	68	224	198
Investment banking income	88	99	296	260
Trading income	46	33	141	124
Mortgage servicing related income	44	11	143	50
Mortgage production related income/(loss)	45	(10)	140	282
Gain on sale of subsidiary	—	—	105	—
Net securities (losses)/gains [1]	(9)	—	(11)	2
Other noninterest income	52	10	155	98
Total noninterest income	780	680	2,528	2,401
Noninterest Expense				
Employee compensation	649	611	1,967	1,856
Employee benefits	81	71	326	322
Outside processing and software	184	190	535	555
Operating losses	29	350	268	461
Net occupancy expense	84	86	254	261
Equipment expense	41	45	127	136
Regulatory assessments	29	45	109	140
Marketing and customer development	35	34	91	95
Credit and collection services	21	139	67	224
Amortization	7	6	14	18
Other noninterest expense [2]	99	153	376	402
Total noninterest expense	1,259	1,730	4,134	4,470

Income before provision/(benefit) for income taxes	643	63	1,755	1,118
Provision/(benefit) for income taxes [2]	67	(133)	364	184
Net income including income attributable to noncontrolling interest	576	196	1,391	934
Net income attributable to noncontrolling interest	—	7	11	16
Net income	$576	$189	$1,380	$918
Net income available to common shareholders	$563	$179	$1,343	$884
Net income per average common share:				
Diluted	$1.06	$0.33	$2.51	$1.64
Basic	1.07	0.33	2.54	1.65
Dividends declared per common share	0.20	0.10	0.50	0.25
Average common shares - diluted	533,230	538,850	535,222	539,488
Average common shares - basic	527,402	533,829	529,429	534,887

[1] Total OTTI was $0 for the three and nine months ended September 30, 2014 and 2013. There were no OTTI gains/losses recognized in earnings or recognized as non-credit related OTTI in OCI for both the three months ended September 30, 2014 and 2013. Of total OTTI, losses of $1 million were recognized in earnings, and gains of $1 million were recognized as non-credit-related OTTI in OCI for both the nine months ended September 30, 2014 and 2013.

[2] Amortization expense related to qualified affordable housing investment costs is recognized in provision/(benefit) for income taxes for each of the periods presented as allowed by a recently adopted accounting standard. Prior to the first quarter of 2014, these amounts were recognized in other noninterest expense.

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Comprehensive Income

(Dollars in millions) (Unaudited)	Three Months Ended September 30 2014	Three Months Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Net income	$576	$189	$1,380	$918
Components of other comprehensive (loss)/income:				
Change in net unrealized (losses)/gains on securities, net of tax of ($21), ($7), $144, and ($272), respectively	(37)	(11)	246	(466)
Change in net unrealized losses on derivatives, net of tax of ($48), ($15), ($98), and ($111), respectively	(82)	(26)	(168)	(189)
Change related to employee benefit plans, net of tax of $1, $3, $20, and $18, respectively	1	4	34	30
Total other comprehensive (loss)/income	(118)	(33)	112	(625)
Total comprehensive income	$458	$156	$1,492	$293

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Balance Sheets

(Dollars in millions and shares in thousands, except per share data) (Unaudited)	September 30, 2014	December 31, 2013
Assets		
Cash and due from banks	$7,178	$4,258
Federal funds sold and securities borrowed or purchased under agreements to resell	1,125	983
Interest-bearing deposits in other banks	22	22
Cash and cash equivalents	8,325	5,263
Trading assets and derivatives	5,782	5,040
Securities available for sale	26,162	22,542
Loans held for sale [1] ($1,560 and $1,378 at fair value at September 30, 2014 and December 31, 2013, respectively)	1,739	1,699
Loans [2] ($284 and $302 at fair value at September 30, 2014 and December 31, 2013, respectively)	132,151	127,877
Allowance for loan and lease losses	(1,968)	(2,044)
Net loans	130,183	125,833
Premises and equipment	1,504	1,565
Goodwill	6,337	6,369
Other intangible assets (MSRs at fair value: $1,305 and $1,300 at September 30, 2014 and December 31, 2013, respectively)	1,320	1,334
Other real estate owned	112	170
Other assets	5,354	5,520
Total assets	$186,818	$175,335
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits	$42,542	$38,800
Interest-bearing deposits (CDs at fair value: $87 and $764 at September 30, 2014 and December 31, 2013, respectively)	93,965	90,959
Total deposits	136,507	129,759
Funds purchased	1,000	1,192
Securities sold under agreements to repurchase	2,089	1,759
Other short-term borrowings	7,283	5,788
Long-term debt [3] ($1,293 and $1,556 at fair value at September 30, 2014 and December 31, 2013, respectively)	12,942	10,700
Trading liabilities and derivatives	1,231	1,181
Other liabilities	3,497	3,534
Total liabilities	164,549	153,913
Preferred stock, no par value	725	725
Common stock, $1.00 par value	550	550
Additional paid in capital	9,090	9,115
Retained earnings	13,020	11,936
Treasury stock, at cost, and other [4]	(939)	(615)
Accumulated other comprehensive loss, net of tax	(177)	(289)
Total shareholders' equity	22,269	21,422
Total liabilities and shareholders' equity	$186,818	$175,335
Common shares outstanding [5]	527,358	536,097
Common shares authorized	750,000	750,000

Preferred shares outstanding	7	7
Preferred shares authorized	50,000	50,000
Treasury shares of common stock	22,563	13,824
[1] Includes loans held for sale, at fair value, of consolidated VIEs	$—	$261
[2] Includes loans of consolidated VIEs	298	327
[3] Includes debt of consolidated VIEs ($0 and $256 at fair value at September 30, 2014 and December 31, 2013, respectively)	312	597
[4] Includes noncontrolling interest	103	119
[5] Includes restricted shares	2,993	3,984

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Shareholders' Equity

(Dollars and shares in millions, except per share data) (Unaudited)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock and Other [1]	Accumulated Other Comprehensive (Loss)/Income [2]	Total
Balance, January 1, 2013	$725	539	$550	$9,174	$10,817	($590)	$309	$20,985
Net income	—	—	—	—	918	—	—	918
Other comprehensive loss	—	—	—	—	—	—	(625)	(625)
Change in noncontrolling interest	—	—	—	—	—	2	—	2
Common stock dividends, $0.25 per share	—	—	—	—	(134)	—	—	(134)
Preferred stock dividends [3]	—	—	—	—	(28)	—	—	(28)
Acquisition of treasury stock	—	(3)	—	—	—	(100)	—	(100)
Exercise of stock options and stock compensation expense	—	1	—	(24)	—	40	—	16
Restricted stock activity	—	1	—	(35)	—	40	—	5
Amortization of restricted stock compensation	—	—	—	—	—	24	—	24
Issuance of stock for employee benefit plans and other	—	—	—	2	—	5	—	7
Balance, September 30, 2013	$725	538	$550	$9,117	$11,573	($579)	($316)	$21,070
Balance, January 1, 2014	$725	536	$550	$9,115	$11,936	($615)	($289)	$21,422
Net income	—	—	—	—	1,380	—	—	1,380
Other comprehensive income	—	—	—	—	—	—	112	112
Common stock dividends, $0.50 per share	—	—	—	—	(266)	—	—	(266)
Preferred stock dividends [3]	—	—	—	—	(28)	—	—	(28)
Acquisition of treasury stock	—	(9)	—	—	—	(348)	—	(348)
Exercise of stock options and stock compensation expense	—	—	—	(14)	—	15	—	1
Restricted stock activity	—	—	—	13	(2)	1	—	12
Amortization of restricted stock compensation	—	—	—	—	—	21	—	21
Change in equity related to the sale of subsidiary	—	—	—	(23)	—	(16)	—	(39)
Issuance of stock for employee benefit plans and other	—	—	—	(1)	—	3	—	2
Balance, September 30, 2014	$725	527	$550	$9,090	$13,020	($939)	($177)	$22,269

[1] At September 30, 2014, includes ($1,015) million for treasury stock, ($27) million for compensation element of restricted stock, and $103 million for noncontrolling interest.
At September 30, 2013, includes ($636) million for treasury stock, ($59) million for compensation element of restricted stock, and $116 million for noncontrolling interest.
[2] At September 30, 2014, includes $169 million in unrealized net gains on AFS securities, $111 million in unrealized net gains on derivative financial instruments, and ($457) million related to employee benefit plans.

At September 30, 2013, includes $54 million in unrealized net gains on AFS securities, $342 million in unrealized net gains on derivative financial instruments, and ($712) million related to employee benefit plans.

[3] For the nine months ended September 30, 2014, dividends were $3,044 per share for both Perpetual Preferred Stock Series A and B and $4,406 per share for Perpetual Preferred Stock Series E.

For the nine months ended September 30, 2013, dividends were $3,044 per share for both Perpetual Preferred Stock Series A and B and $4,325 per share for Perpetual Preferred Stock Series E.

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Cash Flows

	Nine Months Ended September 30	
(Dollars in millions) (Unaudited)	2014	2013
Cash Flows from Operating Activities		
Net income including income attributable to noncontrolling interest	$1,391	$934
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of subsidiary	(105)	—
Depreciation, amortization, and accretion	504	542
Origination of mortgage servicing rights	(137)	(302)
Provisions for credit losses and foreclosed property	286	495
Mortgage repurchase provision	12	102
Stock-based compensation	41	40
Net securities losses/(gains)	11	(2)
Net gain on sale of loans held for sale, loans, and other assets	(239)	(169)
Net (increase)/decrease in loans held for sale	(139)	1,200
Net increase in other assets	(899)	(95)
Net decrease in other liabilities	(163)	(160)
Net cash provided by operating activities	563	2,585
Cash Flows from Investing Activities		
Proceeds from maturities, calls, and paydowns of securities available for sale	2,788	4,672
Proceeds from sales of securities available for sale	793	529
Purchases of securities available for sale	(6,986)	(6,744)
Proceeds from sales of trading securities	59	—
Net increase in loans, including purchases of loans	(7,698)	(4,525)
Proceeds from sales of loans	3,029	730
Purchases of mortgage servicing rights	(109)	—
Capital expenditures	(96)	(104)
Payments related to acquisitions, including contingent consideration	(11)	(3)
Proceeds from sale of subsidiary	193	—
Proceeds from the sale of other real estate owned and other assets	279	403
Net cash used in investing activities	(7,759)	(5,042)
Cash Flows from Financing Activities		
Net increase/(decrease) in total deposits	6,748	(3,433)
Net increase in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	1,633	1,493
Proceeds from long-term debt	2,574	747
Repayments of long-term debt	(67)	(77)
Repurchase of common stock	(348)	(100)
Common and preferred dividends paid	(294)	(162)
Incentive compensation related activity	12	18
Net cash provided by/(used in) financing activities	10,258	(1,514)
Net increase/(decrease) in cash and cash equivalents	3,062	(3,971)
Cash and cash equivalents at beginning of period	5,263	8,257
Cash and cash equivalents at end of period	$8,325	$4,286
Supplemental Disclosures:		
Loans transferred from loans held for sale to loans	$39	$28
Loans transferred from loans to loans held for sale	3,183	200

Loans transferred from loans and loans held for sale to other real estate owned	113	197
Non-cash impact of the deconsolidation of CLO	282	—

See Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could vary from these estimates. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

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

These financial statements should be read in conjunction with the Company’s 2013 Annual Report on Form 10-K. There have been no significant changes to the Company’s accounting policies as disclosed in the Company’s 2013 Annual Report on Form 10-K.

Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In January 2014, the FASB issued ASU 2014-01, "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force)." The ASU allows the use of the proportional amortization method for investments in qualified affordable housing projects if certain conditions are met. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the tax credits and other tax benefits received and the net investment performance is recognized in the income statement as a component of income tax expense. The ASU provides for a practical expedient, which allows for amortization of the investment in proportion to only the tax credits if it produces a measurement that is substantially similar to the measurement that would result from using both tax credits and other tax benefits. The ASU is effective for fiscal years and interim periods beginning after December 15, 2014. As early adoption is permitted, the Company adopted this ASU effective January 1, 2014, utilizing the practical expedient method. The standard is required to be applied retrospectively; therefore prior period amounts included in noninterest expense prior to adoption have been reclassified. During the three and nine months ended September 30, 2013, $13 million and $33 million, respectively, of investment amortization expense was included in other noninterest expense in the Consolidated Statements of Income which was reclassified to income tax expense upon adoption. There has been no other impact on the Company's financial position, results of operations, or EPS.

In January 2014, the FASB issued ASU 2014-04, "Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)." The ASU clarifies that a creditor is considered to have received physical possession, resulting from an in substance repossession or foreclosure, of residential real estate property collateralizing a consumer mortgage loan upon the occurrence of either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The ASU is effective for fiscal years and interim periods beginning after December 15, 2014. The adoption of this ASU is not expected to have a significant impact on the Company's financial position, results of operations, or EPS.

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." The ASU changes the requirements for reporting discontinued operations. The ASU is effective for fiscal years and interim periods beginning after December 15, 2014. Early adoption is permitted only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The Company will adopt the ASU at the beginning of 2015. The adoption is not expected to have an impact on the Company's financial position, results of operations, or EPS.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The core principle of the ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU is effective for fiscal years and interim periods beginning after December 15, 2016 and early adoption is not permitted. The Company is continuing to evaluate the impact of the ASU.

In June 2014, the FASB issued ASU 2014-11, "Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." The ASU changes the accounting for repurchase-to-maturity transactions from sale to secured borrowing accounting. Also, for repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. Additional disclosures are required for all types of repurchase agreements. The ASU is effective for fiscal years and interim periods beginning after December 15, 2014 and early adoption is not permitted. Adoption of the ASU will not have a significant impact on the Company's financial position, results of operations, or EPS.

In June 2014, the FASB issued ASU 2014-12, "Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.” The ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period shall be treated as a performance condition. Under existing guidance in Topic 718, a performance target that falls under the scope of this amendment should not be reflected in estimating the grant-date fair value of the award; but rather compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The ASU is effective for fiscal years and interim periods beginning after December 15, 2015. Adoption of the ASU will not have a significant impact on the Company's financial position, results of operations, or EPS.

In August 2014, the FASB issued ASU 2014-13, "Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (a consensus of the FASB Emerging Issues Task Force)." The ASU allows measurement of financial assets and financial liabilities of in-scope consolidated collateralized financing entities using either the measurement alternative included in the ASU or Topic 820 on fair value measurement. The measurement alternative in this ASU allows for measurement of both the financial assets and the financial liabilities of a consolidated collateralized financing entity using the more observable of the fair value of the financial assets or the fair value of the financial liabilities. The ASU is effective for fiscal years and interim periods beginning after December 15, 2015. Adoption of the ASU is not expected to impact the Company's financial position, results of operations, or EPS.

In August 2014, the FASB issued ASU 2014-14, "Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)." The ASU requires that a guaranteed mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. Upon foreclosure, the separate other receivable should be measured based on the guaranteed amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The ASU is effective for fiscal years and interim periods beginning after December 15, 2014. The Company is already accounting for government guaranteed mortgage loans using this approach upon foreclosure; therefore, adoption of the ASU will not have an impact on the Company's financial position, results of operations, or EPS.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The ASU requires an evaluation of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. In the event there is substantial doubt, the ASU requires disclosure of the relevant facts and circumstances. The ASU is effective for fiscal years and interim periods ending after December 15, 2016. Adoption of the ASU will not have an impact on the Company's financial position, results of operations, or EPS.

On November 3, 2014, the FASB issued ASU 2014-16, "Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity (a consensus of the FASB Emerging Issues Task Force)." The ASU clarifies how current guidance should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the amendments clarify that an entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of a host contract. The ASU is effective for fiscal years and interim periods beginning after December 15, 2015. The Company is currently evaluating the impact of the ASU.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 2 - ACQUISITIONS/DISPOSITIONS

(Dollars in millions)

2014	Date	Cash Received	Goodwill	Other Intangibles	Gain
Sale of RidgeWorth	5/30/2014	$193	($40)	($9)	$105

On May 30, 2014, the Company completed the sale of RidgeWorth, its asset management subsidiary with approximately $49.1 billion in assets under management, to an investor group led by a private equity fund managed by Lightyear Capital LLC. The Company received cash proceeds of $193 million, removed $96 million in net assets and $23 million in noncontrolling interests, and recognized a pre-tax gain of $105 million in connection with the sale, net of transaction-related expenses.

The Company’s results for the nine months ended September 30, 2014, included income before provision for income taxes related to RidgeWorth, excluding the gain on sale, of $22 million, comprised of $81 million of revenue and $59 million of expense.

The Company’s results for the nine months ended September 30, 2013, included income before provision for income taxes related to RidgeWorth of $49 million, comprised of $145 million of revenue and $96 million of expense.

For the year ended December 31, 2013, the Company’s income before provision for income taxes included $64 million related to RidgeWorth, comprised of $194 million of revenue and $130 million of expense. The financial results of RidgeWorth, including the gain on sale, are reflected in the Corporate Other segment.

There were no other material acquisitions or dispositions during the three and nine months ended September 30, 2014 and 2013.

NOTE 3 - FEDERAL FUNDS SOLD AND SECURITIES BORROWED OR PURCHASED UNDER AGREEMENTS TO RESELL AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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

(Dollars in millions)	September 30, 2014	December 31, 2013
Fed funds sold	$14	$75
Securities borrowed or purchased	251	184
Resell agreements	860	724
Total fed funds sold and securities borrowed or purchased under agreements to resell	$1,125	$983

Securities purchased under agreements to resell are primarily collateralized by U.S. government or agency securities and are carried at the amounts at which securities will be subsequently resold. Securities borrowed are primarily collateralized by corporate securities. The Company takes possession of all securities purchased under agreements to resell and securities borrowed and performs the appropriate margin evaluation on the acquisition date based on market volatility, as necessary. It is the Company's policy to obtain possession of collateral with a fair value between 95% to 110% of the principal amount loaned under resale and securities borrowing agreements. At September 30, 2014 and December 31, 2013, the total market value of collateral held was $1.1 billion and $913 million, of which $211 million and $234 million was repledged, respectively.

At September 30, 2014 and December 31, 2013, the Company had $1.0 billion and $731 million of trading assets pledged to secure $992 million and $717 million of repurchase agreements, respectively.

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 12, "Derivative Financial Instruments." Securities purchased under agreements to resell and securities sold under agreements to repurchase are governed by a MRA. Under the terms of the MRA, 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. These amounts are limited to the contract asset/liability balance, and accordingly, do not include excess collateral received/pledged.

The following table presents the Company's eligible securities borrowed or purchased under agreements to resell and securities sold under agreements to repurchase at September 30, 2014 and December 31, 2013:

(Dollars in millions)	Gross Amount	Amount Offset	Net Amount Presented in Consolidated Balance Sheets		Held/Pledged Financial Instruments	Net Amount
September 30, 2014						
Financial assets:						
Securities borrowed or purchased under agreements to resell	$1,111	$—	$1,111	[1,2]	$1,103	$8
Financial liabilities:						
Securities sold under agreements to repurchase	2,089	—	2,089	[1]	2,089	—
December 31, 2013						
Financial assets:						
Securities borrowed or purchased under agreements to resell	$908	$—	$908	[1,2]	$899	$9
Financial liabilities:						
Securities sold under agreements to repurchase	1,759	—	1,759	[1]	1,759	—

[1] None of the Company's repurchase or reverse repurchase transactions met the right of setoff criteria for net balance sheet presentation at September 30, 2014 and December 31, 2013.
[2] Excludes $14 million and $75 million of Fed funds sold which are not subject to a master netting agreement at September 30, 2014 and December 31, 2013, respectively.

NOTE 4 – SECURITIES AVAILABLE FOR SALE

Securities Portfolio Composition

(Dollars in millions)	September 30, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$1,007	$6	$2	$1,011
Federal agency securities	986	15	31	970
U.S. states and political subdivisions	228	9	—	237
MBS - agency	22,508	501	198	22,811
MBS - private	129	3	—	132
ABS	19	2	—	21
Corporate and other debt securities	38	3	—	41
Other equity securities [1]	937	2	—	939
Total securities AFS	$25,852	$541	$231	$26,162

(Dollars in millions)	December 31, 2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$1,334	$6	$47	$1,293
Federal agency securities	1,028	13	57	984

U.S. states and political subdivisions	232	7	2	237
MBS - agency	18,915	421	425	18,911
MBS - private	155	1	2	154
ABS	78	2	1	79
Corporate and other debt securities	39	3	—	42
Other equity securities [1]	841	1	—	842
Total securities AFS	$22,622	$454	$534	$22,542

[1] At September 30, 2014, other equity securities comprised the following: $421 million in FHLB of Atlanta stock, $402 million in Federal Reserve Bank stock, $109 million in mutual fund investments, and $7 million of other. At December 31, 2013, other equity securities comprised the following: $336 million in FHLB of Atlanta stock, $402 million in Federal Reserve Bank stock, $103 million in mutual fund investments, and $1 million of other.

Notes to Consolidated Financial Statements (Unaudited), continued

The following table presents interest and dividends on securities AFS:

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Taxable interest	$142	$132	$421	$397
Tax-exempt interest	2	3	8	8
Dividends	9	8	27	24
Total interest and dividends	$153	$143	$456	$429

Securities AFS pledged to secure public deposits, repurchase agreements, trusts, and other funds had a fair value of $7.8 billion and $11.0 billion at September 30, 2014 and December 31, 2013, respectively. At September 30, 2014, $370 million of securities AFS at fair value were pledged against repurchase arrangements under which the secured party has possession of the collateral and has the right to sell or repledge that collateral. At December 31, 2013, there were no securities AFS pledged under secured borrowing arrangements under which the secured party has possession of the collateral and would customarily sell or repledge that collateral, other than in an event of default by the Company.

The amortized cost and fair value of investments in debt securities at September 30, 2014, by estimated average life, are shown below. Actual cash flows may differ from estimated average lives and contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

(Dollars in millions)	Distribution of Maturities 1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Total
Amortized Cost:					
U.S. Treasury securities	$—	$1,007	$—	$—	$1,007
Federal agency securities	75	239	531	141	986
U.S. states and political subdivisions	60	44	101	23	228
MBS - agency	2,349	9,020	6,919	4,220	22,508
MBS - private	5	124	—	—	129
ABS	14	3	2	—	19
Corporate and other debt securities	5	33	—	—	38
Total debt securities	$2,508	$10,470	$7,553	$4,384	$24,915
Fair Value:					
U.S. Treasury securities	$—	$1,011	$—	$—	$1,011
Federal agency securities	75	250	506	139	970
U.S. states and political subdivisions	60	47	105	25	237
MBS - agency	2,490	9,203	6,956	4,162	22,811
MBS - private	5	127	—	—	132
ABS	14	5	2	—	21
Corporate and other debt securities	5	36	—	—	41
Total debt securities	$2,649	$10,679	$7,569	$4,326	$25,223
Weighted average yield [1]	2.47 %	2.46 %	2.89 %	3.09 %	2.70 %

[1]Average yields are based on amortized cost and presented on a FTE basis.

Securities in an Unrealized Loss Position

The Company held certain investment securities where amortized cost exceeded fair market value, resulting in unrealized loss positions. Market changes in interest rates and credit spreads may result in temporary unrealized losses as the market price of securities fluctuates. The Company reviewed its portfolio for OTTI in accordance with the accounting policies described in the Company's 2013 Annual Report on Form 10-K and, at September 30, 2014, 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. At September 30, 2014, the Company had no OTTI for securities in an unrealized loss position.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	September 30, 2014 Less than twelve months Fair Value	Unrealized Losses [2]	Twelve months or longer Fair Value	Unrealized Losses [2]	Total Fair Value	Unrealized Losses [2]
Temporarily impaired securities:						
U.S. Treasury securities	$385	$2	$—	$—	$385	$2
Federal agency securities	8	—	615	31	623	31
MBS - agency	4,259	14	5,804	184	10,063	198
ABS	—	—	14	—	14	—
Total temporarily impaired securities	$4,652	$16	$6,433	$215	$11,085	$231

(Dollars in millions)	December 31, 2013 Less than twelve months Fair Value	Unrealized Losses [2]	Twelve months or longer Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
Temporarily impaired securities:						
U.S. Treasury securities	$1,036	$47	$—	$—	$1,036	$47
Federal agency securities	398	29	264	28	662	57
U.S. states and political subdivisions	12	—	20	2	32	2
MBS - agency	9,173	358	618	67	9,791	425
ABS	—	—	13	1	13	1
Total temporarily impaired securities	10,619	434	915	98	11,534	532
OTTI securities [1]:						
MBS - private	105	2	—	—	105	2
Total OTTI securities	105	2	—	—	105	2
Total impaired securities	$10,724	$436	$915	$98	$11,639	$534

[1] Includes OTTI securities for which credit losses have been recorded in earnings in current or prior periods.
[2] Securities with unrealized losses less than $0.5 million are shown as zero.

At September 30, 2014, unrealized losses on securities that have been in a temporarily impaired position for longer than twelve months included federal agency securities, agency MBS, and one ABS collateralized by 2004 vintage home equity loans. Unrealized losses on federal agency securities and agency MBS securities are due to an increase in market interest rates. The ABS continues to receive timely principal and interest payments, and is evaluated quarterly for credit impairment. Cash flow analysis shows that the underlying collateral can withstand highly stressed loss assumptions without incurring a credit loss.

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

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

(Dollars in millions)	Three Months Ended September 30 2014	2013	Nine Months Ended September 30 2014	2013

Gross realized gains	$3	$—	$3	$4
Gross realized losses	(12)	—	(13)	(1)
OTTI losses recognized in earnings	—	—	(1)	(1)
Net securities (losses)/gains	($9)	$—	($11)	$2

Credit impairment that is determined through the use of models is estimated using cash flows on security specific collateral and the transaction structure. Future expected credit losses are determined by using various assumptions, the most significant of which include default rates, prepayment rates, and loss severities. If, based on this analysis, the security is in an unrealized loss position and the Company does not expect to recover the entire amortized cost basis of the security, the expected cash flows are then discounted at the security's initial effective interest rate to arrive at a present value amount. OTTI credit losses reflect the difference between the present value of cash flows expected to be collected and the amortized cost basis of these securities. During the nine months ended September 30, 2014, all OTTI recognized in earnings related to one private MBS collateralized by residential mortgage loans securitized in 2007.

The Company continues to reduce existing exposure to this security primarily through paydowns. In certain instances, the amount of impairment losses recognized in earnings includes credit losses on debt securities that exceeds the total unrealized losses, and as a result, the securities may have unrealized gains in AOCI relating to factors other than credit.

There was no credit impairment recognized on securities during the three months ended September 30, 2014 and 2013. The security that gave rise to credit impairments recognized during the nine months ended September 30, 2014 consisted of private MBS with a fair value of approximately $19 million at September 30, 2014. The securities that gave rise to credit impairments recognized during the nine months ended September 30, 2013 consisted of private MBS and ABS with a combined fair value of approximately $23 million at September 30, 2013. Credit impairments recognized on securities during the nine months ended September 30, 2014 and 2013, are shown below.

	Nine Months Ended September 30	
(Dollars in millions)	2014	2013
OTTI [1]	$—	$—
Portion of gains recognized in OCI (before taxes)	1	1
Net impairment losses recognized in earnings	$1	$1

[1] The initial OTTI amount represents the excess of the amortized cost over the fair value of AFS debt securities. For subsequent impairments of the same security, amount includes additional declines in the fair value subsequent to the previously recorded OTTI, if applicable, until such time the security is no longer in an unrealized loss position.

The following is a rollforward of credit losses recognized in earnings for the three and nine months ended September 30, 2014 and 2013, related to securities for which the Company does not intend to sell and it is not more-likely-than-not that the Company will be required to sell as of the end of each period presented. 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.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2014	2013	2014	2013
Balance, beginning of period	$25	$32	$25	$31
Additions:				
OTTI credit losses on previously impaired securities	—	—	1	1
Reductions:				
Increases in expected cash flows recognized over the remaining life of the securities	—	(1)	(1)	(1)
Balance, end of period	$25	$31	$25	$31

The following table presents a summary of the significant inputs used in determining the measurement of credit losses recognized in earnings for private MBS and ABS for the nine months ended September 30:

	2014 [1]	2013
Default rate	2%	2 - 9%
Prepayment rate	16%	7 - 21%
Loss severity	46%	46 - 74%

[1] During the nine months ended September 30, 2014, all OTTI recognized in earnings related to one private MBS security.

Assumption ranges represent the lowest and highest lifetime average estimates of each security for which credit losses were recognized in earnings. Ranges may vary from period to period as the securities for which credit losses are recognized vary. Additionally, severity may vary widely when losses are few and large.

NOTE 5 - LOANS

Composition of Loan Portfolio

The composition of the Company's loan portfolio is shown in the following table:

(Dollars in millions)	September 30, 2014	December 31, 2013
Commercial loans:		
C&I	$63,140	$57,974
CRE	6,704	5,481
Commercial construction	1,250	855
Total commercial loans	71,094	64,310
Residential loans:		
Residential mortgages - guaranteed	651	3,416
Residential mortgages - nonguaranteed [1]	23,718	24,412
Home equity products	14,389	14,809
Residential construction	464	553
Total residential loans	39,222	43,190
Consumer loans:		
Guaranteed student loans	5,314	5,545
Other direct	4,110	2,829
Indirect	11,594	11,272
Credit cards	817	731
Total consumer loans	21,835	20,377
LHFI	$132,151	$127,877
LHFS [2]	$1,739	$1,699

[1] Includes $284 million and $302 million of loans carried at fair value at September 30, 2014 and December 31, 2013, respectively.

[2] Includes $1.6 billion and $1.4 billion of LHFS carried at fair value at September 30, 2014 and December 31, 2013, respectively.

At September 30, 2014 and December 31, 2013, the Company had $57.1 billion and $56.4 billion, respectively, of net eligible loan collateral pledged to the Federal Reserve Discount Window or the FHLB of Atlanta to support available borrowing capacity.

During the three months ended September 30, 2014 and 2013, the Company transferred $362 million and $56 million in LHFI to LHFS, and $19 million and $11 million in LHFS to LHFI, respectively. Additionally, during the three months ended September 30, 2014 and 2013, the Company sold $2.3 billion and $99 million in loans and leases for gains of $40 million and less than $1 million, respectively.

During the nine months ended September 30, 2014 and 2013, the Company transferred $3.2 billion and $200 million in LHFI to LHFS, and $39 million and $28 million in LHFS to LHFI, respectively. Additionally, during the nine months ended September 30, 2014 and 2013, the Company sold $3.0 billion and $761 million in loans and leases for gains of $71 million and $7 million, respectively.

Credit Quality Evaluation

The Company evaluates the credit quality of its loan portfolio by employing a dual internal risk rating system, which assigns both PD and LGD ratings to derive expected losses. Assignment of PD and LGD ratings are predicated upon numerous factors, including consumer credit risk scores, rating agency information, borrower/guarantor financial

capacity, LTV ratios, collateral type, debt service coverage ratios, collection experience, other internal metrics/analyses, and/or qualitative assessments.
For the commercial portfolio, the Company believes that the most appropriate credit quality indicator is an individual loan’s risk assessment expressed according to the broad regulatory agency classifications of Pass or Criticized. The Company's risk rating system is granular, with multiple risk ratings in both the Pass and Criticized categories. Pass ratings reflect relatively low PDs, whereas, Criticized assets have higher PDs. The granularity in Pass ratings assists in the establishment of pricing, loan structures, approval requirements, reserves, and ongoing credit management requirements. The Company conforms to the following regulatory classifications for Criticized assets: Other Assets Especially Mentioned (or Special Mention), Adversely Classified, Doubtful, and Loss. However, for the purposes of disclosure, management believes the most meaningful distinction within the

Criticized categories is between Accruing Criticized (which includes Special Mention and a portion of Adversely Classified) and Nonaccruing Criticized (which includes a portion of Adversely Classified and Doubtful and Loss). This distinction identifies those relatively higher risk loans for which there is a basis to believe that the Company will collect all amounts due from those where full collection is less certain.

Commercial risk ratings are refreshed at least annually, or more frequently as appropriate, based upon considerations such as market conditions, borrower characteristics, and portfolio trends. Additionally, management routinely reviews portfolio risk ratings, trends, and concentrations to support risk identification and mitigation activities.

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, 2014 and December 31, 2013, 30% and 82%, respectively, of the guaranteed residential loan portfolio was current with respect to payments. The decline in the percentage of current loans in LHFI is solely due to approximately $2.0 billion in accruing current guaranteed residential loans which were sold in the third quarter of 2014. At September 30, 2014 and December 31, 2013, 82% and 81%, respectively, of the guaranteed student loan portfolio was current with respect to payments. Loss exposure to the Company on these loans is mitigated by the government guarantee.

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

	Commercial Loans					
	C&I		CRE		Commercial construction	
(Dollars in millions)	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Risk rating:						
Pass	$61,748	$56,443	$6,513	$5,245	$1,220	$798
Criticized accruing	1,214	1,335	159	197	21	45
Criticized nonaccruing	178	196	32	39	9	12
Total	$63,140	$57,974	$6,704	$5,481	$1,250	$855

	Residential Loans [1]					
	Residential mortgages - nonguaranteed		Home equity products		Residential construction	
(Dollars in millions)	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Current FICO score range:						
700 and above	$18,828	$19,100	$11,495	$11,661	$366	$423
620 - 699	3,501	3,652	2,049	2,186	75	90
Below 620 [2]	1,389	1,660	845	962	23	40
Total	$23,718	$24,412	$14,389	$14,809	$464	$553

	Consumer Loans [3]					
	Other direct		Indirect		Credit cards	
(Dollars in millions)	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Current FICO score range:						
700 and above	$3,563	$2,370	$8,526	$8,420	$575	$512
620 - 699	477	397	2,409	2,228	194	176
Below 620 [2]	70	62	659	624	48	43
Total	$4,110	$2,829	$11,594	$11,272	$817	$731

[1] Excludes $651 million and $3.4 billion at September 30, 2014 and December 31, 2013, respectively, of guaranteed residential loans. At September 30, 2014 and December 31, 2013, the majority of these loans had FICO scores of 700 and above.
[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 $5.3 billion and $5.5 billion of guaranteed student loans at September 30, 2014 and December 31, 2013, respectively.

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Notes to Consolidated Financial Statements (Unaudited), continued

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

	September 30, 2014				
(Dollars in millions)	Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
C&I	$62,903	$47	$12	$178	$63,140
CRE	6,666	5	1	32	6,704
Commercial construction	1,238	3	—	9	1,250
Total commercial loans	70,807	55	13	219	71,094
Residential loans:					
Residential mortgages - guaranteed	197	34	420	—	651
Residential mortgages - nonguaranteed[1]	23,274	105	12	327	23,718
Home equity products	14,109	101	1	178	14,389
Residential construction	429	5	—	30	464
Total residential loans	38,009	245	433	535	39,222
Consumer loans:					
Guaranteed student loans	4,338	365	611	—	5,314
Other direct	4,078	25	2	5	4,110
Indirect	11,504	86	1	3	11,594
Credit cards	804	7	6	—	817
Total consumer loans	20,724	483	620	8	21,835
Total LHFI	$129,540	$783	$1,066	$762	$132,151

[1] Includes $284 million of loans carried at fair value, the majority of which were accruing current.
[2] Nonaccruing loans past due 90 days or more totaled $468 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs and performing second lien loans which are classified as nonaccrual when the first lien loan is nonperforming.

	December 31, 2013				
(Dollars in millions)	Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
C&I	$57,713	$47	$18	$196	$57,974
CRE	5,430	5	7	39	5,481
Commercial construction	842	1	—	12	855
Total commercial loans	63,985	53	25	247	64,310
Residential loans:					
Residential mortgages - guaranteed	2,787	58	571	—	3,416
Residential mortgages - nonguaranteed[1]	23,808	150	13	441	24,412
Home equity products	14,480	119	—	210	14,809
Residential construction	488	4	—	61	553
Total residential loans	41,563	331	584	712	43,190
Consumer loans:					
Guaranteed student loans	4,475	461	609	—	5,545
Other direct	2,803	18	3	5	2,829
Indirect	11,189	75	1	7	11,272

Credit cards	718	7	6	—	731
Total consumer loans	19,185	561	619	12	20,377
Total LHFI	$124,733	$945	$1,228	$971	$127,877

[1] Includes $302 million of loans carried at fair value, the majority of which were accruing current.
[2] Nonaccruing loans past due 90 days or more totaled $653 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs and performing second lien loans which are classified as nonaccrual when the first lien loan is nonperforming.

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 consumer, residential, and commercial loans whose terms have been modified in a TDR are individually evaluated for impairment. Smaller-balance homogeneous loans that are collectively evaluated for impairment are not included in the following tables. Additionally, the tables below exclude guaranteed student loans and guaranteed residential mortgages for which there was nominal risk of principal loss.

(Dollars in millions)	September 30, 2014			December 31, 2013		
	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	$84	$62	$—	$81	$56	$—
CRE	18	14	—	61	60	—
Total commercial loans	102	76	—	142	116	—
Residential loans:						
Residential mortgages - nonguaranteed	676	447	—	672	425	—
Residential construction	41	12	—	68	17	—
Total residential loans	717	459	—	740	442	—
Impaired loans with an allowance recorded:						
Commercial loans:						
C&I	48	43	7	51	49	10
CRE	11	10	1	8	3	—
Commercial construction	—	—	—	6	3	—
Total commercial loans	59	53	8	65	55	10
Residential loans:						
Residential mortgages - nonguaranteed	1,381	1,378	223	1,685	1,626	226
Home equity products	702	629	70	710	638	96
Residential construction	150	150	20	173	172	23
Total residential loans	2,233	2,157	313	2,568	2,436	345
Consumer loans:						
Other direct	13	13	—	14	14	—
Indirect	100	100	5	83	83	5
Credit cards	10	10	2	13	13	3
Total consumer loans	123	123	7	110	110	8
Total impaired loans	$3,234	$2,868	$328	$3,625	$3,159	$363

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

Included in the impaired loan balances above were $2.5 billion and $2.7 billion of accruing TDRs at amortized cost, at September 30, 2014 and December 31, 2013, respectively, of which 97% and 96%, respectively, were current. See Note 1, “Significant Accounting Policies,” to the Company's 2013 Annual Report on Form 10-K for further information

regarding the Company's loan impairment policy.

Notes to Consolidated Financial Statements (Unaudited), continued

	Three Months Ended September 30				Nine Months Ended September 30			
	2014		2013		2014		2013	
(Dollars in millions)	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	$65	$—	$84	$—	$68	$1	$58	$1
CRE	15	—	5	—	16	—	6	—
Commercial construction	—	—	1	—	—	—	1	—
Total commercial loans	80	—	90	—	84	1	65	1
Residential loans:								
Residential mortgages - nonguaranteed	454	5	420	4	467	14	434	13
Residential construction	14	—	18	—	15	—	22	—
Total residential loans	468	5	438	4	482	14	456	13
Impaired loans with an allowance recorded:								
Commercial loans:								
C&I	45	—	35	—	46	1	25	1
CRE	10	—	3	—	9	—	3	—
Commercial construction	—	—	4	—	—	—	2	—
Total commercial loans	55	—	42	—	55	1	30	1
Residential loans:								
Residential mortgages - nonguaranteed	1,467	18	1,582	19	1,443	59	1,579	58
Home equity products	668	7	634	7	662	20	640	17
Residential construction	164	2	181	3	162	6	178	8
Total residential loans	2,299	27	2,397	29	2,267	85	2,397	83
Consumer loans:								
Other direct	14	—	15	—	14	—	16	—
Indirect	116	1	84	1	110	4	87	3
Credit cards	10	—	15	—	11	1	17	1
Total consumer loans	140	1	114	1	135	5	120	4
Total impaired loans	$3,042	$33	$3,081	$34	$3,023	$106	$3,068	$102

[1] Of the interest income recognized during the three and nine months ended September 30, 2014, cash basis interest income was less than $1 million and $2 million, respectively.
Of the interest income recognized during the three and nine months ended September 30, 2013, cash basis interest income was $1 million and $6 million, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

NPAs are shown in the following table:

(Dollars in millions)	September 30, 2014	December 31, 2013
Nonaccrual/NPLs:		
Commercial loans:		
C&I	$178	$196
CRE	32	39
Commercial construction	9	12
Residential loans:		
Residential mortgages - nonguaranteed	327	441
Home equity products	178	210
Residential construction	30	61
Consumer loans:		
Other direct	5	5
Indirect	3	7
Total nonaccrual/NPLs[1]	762	971
OREO[2]	112	170
Other repossessed assets	7	7
Nonperforming LHFS	53	17
Total NPAs	$934	$1,165

[1] Nonaccruing restructured loans are included in total nonaccrual/NPLs.
[2] Does not include foreclosed real estate related to loans insured by the FHA or the VA. Proceeds due from the FHA and the VA are recorded as a receivable in other assets in the Consolidated Balance Sheets until the funds are received and the property is conveyed. The receivable amount related to proceeds due from the FHA or the VA totaled $50 million and $88 million at September 30, 2014 and December 31, 2013, respectively.

Restructured Loans

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

At September 30, 2014 and December 31, 2013, the Company had $6 million and $8 million, respectively, in commitments to lend additional funds to debtors whose terms have been modified in a TDR.

Notes to Consolidated Financial Statements (Unaudited), continued

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

	Three Months Ended September 30, 2014 [1]				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [2]	Rate Modification [3]	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	23	$—	$—	$8	$8
Residential loans:					
Residential mortgages - nonguaranteed	266	—	27	9	36
Home equity products	503	—	1	22	23
Residential construction	1	—	—	—	—
Consumer loans:					
Other direct	21	—	—	—	—
Indirect	638	—	—	12	12
Credit cards	123	—	1	—	1
Total TDRs	1,575	$—	$29	$51	$80

	Nine Months Ended September 30, 2014 [1]				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [2]	Rate Modification [3]	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	66	$—	$—	$22	$22
CRE	4	3	—	3	6
Residential loans:					
Residential mortgages - nonguaranteed	944	1	113	37	151
Home equity products	1,407	—	6	59	65
Residential construction	11	—	1	—	1
Consumer loans:					
Other direct	59	—	—	1	1
Indirect	2,189	—	—	43	43
Credit cards	350	—	2	—	2
Total TDRs	5,030	$4	$122	$165	$291

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

[2] Restructured loans which had forgiveness of amounts contractually due under the terms of the loan typically have had multiple concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during both the three and nine months ended September 30, 2014 was immaterial.

[3] Restructured loans which had a modification of the loan's contractual interest rate may also have had an extension of the loan's contractual maturity date and/or other concessions. The financial effect of modifying the interest rate on the loans modified as a TDR was immaterial to the financial statements during the three and nine months ended September 30, 2014.

Notes to Consolidated Financial Statements (Unaudited), continued

	Three Months Ended September 30, 2013 [1]				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [2]	Rate Modification [3]	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	28	$—	$—	$39	$39
Commercial construction	1	—	—	—	—
Residential loans:					
Residential mortgages - nonguaranteed	332	—	61	14	75
Home equity products	715	—	19	12	31
Residential construction	25	—	4	—	4
Consumer loans:					
Other direct	30	—	—	1	1
Indirect	883	—	—	18	18
Credit cards	97	—	—	—	—
Total TDRs	2,111	$—	$84	$84	$168

	Nine Months Ended September 30, 2013 [1]				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [2]	Rate Modification [3]	Term Extension and/or Other Concessions	Total
Commercial loans:					
C&I	124	$18	$2	$89	$109
CRE	5	—	4	1	5
Commercial construction	1	—	—	—	—
Residential loans:					
Residential mortgages - nonguaranteed	1,245	—	122	84	206
Home equity products	2,153	—	56	60	116
Residential construction	242	—	22	3	25
Consumer loans:					
Other direct	110	—	—	3	3
Indirect	2,617	—	—	50	50
Credit cards	483	—	2	—	2
Total TDRs	6,980	$18	$208	$290	$516

[1] Includes loans modified under the terms of a TDR that were charged-off during the period.
[2] Restructured loans which had forgiveness of amounts contractually due under the terms of the loan typically have had multiple concessions including rate modifications and/or term extensions. There were no charge-offs associated with principal forgiveness during the three months ended September 30, 2013. The total amount of charge-offs associated with principal forgiveness during the nine months ended September 30, 2013 was $2 million.
[3] Restructured loans which had a modification of the loan's contractual interest rate may also have had an extension of the loan's contractual maturity date and/or other concessions. The financial effect of modifying the interest rate on the loans modified as a TDR was immaterial to the financial statements during the three and nine months ended September 30, 2013.

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Notes to Consolidated Financial Statements (Unaudited), continued

For the three and nine months ended September 30, 2014, the table below represents defaults on loans that were first modified between the periods January 1, 2013 and September 30, 2014 that became 90 days or more delinquent or were charged-off during the period.

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
(Dollars in millions)	Number of Loans	Amortized Cost	Number of Loans	Amortized Cost
Commercial loans:				
C&I	30	$3	77	$8
Residential loans:				
Residential mortgages	46	6	135	16
Home equity products	28	1	75	4
Residential construction	—	—	6	—
Consumer loans:				
Other direct	3	—	8	—
Indirect	45	—	134	1
Credit cards	60	—	143	1
Total TDRs	212	$10	578	$30

For the three and nine months ended September 30, 2013, the table below represents defaults on loans that were first modified between the periods January 1, 2012 and September 30, 2013 that became 90 days or more delinquent or were charged-off during the period.

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
(Dollars in millions)	Number of Loans	Amortized Cost	Number of Loans	Amortized Cost
Commercial loans:				
C&I	3	$—	45	$—
CRE	—	—	4	3
Commercial construction	—	—	1	—
Residential loans:				
Residential mortgages	63	9	219	19
Home equity products	37	2	138	8
Residential construction	26	1	42	2
Consumer loans:				
Other direct	5	—	14	—
Indirect	55	1	143	2
Credit cards	53	—	132	1
Total TDRs	242	$13	738	$35

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

Concentrations of Credit Risk

The Company does not have a significant concentration of risk to any individual client except for the U.S. government and its agencies. However, a geographic concentration arises because the Company operates primarily in the Southeastern and Mid-Atlantic regions of the U.S. The Company engages in limited international banking activities. The Company's total cross-border outstanding loans were $1.3 billion and $956 million at September 30, 2014 and December 31, 2013, respectively.

The major concentrations of credit risk for the Company arise by collateral type in relation to loans and credit commitments. The only significant concentration that exists is in loans secured by residential real estate. At September 30, 2014, the Company owned $39.2 billion in residential loans, representing 30% of total LHFI, and had $10.9 billion in commitments to extend credit on home equity lines and $3.4 billion in mortgage loan commitments. At December 31, 2013, the Company owned $43.2 billion in residential loans, representing 34% of total LHFI, and had $11.2 billion in commitments to extend credit on home equity lines and $2.7 billion in mortgage loan commitments. Of the residential loans owned at September 30, 2014 and December 31, 2013, 2% and 8%, respectively, were guaranteed by a federal agency or a GSE.

Included in the residential mortgage portfolio were $11.7 billion and $12.4 billion of mortgage loans at September 30, 2014 and December 31, 2013, respectively, that included terms such as an interest only feature, a high original LTV ratio, or a second lien position that may increase the Company's exposure to credit risk and result in a concentration of credit risk. Of these mortgage loans, $4.4 billion and $5.5 billion, respectively, were interest only loans, primarily with a ten year interest only period. Approximately $919 million and $1.1 billion of those interest only loans at September 30, 2014 and December 31, 2013, respectively, were loans with no MI and were either first liens with combined original LTV ratios in excess of 80% or were second liens. Additionally, the Company owned approximately $7.3 billion and $6.9 billion of amortizing loans with no MI at September 30, 2014 and December 31, 2013, respectively, comprised of first liens with combined original LTV ratios in excess of 80% and second liens. Despite changes in underwriting guidelines that have curtailed the origination of high LTV loans, the balances of such loans have increased due to lending to high credit quality clients.

NOTE 6 - ALLOWANCE FOR CREDIT LOSSES

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

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2014	2013	2014	2013
Balance at beginning of period	$2,046	$2,172	$2,094	$2,219
Provision for loan losses	93	92	275	448
(Benefit)/provision for unfunded commitments	—	3	(7)	5
Loan charge-offs	(164)	(189)	(473)	(695)
Loan recoveries	36	43	122	144
Balance at end of period	$2,011	$2,121	$2,011	$2,121
Components:				
ALLL			$1,968	$2,071
Unfunded commitments reserve[1]			43	50
Allowance for credit losses			$2,011	$2,121

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

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Activity in the ALLL by loan segment for the three months ended September 30, 2014 and 2013 is presented in the tables below:

	Three Months Ended September 30, 2014			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$958	$875	$170	$2,003
Provision for loan losses	25	34	34	93
Loan charge-offs	(26)	(104)	(34)	(164)
Loan recoveries	14	12	10	36
Balance at end of period	$971	$817	$180	$1,968

	Three Months Ended September 30, 2013			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$919	$1,046	$160	$2,125
Provision for loan losses	77	(6)	21	92
Loan charge-offs	(52)	(109)	(28)	(189)
Loan recoveries	13	21	9	43
Balance at end of period	$957	$952	$162	$2,071

	Nine Months Ended September 30, 2014			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$946	$930	$168	$2,044
Provision for loan losses	82	114	79	275
Loan charge-offs	(97)	(279)	(97)	(473)
Loan recoveries	40	52	30	122
Balance at end of period	$971	$817	$180	$1,968

	Nine Months Ended September 30, 2013			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$902	$1,131	$141	$2,174
Provision for loan losses	183	184	81	448
Loan charge-offs	(176)	(430)	(89)	(695)
Loan recoveries	48	67	29	144
Balance at end of period	$957	$952	$162	$2,071

As discussed in Note 1, “Significant Accounting Policies,” to the Company's 2013 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 carried at fair value. Additionally, the Company records an immaterial allowance for loan products that are guaranteed by government agencies, as there is nominal risk of principal loss.

Notes to Consolidated Financial Statements (Unaudited), continued

The Company’s LHFI portfolio and related ALLL is shown in the tables below:

	September 30, 2014							
	Commercial		Residential		Consumer		Total	
(Dollars in millions)	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL
Individually evaluated	$129	$8	$2,616	$313	$123	$7	$2,868	$328
Collectively evaluated	70,965	963	36,322	504	21,712	173	128,999	1,640
Total evaluated	71,094	971	38,938	817	21,835	180	131,867	1,968
LHFI at fair value	—	—	284	—	—	—	284	—
Total LHFI	$71,094	$971	$39,222	$817	$21,835	$180	$132,151	$1,968

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

NOTE 7 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill is required to be tested for impairment on an annual basis, which is performed by the Company as of September 30, 2014, or as events occur or circumstances change that (i) would more likely than not reduce the fair value of a reporting unit below its carrying amount, or (ii) indicate that it is more likely than not that a goodwill impairment exists when the carrying amount of a reporting unit is zero or negative. The fair value of a reporting unit is determined by using discounted cash flow analyses and, when applicable, guideline company information. The carrying value of a reporting unit is determined using an equity allocation methodology that allocates the total equity of the Company to each of its reporting units considering both regulatory risk-based capital and tangible assets relative to tangible equity. See Note 1, "Significant Accounting Policies" in the 2013 Annual Report on Form 10-K for further information regarding the Company's goodwill accounting policy. The Company performed a goodwill impairment analysis for all of its reporting units with goodwill balances at September 30, 2014 and determined that the fair values were in excess of the respective carrying values by the following percentages:

Consumer Banking and Private Wealth Management	68%
Wholesale Banking	13%

As discussed in Note 2, "Acquisitions/Dispositions," the Company completed the sale of its asset management subsidiary, RidgeWorth, during the second quarter of 2014. Also, during the nine months ended September 30, 2013, branch-managed business banking clients were transferred from Wholesale Banking to Consumer Banking and Private Wealth Management, resulting in the reallocation of $300 million in goodwill. The changes in the carrying amount of goodwill by reportable segment for the nine months ended September 30 are as follows:

(Dollars in millions)	Consumer Banking and Private Wealth Management	Wholesale Banking	Total
Balance, January 1, 2014	$4,262	$2,107	$6,369
Acquisition of Lantana Oil and Gas Partners, Inc.	—	8	8
Sale of RidgeWorth	—	(40)	(40)
Balance, September 30, 2014	$4,262	$2,075	$6,337
Balance, January 1, 2013	$3,962	$2,407	$6,369
Intersegment transfers	300	(300)	—
Balance, September 30, 2013	$4,262	$2,107	$6,369

Other Intangible Assets

Changes in the carrying amounts of other intangible assets for the nine months ended September 30 are as follows:

(Dollars in millions)	Core Deposit Intangibles	MSRs - Fair Value	Other	Total
Balance, January 1, 2014	$4	$1,300	$30	$1,334
Amortization	(4)	—	(6)	(10)
MSRs originated	—	137	—	137
MSRs purchased	—	109	—	109
Changes in fair value:				
Due to changes in inputs and assumptions [1]	—	(117)	—	(117)
Other changes in fair value [2]	—	(123)	—	(123)
Sale of MSRs	—	(1)	—	(1)
Sale of RidgeWorth	—	—	(9)	(9)
Balance, September 30, 2014	$—	$1,305	$15	$1,320
Balance, January 1, 2013	$17	$899	$40	$956
Amortization	(10)	—	(8)	(18)
MSRs originated	—	302	—	302
Changes in fair value:				
Due to changes in inputs and assumptions [1]	—	260	—	260
Other changes in fair value [2]	—	(212)	—	(212)
Sale of MSRs	—	(1)	—	(1)
Balance, September 30, 2013	$7	$1,248	$32	$1,287

[1] Primarily reflects changes in discount rates and prepayment speed assumptions, due to changes in interest rates.
[2] Represents changes due to the collection of expected cash flows, net of accretion, due to the passage of time.

Mortgage Servicing Rights

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

Income earned by the Company on its MSRs is derived primarily from contractually specified mortgage servicing fees and late fees, net of curtailment costs. Such income earned for the three and nine months ended September 30, 2014 was $81 million and $241 million, respectively, and $79 million and $232 million for the three and nine months ended September 30, 2013, respectively. These amounts are reported in mortgage servicing related income in the Consolidated Statements of Income.

At September 30, 2014 and December 31, 2013, the total UPB of mortgage loans serviced was $135.8 billion and $136.7 billion, respectively. Included in these amounts were $109.1 billion and $106.8 billion at September 30, 2014 and December 31, 2013, respectively, of loans serviced for third parties. During the nine months ended September 30, 2014 and 2013, the Company sold MSRs, at a price approximating their fair value, on residential loans with a UPB of $612 million and $2.1 billion, respectively. The Company purchased MSRs on residential loans with a UPB of $9.0 billion during the nine months ended September 30, 2014; however, only $3.0 billion of these loans are reflected in the UPB amounts above as the transfer of servicing for the remainder is scheduled for the fourth quarter of 2014. No MSRs were purchased during the nine months ended September 30, 2013.
The Company determines the fair value of the MSRs using a valuation model that calculates the present value of the estimated future net servicing income. The model incorporates a number of assumptions as MSRs do not trade in an active and open market with readily observable prices. The Company determines fair value using prepayment projections, spreads, and other assumptions that are compared to various sources of market data including independent third party valuations and industry surveys. Senior management and the STM Valuation Committee review all significant assumptions at least quarterly, since many factors can affect the fair value of MSRs. Changes to the valuation model inputs and assumptions are reflected in the periods' results.

A summary of the key characteristics, inputs, and economic assumptions used to estimate the fair value of the Company’s MSRs at September 30, 2014 and December 31, 2013, and the sensitivity of the fair values to immediate 10% and 20% adverse changes in those assumptions are shown in the table below.

(Dollars in millions)	September 30, 2014		December 31, 2013	
Fair value of retained MSRs	$1,305		$1,300	
Prepayment rate assumption (annual)	9	%	8	%
Decline in fair value from 10% adverse change	$45		$38	
Decline in fair value from 20% adverse change	87		74	
Option adjusted spread/discount rate (annual) [1]	10	%	12	%
Decline in fair value from 10% adverse change	$64		$66	
Decline in fair value from 20% adverse change	123		126	
Weighted-average life (in years)	7.1		7.7	
Weighted-average coupon	4.2	%	4.4	%

[1] Option adjusted spread was a key assumption used to estimate the fair value of the Company's MSRs at September 30, 2014. For periods prior to September 30, 2014, a discount rate was used.
The above sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the sensitivities above do not include the effect of hedging activity undertaken by the Company to offset changes in the fair value of MSRs. See Note 12, “Derivative Financial Instruments,” for further information regarding these hedging activities.

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

Certain Transfers of Financial Assets and Related Variable Interest Entities

As discussed in Note 10, "Certain Transfers of Financial Assets and Variable Interest Entities," to the Consolidated Financial Statements in the Company's 2013 Annual Report on Form 10-K, the Company has transferred loans and securities in sale or securitization transactions in which the Company has, or had, continuing involvement. 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. Further, during the nine months ended September 30, 2014, the Company evaluated whether any of its previous conclusions regarding whether it is the primary beneficiary of the VIEs described below should be changed based upon events occurring during the period. These evaluations did not result in changes to previous consolidation conclusions, except for one CLO entity which is described in detail in the "Commercial and Corporate Loans" section of this footnote. No events occurred during the nine months ended September 30, 2014 that changed the Company’s sale accounting conclusion in regards to previously transferred residential mortgage loans, student loans, commercial and corporate loans, or CDO securities.

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

Below is a summary of transfers of financial assets to VIEs for which the Company has retained some level of continuing involvement, which supplements Note 10, "Certain Transfers of Financial Assets and Variable Interest Entities," to the Consolidated Financial Statements in the Company's 2013 Annual Report on Form 10-K.

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 proceeds and servicing rights. The Company sold residential mortgage loans to these entities, which resulted in a pre-tax net gain of $50 million and a pre-tax net loss of $169 million, including servicing rights, for the three months ended September 30, 2014 and 2013, respectively, and pre-tax net gains of $155 million and $112 million for the nine months ended September 30, 2014 and 2013, respectively. These net gains/losses are included within mortgage production related income/(loss) in the Consolidated Statements of Income. These net gains/losses include the change in value of the loans as a result of changes in interest rates from the time the related IRLCs were issued to the borrowers but do not include the results of hedging activities initiated by the Company to mitigate this market risk. See Note 12, “Derivative Financial Instruments,” for further discussion of the Company’s hedging activities. As seller, the Company has made certain representations and warranties with respect to the originally transferred loans, including those transferred under Ginnie Mae, Fannie Mae, and Freddie Mac programs, and those representations and warranties are discussed in Note 13, “Guarantees.”

In a limited number of securitizations, the Company has received securities representing retained interests in the transferred loans in addition to cash and servicing rights in exchange for the transferred loans. The received securities are carried at fair value as either trading assets or securities AFS. At September 30, 2014 and December 31, 2013, the fair value of securities received totaled $65 million and $71 million, respectively, and were valued using a third party pricing service.

The Company evaluated these securitization transactions for consolidation under the VIE consolidation guidance. As servicer of the underlying loans, the Company is generally deemed to have power over the securitization entity. However, if a single party, such as the issuer or the master servicer, effectively controls the servicing activities or has the unilateral ability to terminate the Company as servicer without cause, then that party is deemed to have power over the entity. In almost all of its securitization transactions, the Company does not have power over the VIE as a result of these rights held by the master servicer. In certain transactions, the Company does have power as the servicer; however, the Company does not also have an obligation to absorb losses or the right to receive benefits that could potentially be significant. The absorption of losses and the receipt of benefits would generally manifest itself through the retention of senior or subordinated interests in the securitization. Total assets at September 30, 2014 and December 31, 2013, of the unconsolidated trusts in which the Company has a VI were $297 million and $350 million, respectively.

The Company’s maximum exposure to loss related to the unconsolidated VIEs in which it holds a VI is comprised of the loss of value of any interests it retains and any repurchase obligations it incurs as a result of a breach of representations and warranties, discussed further in Note 13, “Guarantees.”

Commercial and Corporate Loans

The Company has involvement with CLO entities that own commercial leveraged loans and bonds, certain of which were transferred by the Company to the entities. The Company currently holds certain securities issued by these entities and previously acted as collateral manager for the CLOs; however, upon the sale of RidgeWorth in May 2014, the Company is no longer the collateral manager. The Company previously determined that it was the primary

beneficiary of, and thus, had consolidated one of these CLOs as it had both the power to direct the activities that most significantly impacted the entity's economic performance and the obligation to absorb losses and the right to receive benefits from the entity that could potentially be significant to the CLO. The Company's involvement with this CLO includes ownership in one of the senior interests in the CLO and certain preference shares. Since the Company is no longer the collateral manager for the CLO, the Company no longer possesses the power to direct the activities that most significantly impact the economic performance of the VIE; therefore, the Company is no longer the primary beneficiary of this CLO and in connection with the sale of RidgeWorth, the CLO was deconsolidated.

At December 31, 2013, the Company’s Consolidated Balance Sheets reflected $261 million of loans held by the CLO and $256 million of debt issued by the CLO.