SUNTRUST BANKS INC
Form 10-K
March 02, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

2008 FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

or

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

Commission File Number 001-08918

SUNTRUST BANKS, INC.

(Exact name of registrant as specified in its charter)

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

303 Peachtree Street, N.E., Atlanta, Georgia 30308

(Address of principal executive offices) (Zip Code)

(404) 588-7711

(Registrant s telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act:

Title of each class	**Name of exchange on which provided**

Common Stock	New York Stock Exchange
Depository Shares, Each Representing 1/4000th Interest in a Share of Perpetual Preferred Stock, Series A	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 x No ¨

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

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

Large accelerated filer x 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 x

The aggregate market value of the voting Common Stock held by non-affiliates at June 30, 2008 was approximately $12.7 billion, based on the New York Stock Exchange closing price for such shares on that date. For purposes of this calculation, the Registrant has assumed that its directors and executive officers are affiliates.

At February 18, 2009, 356,681,867 shares of the Registrant s Common Stock, $1.00 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III information is incorporated herein by reference, pursuant to Instruction G of Form 10-K, to SunTrust s Definitive Proxy Statement for its 2008 Annual Shareholder s Meeting, which will be filed with the Commission no later than April 30, 2009 (the Proxy Statement).

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PART I

Item 1. BUSINESS
General

SunTrust Banks, Inc. (SunTrust , the Company , we , us , or our), one of the nation s largest commercial banking organizations, is a diversified financial services holding company whose businesses provide a broad range of financial services to consumer and corporate clients. SunTrust was incorporated in 1984 under the laws of the State of Georgia. The principal executive offices of the Company are located in the SunTrust Plaza, Atlanta, Georgia 30308.

Additional information relating to our businesses and our subsidiaries is included in the information set forth in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations (the MD&A), and Note 22, Business Segment Reporting, to the Consolidated Financial Statements in Item 8 of this report.

Primary Market Areas

Through its flagship subsidiary SunTrust Bank, the Company provides deposit, credit, and trust and investment services. Additional subsidiaries provide mortgage banking, asset management, securities brokerage, capital market services and credit-related insurance. SunTrust enjoys strong market positions in some of the most attractive markets in the United States and operates primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. Within the geographic footprint, SunTrust operated under four business segments during 2008. These business segments were: Retail & Commercial, Wholesale Banking, Mortgage, and Wealth and Investment Management. In addition, SunTrust provides clients with a selection of technology-based banking channels, including the Internet, automated teller machines, PC and twenty-four hour telebanking. SunTrust s client base encompasses a broad range of individuals and families, businesses, institutions, and governmental agencies.

Acquisition and Disposition Activity

As part of its operations, the Company regularly evaluates the potential acquisition of, and holds discussions with, various financial institutions and other businesses of a type eligible for financial holding company ownership or control. In addition, the Company regularly analyzes the values of, and may submit bids for, the acquisition of customer-based funds and other liabilities and assets of such financial institutions and other businesses. The Company may also consider the potential disposition of certain of its assets, branches, subsidiaries or lines of businesses.

We completed the sale of our minority interest in Lighthouse Investment Partners, LLC on January 2, 2008 and effective May 1, 2008, we acquired GB&T Bancshares, Inc. (GB&T). On May 30, 2008, we sold our interests in First Mercantile Trust Company (First Mercantile), a retirement plan services subsidiary. Moreover, on September 2, 2008, we sold our fuel card business, TransPlatinum to Fleet One Holdings LLC. Additional information on these and other acquisitions and dispositions is included in Note 2, Acquisitions/Dispositions, to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Government Supervision and Regulation

As a bank holding company and a financial holding company, the Company is subject to the regulation and supervision of the Board of Governors of the Federal Reserve System (the Federal Reserve) and, in limited circumstances described herein, the United States Department of the Treasury (the Treasury). The Company s principal banking subsidiary, SunTrust Bank, is a Georgia state chartered bank with branches in Georgia, Florida, the District of Columbia, Maryland, Virginia, North Carolina, South Carolina, Tennessee, Alabama, West Virginia, Mississippi and Arkansas. SunTrust Bank is a member of the Federal Reserve System, and is regulated by the Federal Reserve, the Federal Deposit Insurance Corporation (the FDIC) and the Georgia Department of Banking and Finance.

The Company s banking subsidiary is subject to various requirements and restrictions under federal and state law, including requirements to maintain cash reserves against deposits, restrictions on the types and amounts of loans that may be made, and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of the bank and its subsidiaries. In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve as it attempts to control the money supply and credit availability in order to influence the economy.

Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, bank holding companies from any state may acquire banks located in any other state, subject to certain conditions, including concentration limits. In addition, a bank may establish branches across state lines by merging with a bank in another state, subject to certain restrictions. A bank

holding company may not directly or indirectly acquire ownership or control of more than 5% of the voting shares or substantially all of the assets of any bank or merge or consolidate with another bank holding company without the prior approval of the Federal Reserve. Moreover, a bank and its affiliates may not, after the acquisition of another bank, control more than 10% of the amount of deposits of insured depository institutions in the United States. In addition, certain states may have limitations on the amount of deposits any bank may hold within that state.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance fund in the event the depository institution becomes in danger of default or is in default. For example, under a policy of the Federal Reserve with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and commit resources to support such institutions in circumstances where it might not do so absent such policy. In addition, the cross-guarantee provisions of federal law require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized as such terms are defined under regulations issued by each of the federal banking agencies.

The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve risk-based guidelines define a tier-based capital framework. Tier 1 capital includes common shareholders equity, trust preferred securities, minority interests and qualifying preferred stock, less goodwill (net of any qualifying deferred tax liability) and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatorily convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to a certain amount and a portion of the unrealized gain on equity securities. The sum of Tier 1 and Tier 2 capital represents the Company s qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. In addition, the Company, and any bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations. The leverage ratio is determined by dividing Tier 1 capital by adjusted average total assets.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, identifies five capital categories for insured depository institutions (well capitalized , adequately capitalized , undercapitalized , significantly undercapitalized and critically undercapitalized) and requires the respective federal regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. An undercapitalized bank must develop a capital restoration plan and its parent holding company must guarantee that bank s compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank s assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent s general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality, and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a well capitalized institution must have a Tier 1 risk-based capital ratio of at least six percent, a total risk-based capital ratio of at least ten percent and a leverage ratio of at least five percent and not be subject to a capital directive order.

Regulators also must take into consideration: (a) concentrations of credit risk; (b) interest rate risk (when the interest rate sensitivity of an institution s assets does not match the sensitivity of its liabilities or its off-balance-sheet position); and (c) risks from non-traditional activities, as well as an institution s ability to manage those risks, when determining the adequacy of an institution s capital. This evaluation will be made as a part of the institution s regular safety and soundness examination.

There are various legal and regulatory limits on the extent to which the Company s subsidiary bank may pay dividends or otherwise supply funds to the Company. In addition, federal and state bank regulatory agencies also have the authority to prevent a bank or bank holding company from paying a dividend or engaging in any other activity that, in the opinion of the agency, would constitute an unsafe or unsound practice. The Federal Deposit Insurance Act provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, nondeposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

The FDIC merged the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to form the Deposit Insurance Fund (DIF) on March 31, 2006 in accordance with the Federal Deposit Insurance Reform Act of 2005. The FDIC maintains the DIF by assessing depository institutions an insurance premium. The amount each institution is assessed is based upon statutory factors that include the balance of insured deposits as well as the degree of risk the institution poses to the insurance fund. The FDIC recently increased the amount of deposits it insures from $100,000 to $250,000. This increase is temporary and will continue through December 31, 2009. Additionally, under the temporary liquidity guarantee program (the TLGP), transactional accounts are fully insured, as described below. The Company s banking subsidiary pays an insurance premium into the DIF based on the total amount in each individual deposit account held at the Company s banking subsidiary, up to $250,000 for each account. The FDIC uses a risk-based premium system that assesses higher rates on those institutions that pose greater risks to the DIF. The FDIC places each institution in one of four risk categories using a two-step process based first on capital ratios (the capital group assignment) and then on other relevant information (the supervisory group assignment). Recently, the FDIC increased the amount assessed from financial institutions by increasing its risk-based deposit insurance assessment scale uniformly by seven (7) basis points for first quarter 2009. The assessment scale for first quarter 2009 will range from twelve (12) basis points of assessable deposits for the strongest institutions to fifty (50) basis points for the weakest.

On October 14, 2008, the FDIC announced the TLGP that guarantees certain debt issued and the transactional accounts of financial institutions. The Company has opted to participate in both the FDIC s debt guarantee and transaction account guarantee programs. The FDIC assesses insurance premiums from participating depository institutions to fund the FDIC s obligations under both the debt guarantee program and the transaction account guarantee program. With respect to the debt guarantee program, the FDIC insures all senior, unsecured debt with a maturity of 31 days or more until the earlier of (i) June 30, 2012 or (ii) the maturity of the debt. The FDIC assesses a fee, payable upon issuance, for participation in the debt guarantee program (a) for debt with a maturity of 180 days or less, an amount equal to the product of the total amount of the debt issued, the term of the debt expressed in years and 50 basis points; (b) for debt with a maturity of 181 days to 364 days, an amount equal to the product of the total amount of the debt issued, the term of the debt expressed in years and 75 basis points; and (c) for debt with a maturity of greater than 365 days, an amount equal to the product of the total amount of the debt issued, the term of the debt expressed in years and 100 basis points. With respect to the transaction account guarantee program, the FDIC insures the funds in all non-interest bearing transactional accounts greater than $250,000 until December 31, 2009. The FDIC assesses a quarterly annualized fee equal to the product of 10 basis points and the sum of the amount by which the non-interest bearing transactional accounts of the Company s banking subsidiary have funds greater than $250,000 in each account.

FDIC regulations require that management report annually on its responsibility for preparing its institution s financial statements, establishing and maintaining an internal control structure and procedures for financial reporting, and compliance with designated laws and regulations concerning safety and soundness.

On November 12, 1999, financial modernization legislation known as the Gramm-Leach-Bliley Act (the GLB Act) was signed into law. Under the GLB Act, a bank holding company which elects to become a financial holding company may engage in expanded securities activities, insurance sales, and underwriting activities, and other financial activities, and may also acquire securities firms and insurance companies, subject in each case to certain conditions. The Company has elected to become a financial holding company under the GLB Act. If any of our banking subsidiaries ceases to be well capitalized or well managed under applicable regulatory standards, the Federal Reserve may, among other things, place limitations on our ability to conduct these broader financial activities or, if the deficiencies persist, require us to divest the banking subsidiary. In order to become and maintain its status as a financial holding company, the Company and all of its affiliated depository institutions must be well-capitalized, well-managed, and have at least a satisfactory Community Reinvestment Act of 1977 (CRA) rating. Furthermore, if the Federal Reserve determines that a financial holding company has not maintained a satisfactory CRA rating, the Company will not be able to commence any new financial activities or acquire a company that engages in such activities, although the Company will still be allowed to engage in activities closely related to banking and make investments in the ordinary course of conducting merchant banking activities.

The USA Patriot Act of 2001 (Patriot Act) substantially broadens existing anti-money laundering legislation and the extraterritorial jurisdiction of the United States; imposes new compliance and due diligence obligations; creates new crimes and penalties; compels the production of documents located both inside and outside the United States, including those of non-U.S. institutions that have a correspondent relationship in the United States; and clarifies the safe harbor from civil liability to clients. The Treasury has issued a number of regulations that further clarify the Patriot Act s requirements or provide more specific guidance on their application. The Patriot Act requires all financial institutions, as defined, to establish certain anti-money laundering compliance and due diligence programs. The Patriot Act requires financial institutions that maintain correspondent accounts for non-U.S. institutions, or persons that are involved in private banking for non-United States persons or their representatives, to establish, appropriate, specific and, where necessary, enhanced due diligence policies, procedures, and controls that are reasonably designed to detect and report instances of money laundering through those accounts. Bank regulators are focusing their examinations on anti-money laundering compliance, and the Company continues to enhance its anti-money laundering compliance programs.

Federal banking regulators, as required under the GLB Act, have adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors.

The Company is subject to the rules and regulations promulgated under the Emergency Economic Stabilization Act of 2008 (EESA) by virtue of the Company s sale of preferred stock to the Treasury. The statute and regulations include certain limitations on compensation for senior executives, dividend payments, and payments to senior executives upon termination of employment. Additional information relating to the restrictions on dividends and redemptions is included in the information set forth in Item 7 of this report under the caption, Liquidity Risk. Furthermore, under rules and regulations of EESA to which the Company is subject, no dividends may be declared or paid on the Company s common stock and the Company may not repurchase or redeem any common stock unless dividends due with respect to Senior Preferred Shares have been paid in full. Moreover, the consent of the Treasury will be required for any increase in the per share dividends on the Company s common stock, beyond the per share dividend declared prior to October 14, 2008 ($0.77 per share per quarter) until the third anniversary of the date of Treasury s investment; unless prior to the third anniversary, the Senior Preferred Shares are redeemed in whole or the Treasury has transferred all of its shares to third parties. Under this provision the Company could reduce its dividend and subsequently restore it to no more than $0.77 per share per quarter at any time. Additionally, if the Company pays a dividend in excess of $0.54 per share before the tenth anniversary then the anti-dilution provisions of the U.S. Treasury s warrants will reduce its exercise price and increase the number of shares issuable upon exercise of the warrant.

Because of the Company s participation in EESA, the Treasury is permitted to determine whether the public disclosure required for the Company with respect to the Company s off-balance sheet transactions, derivative instruments, contingent liabilities and similar sources of exposure are adequate to provide the public sufficient information as to the true financial position of the Company. If the Treasury were to determine that such disclosure is not adequate for such purpose, the Treasury will make additional recommendations for additional disclosure requirements to the Federal Reserve, the Company s primary federal regulator.

Because of the Company s participation in EESA, the Company is subject to certain restrictions on its executive compensation practices, which are discussed in Item 11 of this report.

The Company s non-banking subsidiaries are regulated and supervised by various regulatory bodies. For example, SunTrust Robinson Humphrey, Inc. is a broker-dealer registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority, Inc. (FINRA). SunTrust Investment Services, Inc. is also a broker-dealer and investment adviser registered with the SEC and a member of the FINRA. RidgeWorth Capital Management, Inc. (RidgeWorth; formerly Trusco Capital Management, Inc.) and several of Ridgeworth s subsidiaries are investment advisers registered with the SEC.

In addition, there have been a number of legislative and regulatory proposals that would have an impact on the operation of bank/financial holding companies and their bank and non-bank subsidiaries. It is impossible to predict whether or in what form these proposals may be adopted in the future and, if adopted, what their effect will be on us.

Competition

SunTrust operates in a highly competitive industry that could become even more competitive as a result of legislative, regulatory, economic, and technological changes, as well as continued consolidation. The Company also faces aggressive competition from other domestic and foreign lending institutions and from numerous other providers of financial services. The ability of non-banking financial institutions to provide services previously limited to commercial banks has intensified

competition. Because non-banking financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Although non-banking financial institutions may not have the same access to government programs enacted under EESA or the TLGP, those non-banking financial institutions may elect to become financial holding companies and gain such access. Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. This may significantly change the competitive environment in which the Company conducts business. Some of the Company s competitors have greater financial resources or face fewer regulatory constraints. As a result of these various sources of competition, the Company could lose business to competitors or be forced to price products and services on less advantageous terms to retain or attract clients, either of which would adversely affect the Company s profitability.

As a result of recent economic events, there has been an increase in the number of failures and acquisitions of commercial and investment banks, including large commercial and investment banks. This has allowed certain larger financial institutions to acquire a presence in our footprint. Additionally, certain large financial institutions that were formerly engaged primarily in investment banking activities have amended their charters to become regulated commercial banks, thereby increasing the direct competitors to the Company. Consequently, merger activity has increased within the banking industry.

The Company s ability to expand into additional states remains subject to various federal and state laws. See Government Supervision and Regulation for a more detailed discussion of interstate banking and branching legislation and certain state legislation.

Employees

As of December 31, 2008, there were 29,333 full-time equivalent employees within SunTrust. None of the domestic employees within the Company are subject to a collective bargaining agreement. Management considers its employee relations to be good.

Additional Information

See also the following additional information which is incorporated herein by reference: Business Segments (under the captions Business Segments in Item 7, the MD&A, and Business Segment Reporting in Note 22 to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data); Net Interest Income (under the captions Net Interest Income/Margin in the MD&A and Selected Financial Data in Item 6); Securities (under the caption Securities Available for Sale in the MD&A and Note 5 to the Consolidated Financial Statements); Outstanding Loans and Leases (under the caption Loans in the MD&A and Note 6 to the Consolidated Financial Statements); Deposits (under the caption Deposits in the MD&A); Short-Term Borrowings (under the captions Liquidity Risk and Other Short-Term Borrowings and Long-Term Debt in the MD&A and Note 10 Other Short-Term Borrowings and Contractual Commitments to the Consolidated Financial Statements); Trading Activities in the MD&A and Trading Assets and Liabilities (under the caption Trading Assets and Liabilities in the MD&A and Trading Assets and Liabilities and Fair Value Election and Measurement in Notes 4 and 20, respectively, to the Consolidated Financial Statements); Market Risk Management (under the caption Market Risk Management in the MD&A); Liquidity Risk Management (under the caption Liquidity Risk in the MD&A); and Operational Risk Management (under the caption Operational Risk Management in the MD&A).

SunTrust s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) are available on the Company s website at www.suntrust.com under the Investor Relations Section as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to the SEC. The public may read and copy any materials the Company files with the SEC at the SEC Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEC. The SEC s website address is www.sec.gov. In addition, SunTrust makes available on its website at www.suntrust.com under the heading Corporate Governance its: (i) Code of Ethics; (ii) Corporate Governance Guidelines; and (iii) the charters of SunTrust Board committees, and also intends to disclose any amendments to its Code of Ethics, or waivers of the Code of Ethics on behalf of its Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, on its website. These corporate governance materials are also available free of charge in print to shareholders who request them in writing to: SunTrust Banks, Inc., Attention: Investor Relations, P.O. Box 4418, Mail Code GA-ATL-634, Atlanta, Georgia 30302-4418.

The Company s Annual Report on Form 10-K is being distributed to shareholders in lieu of a separate annual report containing financial statements of the Company and its consolidated subsidiaries.

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Item 1A. RISK FACTORS
Possible Additional Risks

The risks listed here are not the only risks we face. Additional risks that are not presently known, or that we presently deem to be immaterial, also could have a material adverse effect on our financial condition, results of operations, business, and prospects.

Recent Market, Legislative, and Regulatory Events

Difficult market conditions have adversely affected our industry.

Dramatic declines in the housing market over the past two years, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of real estate related loans and resulted in significant write-downs of asset values by financial institutions. These write-downs, initially of asset-backed securities (ABS) but spreading to other securities and loans, have caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition and results of operations. Market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provision for credit and fraud losses. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than 12 months. Recently, volatility and disruption have reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

Numerous facts and circumstances are considered when evaluating the carrying value of our goodwill. One of those considerations is the market capitalization of the Company, evaluated over a reasonable period of time, in relation to the aggregate estimated fair value of the reporting units. While this comparison provides some relative market information regarding the estimated fair value of the reporting units, it is not determinative and needs to be evaluated in the context of the current economic and political environment. However, significant and/or sustained declines in the Company s market capitalization, especially in relation to the Company s book value, could be an indication of potential impairment of goodwill.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

There can be no assurance that enacted legislation or any proposed federal programs will stabilize the U.S. financial system and such legislation and programs may adversely affect us.

On October 3, 2008, President George W. Bush signed into law the EESA. The legislation was the result of a proposal by Treasury Secretary Henry Paulson to the U.S. Congress in response to the financial crises affecting the banking system and financial markets and threats to investment banks and other financial institutions. Pursuant to the EESA, the Treasury will have the authority to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities (MBS) and certain other financial instruments from financial institutions for the

purpose of stabilizing and providing liquidity to the

U.S. financial markets. Also on October 14, 2008, the Treasury announced a program under the EESA pursuant to which it would make senior preferred stock investments in participating financial institutions (the Capital Purchase Program). On October 14, 2008, the Federal Deposit Insurance Corporation announced the TLGP under the systemic risk exception to the Federal Deposit Act (FDA) pursuant to which the FDIC would offer a guarantee of certain financial institution indebtedness in exchange for an insurance premium to be paid to the FDIC by issuing financial institutions.

We have participated in the Capital Purchase Program and issued debt under the TLGP. There can be no assurance, however, as to the actual impact that the EESA and its implementing regulations, the FDIC programs, or any other governmental program will have on the financial markets or our participation in either program on our results. The failure of the EESA, the FDIC, or the U.S. government to stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, and access to credit or the trading price of our common stock.

Contemplated and proposed legislation, state and federal programs, and increased government control or influence may adversely affect us by increasing the uncertainty in our lending operations and expose us to increased losses, including legislation that would allow bankruptcy courts to permit modifications to mortgage loans on a debtor s primary residence, moratoriums on a mortgagor s right to foreclose on property, and requirements that fees be paid to register other real estate owned property. Statutes and regulations may be altered that may potentially increase our costs to service and underwrite mortgage loans. Additionally, federal intervention and operation of formerly private institutions may adversely affect our rights under contracts with such institutions and the way in which we conduct business in certain markets.

The impact on us of recently enacted legislation, in particular the EESA and its implementing regulations, and actions by the FDIC, cannot be predicted at this time.

The programs established or to be established under the EESA and Troubled Asset Relief Program may have adverse effects upon us. Because we participate in the Capital Purchase Program, we are subject to increased regulation, and we may face additional regulations or changes to regulations to which we are subject as a result of our participation. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities. For example, participation in the Capital Purchase Program limits (without the consent of the Treasury) our ability to increase our dividend or to repurchase our common stock for so long as any securities issued under such program remain outstanding. Also, the cumulative dividend payable under the preferred stock that we issued to the Treasury pursuant to the Capital Purchase Program increases from 5% to 9% after 5 years. Please also refer to our discussions of Liquidity Risk and Capital Resources in Item 7 of this report. Additionally, we may not deduct interest paid on our preferred stock for income tax purposes. Participating in the Capital Purchase Program also subjects us to additional executive compensation restrictions. We discuss these in greater detail in our proxy statement, which we incorporate by reference into Item 11 of this report.

Similarly, any program established by the FDIC under the systemic risk exception of the FDA, may adversely affect us whether we participate or not. Our participation in the TLGP requires we pay additional insurance premiums to the FDIC. Additionally, the FDIC has increased premiums on insured accounts because market developments, including the increase of failures in the banking industry, have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits.

Treasury Stress Tests and Other Actions may Adversely Affect Bank Operations and Value of Shares.

On February 10, 2009, the U.S. Treasury Secretary outlined a plan to restore stability to the financial system. This announcement included reference to a plan by the Treasury to conduct stress tests of banks which received funds under the Capital Purchase Program and similar Treasury programs. The methods and procedures to be used by the Treasury in conducting its stress tests, how these methods and procedures will be applied, and the significance or consequence of such tests presently are not known. Any of these or their consequences could adversely affect us, our bank operations and the value of SunTrust shares, among other things.

Business Risks

Credit risk.

When we loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, or the risk of losses if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their contracts. A number of our products expose us to credit risk, including loans, leases and lending commitments, derivatives, trading account assets, insurance arrangements with respect to such products, and assets held for sale. As one of the nation s largest lenders, the credit quality of our portfolio can have a significant impact on our earnings. We estimate and establish reserves for credit risks and credit losses inherent in our credit exposure (including unfunded credit commitments). This process, which is critical to our financial results and condition, requires difficult, subjective and complex

judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to

repay their loans. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify.

Weakness in the economy and in the real estate market, including specific weakness within our geographic footprint, has adversely affected us and may continue to adversely affect us.

If the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations decline, or continue to decline, this could result in, among other things, a deterioration of credit quality or a reduced demand for credit, including a resultant effect on our loan portfolio and allowance for loan and lease losses. A significant portion of our residential mortgages and commercial real estate loan portfolios are composed of borrowers in the Southeastern and Mid-Atlantic regions of the United States, in which certain markets have been particularly adversely affected by declines in real estate value, declines in home sale volumes, and declines in new home building. These factors could result in higher delinquencies and greater charge-offs in future periods, which would materially adversely affect our financial condition and results of operations.

Weakness in the real estate market, including the secondary residential mortgage loan markets, has adversely affected us and may continue to adversely affect us.

Significant ongoing disruptions in the secondary market for residential mortgage loans have limited the market for and liquidity of many mortgage loans. The effects of ongoing mortgage market challenges, combined with the ongoing correction in residential real estate market prices and reduced levels of home sales, could result in further price reductions in single family home values, adversely affecting the value of collateral securing mortgage loans that we hold, mortgage loan originations and profits on sales of mortgage loans. Declining real estate prices have caused higher delinquencies and losses on certain mortgage loans, particularly Alt-A mortgages and home equity lines of credit and mortgage loans sourced from brokers that are outside our branch bank network. These trends could continue. These conditions have resulted in losses, write downs and impairment charges in our mortgage and other lines of business. Continued declines in real estate values, home sales volumes, financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans or other factors could have further adverse effects on borrowers that could result in higher delinquencies and greater charge-offs in future periods, which adversely affect our financial condition or results of operations. Additionally, counterparties to insurance arrangements used to mitigate risk associated with increased foreclosures in the real estate market are stressed by weaknesses in the real estate market and a commensurate increase in the number of claims. Additionally, decreases in real estate values might adversely affect the creditworthiness of state and local governments, and this might result in decreased profitability or credit losses from loans made to such governments. A decline in home values or overall economic weakness could also have an adverse impact upon the value of real estate or other assets which we own upon foreclosing a loan and our ability to realize value on such assets.

Weakness in the real estate market may adversely affect our reinsurance subsidiary.

The Company has a subsidiary (Twin Rivers Insurance Company) which provides mortgage reinsurance on certain mortgage loans through contracts with several primary mortgage insurance companies. Under these contracts, Twin Rivers Insurance Company (Twin Rivers) provides aggregate excess loss coverage in a mezzanine layer in exchange for a portion of the pool s mortgage insurance premiums. The reinsurance contracts are intended to place limits on Twin Rivers maximum exposure to losses by defining the loss amounts ceded to Twin Rivers, as well as by establishing trust accounts for each contract. The trust accounts, which are comprised of funds contributed by Twin Rivers plus premiums earned under the reinsurance contracts, are maintained to fund claims made under the specific reinsurance contracts with individual primary mortgage insurers and are independent of each other. If claims exceed funds held in the trust accounts, Twin Rivers does not expect to make additional contributions beyond future premiums earned under the existing contracts. Twin Rivers maintains a reserve for estimated losses under its reinsurance contracts, which is an estimate of losses resulting from claims to be paid by the trusts. On an ongoing basis, Twin Rivers assesses the sufficiency of future revenues, including premiums and investment income on funds held in the trusts, to cover future claims.

Due to the deterioration of the real estate market and an increase in defaults under mortgage contracts, the funds in certain trusts may be less than the obligations created under such contracts. Twin Rivers does not believe it is required nor does it intend to make additional capital contributions to cover obligations in excess of funds held by the trusts; however, Twin Rivers profitability could be adversely affected if the primary mortgage insurance companies pursue Twin Rivers for such shortfalls.

As a financial services company, adverse changes in general business or economic conditions could have a material adverse effect on our financial condition and results of operations.

A sustained weakness or weakening in business and economic conditions generally or specifically in the principal markets in which we do business could have one or more of the following adverse impacts on our business:

A decrease in the demand for loans and other products and services offered by us;
A decrease in the value of our loans held for sale or other assets secured by consumer or commercial real estate;
An increase or decrease in the usage of unfunded commitments;

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- A loss of clients and/or reduced earnings could trigger an impairment of certain intangible assets, such as goodwill;
- An increase in the number of clients and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us. An increase in the number of delinquencies, bankruptcies or defaults could result in a higher level of nonperforming assets, net charge-offs, provision for loan losses, and valuation adjustments on loans held for sale.

Changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital or liquidity.

Given our business mix, and the fact that most of the assets and liabilities are financial in nature, we tend to be sensitive to market interest rate movements and the performance of the financial markets. In addition to the impact of the general economy, changes in interest rates or in valuations in the debt or equity markets could directly impact us in one or more of the following ways:

- The yield on earning assets and rates paid on interest bearing liabilities may change in disproportionate ways;
- The value of certain balance sheet and off-balance sheet financial instruments or the value of equity investments that we hold could decline;
- The value of assets for which we provide processing services could decline; or
- To the extent we access capital markets to raise funds to support our business, such changes could affect the cost of such funds or the ability to raise such funds.

The fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings.

The Board of Governors of the Federal Reserve System regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the net interest margin. They can also materially decrease the value of financial assets we hold, such as debt securities and mortgage servicing rights (MSRs). Its policies can also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in Federal Reserve Board policies are beyond our control and difficult to predict; consequently, the impact of these changes on our activities and results of operations is difficult to predict.

We may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, borrower fraud, or certain borrower defaults, which could harm our liquidity, results of operations, and financial condition.

When we sell mortgage loans, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. Our whole loan sale agreements require us to repurchase or substitute mortgage loans in the event we breach any of these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of borrower fraud or in the event of early payment default of the borrower on a mortgage loan. Likewise, we are required to repurchase or substitute mortgage loans if we breach a representation or warranty in connection with our securitizations. The remedies available to us against the originating broker or correspondent may not be as broad as the remedies available to a purchaser of mortgage loans against us, and we face the further risk that the originating broker or correspondent may not have the financial capacity to perform remedies that otherwise may be available to us. Therefore, if a purchaser enforces its remedies against us, we may not be able to recover our losses from the originating broker or correspondent. Recently, we have received an increased number of repurchase and indemnity demands from purchasers as a result of borrower fraud. This increase in repurchase demands, combined with an increase in expected loss severity on repurchased loans due to deteriorating real estate values and liquidity for impaired loans, has resulted in a significant increase in the amount of accrued losses for repurchases as of December 31, 2008. While we have taken steps to enhance our underwriting policies and procedures, there can be no assurance that these steps will be effective or reduce risk associated with loans sold in the past. If repurchase and indemnity demands increase, our liquidity, results of operations and financial condition will be adversely affected.

Clients could pursue alternatives to bank deposits, causing us to lose a relatively inexpensive source of funding.

Checking and savings account balances and other forms of client deposits could decrease if clients perceive alternative investments, such as the stock market, as providing superior expected returns. When clients move money out of bank deposits in favor of alternative investments, we can lose a relatively inexpensive source of funds, increasing our funding costs.

Consumers may decide not to use banks to complete their financial transactions, which could affect net income.

Technology and other changes now allow parties to complete financial transactions without banks. For example, consumers can pay bills and transfer funds directly without banks. This process could result in the loss of fee income, as well as the loss of client deposits and the income generated from those deposits.

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We have businesses other than banking which subject us to a variety of risks.

We are a diversified financial services company. This diversity subjects earnings to a broader variety of risks and uncertainties.

Hurricanes and other natural disasters may adversely affect loan portfolios and operations and increase the cost of doing business.

Large scale natural disasters may significantly affect loan portfolios by damaging properties pledged as collateral and by impairing the ability of certain borrowers to repay their loans. The nature and level of natural disasters cannot be predicted and may be exacerbated by global climate change. The ultimate impact of a natural disaster on future financial results is difficult to predict and will be affected by a number of factors, including the extent of damage to the collateral, the extent to which damaged collateral is not covered by insurance, the extent to which unemployment and other economic conditions caused by the natural disaster adversely affect the ability of borrowers to repay their loans, and the cost of collection and foreclosure moratoriums, loan forbearances and other accommodations granted to borrowers and other clients.

Negative public opinion could damage our reputation and adversely impact business and revenues.

As a financial institution, our earnings and capital are subject to risks associated with negative public opinion. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices, the failure of any product or service sold by us to meet our clients expectations or applicable regulatory requirements, corporate governance and acquisitions, or from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to keep and attract and/or retain clients and can expose us to litigation and regulatory action. Actual or alleged conduct by one of our businesses can result in negative public opinion about our other businesses. Negative public opinion could also affect our credit ratings, which are important to its access to unsecured wholesale borrowings. Significant changes in these ratings could change the cost and availability of these sources of funding.

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

Third parties provide key components of our business infrastructure such as banking services, processing, and Internet connections and network access. Any disruption in such services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect our ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect our business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. We may not be insured against all types of losses as a result of third party failures and our insurance coverage may be inadequate to cover all losses resulting from system failures or other disruptions. Failures in our business infrastructure could interrupt the operations or increase the costs of doing business.

We rely on our systems, employees, and certain counterparties, and certain failures could materially adversely affect our operations.

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical and record-keeping errors, and computer/telecommunications systems malfunctions. Our businesses are dependent on our ability to process a large number of increasingly complex transactions. If any of our financial, accounting, or other data processing systems fail or have other significant shortcomings, we could be materially adversely affected. We are similarly dependent on our employees. We could be materially adversely affected if one of our employees causes a significant operational break-down or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. Third parties with which we do business could also be sources of operational risk to us, including relating to break-downs or failures of such parties own systems or employees. Any of these occurrences could result in a diminished ability of us to operate one or more of our businesses, potential liability to clients, reputational damage and regulatory intervention, which could materially adversely affect us.

We may also be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses or electrical or telecommunications outages or natural disasters, or events arising from local or regional politics, including terrorist acts. Such disruptions may give rise to losses in service to clients and loss or liability to us. In addition there is the risk that our controls and procedures as well as business continuity and data security systems prove to be inadequate. Any such failure could affect our operations and could materially adversely affect our results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to litigation or losses not covered by insurance.

We depend on the accuracy and completeness of information about clients and counterparties.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors.

Industry Risks

Regulation by federal and state agencies could adversely affect the business, revenue, and profit margins.

We are heavily regulated by federal and state agencies. This regulation is to protect depositors, the federal deposit insurance fund and the banking system as a whole. Congress and state legislatures and federal and state regulatory agencies continually review banking laws, regulations, and policies for possible changes. Changes to statutes, regulations, or regulatory policies, including interpretation or implementation of statutes, regulations, or policies, could affect us adversely, including limiting the types of financial services and products we may offer and/or increasing the ability of nonbanks to offer competing financial services and products. Also, if we do not comply with laws, regulations, or policies, we could receive regulatory sanctions and damage to our reputation.

Competition in the financial services industry is intense and could result in losing business or reducing margins.

We operate in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes, and continued consolidation. We face aggressive competition from other domestic and foreign lending institutions and from numerous other providers of financial services. The ability of non-banking financial institutions to provide services previously limited to commercial banks has intensified competition. Because non-banking financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. This may significantly change the competitive environment in which we conduct business. Some of our competitors have greater financial resources and/or face fewer regulatory constraints. As a result of these various sources of competition, we could lose business to competitors or be forced to price products and services on less advantageous terms to retain or attract clients, either of which would adversely affect our profitability.

Future legislation could harm our competitive position.

Federal, state, and local legislatures increasingly have been considering proposals to substantially change the financial institution regulatory system and to expand or contract the powers of banking institutions and bank holding companies. Various legislative bodies have also recently been considering altering the existing framework governing creditors rights, including legislation that would result in or allow loan modifications of various sorts. Such legislation may change banking statutes and the operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any regulations, would have on our activities, financial condition, or results of operations.

Maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services.

Our success depends, in part, on the ability to adapt products and services to evolving industry standards. There is increasing pressure to provide products and services at lower prices. This can reduce net interest income and noninterest income from fee-based products and services. In addition, the widespread adoption of new technologies could require us to make substantial capital expenditures to modify or adapt existing products and services or develop new products and services. We may not be successful in introducing new products and services in response to industry trends or development in technology, or those new products may not achieve market acceptance. As a result, we could lose business, be forced to price products and services on less advantageous terms to retain or attract clients, or be subject to cost increases.

We may not pay dividends on your common stock.

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock. Also, our ability to increase our dividend or to make other distributions is restricted due to our participation in the Capital Purchase Program, which limits (without the consent of the Treasury) our ability to increase our dividend or to repurchase our common stock for so long as any securities issued under such program remain outstanding.

Our ability to receive dividends from our subsidiaries accounts for most of our revenue and could affect our liquidity and ability to pay dividends.

We are a separate and distinct legal entity from our subsidiaries, including SunTrust Bank. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our common stock and interest and principal on our debt. Various federal and/or state laws and regulations limit the amount of dividends that our bank and certain of our nonbank subsidiaries may pay us. Also, our right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors.

Limitations on our ability to receive dividends from our subsidiaries could have a material adverse effect on our liquidity and on our ability to pay dividends on common stock. Additionally, if our subsidiaries earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, we may not be able to make dividend payments to our common stockholders.

Significant legal actions could subject us to substantial uninsured liabilities.

We are from time to time subject to claims related to our operations. These claims and legal actions, including supervisory actions by our regulators, could involve large monetary claims and significant defense costs. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. We may be exposed to substantial uninsured liabilities, which could adversely affect our results of operations and financial condition.

Company Risks

Recently declining values of real estate, increases in unemployment, and the related effects on local economies may increase our credit losses, which would negatively affect our financial results.

We offer a variety of secured loans, including commercial lines of credit, commercial term loans, real estate, construction, home equity, consumer and other loans. Many of our loans are secured by real estate (both residential and commercial) in our market area. A major change in the real estate market, such as deterioration in the value of this collateral, or in the local or national economy, could adversely affect our customer s ability to pay these loans, which in turn could adversely impact us. Additionally, increases in unemployment also may adversely affect the ability of certain clients to pay loans and the financial results of commercial clients in localities with higher unemployment, which may result in loan defaults and foreclosures and which may impair the value of our collateral. Risk of loan defaults and foreclosures are unavoidable in the banking industry, and we try to limit our exposure to this risk by monitoring our extensions of credit carefully. We cannot fully eliminate credit risk, and as a result credit losses may occur or increase in the future.

Deteriorating credit quality, particularly in real estate loans, has adversely impacted us and may continue to adversely impact us.

We have experienced a downturn in credit performance, which became significant in the third and fourth quarters of 2007 and continues. We expect credit conditions and the performance of our loan portfolio to continue to deteriorate in the near term.

This deterioration has resulted in an increase in our loan loss reserves throughout 2008, which increases were driven primarily by residential and commercial real estate and home equity portfolios. Additional increases in loan loss reserves may be necessary in the future. Deterioration in the quality of our credit portfolio can have a material adverse effect on our capital, financial condition, and results of operations.

Disruptions in our ability to access global capital markets may negatively affect our capital resources and liquidity.

In managing our consolidated balance sheet, we depend on access to global capital markets to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, and to accommodate the transaction and cash management needs of our clients. Other sources of funding available to us, and upon which we rely as regular components of our liquidity risk management strategy, include inter-bank borrowings, repurchase agreements, and borrowings from the Federal Reserve discount window. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, our depositors or counterparties participating in the capital markets, or a downgrade of our debt rating, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity.

Any reduction in our credit rating could increase the cost of our funding from the capital markets.

Although our long-term debt is currently rated investment grade by the major rating agencies, the ratings of that debt was downgraded during 2009 by one of the major rating agencies. These rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the housing and financial markets, there can be no assurance that we will maintain our current ratings. Our failure to maintain those ratings could adversely affect the cost and other terms upon which we are able to obtain funding and increase our cost of capital.

We have in the past and may in the future pursue acquisitions, which could affect costs and from which we may not be able to realize anticipated benefits.

We have historically pursued an acquisition strategy, and intend to continue to seek additional acquisition opportunities. We may not be able to successfully identify suitable candidates, negotiate appropriate acquisition terms, complete proposed acquisitions, successfully integrate acquired businesses into the existing operations, or expand into new markets. Once integrated, acquired operations may not achieve levels of revenues, profitability, or productivity comparable with those achieved by our existing operations, or otherwise perform as expected.

Acquisitions involve numerous risks, including difficulties in the integration of the operations, technologies, services and products of the acquired companies, and the diversion of management s attention from other business concerns. We may not properly ascertain all such risks prior to an acquisition or prior to such a risk impacting us while integrating an acquired company. As a result, difficulties encountered with acquisitions could have a material adverse effect on the business, financial condition, and results of operations.

Furthermore, we must generally receive federal regulatory approval before we can acquire a bank or bank holding company. In determining whether to approve a proposed bank acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition, financial condition, future prospects, including current and projected capital levels, the competence, experience, and integrity of management, compliance with laws and regulations, the convenience and needs of the communities to be served, including the acquiring institution s record of compliance under the Community Reinvestment Act, and the effectiveness of the acquiring institution in combating money laundering activities. In addition, we cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. Consequently, we might be required to sell portions of the acquired institution as a condition to receiving regulatory approval or we may not obtain regulatory approval for a proposed acquisition on acceptable terms or at all, in which case we would not be able to complete the acquisition despite the time and expenses invested in pursuing it.

We depend on the expertise of key personnel. If these individuals leave or change their roles without effective replacements, operations may suffer.

The success of our business has been, and the continuing success will be, dependent to a large degree on the continued services of executive officers, especially our Chairman and Chief Executive Officer, James M. Wells III, and other key personnel who have extensive experience in the industry. We do not carry key person life insurance on any of the executive officers or other key personnel. If we lose the services of any of these integral personnel and fail to manage a smooth transition to new personnel, the business could be impacted.

We may not be able to hire or retain additional qualified personnel and recruiting and compensation costs may increase as a result of turnover, both of which may increase costs and reduce profitability and may adversely impact our ability to implement our business strategy.

Our success depends upon the ability to attract and retain highly motivated, well-qualified personnel. We face significant competition in the recruitment of qualified employees. Our ability to execute the business strategy and provide high quality service may suffer if we are unable to recruit or retain a sufficient number of qualified employees or if the costs of employee compensation or benefits increase substantially.

Our accounting policies and processes are critical to how we report our financial condition and results of operations. They require management to make estimates about matters that are uncertain.

Accounting policies and processes are fundamental to how we record and report the financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and processes so they comply with Generally Accepted Accounting Principles in the United States (U.S. GAAP).

Management has identified certain accounting policies as being critical because they require management s judgment to ascertain the valuations of assets, liabilities, commitments, and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or reducing a liability. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding our judgments and the estimates pertaining to these matters, we cannot guarantee that we will not be required to adjust accounting policies or restate prior period financial statements. See the Critical Accounting Policies in the MD&A and Note 1, Accounting Policies, to the Consolidated Financial Statements, in our annual report on Form 10-K for the year ended December 31, 2008 for more information.

Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition.

From time to time, the Financial Accounting Standards Board (FASB) and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements.

Our stock price can be volatile.

Our stock price can fluctuate widely in response to a variety of factors including:

- variations in our quarterly operating results;
- changes in market valuations of companies in the financial services industry;

- governmental and regulatory legislation or actions
- issuances of shares of common stock or other securities in the future;
- changes in dividends;
- the addition or departure of key personnel;
- cyclical fluctuations;
- changes in financial estimates or recommendations by securities analysts regarding us or shares of our common stock;
- announcements by us or our competitors of new services or technology, acquisitions, or joint ventures; and
- activity by short sellers and changing government restrictions on such activity.

General market fluctuations, industry factors, and general economic and political conditions and events, such as terrorist attacks, economic slowdowns or recessions, interest rate changes, credit loss trends, or currency fluctuations, also could cause our stock price to decrease regardless of operating results.

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

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accurately accumulated and communicated to management, and recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, that alternative reasoned judgments can be drawn, or that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

Our financial instruments carried at fair value expose us to certain market risks.

We maintain an available for sale securities portfolio and trading assets which include various types of instruments and maturities. In addition, we elected to record selected fixed-rate debt, mortgage loans, securitization warehouses and other trading assets at fair value. The changes in fair value of the financial instruments elected to be carried at fair value pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 159 are recognized in earnings. The financial instruments carried at fair value are exposed to market risks related to changes in interest rates, market liquidity, and our market-based credit spreads, as well as to the risk of default by specific borrowers. We manage the market risks associated with these instruments through active hedging arrangements or broader asset/liability management strategies. Changes in the market values of these financial instruments could have a material adverse impact on our financial condition or results of operations. We may classify additional financial assets or financial liabilities at fair value in the future.

Our revenues derived from our investment securities may be volatile and subject to a variety of risks.

We generally maintain investment securities and trading positions in the fixed income, currency, commodity, and equity markets. Unrealized gains and losses associated with our investment portfolio and mark to market gains and losses associated with our trading portfolio are affected by many factors, including our credit position, interest rate volatility, volatility in capital markets, and other economic factors. Our return on such investments and trading have in the past experienced, and will likely in the future experience, volatility and such volatility may materially adversely affect our financial condition and results of operations. Additionally, accounting regulations may require us to record a charge prior to the actual realization of a loss when market valuations of such securities are impaired and such impairment is considered to be other than temporary.

We may enter into transactions with off-balance sheet affiliates or our subsidiaries.

We engage in a variety of transactions with off-balance sheet entities with which we are affiliated. While we have no obligation, contractual or otherwise, to do so, under certain limited circumstances, these transactions may involve providing some form of financial support to these entities. Any such actions may cause us to recognize current or future gains or losses. Depending on the nature and magnitude of any transaction we enter into with off-balance sheet entities, accounting rules may require us to consolidate the financial results of these entities with our financial results.

We are subject to market risk associated with our asset management and commercial paper conduit businesses.

During 2007 and 2008, we recorded market valuation losses related to securities that we purchased from certain money market funds managed by our subsidiary RidgeWorth as well as Three Pillars Funding, LLC (Three Pillars), a multi-seller commercial paper conduit sponsored by us. At the time of purchase, these securities were predominantly AAA or AA-rated, residential MBS, structured investment vehicle (SIVs) securities, and corporate and consumer collateralized debt obligations. We cannot provide assurance that we will not sustain additional losses in the future related to these securities or

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the purchase of similar securities. The value of such securities may be affected by, among other things, a lack of liquidity in the market for these securities, deterioration in the credit quality of the underlying collateral, risks associated with the financial guarantees insuring the securities, and/or the fact that the respective investment vehicle enters restructuring proceedings. Such occurrences may materially adversely affect our financial condition, capital adequacy, and results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The Company s headquarters is located in Atlanta, Georgia. As of December 31, 2008, SunTrust Bank owned 578 of its 1,692 full-service banking offices and leased the remaining banking offices. (See Note 8, Premises and Equipment, to the Consolidated Financial Statements.)

Item 3. 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 or financial position.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of shareholders during the quarter ended December 31, 2008.

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PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market in which the common stock of the Company is traded is the New York Stock Exchange (NYSE). See Item 6 and Table 18 in the MD&A for information on the high and the low sales prices of the SunTrust Banks, Inc. common stock on the NYSE, which is incorporated herein by reference. During the twelve months ended December 31, 2008 we paid a quarterly dividend on common stock of $0.77 for the first three quarters and $0.54 in the fourth quarter compared to $0.73 per common share during each quarter of 2007. Our common stock is held of record by approximately 38,125 holders as of December 31, 2008. See Table 24 in the MD&A for information on the monthly share repurchases activity, including total common shares repurchased and announced programs, weighted average per share price, and the remaining buy-back authority under the announced programs, which is incorporated herein by reference.

Please also refer to Item 1, Business, for a discussion of legal restrictions which affect our ability to pay dividends; Item 1A, Risk Factors, for a discussion of some risks related to our dividend, and Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation Capital Resources, for a discussion of the dividend payable in the first quarter of 2009 and factors that may affect the future level of dividends.

The information under the caption Equity Compensation Plans in our definitive proxy statement to be filed with the Commission is incorporated by reference into this Item 5.

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our common stock against the cumulative total return of the S&P Composite-500 Stock Index, and the S&P Commercial Bank Industry Index for the five years commencing December 31, 2003 and ending December 31, 2008.

*$100 invested on 12/31/03 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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	12/03	12/04	12/05	12/06	12/07	12/08
SunTrust Banks, Inc.	**100.00**	**106.36**	**107.96**	**129.34**	**99.25**	**49.95**
S&P 500	**100.00**	**110.88**	**116.33**	**134.70**	**142.10**	**89.53**
S&P Commercial Bank Industry (401010)	**100.00**	**107.55**	**108.66**	**127.61**	**102.13**	**80.04**

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Item 6. SELECTED FINANCIAL DATA

	Twelve Months Ended December 31					
(Dollars in millions, except per share and other data)	**2008**	2007	2006	2005	2004	2003
Summary of Operations						
Interest, fees, and dividend income	**$8,327.4**	$10,035.9	$9,792.0	$7,731.3	$5,218.4	$4,768.8
Interest expense	**3,707.7**	5,316.4	5,131.6	3,152.3	1,533.2	1,448.5
Net interest income	**4,619.7**	4,719.5	4,660.4	4,579.0	3,685.2	3,320.3
Provision for loan losses	**2,474.2**	664.9	262.5	176.9	135.6	313.6
Net interest income after provision for loan losses	**2,145.5**	4,054.6	4,397.9	4,402.1	3,549.6	3,006.7
Noninterest income	**4,473.5**	3,428.7	3,468.4	3,155.0	2,604.4	2,303.0
Noninterest expense	**5,890.5**	5,233.8	4,879.9	4,690.7	3,897.0	3,400.6
Income before provision for income taxes	**728.5**	2,249.5	2,986.4	2,866.4	2,257.0	1,909.1
Provision (benefit) for income taxes	**(67.3)**	615.5	869.0	879.2	684.1	576.8
Net income	**795.8**	1,634.0	2,117.4	1,987.2	1,572.9	1,332.3
Series A preferred dividends	**22.3**	30.3	7.7	-	-	-
U.S. Treasury preferred dividends	**26.6**	-	-	-	-	-
Net income available to common shareholders	$746.9	$1,603.7	$2,109.7	$1,987.2	$1,572.9	$1,332.3
Net interest income - FTE [1]	**$4,737.2**	$4,822.2	$4,748.4	$4,654.5	$3,743.6	$3,365.3
Total revenue - FTE [1]	**9,210.7**	8,250.9	8,216.8	7,809.5	6,348.0	5,668.3
Total revenue - FTE excluding securities (gains)/losses, net	**8,137.4**	8,007.8	8,267.3	7,816.7	6,389.7	5,544.4
Net income per average common share						
Diluted	**$2.13**	$4.55	$5.82	$5.47	$5.19	$4.73
Diluted, excluding merger expense	**2.13**	4.55	5.82	5.64	5.25	4.73
Basic	**2.14**	4.59	5.87	5.53	5.25	4.79
Dividends paid per average common share	**2.85**	2.92	2.44	2.20	2.00	1.80
Selected Average Balances						
Total assets	**$175,848.3**	$177,795.5	$180,315.1	$168,088.8	$133,754.3	$122,325.4
Earning assets	**152,748.6**	155,204.4	158,428.7	146,639.8	117,968.8	108,094.9
Loans	**125,432.7**	120,080.6	119,645.2	108,742.0	86,214.5	76,137.9
Consumer and commercial deposits	**101,332.8**	98,020.2	97,175.3	93,355.0	77,091.5	69,443.7
Brokered and foreign deposits	**14,743.5**	21,856.4	26,490.2	17,051.5	10,041.4	10,595.3
Total shareholders equity	**18,480.9**	17,808.0	17,546.7	16,526.3	11,469.5	9,083.0
As of December 31						
Total assets	**$189,138.0**	$179,573.9	$182,161.6	$179,712.8	$158,869.8	$125,250.5
Earning assets	**156,016.5**	154,397.2	159,063.8	156,640.9	137,813.4	111,266.5
Loans	**126,998.4**	122,319.0	121,454.3	114,554.9	101,426.2	80,732.3
Allowance for loan and lease losses	**2,351.0**	1,282.5	1,044.5	1,028.1	1,050.0	941.9
Consumer and commercial deposits	**105,275.7**	101,870.0	99,775.9	97,572.4	92,109.7	72,924.6
Brokered and foreign deposits	**8,052.7**	15,972.6	24,245.7	24,480.8	11,251.6	8,264.9
Long-term debt	**26,812.4**	22,956.5	18,992.9	20,779.2	22,127.2	15,313.9
Total shareholders equity	**22,388.1**	18,052.5	17,813.6	16,887.4	15,986.9	9,731.2
Financial Ratios and Other Data						
Return on average total assets	**0.45** %	0.92 %	1.17 %	1.18 %	1.18 %	1.09 %
Return on average total assets less net realized and unrealized securities gains and the Coca-Cola Company dividend [1]	**0.05**	0.81	1.17	1.17	1.19	1.01
Return on average common shareholders equity	**4.26**	9.27	12.13	12.02	13.71	14.67
Return on average realized common shareholders equity [1]	**0.19**	8.65	12.72	12.70	15.65	15.98
Net interest margin - FTE [1]	**3.10**	3.11	3.00	3.17	3.17	3.11
Efficiency ratio - FTE [1]	**63.95**	63.43	59.39	60.06	61.39	59.99
Efficiency ratio, excluding merger expense [1]	**63.95**	63.43	59.39	58.80	60.94	59.99
Tangible efficiency ratio [1]	**62.64**	62.26	58.13	58.54	60.17	58.86

Effective tax rate (benefit)	**(9.23)**	27.36	29.10	30.67	30.31	30.21
Allowance to year-end total loans	**1.86**	1.05	0.86	0.90	1.04	1.17
Nonperforming assets to total loans plus OREO and other repossessed assets	**3.49**	1.35	0.49	0.29	0.40	0.47
Common dividend payout ratio	**134.4**	64.0	41.7	40.0	38.4	37.9
Full-service banking offices	**1,692**	1,682	1,701	1,657	1,676	1,183
ATMs	**2,582**	2,507	2,569	2,782	2,804	2,225
Full-time equivalent employees	**29,333**	32,323	33,599	33,406	33,156	27,578
Tier 1 capital ratio	**10.87 %**	6.93 %	7.72 %	7.01 %	7.16 %	7.85 %
Total capital ratio	**14.04**	10.30	11.11	10.57	10.36	11.75
Tier 1 leverage ratio	**10.45**	6.90	7.23	6.65	6.64	7.37
Total average shareholders equity to total average assets	**10.51**	10.02	9.73	9.83	8.58	7.43
Tangible equity to tangible assets [1]	**8.40**	6.31	6.03	5.56	5.68	6.82
Tangible common equity to tangible assets [1]	**5.53**	6.02	5.75	5.56	5.68	6.82
Book value per common share	**$48.42**	$50.38	$48.78	$46.65	$44.30	$34.52
Market price:						
High	**70.00**	94.18	85.64	75.77	76.65	71.73
Low	**19.75**	60.02	69.68	65.32	61.27	51.44
Close	**29.54**	62.49	84.45	72.76	73.88	71.50
Market capitalization	**10,472**	21,772	29,972	26,338	26,659	20,157
Average common shares outstanding (000s)						
Diluted	**350,183**	352,688	362,802	363,454	303,309	281,434
Basic	**348,919**	349,346	359,413	359,066	299,375	278,295

[1] See Non-GAAP reconcilements in Tables 22 and 23 of the Management s Discussion and Analysis of Financial Condition and Results of Operations.

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

Important Cautionary Statement About Forward-Looking Statements

This report may contain forward-looking statements. Statements regarding future levels of charge-offs, provision expense, and income are forward-looking statements. Also, any statement that does not describe historical or current facts, including statements about beliefs and expectations, is a forward-looking statement. These statements often include the words believes, expects, anticipates, estimates, intends, plans, targets, initiatives, potentially, probably, projects, outlook or similar expressions or future conditional verbs such as may, will, should, would, and could. Such statements are based upon the current beliefs and expectations of management and on information currently available to management. Such statements speak as of the date hereof, and we do not assume any obligation to update the statements made herein or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events.

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements can be found in Item 1A of Part I of this report and include risks discussed in this MD&A and in other periodic reports that we file with the SEC. Those factors include: difficult market conditions have adversely affected our industry; current levels of market volatility are unprecedented; the soundness of other financial institutions could adversely affect us; there can be no assurance that recently enacted legislation ,or any proposed federal programs, will stabilize the U.S. financial system, and such legislation and programs may adversely affect us; the impact on us of recently enacted legislation, in particular the EESA and its implementing regulations, and actions by the FDIC, cannot be predicted at this time; credit risk; weakness in the economy and in the real estate market, including specific weakness within our geographic footprint, has adversely affected us and may continue to adversely affect us; weakness in the real estate market, including the secondary residential mortgage loan markets, has adversely affected us and may continue to adversely affect us; weakness in the real estate market may adversely affect our reinsurance subsidiary; as a financial services company, adverse changes in general business or economic conditions could have a material adverse effect on our financial condition and results of operations; changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital or liquidity; the fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings; we may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches of representations and warranties, borrower fraud, or certain borrower defaults, which could harm our liquidity, results of operations, and financial condition; clients could pursue alternatives to bank deposits, causing us to lose a relatively inexpensive source of funding; consumers may decide not to use banks to complete their financial transactions, which could affect net income; we have businesses other than banking which subject us to a variety of risks; hurricanes and other natural disasters may adversely affect loan portfolios and operations and increase the cost of doing business; negative public opinion could damage our reputation and adversely impact our business and revenues; we rely on other companies to provide key components of our business infrastructure; we rely on our systems, employees, and certain counterparties, and certain failures could materially adversely affect our operations; we depend on the accuracy and completeness of information about clients and counterparties; regulation by federal and state agencies could adversely affect our business, revenue, and profit margins; competition in the financial services industry is intense and could result in losing business or reducing margins; future legislation could harm our competitive position; maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services; we may not pay dividends on our common stock; our ability to receive dividends from our subsidiaries accounts for most of our revenue and could affect our liquidity and ability to pay dividends; significant legal actions could subject us to substantial uninsured liabilities; recently declining values of residential real estate, increases in unemployment, and the related effects on local economics may increase our credit losses, which would negatively affect our financial results; deteriorating credit quality, particularly in real estate loans, has adversely impacted us and may continue to adversely impact us; disruptions in our ability to access global capital markets may negatively affect our capital resources and liquidity; any reduction in our credit rating could increase the cost of our funding from the capital markets; we have in the past and may in the future pursue acquisitions, which could affect costs and from which we may not be able to realize anticipated benefits; we depend on the expertise of key personnel. 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 strategy; our accounting policies and processes are critical to how we report our financial condition and results of operations, and these require us to make estimates about matters that are uncertain; changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition; our stock price can be volatile; our disclosure controls and procedures may not prevent or detect all errors or acts of fraud; our financial instruments carried at fair value expose us to certain market risks; our revenues derived from our investment securities may be volatile and subject to a variety of risks; we may enter into

transactions with off-balance sheet affiliates or our subsidiaries; and we are subject to market risk associated with our asset management and commercial paper conduit businesses.

This narrative will 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.

When we refer to SunTrust, the Company, we, our and us in this narrative, we mean SunTrust Banks, Inc. and Subsidiaries (consolidated). Effective October 1, 2004, National Commerce Financial Corporation (NCF) merged with SunTrust. The results of operations for NCF were included with our results beginning October 1, 2004. Additionally, effective May 1, 2008, we acquired GB&T Bancshares, Inc. (GB&T) and the results of operations for GB&T were included with our results beginning on that date. Periods prior to the acquisition date do not reflect the impact of the merger.

In the MD&A, net interest income, net interest margin, and the efficiency ratio are presented on a fully taxable-equivalent (FTE) basis and the quarterly ratios are presented on an annualized basis. The FTE basis adjusts for the tax-favored status of income from certain loans and investments. We believe this measure to be the preferred industry measurement of net interest income and it enhances comparability of net interest income arising from taxable and tax-exempt sources. We also present diluted earnings per common share excluding merger expense and an efficiency ratio excluding merger charges related to the NCF acquisition. We believe the exclusion of the merger charges, which represent incremental costs to integrate NCF s operations, is more reflective of normalized operations. The merger charges related to the acquisition of GB&T were insignificant. Additionally, we present a return on average realized common shareholders equity, as well as a return on average common shareholders equity (ROE). We also present a return on average assets less net realized and unrealized securities gains/losses and a return on average total assets (ROA). The return on average realized common shareholders equity and return on average assets less net realized and unrealized securities gains/losses exclude realized securities gains and losses and the Coca-Cola Company (Coke) dividend, from the numerator, and net unrealized securities gains from the denominator. We present a tangible efficiency ratio and a tangible equity to tangible assets ratio, which excludes the cost of and the other effects of intangible assets resulting from merger and acquisition (M&A) activity. We believe these measures are useful to investors because, by removing the effect of intangible asset costs and M&A activity (the level of which may vary from company to company), it allows investors to more easily compare our efficiency and capital adequacy to other companies in the industry. We also present a tangible common equity to tangible assets ratio which, in addition to the items described above, excludes the preferred stock. These measures are utilized by management to assess our financial performance and capital adequacy. We provide reconcilements in Tables 22 and 23 in the MD&A for all non-U.S. GAAP measures. Certain reclassifications may be made to prior period financial statements and related information to conform them to the 2008 presentation.

INTRODUCTION

We are one of the nation s largest commercial banking organizations and our headquarters are located in Atlanta, Georgia. Our principal banking subsidiary, SunTrust Bank, offers a full line of financial services for consumers and businesses through its branches located primarily in Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. Within our geographic footprint, we operate under four business segments: Retail and Commercial, Wholesale Banking, Wealth and Investment Management, and Mortgage. In addition to traditional deposit, credit, and trust and investment services offered by SunTrust Bank, our other subsidiaries provide mortgage banking, credit-related insurance, asset management, securities brokerage, and capital market services.

EXECUTIVE SUMMARY

During 2008, macro-economic conditions negatively impacted liquidity and credit quality across the financial markets, especially in the consumer sector, as the U.S. economy experienced a recession. The National Bureau of Economic Research published a report in December indicating that the U.S. has been in a recession since December 2007 as indicated most prominently, in their view, by the declining labor market since that time. Since December 2007, in addition to deterioration in the labor market, the recession has caused rising unemployment, volatile equity markets, and declining home values, all of which are weighing negatively on consumer sentiment as evidenced by weak spending throughout the year, especially during the fourth quarter. During the year, financial markets experienced unprecedented events, and the market exhibited extreme volatility and evaporating liquidity as credit quality concerns, sharp fluctuations in commodity prices, volatility in rate indices such as Prime and LIBOR, and illiquidity persisted. Concerns regarding increased credit losses from the weakening economy negatively affected the capital and earnings levels of most financial institutions. In addition, certain financial institutions failed or merged with stronger institutions and two government sponsored enterprises entered into conservatorship with the U.S. government. Liquidity in the debt markets was extremely low despite the Treasury and Federal Reserve efforts to inject capital and liquidity into financial institutions, and as a result, asset values continued to be under pressure.

In October 2008, the United States government established the EESA in response to instability in the financial markets. The specific implications of the EESA include the authorization given to the Secretary of the Treasury to establish the Troubled Asset Relief Program to purchase troubled assets from financial institutions. The definition of troubled assets is broad but includes residential and commercial mortgages, as well as mortgage-related securities originated on or before March 14, 2008, if the Secretary determines the purchase promotes financial market stability. To date, the Treasury has not purchased troubled assets under its authority to do so under the EESA.

Alternatively, the Treasury has focused on providing assistance through the associated Capital Purchase Program (CPP) and Targeted Investment Program by purchasing preferred equity interests in the country s largest financial institutions. In an attempt to revitalize the struggling economy and inject necessary liquidity and capital into the banking system, the government purchased $207.5 billion dollars in preferred stock in certain institutions during 2008. During the fourth quarter of 2008, we sold $4.9 billion in preferred stock and related warrants, the maximum amount allowed under the CPP, to the Treasury. Our decision to participate was made to enhance our already solid capital position and to allow us to further expand our business. We believe that our decision to sell the maximum shares was prudent in order to bolster capital as a result of increasingly adverse economic results. Upon receipt of the funds, we developed strategies and tactics to deploy the capital in a fashion that balances supporting economic stability, safety and soundness, and earnings. Specifically, the additional capital has been deployed thus far by increasing our agency MBS and loans, as well as by decreasing short-term borrowings. We recognize our responsibility to use proceeds from the CPP in a manner that is consistent with the public interest and are committed to providing timely public disclosure of our deployment of the CPP proceeds. See additional discussion in the Capital Resources and Liquidity Risk sections of this MD&A.

The degree of government intervention through the purchase of direct investments in private and public companies is unprecedented. As a result, the complete effect and impact from these actions is uncertain. In addition, several federal, state, and local legislative proposals are pending that may affect our business. It is unclear whether these will be enacted, and if so, the impact they will have on our industry. We remain active and vigilant in monitoring these developments and supporting the interests of our shareholders, while also supporting the broader economy.

In addition, during October 2008, the FDIC announced the TLGP, under which it would temporarily guarantee certain new debt issued by insured banks and qualifying bank holding companies and temporarily expand its insurance to cover all noninterest-bearing transaction accounts. It was also announced that the Federal Reserve would serve as a buyer of commercial paper. These actions, among others, were anticipated to stimulate consumer confidence in the economy and financial institutions, as well as encourage financial institutions to continue lending to businesses, consumers, and each other. We have issued $3.0 billion in debt under the TLGP, which provides us with a lower cost of funding due to narrower credit spreads realized in association with the FDIC guarantee. See additional discussion in the Other Short-Term Borrowings and Long-Term Debt section of this MD&A.

In December, the Federal Reserve (Fed) took unprecedented action in lowering the federal funds rate by 75 basis points to a targeted range of zero to one-quarter percent. The Board of Governors also lowered the discount rate 75 basis points to one-half percent. This action was the seventh rate cut of the year causing the Prime rate to decline 400 basis points since January 1, 2008 to 3.25% at year end. Further, the Fed increased its Term Auction Facility (TAF) program offerings during the year by $445 billion, which are similar borrowing instruments to term federal funds. In addition, due to the continuing strain on the financial markets, the Fed has offered numerous temporary liquidity facilities in an effort to stabilize credit markets and improve the access to credit of businesses and households. See the Liquidity Risk section in this MD&A for additional discussion of the Fed s actions.

While our most immediate priority is to maintain the fundamental financial strength of the organization, we continue to run a successful organization serving clients, making sound credit decisions, generating deposits, and operating as efficiently as possible. To this end, during the year we grew average loans and consumer and commercial deposits 4.5% and 3.4%, respectively, and improved our loan and deposit mix while maintaining our net interest income at levels comparable to the prior year. We also experienced growth in certain fee income associated with our core businesses. Further, we tightly managed growth of core operating expenses, which reflected the continuing success of our ongoing program to improve efficiency and productivity, although expenses continue to be pressured by increased credit-related costs. We solidified our capital position during the year through the preferred stock issuance discussed above and also completed three separate transactions to optimize our long-term holdings of Coke common stock. See Investment in Common Shares of The Coca-Cola Company in this MD&A for additional discussion. We are pursuing initiatives that will expand our revenue generation capacity, improve efficiency, increase profitability on a risk adjusted basis, and prudently manage credit. To that end, the most important factors upon which management has and will continue to focus include prudent lending practices, credit loss mitigation, expense management, growing customer relationships, and increasing brand awareness.

Successfully managing through the current credit cycle is of critical importance. Given the significant downturn in the economy during 2008, we expect this credit cycle to be protracted. Credit quality deteriorated significantly in 2008 due to the

decline in the residential real estate markets and broader recessionary economic conditions. As such, we took steps to assure continued prudent lending practices were followed by extending credit to clients that met our underwriting standards as well as instituted certain loss mitigation steps. Furthering our already strong lending practices, in 2008, we evaluated our underwriting standards based on the current economic conditions, discontinued originating home equity lines through third party channels that tend to be riskier with higher loan-to-values at origination, and implemented revised loan-to-value guidelines in certain declining markets. As a result of the tumultuous economy during 2008, we took action to assist in mitigating potential losses that included reducing or closing high risk accounts, improving our on-going portfolio monitoring, and completing extensive loan workout programs. Our workout programs are designed to help clients stay in their homes by re-working residential mortgages and home equity loans to achieve payment structures that they could afford. Through this workout program we have helped over 18,000 clients who were at risk of foreclosure to stay in their homes. See additional discussion of our prudent lending initiatives and loss mitigation steps in the Loans , Allowance for Loans and Lease Losses , Provision for Loan Losses , and Nonperforming Assets sections of this MD&A.

As the economy worsened and credit-related losses increased in 2008, our continued vigilance over expenses became an important focus. Our Excellence in Execution Efficiency and Productivity Program (E Program) began in 2007, well before the recession, to lower our cost structure and drive higher financial performance. This successful program allowed us to reduce expense run rates by $560 million in 2008 and is expected to provide total savings of $600 million in 2009. In addition, we have taken additional extraordinary steps to manage expenses including the elimination of annual merit based salary increases in 2009 for our senior management team, comprised of over 4,000 individuals, as well as paying no bonuses to selected members of the executive management team. We have also lowered the expected average wage increase for those receiving a merit increase by one-third, reduced the amount available for promotion increases, eliminated our annual sales conference and sales award trips for our top producers, and have placed further restriction on travel and meal related expenses.

The prevailing economic conditions and the resulting destabilization of many other financial institutions present an opportunity for us to establish new customer relationships and expand existing ones by increasing our brand awareness. As a result of these difficult economic times, we found that consumers are looking for a stable banking partner that mirrors their values of being cautious and prudent with their finances, which is the source of our new branding Live Solid. Bank Solid. Our focus is on providing that stability to our current and future clients with core business products. Our objectives include increasing core business revenues while obtaining lower funding costs through growth in customer deposits. The Live Solid. Bank Solid. brand compliments the My Cause deposit campaign, which ended in October 2008. During 2008, My Cause generated total household deposit growth of approximately 8%, with checking account households growing approximately 10%. Deposit growth continued during the fourth quarter of 2008, where we grew our average consumer and commercial deposits by 2.0% over the third quarter of 2008. In 2009, we will continue our focus on growing customer deposits.

We reported net income available to common shareholders at December 31, 2008 of $746.9 million, or $2.13 per average common diluted share, compared to $1.6 billion, or $4.55 per average common diluted share, at December 31, 2007. Fully taxable-equivalent net interest income was $4.7 billion for the year ended December 31, 2008, compared to $4.8 billion for the year ended December 31, 2007. Net interest margin in 2008 decreased only one basis point when compared to the prior year. Provision for loan losses was $2.5 billion for the year ended 2008, an increase of $1.8 billion from the prior year. The provision for loan losses was $909.9 million higher than net charge-offs of $1.6 billion for the year. The allowance for loan and lease losses increased $1.1 billion, or 83.3%, from December 31, 2007 and was 1.86% of total loans not carried at fair value compared to 1.05% as of December 31, 2007. Net charge-offs to average loans were 1.25% for the year ended 2008 compared to 0.35% for 2007. Nonperforming assets rose significantly during the year to $4.5 billion at year end compared to $1.6 billion at the end of last year. The Tier 1 Capital and total capital ratios improved from 6.93% and 10.30%, respectively, at December 31, 2007 to 10.87% and 14.04% at December 31, 2008. The tangible equity to tangible assets ratio improved from 6.31% at December 31, 2007 to 8.40% at December 31, 2008, while the tangible common equity to tangible assets ratio declined to 5.53% from 6.02% during this same time. See additional discussion of our financial performance in the Consolidated Financial Results section of this MD&A.

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CONSOLIDATED FINANCIAL RESULTS

Table 1- Consolidated Daily Average Balances, Income/Expense And Average Yields Earned And Rates Paid

(Dollars in millions; yields on taxable-equivalent basis)	**2008**			2007			2006		
	Average Balances	**Income/ Expense**	**Yields/ Rates**	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets									
Loans:[1]									
Real estate 1-4 family	**$31,758.9**	**$2,004.8**	**6.31** %	$31,951.0	$2,036.5	6.37 %	$33,523.5	$2,022.6	6.03 %
Real estate construction	**10,828.5**	**575.8**	**5.32**	13,519.4	1,011.0	7.48	12,333.9	923.8	7.49
Real estate home equity lines	**15,204.9**	**796.9**	**5.24**	14,031.0	1,088.2	7.76	13,565.2	1,032.3	7.61
Real estate commercial	**13,968.9**	**789.7**	**5.65**	12,803.4	887.5	6.93	12,803.7	866.6	6.77
Commercial - FTE[2]	**38,131.9**	**2,089.6**	**5.48**	34,194.4	2,202.6	6.44	33,836.1	2,087.4	6.17
Credit card	**862.6**	**34.5**	**4.00**	495.9	17.7	3.57	315.3	19.1	6.09
Consumer - direct	**4,541.8**	**254.1**	**5.60**	4,221.0	304.9	7.22	4,460.8	313.6	7.03
Consumer - indirect	**7,262.5**	**459.8**	**6.33**	8,017.5	495.4	6.18	8,376.6	477.6	5.70
Nonaccrual and restructured	**2,872.7**	**25.4**	**0.89**	847.0	17.3	2.05	430.1	16.6	3.85
Total loans	**125,432.7**	**7,030.6**	**5.61**	120,080.6	8,061.1	6.71	119,645.2	7,759.6	6.49
Securities available for sale:									
Taxable	**12,219.5**	**731.0**	**5.98**	10,274.1	639.1	6.22	23,430.9	1,146.8	4.89
Tax-exempt - FTE[2]	**1,038.4**	**63.1**	**6.07**	1,043.8	62.2	5.96	954.5	55.8	5.85
Total securities available for sale - FTE[2]	**13,257.9**	**794.1**	**5.99**	11,317.9	701.3	6.20	24,385.4	1,202.6	4.93
Funds sold and securities under agreements to resell	**1,317.7**	**25.1**	**1.91**	995.6	48.8	4.91	1,158.6	57.0	4.92
Loans held for sale	**5,105.6**	**289.9**	**5.68**	10,786.7	668.9	6.20	11,082.8	728.0	6.57
Interest-bearing deposits	**25.6**	**0.8**	**3.18**	24.0	1.3	5.44	93.4	3.3	3.59
Interest earning trading assets	**7,609.1**	**304.4**	**4.00**	11,999.6	657.2	5.48	2,063.3	129.5	6.28
Total earning assets	**152,748.6**	**8,444.9**	**5.53**	155,204.4	10,138.6	6.53	158,428.7	9,880.0	6.24
Allowance for loan and lease losses	**(1,815.0)**			(1,065.7)			(1,061.3)		
Cash and due from banks	**3,093.2**			3,456.6			3,834.8		
Other assets	**17,270.4**			16,700.5			16,534.9		
Noninterest earning trading assets	**2,641.6**			1,198.9			957.5		
Unrealized net gains on securities available for sale, net	**1,909.5**			2,300.8			1,620.5		
Total assets	**$175,848.3**			$177,795.5			$180,315.1		
Liabilities and Shareholders Equity									
Interest-bearing deposits:									
NOW accounts	**$21,080.7**	**$252.9**	**1.20** %	$20,042.8	$473.9	2.36 %	$17,214.4	$307.8	1.79 %
Money market accounts	**26,564.8**	**520.3**	**1.96**	22,676.7	622.5	2.75	24,507.9	634.5	2.59
Savings	**3,770.9**	**16.3**	**0.43**	4,608.7	55.5	1.20	5,371.1	79.1	1.47
Consumer time	**16,770.2**	**639.1**	**3.81**	16,941.3	764.2	4.51	15,622.7	614.6	3.93
Other time	**12,197.2**	**478.6**	**3.92**	12,073.5	586.3	4.86	11,146.9	492.9	4.42
Total interest-bearing consumer and commercial deposits	**80,383.8**	**1,907.2**	**2.37**	76,343.0	2,502.4	3.28	73,863.0	2,128.9	2.88
Brokered deposits	**10,493.2**	**391.5**	**3.73**	16,091.9	861.2	5.35	17,425.7	880.5	5.05
Foreign deposits	**4,250.3**	**78.8**	**1.85**	5,764.5	297.2	5.16	9,064.5	455.3	5.02
Total interest-bearing deposits	**95,127.3**	**2,377.5**	**2.50**	98,199.4	3,660.8	3.73	100,353.2	3,464.7	3.45
Funds purchased	**2,622.0**	**51.5**	**1.96**	3,266.2	166.5	5.10	4,439.5	222.9	5.02
Securities sold under agreements to repurchase	**4,961.0**	**79.1**	**1.59**	6,132.5	273.8	4.46	7,087.0	320.1	4.52

Interest-bearing trading liabilities	**785.7**	**27.1**	**3.46**		430.2	15.6	3.62		404.9	15.5	3.84
Other short-term borrowings	**3,057.2**	**55.1**	**1.80**		2,493.0	121.0	4.85		1,507.1	74.5	4.93
Long-term debt	**22,892.9**	**1,117.4**	**4.88**		20,692.9	1,078.7	5.21		18,600.7	1,033.9	5.56
Total interest-bearing liabilities	**129,446.1**	**3,707.7**	**2.86**		131,214.2	5,316.4	4.05		132,392.4	5,131.6	3.88
Noninterest-bearing deposits	**20,949.0**				21,677.2				23,312.3		
Other liabilities	**5,176.7**				5,783.1				5,895.2		
Noninterest-bearing trading liabilities	**1,795.6**				1,313.0				1,168.5		
Shareholders equity	**18,480.9**				17,808.0				17,546.7		
Total liabilities and shareholders equity	**$175,848.3**				$177,795.5				$180,315.1		
Interest Rate Spread			**2.67**	%			2.48	%			2.36 %
Net Interest Income - FTE[3]		**$4,737.2**				$4,822.2				$4,748.4	
Net Interest Margin[4]			**3.10**	%			3.11	%			3.00 %

[1] Beginning in 2008 and for each of the three years ended December 31, the interest income includes loan fees of $134.5 million, $119.8 million and $115.1 million, respectively. Nonaccrual loans are included in average balances and income on such loans, if recognized, is recorded on a cash basis.

[2] Interest income includes the effects of taxable-equivalent adjustments using a federal income tax rate of 35% for all years reported and, where applicable, state income taxes, to increase tax-exempt interest income to a taxable-equivalent basis. Beginning in 2008 and for each of the three years ended December 31, the net taxable-equivalent adjustment amounts included in the above table were $117.5 million, $102.7 million and $88.0 million, respectively.

[3] Derivative instruments used to help balance our interest-sensitivity position increased net interest income by $180.7 million in 2008 and decreased net interest income by $25.6 million in 2007 and $105.6 million in 2006.

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

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Table 2 - Analysis of Changes in Net Interest Income[1]

(Dollars in millions on a taxable-equivalent basis)	**2008 Compared to 2007 Increase (Decrease) Due to**			2007 Compared to 2006 Increase (Decrease) Due to		
	Volume	**Rate**	**Net**	Volume	Rate	Net
Interest Income						
Loans:						
Real estate 1-4 family	**($12.3)**	**($19.3)**	**($31.6)**	($97.2)	$111.1	$13.9
Real estate construction	**(177.6)**	**(257.6)**	**(435.2)**	88.4	(1.2)	87.2
Real estate home equity lines	**85.2**	**(376.5)**	**(291.3)**	35.5	20.4	55.9
Real estate commercial	**75.9**	**(173.8)**	**(97.9)**	-	20.9	20.9
Commercial - FTE[2]	**236.9**	**(349.9)**	**(113.0)**	22.4	92.8	115.2
Credit card	**14.5**	**2.4**	**16.9**	8.4	(9.8)	(1.4)
Consumer - direct	**21.8**	**(72.5)**	**(50.7)**	(17.1)	8.4	(8.7)
Consumer - indirect	**(47.5)**	**11.8**	**(35.7)**	(21.1)	38.9	17.8
Nonaccrual and restructured	**22.4**	**(14.3)**	**8.1**	10.9	(10.2)	0.7
Securities available for sale:						
Taxable	**117.3**	**(25.4)**	**91.9**	(761.9)	254.2	(507.7)
Tax-exempt [2]	**(0.3)**	**1.2**	**0.9**	5.3	1.1	6.4
Funds sold and securities purchased under agreements to resell	**12.5**	**(36.2)**	**(23.7)**	(8.1)	(0.1)	(8.2)
Loans held for sale	**(327.0)**	**(52.1)**	**(379.1)**	(19.0)	(40.1)	(59.1)
Interest-bearing deposits	**0.1**	**(0.6)**	**(0.5)**	(3.2)	1.2	(2.0)
Interest earning trading assets	**(203.0)**	**(149.8)**	**(352.8)**	546.3	(18.6)	527.7
Total interest income	**(181.1)**	**(1,512.6)**	**(1,693.7)**	(210.4)	469.0	258.6
Interest Expense						
NOW accounts	**23.3**	**(244.2)**	**(220.9)**	56.6	109.5	166.1
Money market accounts	**95.7**	**(197.9)**	**(102.2)**	(49.5)	37.5	(12.0)
Savings	**(8.7)**	**(30.6)**	**(39.3)**	(10.3)	(13.3)	(23.6)
Consumer time	**(7.6)**	**(117.5)**	**(125.1)**	54.4	95.2	149.6
Other time	**6.0**	**(113.7)**	**(107.7)**	42.4	51.0	93.4
Brokered deposits	**(251.1)**	**(218.6)**	**(469.7)**	(69.7)	50.4	(19.3)
Foreign deposits	**(63.5)**	**(155.0)**	**(218.5)**	(170.4)	12.3	(158.1)
Funds purchased	**(27.9)**	**(87.1)**	**(115.0)**	(60.0)	3.6	(56.4)
Securities sold under agreements to repurchase	**(44.6)**	**(150.1)**	**(194.7)**	(42.2)	(4.1)	(46.3)
Interest-bearing trading liabilities	**12.3**	**(0.7)**	**11.6**	1.0	(0.9)	0.1
Other short-term borrowings	**22.8**	**(88.7)**	**(65.9)**	47.9	(1.4)	46.5
Long-term debt	**109.8**	**(71.1)**	**38.7**	112.2	(67.4)	44.8
Total interest expense	**(133.5)**	**(1,475.2)**	**(1,608.7)**	(87.6)	272.4	184.8
Net change in net interest income	**($47.6)**	**($37.4)**	**($85.0)**	($122.8)	$196.6	$73.8

[1] Changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for earning assets and sources of funds on which interest is received or paid. Volume change is calculated as change in volume times the previous rate, while rate change is change in rate times the previous volume. The rate/volume change, change in rate times change in volume, is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total.

[2] Interest income includes the effects of taxable-equivalent adjustments (reduced by the nondeductible portion of interest expense) using a federal income tax rate of 35% and, where applicable, state income taxes to increase tax-exempt interest income to a taxable-equivalent basis.

Net Interest Income/Margin

Fully-taxable net interest income for 2008 was $4,737.2 million, a decrease of $85.0 million, or 1.8%, from 2007. Net interest margin decreased 1 basis point from 3.11% in 2007 to 3.10% in 2008. Earning asset yields declined 100 basis points from 6.53% in 2007 to 5.53% in 2008, while the cost of interest-bearing liabilities over the same period decreased 119 basis points. The decrease in net interest income was due in part to a decline in market interest rates, the increase in nonperforming assets, a reduction in Coke and Federal Home Loan Bank (FHLB) dividend

income, and LIBOR rate volatility. Due to the adoption of SFAS No. 157 and SFAS No. 159, the net interest payments on $6.6 billion of receive fixed swaps are reflected in trading income versus net interest income. Prior to adoption, this reclassification would have contributed approximately 9 basis points to net interest margin based on the 2008 decline in LIBOR.

The net interest margin increased from 3.07% for the third quarter of 2008 to 3.14% for the fourth quarter of 2008. The effects of lower floating rate loan yields and an increase in nonaccrual loans were more than offset by an aggressive reduction in deposit pricing, lower wholesale funding costs, and the issuance of $4.9 billion of preferred securities to the Treasury. Proceeds from the preferred stock issuance have been invested in interest earning assets which positively impact the margin while the dividend payments on the preferred stock are not recorded in net interest income.

For 2008, average earning assets decreased $2.5 billion, or 1.6%, from 2007 while average interest-bearing liabilities decreased $1.8 billion, or 1.3%, compared to 2007. Total average loans increased $5.4 billion, or 4.5%, due largely to an increase of $5.1 billion, or 10.9%, in the commercial and commercial real estate loan portfolios and $1.2 billion, or 8.4%, in

real estate home equity lines. The increase in commercial loan balances was driven by increased utilization of lines of credit by our larger corporate clients due to dislocation in commercial paper and bond markets during 2008. The increases in commercial, commercial real estate, and real estate home equity lines were partially offset by the decline in real estate construction loans of $2.7 billion, or 19.9%, due to our efforts to reduce our exposure to construction loans and transfers to nonaccrual status. Average loans held for sale were $5.1 billion, a decrease of $5.7 billion, or 52.7%, as mortgage loan originations declined 37.6%. Production shifted to predominantly agency products and efficiency improved in loan delivery. Average investment securities available for sale increased $1.9 billion, or 17.1%, while average interest earning trading assets declined by $4.4 billion, or 36.6%. Despite the decline in trading assets, we have continued to actively use this portfolio as part of our overall asset/liability management.

Average consumer and commercial deposits increased $3.3 billion, or 3.4%, year over year. This included increases of $3.9 billion, or 17.1%, in money market accounts and $1.0 billion, or 5.2%, in NOW accounts. These were partially offset by decreases of $0.8 billion, or 18.2%, in savings and $0.7 billion, or 3.4%, in demand deposits. The change in deposit mix represents a migration among clients from lower yielding accounts to higher yielding accounts in response to the decline in market rates. The growth in money market accounts was influenced by sales strategies in which money market products were used as a lead product to help retain a greater portion of maturing time deposits and other account balances. The overall growth in consumer and commercial deposits, coupled with the $2.2 billion, or 10.6%, increase in lower cost long-term debt, enabled a reduction in higher cost funding sources of $8.0 billion, or 23.4%. The decline in funding sources is primarily related to a $5.6 billion decrease in brokered deposits and a $1.5 billion decrease in average foreign deposits. We continue to pursue deposit growth initiatives utilizing product promotions to increase our presence in specific markets within our footprint. Overall, competition for deposits remains strong as our competitors attempt to satisfy funding needs in light of the liquidity issues prevailing in the market. As a result, we are facing significant deposit pricing pressure across our footprint. Despite these challenging market conditions, we have used a combination of regional and product-specific pricing initiatives to reduce our rates more aggressively than our peer banks, while still growing our average deposit balances.

The 2008 market environment began with a flat yield curve and steepened throughout the year. The Fed Funds target rate averaged 2.08% for 2008, a decrease of 297 basis points compared to 2007. One-month LIBOR decreased 257 basis points to 2.68%, three-month LIBOR decreased 237 basis points to 2.93%, five-year swaps decreased 132 basis points to 3.69% and ten-year swaps decreased 100 basis points to 4.24% compared to prior year. Deposit rates, our most significant funding source, tend to track movements in one-month LIBOR, while our fixed loan yields tend to track movements in the five-year swap rate.

Foregone interest income from nonperforming loans had a negative impact of 14 basis points on net interest margin in 2008 compared to four basis points of negative impact in 2007, as average nonaccrual loans increased $1.9 billion, or 228.4%, over 2007. Table 1 contains more detailed information concerning average loans, yields and rates paid.

Predicting the movement in net interest margin during 2009 would be difficult given the continued volatility in interest rates, the relatively low level of interest rates, and competitive dynamics for raising deposits. However, we believe the risks to the net interest margin in 2009 of deposit pricing, rate compression, nonperforming asset levels, and asset mix will outweigh the primary opportunity associated with deposit volume and mix.

Table 3 - Noninterest Income

	Year Ended December 31					
(Dollars in millions)	**2008**	2007	2006	2005	2004	2003
Service charges on deposit accounts	**$904.1**	$822.0	$763.7	$772.5	$700.0	$643.1
Trust and investment management income	**592.3**	685.0	686.9	673.7	586.8	502.4
Retail investment services	**289.1**	278.0	234.0	213.3	192.8	161.8
Other charges and fees	**510.8**	479.1	462.1	456.5	390.5	326.3
Card fees	**308.4**	280.7	247.6	210.8	153.4	119.6
Investment banking income	**236.5**	214.9	230.6	216.5	206.7	192.5
Trading account profits/(losses) and commissions	**38.2**	(361.7)	113.0	145.1	127.8	109.9
Mortgage production related income	**171.4**	91.0	217.4	144.9	57.8	150.1
Mortgage servicing related income/(expense)	**(211.8)**	195.4	121.7	41.9	11.1	(177.5)
Gain on sale of businesses	**198.1**	32.3	112.8	23.4	-	-
Gain on Visa IPO	**86.3**	-	-	-	-	-
Net gain on sale/leaseback of premises	**37.0**	118.8	-	-	-	-
Other income	**239.8**	350.1	329.1	263.6	219.2	150.9

Total noninterest income before net securities gains/(losses)	**3,400.2**	3,185.6	3,518.9	3,162.2	2,646.1	2,179.1
Net securities gains/(losses)	**1,073.3**	243.1	(50.5)	(7.2)	(41.7)	123.9
Total noninterest income	**$4,473.5**	$3,428.7	$3,468.4	$3,155.0	$2,604.4	$2,303.0

Noninterest Income

Noninterest income increased by $1.0 billion, or 30.5%, in 2008, compared to 2007, driven largely by an increase in net securities gains, including a non-taxable gain on the contribution of a portion of our investment in Coke common stock, and mark to market gains on our public debt and related hedges along with gains from the sale of certain non-strategic businesses. These gains were partially offset by impairment of our MSRs portfolio, mark to market losses on illiquid trading securities and loan warehouses, losses related to our decision to purchase certain auction rate securities (ARS) from our clients, and other-than-temporary impairment charges on securities recorded during the year. In the short-run, we do not foresee any catalysts that will materially improve the core level of fee income generation, with the exception of mortgage production related income, which may increase significantly along with loan volume in the first quarter of 2009 if the sharp reduction in interest rates on conforming mortgages continues during the quarter.

Transaction fee-related income, which includes service charges on deposit accounts, card fees, and other charges and fees, increased $141.5 million, or 8.9%, compared to 2007, driven by an increase in both consumer and business deposit account activity, primarily due to growth in the number of accounts, higher non-sufficient fund rates, and an increase in the occurrence of non-sufficient fund fees.

Trust and investment management income decreased $92.7 million, or 13.5%, compared to 2007, driven by lower market valuations on managed assets due to the decline in the equity markets, as well as a decline in revenue as a result of the sales of our remaining interest in Lighthouse Investment Partners on January 2, 2008 and First Mercantile on May 30, 2008.

Trading account profits/(losses) and commissions increased $399.9 million, or 110.6%, compared to 2007, primarily due to $431.7 million in mark to market gains on our public debt and related hedges during 2008 compared with gains of $140.9 million in 2007. These gains were related to the widening of credit spreads across the entire financial market as a result of the global credit crisis. When stability in the debt market returns, spreads are expected to tighten, and if this occurs then these valuation gains will reverse. The increase in trading income during 2008 was also due to strong performance in fixed income sales and trading, direct finance, and foreign exchange within our broker/dealer subsidiary offset by weaker performance in fixed income derivatives, structured leasing, and equity offerings due to volatile market conditions. The gains recorded during 2008 were partially offset by $255.9 million in mark to market losses on illiquid trading securities acquired during the fourth quarter of 2007 as a result of the continuing declines in home values and increasing consumer real estate delinquency levels, which affected liquidity and technical pricing in the broader market during the year related to ABS. Also offsetting these gains were $177.7 million in losses related to our decision to purchase certain ARS from our clients, along with associated fines, and a $63.8 million loss on a $70 million (par value) Lehman Brothers Holdings, Inc. (Lehman Brothers) bond we purchased from an affiliated money market mutual fund. As of December 31, 2008, the fair value of this bond was $6.7 million. See additional discussion of this security that was purchased in the Trading Assets and Liabilities section of this MD&A. The fair value of the illiquid securities acquired in the fourth quarter of 2007 declined to approximately $250.0 million as of December 31, 2008, down from an acquisition cost of approximately $3.5 billion, primarily due to sales. During 2007, we recorded $527.7 million in negative mark to market valuations on collateralized debt obligations, MBS, SIV securities, and collateralized loan obligations, which were partially offset by $81.0 million in gains related to the adoption of fair value for certain trading assets and liabilities and related hedges.

During 2008, the $177.7 million loss in trading account profits and commissions related to ARS was recognized because we determined that we had a probable loss pursuant to the provisions of SFAS No. 5 that could be reasonably estimated as the difference between the par amount and the estimated fair value of ARS that we believe we will likely purchase from investors. As of December 31, 2008, we have completed the repurchase of roughly one-third of the approximately $743 million face value of the securities. Approximately $643 million of these securities are either government sponsored or where the issuer has indicated support of the underlying assets. The remaining $100 million of securities pertains to a senior tranche within a securitization of trust preferred securities. Our cash flow projections under even a stressed scenario indicate full collection of principal and interest on these securities. The volume of repurchase activity increased in early 2009, and through mid-February, we have completed approximately three-fourths of the expected repurchases.

Combined mortgage-related income decreased $326.8 million, or 114.1%, compared to 2007. Mortgage servicing related income decreased $407.2 million, or 208.4%, compared to 2007, primarily due to $370.0 million in impairment charges on our MSRs portfolio, all carried at amortized cost, that was caused by an increase in expected loan prepayments due to declining interest rates during the fourth quarter of 2008. The decrease in 2008 was also driven by higher amortization of MSRs driven by growth in the servicing portfolio from $114.6 billion as of December 31, 2007 to $130.5 billion as of December 31, 2008, and lower gains on the sale of mortgage servicing assets when compared to 2007. These declines were offset by higher servicing fee income driven by the aforementioned growth in the servicing portfolio.

Mortgage production related income increased $80.4 million, or 88.4%, compared to 2007, despite a 37.6% decline in loan production volume to $36.4 billion in 2008, due to lower valuation losses resulting from spread widening on loans held for

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sale, in part due to the elimination of Alt-A loans from the warehouse. The increase was also a result of lower valuation losses on illiquid and delinquent warehouse loans and the earlier recognition of servicing value and origination fees resulting from our election to record certain mortgage loans at fair value beginning in May 2007. The prior period also included $42.2 million of income reductions recorded in conjunction with our election to record certain loans held for sale at fair value. These increases in income when compared with 2007 were offset by an increase in our reserve for write-downs on mortgage loans that we anticipate we will have to repurchase from prior sales. This reserve is established at the time of the sale based on expectations for the volume of repurchases and the severity of losses upon ultimate disposition. In the current environment, higher customer default rates, heightened scrutiny of loan documentation by investors, and larger write-downs upon repurchase are all impacting the level of required reserves. In addition to this offset to mortgage production related income, we also incurred negative valuation adjustments on our portfolio loans and loans held for sale carried at fair value and lower fee income associated with lower production volume. While loan production is down, the percentage of agency eligible secondary market production increased to approximately 98% of secondary market production compared to approximately 85% in 2007. Agency eligible loans, also known as conforming loans, are defined as mortgage loans eligible for secondary market purchase by GNMA, FNMA, or FHLMC. To be considered eligible, loans must adhere to maximum loan amount guidelines, debt-to-income ratio limits, and stricter documentation requirements. In addition, dramatically lower mortgage rates near the end of 2008 drove a significant increase in application activity, which has continued into early 2009.

Investment banking income increased $21.6 million, or 10.1%, compared to 2007, due to increases in direct finance and bond underwriting fees. These increases were partially offset by a decrease in M&A fees.

Net gain on the sale of businesses consists of an $89.4 million gain on the sale of our remaining interest in Lighthouse Investment Partners during the first quarter of 2008, an $81.8 million gain on the sale of TransPlatinum, our former fuel card and fleet management subsidiary in the third quarter of 2008, a $29.6 million gain on the sale of First Mercantile, a retirement plan services subsidiary, during the second quarter of 2008, and a $2.7 million loss on the sale of a majority interest in Zevenbergen Capital Investments during the fourth quarter of 2008. A gain of $32.3 million was recognized in 2007 upon the merger of Lighthouse Partners.

During the first quarter of 2008, Visa completed its IPO and upon the closing, approximately 2 million of our Class B shares were mandatorily redeemed for $86.3 million, which was recorded as a gain in noninterest income.

Net securities gains of $1.1 billion for 2008 included a $732.2 million gain on the sale and contribution of a portion of our investment in Coke common stock in addition to a $413.1 million gain on the sale of MBS held in conjunction with our risk management strategies associated with economically hedging the value of MSRs. These gains were partially offset by the recognition through earnings of $83.8 million in charges related to certain ABS that were determined in 2008 to be other-than-temporarily impaired. The net securities gains of $243.1 million for 2007 included a $234.8 million gain on the sale of 4.5 million shares of Coke common stock. For additional information on transactions related to our holdings in Coke common stock, refer to Investment in Common Shares of The Coca-Cola Company within this MD&A.

During the fourth quarter of 2007, we completed multiple sale/leaseback transactions, consisting of over 300 of our branch properties and various individual office buildings. In total, we sold and concurrently leased back $545.9 million in land and buildings with associated accumulated depreciation of $285.7 million. For the year ended December 31, 2007, we recognized $118.8 million of the gain immediately while the remaining $385.4 million in gains were deferred and will be recognized ratably over the expected term of the respective leases, predominantly 10 years, as an offset to net occupancy expense. During 2008, we completed sale/leaseback transactions, consisting of 152 branch properties and various individual office buildings. In total, we sold and concurrently leased back $201.9 million in land and buildings with associated accumulated depreciation of $110.3 million. For the year ended December 31, 2008, we recognized $37.0 million of the gain immediately while the remaining $160.3 million in gains were deferred and will be recognized ratably over the expected term of the respective leases, predominantly as an offset to net occupancy expense.

Other income decreased $110.3 million, or 31.5%, compared to 2007. The decline was primarily due to gains in 2007 on private equity transactions that did not recur in 2008.

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Table 4 - Noninterest Expense

	Year Ended December 31					
(Dollars in millions)	**2008**	2007	2006	2005	2004	2003
Employee compensation	**$2,327.2**	$2,329.0	$2,253.5	$2,117.2	$1,804.9	$1,585.9
Employee benefits	**434.0**	441.2	471.9	417.1	363.4	358.6
Total personnel expense	**2,761.2**	2,770.2	2,725.4	2,534.3	2,168.3	1,944.5
Outside processing and software	**492.6**	410.9	393.6	357.4	286.3	246.7
Operating losses	**446.2**	134.0	44.6	40.3	42.8	35.5
Marketing and customer development	**372.2**	195.0	173.2	156.7	128.3	100.3
Net occupancy expense	**347.3**	351.2	334.2	312.1	268.2	237.3
Equipment expense	**203.2**	206.5	197.0	204.0	184.9	178.4
Mortgage reinsurance	**179.9**	-	-	-	-	-
Credit and collection services	**156.4**	112.5	101.6	84.9	66.7	70.3
Amortization/impairment of intangible assets	**121.3**	96.7	103.2	119.0	77.6	64.5
Other real estate expense/(income)	**104.7**	15.8	0.2	(1.2)	(1.8)	(2.0)
Postage and delivery	**90.1**	93.2	92.7	85.4	69.8	69.0
Other staff expense	**70.3**	132.5	92.5	90.1	66.0	60.4
Communications	**69.4**	79.0	72.9	79.2	67.2	61.3
Consulting and legal	**58.6**	101.2	113.0	112.6	81.0	57.4
Regulatory assessments	**54.9**	22.4	22.6	23.1	19.5	18.0
Operating supplies	**44.3**	48.7	54.0	53.2	46.8	39.8
Merger expense	**13.4**	-	-	98.6	28.4	-
Net loss on extinguishment of debt	**11.7**	9.8	11.7	-	-	-
Visa litigation	**(33.5)**	76.9	-	-	-	-
Other expense	**326.2**	377.3	347.5	341.0	297.0	219.2
Total noninterest expense	**$5,890.4**	$5,233.8	$4,879.9	$4,690.7	$3,897.0	$3,400.6

Noninterest Expense

Noninterest expense increased by $656.6 million, or 12.5%, in 2008 compared to 2007. This was primarily the result of increased costs of $624.9 million associated with the current credit cycle compared to 2007 along with a $183.4 million contribution of Coke common stock that we made to our charitable foundation in the third quarter of 2008. The remaining components of noninterest expense decreased on an overall basis because of the success achieved in reducing expenses through our E^2 Program.

Personnel expenses in 2008 decreased $9.0 million, or 0.3%, from the same period in 2007. The decrease in personnel expense is due primarily to the decline in salaries expense of $34.8 million from 2007 to 2008 reflecting a reduction of approximately 3,000 full time equivalent employees since December 31, 2007 to 29,333 as of December 31, 2008. Due primarily to our fair value election for certain mortgage loans held for sale beginning in May of 2007, we deferred $79.7 million less in loan origination costs in 2008 than 2007, which partially offset the decline in personnel expense. As a consequence of the current market conditions and the reduction in plan participants, expense related to incentive plans was also lower by $53.9 million. In addition, to mitigate increases in personnel expenses in 2009, the following initiatives have been employed: no merit increases for senior management, comprising over 4,000 people, the lowering of average raise targets for the remainder of the workforce by one-third, and a reduction in the amount of promotional salary increases.

Credit-related costs include operating losses, credit and collection services, other real estate expense, and mortgage reinsurance expense. These expenses increased $624.9 million, or 238.2%, over 2007. Operating losses increased $312.2 million, or 233.0%, compared to 2007. These increases include a $206.9 million reserve recorded during 2008 for borrower misrepresentations and insurance claim denials. Approximately $139 million of this reserve relates to insured prime second lien loans and home equity lines of credit. Other real estate expense increased $88.9 million, or 562.7%, in 2008 compared to 2007. This increase was due to a $316.7 million, or 172.4%, increase in other real estate holdings, coupled with additional valuation losses in 2008 on residential loan-related properties as a result of increased inventory of foreclosures and deteriorating home values. Credit and collection services expense increased $43.9 million, or 39.0%, in 2008 compared to 2007 due to increased collection and loss mitigation activity offset by decreased loan closing expenses.

Marketing and customer development expense increased $177.2 million, or 90.9%, in 2008, compared to the same period in 2007. The increase was due to our contribution of $183.4 million, in the form of 3.6 million shares of Coke common stock, to our charitable foundation in the third

quarter of 2008. Additionally, media advertising increased during the fourth quarter of 2008, when compared to 2007, in relation to our Live Solid. Bank Solid. campaign.

Mortgage reinsurance expense increased $179.9 million in 2008 compared to 2007 due to an increase in the mortgage reinsurance reserve which pertains to our mortgage reinsurance guaranty subsidiary, Twin Rivers. This increase in reserves was due primarily to the declining credit performance of the underlying loans. Twin Rivers loss exposure arises from third

party mortgage insurers transferring a portion of their first loss exposure when losses by mortgage origination year exceed certain thresholds. Effective January 1, 2009, Twin Rivers stopped reinsuring mortgage guaranty insurance on new loans originated or purchased in 2009 by its parent or affiliate companies. As a result, in the future the reinsurance premiums assumed by Twin Rivers will be lower than the level in 2008, and Twin Rivers will not experience any claims losses for the 2009 book year business.

Outside processing and software increased $81.7 million, or 19.9%, compared to 2007 due to higher processing costs associated with higher transaction volumes in addition to higher software amortization costs and the outsourcing of certain back-office operations during the third quarter of 2008, which was offset by the corresponding decrease in employee compensation and benefits.

Amortization/impairment of intangible assets increased $24.6 million, or 25.4%, in 2008. In the second quarter of 2008, we recorded an impairment charge of $45.0 million related to a customer relationship intangible asset. This change was partially offset by a decline in amortization of customer intangible assets.

Other staff expense decreased $62.2 million, or 46.9%, in 2008 compared to 2007 primarily related to our E^2 Program savings produced in 2008 versus a $45.0 million accrual related to severance costs recorded in the third quarter of 2007 related to the program. For the year ended December 31, 2008, we achieved gross run rate savings of approximately $560.0 million related to our efficiency and productivity initiatives. Further, with the progress obtained in 2008, we believe we are on target to attain $600 million of cumulative gross savings by the end of 2009. Key contributors to achieving the 2009 goal include supplier management, outsourcing, and process engineering. Additionally in connection with our E^2 Program, consulting and legal expense decreased by 42.1%, or $42.6 million, primarily within the consulting fees and data processing consulting fees accounts.

Regulatory assessments expense grew from $22.4 million in 2007 to $54.9 million in 2008 as FDIC insurance premiums increased due to the exhaustion of previously established premium credits and higher premiums. In an attempt by the FDIC to further strengthen its reserves, future regulatory assessment expense will increase significantly from the level recognized in 2008 due to an increase in the annual FDIC premium rate as well as a special FDIC assessment in 2009.

Visa litigation expense decreased by $110.4 million, or 143.6%, in 2008 compared to the same period in 2007. We increased reserves related to the Visa litigation $20.0 million in the third quarter of 2008. However, offsetting the Visa litigation accrual were reversals totaling $53.5 million related to our portion of the funding by Visa of the litigation escrow account.

Other noninterest expense decreased $51.1 million, or 13.5%, in 2008 compared to 2007. The decrease was due primarily to write-downs of $19.9 million related to Affordable Housing properties as compared to $63.4 million of related charges in 2007.

Provision for Income Taxes

The provision for income taxes includes both federal and state income taxes. In 2008, the provision for income taxes was a benefit of $67.3 million, compared to tax expense of $615.5 million in 2007. The provision represents a negative 9.2% effective tax rate for 2008 compared to a positive 27.4% for 2007. The decrease in the effective tax rate was primarily attributable to the lower level of earnings, a higher proportion of tax-exempt income, state tax benefits resulting from subsidiaries net operating losses and tax credits for the year ended December 31, 2008. Additionally, in July 2008, we contributed 3.6 million shares of Coke common stock to our SunTrust Foundation. This contribution resulted in a release of the deferred tax liability of approximately $65.8 million (net of valuation allowance) and provided an additional decrease in the effective tax rate. For additional information on this and the other transactions related to our holdings in Coke, refer to Investment in Common Shares of The Coca-Cola Company within this MD&A.

As of December 31, 2008, our gross cumulative unrecognized tax benefits (UTBs) amounted to $330.0 million, of which $266.7 million (net of federal tax benefit) would affect our effective tax rate, if recognized. As of December 31, 2007, our gross cumulative UTBs amounted to $325.4 million. Additionally, we recognized a gross liability of $70.9 million and $80.0 million for interest related to our UTBs as of December 31, 2008 and December 31, 2007, respectively. Interest expense related to UTBs was $22.4 million for the year ended December 31, 2008, compared to $27.7 million for the same period in 2007. We continually evaluate the UTBs associated with our uncertain tax positions. It is reasonably possible that the total UTBs could significantly increase or decrease during the next 12 months due to completion of tax authority examinations and the expiration of statutes of limitations. However, an estimate of the range of the reasonably possible change in the total amount of UTBs cannot currently be made.

We file consolidated and separate income tax returns in the United States federal jurisdiction and in various state jurisdictions. Our federal returns through 2004 have been examined by the Internal Revenue Service (IRS) and issues for

tax years 1997 through 2004 are still in dispute. We have paid the amounts assessed by the IRS in full for tax years 1997 and 1998 and have filed refund claims with the IRS related to the disputed issues for those two years. An IRS examination of our 2005 and 2006 federal income tax returns is currently in progress. Generally, the state jurisdictions in which we file income tax returns are subject to examination for a period from three to seven years after returns are filed.

Table 5 - Loan Portfolio by Types of Loans

	As of December 31					
(Dollars in millions)	**2008**	2007	2006	2005	2004	2003
Commercial	**$41,039.9**	$35,929.4	$34,613.9	$33,764.2	$31,823.8	$30,681.9
Real estate:						
Residential mortgages	**32,065.8**	32,779.7	33,830.1	29,877.3	24,553.5	17,208.1
Home equity lines	**16,454.4**	14,911.6	14,102.7	13,635.7	11,519.2	6,965.3
Construction	**9,864.0**	13,776.7	13,893.0	11,046.9	7,845.4	4,479.8
Commercial real estate	**14,957.1**	12,609.5	12,567.8	12,516.0	12,083.8	9,330.1
Consumer:						
Direct	**5,139.3**	3,963.9	4,160.1	5,060.8	6,622.3	3,539.6
Indirect	**6,507.6**	7,494.1	7,936.0	8,389.5	6,802.9	8,394.5
Credit card	**970.3**	854.1	350.7	264.5	175.3	133.0
Total loans	**$126,998.4**	$122,319.0	$121,454.3	$114,554.9	$101,426.2	$80,732.3
Loans held for sale	**$4,032.1**	$8,851.7	$11,790.1	$13,695.6	$6,580.2	$5,552.1

Table 6 - Funded Exposures by Selected Industries[1]

	As of December 31, 2008		As of December 31, 2007	
		% of Total		% of Total
(Dollars in millions)	**Loans**	**Loans**	Loans	Loans
Real estate	**$ 9,291.1**	**7.3 %**	$ 8,338.5	6.8 %
Construction	**8,727.3**	**6.9**	8,615.8	7.0
Retail trade	**5,352.1**	**4.2**	5,445.9	4.5
Manufacturing	**4,366.0**	**3.4**	3,513.9	2.9
Wholesale trade	**3,767.0**	**3.0**	3,376.0	2.8
Health & social assistance	**3,557.9**	**2.8**	2,922.3	2.4
Finance & insurance	**3,352.0**	**2.6**	2,891.7	2.4
Professional, scientific & technical services	**2,297.5**	**1.8**	2,108.6	1.7
Information	**2,123.5**	**1.7**	1,456.6	1.2
Public administration	**2,012.7**	**1.6**	1,864.1	1.5
Nonprofits	**1,941.4**	**1.5**	1,829.8	1.5
Transportation & warehousing	**1,918.4**	**1.5**	1,674.1	1.4
Accomodation & food services	**1,739.0**	**1.4**	1,441.9	1.2
Mining	**1,359.1**	**1.1**	1,144.2	0.9
Arts, entertainment & recreation	**1,254.8**	**1.0**	1,145.1	0.9
Administrative and support	**1,107.2**	**0.9**	1,057.7	0.9

[1] Industry groupings are loans in aggregate greater than $1 billion as of December 31, 2008 based on the North American Industry Classification System.

Loans

Total loans as of December 31, 2008 were $127.0 billion, an increase of $4.7 billion, or 3.8%, from December 31, 2007. The increase was primarily driven by growth in commercial loans, commercial real estate, and home equity lines. These increases were partially offset by a decrease in real estate construction loans. We believe that our portfolio is well diversified by product, client, and geography throughout our footprint, and has relatively low exposure to unsecured consumer loan products. A portion of the increase, approximately $1.0 billion as of December 31, 2008, came as a result of the loans acquired in the GB&T purchase during the second quarter of 2008.

Commercial loans were $41.0 billion, an increase of $5.1 billion, or 14.2%, from December 31, 2007, and comprise 32.3% of the total loan portfolio at December 31, 2008. The commercial loan portfolio is well diversified by industry, collateral, and geography. The primary reason for the increase was the disruption in the short-term corporate funding markets during the second half of 2008, resulting in certain commercial and large corporate clients accessing bank lines for funding. As such, beginning in the third quarter of 2008 in particular, we experienced an increase in the utilization levels of our outstanding commercial loan facilities. Overall, the portfolio has performed well but, depending on the economy, losses could increase in future periods.

Residential mortgages were $32.1 billion, or 25.2% of the total loan portfolio, as of December 31, 2008, down 2.2% from December 31, 2007. The residential mortgage portfolio is comprised of core mortgages (prime first liens), prime second lien mortgages, home equity loans, lot loans, and Alt-A first and second mortgages. There are minimal negative amortizing option adjustable rate mortgages (ARMs) and virtually no subprime loans in the core portfolio. The residential portfolio is mainly dispersed over four states: Florida (29.9%), Georgia (15.2%), Virginia (10.5%), and California (8.0%). The core mortgage portfolio was $23.2 billion, or 18.2% of total loans, as of December 31, 2008 and deteriorated somewhat due to current market conditions. Delinquency levels of 60 days or more increased to 2.6% as of December 31, 2008. The core mortgage portfolio consists of two-thirds prime jumbo loans. The core first mortgage portfolio included $14.3 billion in interest-only ARMs. The weighted average combined loan to value (LTV) at origination of the core portfolio was 73%, and the portfolio has a current weighted average FICO score of 721. Prime second mortgages were $3.9 billion, or 3.1%, of total loans as of December 31, 2008 and are comprised of purchase money second liens or combo loans with a current weighted average FICO of 708. Home equity loans comprise $2.5 billion, or 2.0%, of the total loan portfolio as of December 31, 2008 and have a current weighted average FICO score of 713 and a 75% weighted average combined LTV at origination. Thirty-two percent of the home equity loans are in a first lien position. Lot loans were $1.4 billion, or approximately 1.1% of total loans, as of December 31, 2008 and have a current weighted average FICO score of 700. Alt-A loans were $1.2 billion, or 1.0% of total loans, as of December 31, 2008. Of the Alt-A loans, $0.9 billion are first liens and well secured with a weighted average combined LTV of 75% at origination. The remaining $0.3 billion of Alt-A loans are second lien loans with a weighted average combined LTV of 97% at origination and a current weighted average FICO score of 601.

The home equity line portfolio was $16.5 billion, or 13.0% of total loans, as of December 31, 2008, an increase of 10.3% from December 31, 2007, and it has a 74% weighted average combined LTV at origination and current FICO score of 727. The growth in this portfolio is in the low risk segment and results from a slow down of payoff/paydown attrition and normal line utilization on lines originated in late 2007 and 2008 under more conservative underwriting guidelines. The growth was predominantly in the less than 90% LTV and higher than 720 FICO scores segments. The weighted average FICO score of our new production is 772 with a weighted average combined LTV of 60%. Third party originated home equity lines continue to perform poorly; however, only 11.3% of the home equity lines were originated through that channel. We have eliminated origination of home equity product through third party channels, eliminated greater than 85% LTV originations, implemented market specific LTV guidelines in certain declining markets, and have been aggressively reducing line commitments in higher risk situations. Approximately 23% of our home equity lines are in a first lien position. We continue to enhance our collections and default management processes and where possible, reduce outstanding line commitments; however, we expect the home equity line portfolio to continue to show elevated nonaccrual and charge-off levels in the near future.

The construction portfolio was $9.9 billion, or 7.8% of total loans, at December 31, 2008, down $3.9 billion, or 28.4%, from December 31, 2007. The construction portfolio consists of residential construction to perm loans ($1.7 billion), residential construction loans ($2.0 billion), commercial construction loans ($2.4 billion), acquisition and development loans ($2.5 billion), and raw land loans ($1.3 billion). Approximately one third of this portfolio is owner-occupied, which provides additional sources of repayment and helps mitigate risk of loss. We have reduced the level of risk in the construction portfolio by prudently managing our construction exposure. This is evident by the declines in outstanding balances since December 2007 in the construction to perm (down 52.0%), residential construction (down 27.7%), commercial construction (down 27.1%), and acquisition and development (down 14.0%) portfolios. Further, these net decreases include the addition of construction loans from the GB&T acquisition that occurred in the second quarter 2008. Commercial-related construction loans represent 24.3% of the total construction portfolio and continue to perform well. Overall performance of residential construction related loans has deteriorated since the fourth quarter of 2007 consistent with the general decline in the economy. We continue to be proactive in our credit monitoring and management processes to provide early warning for problem loans in the portfolio. For example, we use an expanded liquidity and contingency analysis to provide a thorough view of borrower capacity and their ability to service obligations in a steep market decline. We have strict limits and have exposure caps on specific projects and borrowers for risk diversification. In some cases, the maturity date of certain residential real estate related loans, namely construction to perm and lot loans, has been extended as a result of market delays in completing the build-out phase of the home. These borrowers continue to perform; consequently, the loans remain on accruing status. It is possible that these borrowers could experience varying degrees of financial difficulties, resulting potentially in more significant loan modifications.

The commercial real estate portfolio was $15.0 billion, or 11.8% of total loans, an increase of $2.3 billion, or 18.6%, from December 31, 2007. Of this increase, $603.4 million was due to the acquisition of GB&T. This portfolio includes both owner-occupied and income producing collateral, with approximately 60% being owner occupied properties. The primary source of loan repayment for owner-occupied properties is business income and not real estate operations, which diversifies the risk or sources of repayment. Although we have not seen a significant deterioration on the fundamentals in our income property or owner-occupied products, recent market conditions have presented some rising vacancies among retail, office, and industrial products.

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The indirect consumer portfolio was $6.5 billion, or 5.1% of total loans, at December 31, 2008, down $986.5 million, or 13.2%, from December 31, 2007. This portfolio primarily consists of automobile loans generated through dealerships and has a current weighted average FICO of 699. The decrease is largely attributable to the recent slowdown in automobile sales and our specific decision to reduce exposure in this portfolio. This portfolio is experiencing a higher level of net charge-offs compared to the fourth quarter of 2007, driven by declining auto auction prices, especially for SUVs and large pick-up trucks.

The direct consumer portfolio was $5.1 billion, or 4.0% of total loans, at December 31, 2008, up $1.2 billion, or 29.7% from December 31, 2007, almost entirely due to growth in student loans. Student loans, which are mostly government supported, made up $2.9 billion, or 55.4%, of the direct consumer portfolio. This portfolio also consists of loans and lines to individuals for personal or family uses.

The decrease in loans held for sale from December 31, 2007 to December 31, 2008 of $4.8 billion was due primarily to a decline in total loan production of $21.9 billion, or 37.6% from 2007 to 2008. During 2008 and 2007, we transferred $656.1 million and $837.4 million, respectively, in loans from held for sale to held for investment. The transfer included loans that we determined could not be sold due to underwriting defects or payment defaults, as well as non-agency residential loans for which deteriorating market conditions impacted our ability to sell these loans. The loans transferred included loans that are carried at fair value under SFAS No. 159 and continue to be reported at fair value while classified as held for investment, as well as loans transferred at the lower of cost or market value.

Table 7 - Allowance for Loan and Lease Losses

(Dollars in millions)	As of December 31					
Allocation by Loan Type	**2008 [1]**	2007 [1]	2006 [1]	2005 [1]	2004 [1]	2003 [2]
Commercial	**$631.2**	$422.6	$415.9	$439.6	$433.0	$369.3
Real estate	**1,523.2**	664.6	443.1	394.1	369.7	159.3
Consumer loans	**196.7**	110.3	95.5	109.4	159.6	344.3
Unallocated [3]	**-**	85.0	90.0	85.0	87.7	69.0
Total	**$2,351.1**	$1,282.5	$1,044.5	$1,028.1	$1,050.0	$941.9

	As of December 31					
Year-end Loan Types as a Percent of Total Loans	**2008**	2007	2006	2005	2004	2003
Commercial	**32.3** %	29.4 %	28.8 %	29.2 %	31.6 %	38.2 %
Real estate	**57.8**	60.6	61.2	58.7	55.2	47.0
Consumer loans	**9.9**	10.0	10.0	12.1	13.2	14.8
Total	**100.0** %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

[1] The allocations in the years 2004 through 2008 reflect the implementation of an ALLL methodology that is more granular than in prior periods. This methodology segregates the portfolio and incorporates a weighted average of expected loss derived from an internal risk rating system. Beginning in 2004, the allocation also includes the acquired portfolio of NCF.

[2] Beginning in 2003, the allocation reflected an apportionment of the ALLL that had been categorized as environmental factors, which is now included in our homogeneous loan pool estimates.

[3] Beginning in 2008, the unallocated reserve is reflected in our homogeneous pool estimates.

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Table 8 - Summary of Loan and Lease Losses Experience

	Year Ended December 31					
(Dollars in millions)	**2008**	2007	2006	2005	2004	2003
Allowance for Loan and Lease Losses						
Balance - beginning of period	**$1,282.5**	$1,044.5	$1,028.1	$1,050.0	$941.9	$930.1
Allowance associated with loans at fair value [1]	**-**	(4.1)	-	-	-	-
Allowance from acquisitions and other activity - net	**158.7**	-	-	-	173.8	9.3
Provision for loan losses	**2,474.2**	664.9	262.5	176.9	135.5	313.6
Charge-offs:						
Commercial	**(218.7)**	(133.6)	(178.9)	(107.3)	(109.7)	(195.0)
Real estate:						
Home equity lines	**(449.6)**	(116.2)	(28.8)	(24.5)	(12.6)	(5.8)
Construction	**(194.5)**	(12.2)	(2.3)	(6.0)	(4.1)	(0.8)
Residential mortgages	**(525.1)**	(113.1)	(29.6)	(22.8)	(20.2)	(16.3)
Commercial real estate	**(24.7)**	(2.1)	(8.1)	(3.1)	(5.5)	(5.6)
Consumer loans:						
Direct	**(41.9)**	(23.4)	(22.0)	(37.2)	(25.1)	(28.6)
Indirect	**(192.9)**	(106.4)	(82.3)	(109.6)	(133.9)	(139.5)
Credit card	**(33.1)**	(7.3)	(4.6)	(4.7)	(4.9)	(2.7)
Total charge-offs	**(1,680.5)**	(514.3)	(356.6)	(315.2)	(316.0)	(394.3)
Recoveries:						
Commercial	**24.1**	23.3	28.6	35.1	48.7	39.3
Real estate:						
Home equity lines	**16.4**	7.8	6.9	6.2	3.3	1.4
Construction	**2.8**	1.2	2.0	0.8	0.1	0.4
Residential mortgages	**7.8**	5.5	7.9	8.1	6.4	3.6
Commercial real estate	**1.2**	1.9	6.2	2.6	1.4	1.4
Consumer loans:						
Direct	**8.2**	9.6	12.1	13.5	10.0	8.5
Indirect	**54.2**	41.3	45.4	48.9	43.7	28.1
Credit card	**1.5**	0.9	1.4	1.2	1.2	0.5
Total recoveries	**116.2**	91.5	110.5	116.4	114.8	83.2
Net charge-offs	**(1,564.3)**	(422.8)	(246.1)	(198.8)	(201.2)	(311.1)
Balance - end of period	**$2,351.1**	$1,282.5	$1,044.5	$1,028.1	$1,050.0	$941.9
Average loans	**$125,432.7**	$120,080.6	$119,645.2	$108,742.0	$86,214.5	$76,137.9
Year-end loans outstanding	**126,998.4**	122,319.0	121,454.3	114,554.9	101,426.2	80,732.3
Ratios:						
Allowance to year-end loans[2]	**1.86 %**	1.05 %	0.86 %	0.90 %	1.04 %	1.17 %
Allowance to nonperforming loans[3]	**61.7**	101.9	216.9	378.0	404.7	279.8
Allowance to net charge-offs	**1.50 x**	3.03 x	4.24 x	5.17 x	5.22 x	3.03 x
Net charge-offs to average loans	**1.25 %**	0.35 %	0.21 %	0.18 %	0.23 %	0.41 %
Provision to average loans	**1.97**	0.55	0.22	0.16	0.16	0.41
Recoveries to total charge-offs	**6.9**	17.8	31.0	36.9	36.3	21.1

[1] Amount removed from the ALLL related to our election to record $4.1 billion of residential mortgages at fair value.

[2] During the second quarter of 2008, the Company revised its method of calculating this ratio to include, within the period-end loan amount, only loans measured at amortized cost. Previously, period-end loans included loans measured at fair value or the lower of cost or market. The Company believes this is an improved method of calculation due to the fact that the allowance for loan losses relates solely to the loans measured at amortized cost. Loans measured at fair value or the

lower of cost or market that have been excluded from the prior period calculation were $392.3 million, which did not change the calculation by more than one basis point as of December 31, 2007. Amounts excluded in years prior to 2007 were immaterial and resulted in no basis point change in the respective calculation.

[3] During the second quarter of 2008, the Company revised its method of calculating this ratio to include, within the nonperforming loan amount, only loans measured at amortized cost. Previously, this calculation included nonperforming loans measured at fair value or the lower of cost or market. The Company believes this is an improved method of calculation due to the fact that the allowance for loan losses relates solely to the loans measured at amortized cost. Nonperforming loans measured at fair value or the lower of cost or market that have been excluded from the prior period calculation were $171.5 million, which increased the calculation approximately 12 basis points as of December 31, 2007. Amounts excluded in years prior to 2007 were immaterial and resulted in no basis point change in the respective calculation.

Allowance for Loan and Lease Losses

We continuously monitor the quality of our loan portfolio and maintain an allowance for loan and lease losses (ALLL) sufficient to absorb probable estimable losses inherent in our loan portfolio. We are committed to the timely recognition of problem loans and maintaining an appropriate and adequate ALLL. In addition to the review of credit quality through ongoing credit review processes, we employ a variety of modeling and estimation techniques to measure credit risk and construct an appropriate ALLL. Numerous asset quality measures, both quantitative and qualitative, are considered in estimating the ALLL. Our ALLL Committee has the responsibility of affirming the allowance methodology and assessing significant risk elements in order to determine the appropriate level of allowance for the inherent losses in the loan portfolio at the point in time being reviewed. The multiple factors evaluated include net charge-off trends, collateral values and geographic location, borrower FICO scores, delinquency rates, nonperforming and restructured loans, origination channel, product mix, underwriting practices, and economic trends. These credit quality factors are incorporated into various loss estimation models and tools utilized in our ALLL process or are qualitatively considered in evaluating the overall reasonableness of the ALLL. The factors that have the greatest quantitative impact on the estimated ALLL tend to be recent net charge-off trends, delinquency rates, and loss severity levels (i.e., collateral values), as these factors tend to be contemporaneous in nature, as well as have a pervasive impact on the applicable loan pools, while factors such as

nonperforming or restructured loans tend to have a more isolated impact on subsets of loans in the loan pools. Also impacting the ALLL is the estimated incurred loss period, which tends to be approximately one year for consumer-related loans and between one and one-half to three years for wholesale-related loans. The ALLL process excludes loans measured at fair value in accordance with SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 , as subsequent mark to market adjustments related to loans measured at fair value include a credit risk component. At December 31, 2008, the ALLL was $2,351.1 million, which represented 1.86% of period-end loans not carried at fair value. This compares with an ALLL of $1,282.5 million, or 1.05% of period-end loans not carried at fair value, as of December 31, 2007. The increase in ALLL reflects decreasing home prices and the associated increasing level of delinquencies, nonperforming loans, and net charge-offs in the residential real estate-related portions of the loan portfolio. Also affecting the increase in the ALLL was $158.7 million added in conjunction with the GB&T acquisition.

Our ALLL framework has two basic elements: specific allowances for loans individually evaluated for impairment and a component for pools of homogeneous loans not individually evaluated. Beginning in 2008, the portion of the unallocated allowance for inherent imprecision and incomplete data is reflected within the component for pools of homogenous loans. The first element of the ALLL analysis involves the estimation of allowances specific to individual impaired loans. In this process, specific allowances are established for larger commercial impaired loans based on an analysis of the most probable sources of repayment, including discounted cash flows, liquidation of collateral, or the market value of the loan itself. As of December 31, 2008 and 2007, the specific allowance related to impaired loans that were individually evaluated totaled $148.7 million and $17.5 million, respectively. The increase in ALLL associated with impaired loans individually evaluated is primarily driven by deterioration in loans to residential builders and several large credits within the Wholesale line of business.

The second element of the ALLL, the general allowance for homogeneous loan pools not individually evaluated, is determined by applying allowance factors to pools of loans within the portfolio that have similar risk characteristics. The general allowance factors are determined using a baseline factor that is developed from an analysis of historical net charge-off experience and expected losses. Expected losses are based on estimated probabilities of default and loss given default derived from our internal risk rating process. These baseline factors are developed and applied to the various loan pools. Adjustments may be made to baseline reserves for some of the loan pools based on an assessment of internal and external influences on credit quality not fully reflected in the historical loss or risk-rating data. These influences may include elements such as changes in credit underwriting, concentration risk, and/or recent observable asset quality trends. We continually evaluate our ALLL methodology seeking to refine and enhance this process as appropriate, and it is likely that the methodology will continue to evolve over time. As of December 31, 2008 and 2007, the general allowance calculations totaled $2,202.4 million and $1,180.0 million, respectively. The increase was primarily due to declining home prices and the associated deterioration in credit quality of the residential mortgage and home equity portfolios.

Our charge-off policy meets or exceeds regulatory minimums. Losses on unsecured consumer loans are recognized at 90 days past-due compared to the regulatory loss criteria of 120 days. Secured consumer loans, including residential real estate, are typically charged-off between 120 and 180 days, depending on the collateral type, in compliance with Federal Financial Institution Examination Council guidelines. Commercial loans and real estate loans are typically placed on nonaccrual when principal or interest is past-due for 90 days or more unless the loan is both secured by collateral having realizable value sufficient to discharge the debt in-full and the loan is in the legal process of collection. Accordingly, secured loans may be charged-down to the estimated value of the collateral with previously accrued unpaid interest reversed. Subsequent charge-offs may be required as a result of changes in the market value of collateral or other repayment prospects.

The ALLL recorded for real estate loans was $1,523.2 million, or 2.1% of total real estate loans. The increase in ALLL is primarily associated with the residential mortgage, home equity, and residential construction portfolios and is primarily resulting from decreasing home prices and borrower credit deterioration. The ALLL recorded for commercial loans was $631.2 million, or 1.5% of the commercial loans, an increase of $208.6 million in 2008. The increase is primarily due to loan growth and credit deterioration of several large credits in the Wholesale line of business.

The ratio of the ALLL to total nonperforming loans decreased to 61.7% as of December 31, 2008 from 101.9% as of December 31, 2007. The decline in this ratio was due to a $2,509.6 million increase in nonperforming loans driven primarily by increases in residential mortgage and real estate construction nonperforming loans, partially offset by the increase in the ALLL. The increase in nonperforming loans was driven primarily by deteriorating economic conditions including increased mortgage delinquency rates and declining home values in most markets that we serve. The product type of nonperforming loans is a key determinant in evaluating the relationship between ALLL and nonperforming loans. We charge-off residential nonperforming loans to the expected net realizable value of the loans sixty days after they are classified as nonperforming. The charge-off is applied against the ALLL; therefore, the relationship between ALLL and nonperforming loans becomes unlinked since the carrying value of many of the nonperforming loans has already recognized losses that are estimated to be

realized. Another factor that mitigates the increase in the ALLL is that most loans have some amount of realizable value; therefore, while the entire loan is classified as nonperforming, only the amount of estimated losses would have been captured in the ALLL.

The reserve for unfunded commitments was $27.5 million and $7.9 million as of December 31, 2008 and 2007, respectively. Lending commitments such as letters of credit and binding unfunded loan commitments are assessed similarly to unfunded wholesale loans except utilization assumptions are considered. The reserve for unfunded lending commitments is included in other liabilities on the Consolidated Balance Sheets with changes to the reserves recorded in other expense.

Net charge-offs for the year ended December 31, 2008 increased $1,141.5 million from the $422.8 million of net charge-offs recorded in the prior year. The increase in net charge-offs was largely due to higher net charge-offs in the residential mortgage, construction, and home equity portfolios. A downturn in residential real estate prices has negatively affected the entire industry. Despite our avoidance of the subprime consumer real estate lending markets in our loan portfolio, the lower residential real estate valuations and recessionary economic conditions have affected borrowers of higher credit quality as well.

Provision for Loan Losses

The provision for loan losses is the result of a detailed analysis estimating an appropriate and adequate ALLL. The analysis includes the evaluation of impaired loans as prescribed under SFAS No. 114 Accounting by Creditors for Impairment of a Loan, and SFAS No. 118 Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosures, and pooled loans and leases as prescribed under SFAS No. 5, Accounting for Contingencies. For the year ended December 31, 2008, the provision for loan losses was $2,474.2 million, an increase of $1,809.3 million, or 272.1%, from the year ended December 31, 2007. Early stage delinquencies (accruing loans past due 30-89 days) were $2.3 billion, or 1.8% of total loans at December 31, 2008, an increase of 28 basis points from December 31, 2007. Contributing to the increase in the provision for loan losses were sharp declines in home values during 2008 with some of our Florida markets declining 30% while many other markets declined 10% or less. Fourth quarter provision for loan losses increased $458.8 million from the third quarter primarily due to significant deterioration in the economy and resulting deterioration in credit quality and higher fourth quarter of 2008 net charge-offs. Fourth quarter credit quality deterioration was particularly evident in early stage delinquencies which were stable most of 2008 around 1.5% of total loans but increased to 1.8% by year end due to an intensification of recessionary conditions. The increase in early stage delinquencies was primarily in the residential mortgage related portfolios.

The provision for loan losses was $909.9 million more than net charge-offs of $1,564.3 million during 2008, reflecting the downturn in the residential real estate markets and the resulting deterioration in credit conditions of the residential mortgage, construction, and home equity portfolios. Net charge-offs for 2008 were $1,141.5 million higher than net charge-offs recorded in 2007. Net charge-offs to average loans were 1.25% in 2008 compared to 0.35% in 2007. The increase was largely due to higher net charge-offs in the residential mortgage, home equity, and construction portfolios. A downturn in residential real estate prices has negatively affected the entire industry, including higher credit quality products and borrowers. We anticipate declines in home values and rising unemployment will result in additional net charge-offs in future periods.

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Table 9 - Nonperforming Assets

	As of December 31,					
(Dollars in millions)	**2008**	2007	2006	2005	2004	2003
Nonperforming Assets						
Nonaccrual/nonperforming loans						
Commercial	**$322.0**	$74.5	$106.8	$70.9	$130.9	$165.9
Real estate						
Construction	**1,276.8**	295.3	38.6	24.4	32.8	4.4
Residential mortgages	**1,847.0**	841.4	266.0	95.7	104.1	83.7
Home equity lines	**272.6**	135.7	13.5	7.6	0.4	1.7
Commercial real estate	**176.6**	44.5	55.4	44.6	36.7	48.6
Consumer loans	**45.0**	39.0	23.5	28.7	49.3	32.2
Total nonaccrual/nonperforming loans	**3,940.0**	1,430.4	503.8	271.9	354.2	336.5
Other real estate owned (OREO)	**500.5**	183.7	55.4	30.7	28.6	16.5
Other repossessed assets	**15.9**	11.5	6.6	7.2	8.8	10.3
Total nonperforming assets	**$4,456.4**	$1,625.6	$565.8	$309.8	$391.6	$363.3
Ratios:						
Nonperforming loans to total loans[1]	**3.10** %	1.17 %	0.41 %	0.24 %	0.35 %	0.42 %
Nonperforming assets to total loans plus OREO and other repossessed assets[1]	**3.49**	1.33	0.47	0.27	0.39	0.45
Restructured loans (accruing)	**462.6**	29.9	28.0	24.4	19.1	14.8
Accruing loans past due 90 days or more	**$1,032.3**	$611.0	$351.5	$371.5	$214.3	$196.4

[1] During the third quarter of 2008, we revised our definition of nonperforming loans to exclude loans that have been restructured and remain on accruing status. These loans are not considered to be nonperforming because they are performing in accordance with the restructured terms. This change better aligns our definition of nonperforming loans and nonperforming assets with the one used by peer institutions and therefore improves comparability of this measure across the industry.

Nonperforming Assets

Nonperforming assets totaled $4.5 billion as of December 31, 2008, an increase of $2.8 billion, or 174.1%, from December 31, 2007. Nonperforming loans as of December 31, 2008 were $3.9 billion, an increase of $2.5 billion, or 175.4%, from December 31, 2007. Of this total increase, nonperforming residential mortgage loans represented $1,005.6 million, nonperforming real estate construction loans represented $981.5 million, nonperforming commercial loans represented $247.5 million, nonperforming home equity lines represented $136.9 million, nonperforming commercial real estate loans represented $132.1 million, and consumer loans represented $6.0 million.

Residential mortgages and home equity lines represent 53.8% of nonaccruals, and if residential related construction loans are included, then nonaccruals related to residential real estate represent 70.6% of total nonperforming loans. The second quarter 2008 GB&T acquisition accounted for $229.5 million of the increase in nonperforming assets. The increases in nonperforming assets is largely related to the housing correction and related decline in the values of residential real estate. As loans work through their migration process, we anticipate nonaccrual loans to continue increasing until we experience sustained improvement in the delinquency level of our loan portfolios. The nonperforming assets balance is also affected by the time it takes to complete the foreclosure process, especially in judicial jurisdictions.

Nonperforming residential real estate loans are collateralized by one-to-four family properties and a portion of the risk is mitigated by mortgage insurance. We apply rigorous loss mitigation processes to these nonperforming loans to ensure that the asset value is preserved to the greatest extent possible. Since early 2006, we have tightened the underwriting standards applicable to many of the residential loan products offered. We do not originate subprime loans or option ARMs for our balance sheet. The total Alt-A portfolio loans, which consist of loans with lower documentation standards, were approximately $1.2 billion as of December 31, 2008, down 27.3% from December 31, 2007. The Alt-A loans are 1.0% of the total loans and 3.9% of our residential mortgage portfolio. Approximately $254.0 million of this portfolio was nonperforming at December 31, 2008. The Alt-A portfolio was comprised of approximately 73% in first lien positions and approximately 27% in second lien positions at December 31, 2008. The weighted average original LTV of the first lien positions was 75%. For the Alt-A second lien positions, the weighted average original combined LTV was 97% and the weighted average original FICO score was 682. We discontinued originating first lien Alt-A loans to hold on the balance sheet during 2006 and until mid-2007 originated a small amount with more restrictive credit guidelines

for placement in the secondary market. We have now eliminated Alt-A production entirely.

At the end of 2008, the prime second portfolio totaled $3.9 billion with $3.5 billion insured. During the second quarter of 2008, the insurance provider stopped providing mortgage insurance on newly originated prime second mortgages; however, existing policies remain in force. These policies provide insurance on a pool basis and generally cover 100% of the loss up to a maximum loss percentage (e.g., stop loss) for the entire pool. More specifically, the policies generally cover losses up to

5% of the original pool balance; we cover the next 3% of losses and then the insurer covers the next 2% of losses to the final stop loss level of 10%. Frequently, these loss limits are segregated by book years where each book year has its own stop loss. Due to deterioration in the delinquency rates, the loss estimates for the prime second portfolio increased during the fourth quarter of 2008. Thus, we expect to breach the first stop loss level on our prime seconds and experience credit losses on these loans in 2009. Accordingly, the ALLL as of December 31, 2008 reflects our uninsured portion of the estimated losses.

Loans in these pool policies must be originated under parameters agreed to under the insurance policy. If a loan is either originated outside of agreed upon parameters, or found to contain a material misrepresentation on the loan application or appraisal, then the loan may not be insurable. Upon receipt of a claim, the mortgage insurer reviews the applicable loan file for proper documentation to verify that the loan met the documentation and underwriting terms of the mortgage insurance agreement. If the mortgage insurer denies the claim, we will review and verify the reason for the denied claim and independently determine if the claim denial was appropriate. If we disagree with the mortgage insurer s decision to deny the claim, we will discuss the circumstances with the mortgage insurer in attempt to reach a common understanding and acceptable resolution. When a denied claim is under review, we will reserve for the loss contingency based on the guidance in SFAS No. 5, Accounting for Contingencies . As of December 31, 2008, we had reserved approximately $97.5 million related to potential claim denials, which were recorded in other liabilities in the consolidated financial statements. Total claims paid during 2008 and 2007 under the mortgage insurance arrangement were $31.4 million and $41.4 million, respectively.

Nonaccrual construction loans were $1.3 billion, an increase of $981.5 million, or 332.4%, from December 31, 2007. The increase in construction nonaccrual loans relates primarily to residential-related construction and development and is driven by the downturn in the housing market.

Nonaccrual home equity lines of credit (HELOC) were $272.6 million at December 31, 2008 compared with $135.7 million at December 31, 2007. Third-party originated had the highest nonaccrual ratio at 4.3% and accounted for 29.3% of nonperforming lines. Approximately 11% of the portfolio has combined LTVs greater than 90%, and more than 54% of the portfolio has a combined LTV of less than or equal to 80%. There are no HELOCs in the portfolio that were originated as subprime. The weighted average combined LTV of the total HELOC portfolio is approximately 74% and nearly 23% of the portfolio is in the first lien position.

We are proactively managing troubled and potentially-troubled mortgage and home equity loans as part of our extensive workout programs to help clients stay in their homes by reworking these loans to achieve an affordable payment structure. These modifications may include interest rate or repayment terms adjustments. Accruing loans with modifications that are deemed to be economic concessions are reported as restructured. Nonaccruing loans that are modified and demonstrate a history of repayment performance in accordance with their modified terms are reclassified to restructured. Accruing restructured loans were $462.6 million at December 31, 2008, an increase of $432.7 million from December 31, 2007.

Other real estate owned (OREO) as of December 31, 2008 was $500.5 million, an increase of $316.8 million, or 172.5%, from December 31, 2007. The increase was primarily due to the level of residential mortgage and residential construction loans acquired through foreclosure. As of year end, $335.9 million of OREO was comprised of single family residential properties. Upon foreclosure, these properties were written down to their estimated net realizable value, less selling costs. We are aggressively working these foreclosed assets to minimize losses; however, further declines in home prices could result in additional losses on these properties. The amount of net inflows into OREO has increased over the past several quarters as nonperforming loans are worked through the foreclosure process. Most of our OREO properties are located in Georgia, California and Florida.

Interest income on nonaccrual loans, if recognized, is recorded using the cash basis method of accounting. For the years ended 2008 and 2007, this amounted to $25.4 million and $17.3 million, respectively. For the years ended 2008 and 2007, estimated interest income of $233.3 million and $85.0 million, respectively, would have been recorded if all such loans had been accruing interest according to their original contract terms.

As of December 31, 2008, accruing loans past due ninety days or more increased by $421.3 million from December 31, 2007 to $1,032.3 million, primarily in residential mortgage related and commercial real estate portfolios. The increase was primarily driven by loans sold to Government National Mortgage Association that were ninety days or more past due, which increased $257.3 million from December 31, 2007.

When information about borrowers possible credit problems causes us to have serious doubts about their ability to repay under the contractual terms of the loan, we classify those loans as nonaccrual. We do, however, consider early stage delinquencies (accruing loans past due 30-89 days) to be an indicator of potential credit problems. During 2008, the related

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early stage delinquency balances have been increasing and are generally expected to continue to increase in 2009. Early stage delinquencies were $2.3 billion, or 1.8% of total loans, at December 31, 2008 which represents a 28 basis point increase from December 31, 2007.

SELECTED FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

Adoption of Fair Value Accounting Standards

During the first quarter of 2007, we evaluated the provisions of SFAS Nos. 157 and 159. SFAS No. 157 clarifies how to measure fair value when such measurement is otherwise required by U.S. GAAP, and SFAS No. 159 provides companies with the option to elect to carry specific financial assets and financial liabilities at fair value. While the provisions of SFAS No. 157 establish clearer and more consistent criteria for measuring fair value, the primary objective of SFAS No. 159 is to expand the use of fair value in U.S. GAAP, with the focus on eligible financial assets and financial liabilities. As a means to expand the use of fair value, SFAS No. 159 allows companies to avoid some of the complexities of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and more closely align the economics of their business with their results of operations without having to explain a mixed attribute accounting model. Based on our evaluation of these standards and our balance sheet management strategies and objectives, we early adopted these fair value standards as of January 1, 2007.

In conjunction with adopting SFAS No. 159, we elected to initially record specific financial assets and financial liabilities at fair value. These instruments included all, or a portion, of the following: debt, available for sale debt securities, adjustable rate residential mortgage portfolio loans, securitization warehouses, and trading loans. As a result of recording these financial assets and liabilities at fair value as of January 1, 2007, in accordance with SFAS No. 157 and SFAS No. 159, we began recording in earnings in the first quarter of 2007, changes in these instruments fair values, as well as changes in fair value of any associated derivatives which would have otherwise been carried at fair value through earnings.

Upon electing to carry these assets and liabilities at fair value, we began to economically hedge and/or trade these assets or liabilities in order to manage the instrument s fair value volatility and economic value. Following is a discussion of all assets and liabilities that are currently carried at fair value on the consolidated balance sheets at December 31, 2008 and 2007, either due to our election under SFAS No. 159 or a requirement of U.S. GAAP, as is the case with securities available for sale.

Table 10 - Trading Assets and Liabilities

	As of December 31		
(Dollars in thousands)	**2008**	2007	2006
Trading Assets			
U.S. government and agency securities	**$788,166**	$758,129	$162,403
U.S. government-sponsored enterprises	**2,339,469**	3,375,361	675,898
Corporate and other debt securities	**1,538,010**	2,821,737	409,029
Equity securities	**116,788**	242,680	2,254
Mortgage-backed securities	**95,693**	938,930	140,531
Derivative contracts	**4,701,782**	1,977,401	1,064,263
Municipal securities	**159,135**	171,203	293,311
Commercial paper	**399,611**	2,368	29,940
Other securities and loans	**257,615**	230,570	-
Total trading assets	**$10,396,269**	$10,518,379	$2,777,629
Trading Liabilities			
U.S. government and agency securities	**$440,408**	$404,501	$382,819
Corporate and other debt securities	**146,805**	126,437	-
Equity securities	**13,263**	68	77
Mortgage-backed securities	**-**	61,672	-
Derivative contracts	**2,640,308**	1,567,707	1,251,201
Total trading liabilities	**$3,240,784**	$2,160,385	$1,634,097

Trading Assets and Liabilities

Trading assets include loans, investment securities and derivatives that relate to capital markets trading activities by acting as broker/dealer on behalf of our clients, investment securities, and derivatives that are periodically acquired for corporate balance sheet management purposes. All trading assets and liabilities are carried at fair value as required under U.S. GAAP, or due to our election under SFAS No. 159 to carry certain assets at fair value. Trading accounts profits/(losses) and commissions on the Consolidated Statements of Income are primarily comprised of gains and losses on trading assets and liabilities. For additional information regarding trading account profits/(losses) and commissions, refer to Noninterest Income within this MD&A. Additionally, see Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements for additional information regarding financial instruments carried at fair value.

We utilize trading assets such as fixed rate agency MBS and derivatives, primarily interest rate swaps, for balance sheet management purposes that are intended to provide an economic hedge to a portion of the changes in fair value of our publicly-traded debt that is measured at fair value pursuant to our election of the fair value option. As of December 31, 2008, the amount of trading securities outstanding for this purpose was approximately $166.1 million of fixed rate corporate bonds in financial services companies.

Derivative assets and liabilities increased during 2008 by $2.7 billion and $1.1 billion, respectively. This increase was driven by the movements in fair values of interest rate based derivatives as both current and projected future interest rates declined significantly during the fourth quarter of 2008. The higher increase in derivative assets relative to derivative liabilities during the year is due to gains in fair value from derivative positions that we use as risk management tools. See Note 17, Derivative Financial Instruments, to the Consolidated Financial Statements for additional information regarding risk management strategies involving derivatives.

Certain ABS were purchased during the fourth quarter of 2007 from affiliates and certain ARS were purchased primarily in the fourth quarter of 2008. The securities acquired during the fourth quarter of 2007 included SIVs that are collateralized by various domestic and foreign assets, residential MBS, including Alt-A and subprime collateral, collateralized debt obligations (CDO), and commercial loans, as well as super-senior interests retained from Company-sponsored securitizations. During 2008, we recognized approximately $255.9 million in net market valuation losses related to these ABS. Through sales, maturities and write downs, we reduced our exposure to these distressed assets by approximately $3.2 billion since the acquisition of these in the fourth quarter of 2007, making the exposure at December 31, 2008 approximately $250.0 million. During the year, we sold over $1.5 billion in securities and received over $870 million in payments related to securities acquired during the fourth quarter of 2007.

We continue to actively evaluate our holdings of these securities with the objective of opportunistically lowering our exposure to them. In addition, we expect paydowns to continue on many of the residential MBS; however, more than half of the remaining acquired portfolio consists of SIVs undergoing enforcement proceedings, and therefore any significant reduction in the portfolio will largely depend on the status of those proceedings. While further losses are possible, our experience during the year reinforces our belief that we have appropriately written these assets down to fair value as of December 31, 2008. The estimated market value of these securities is based on market information, where available, along with significant, unobservable third party data. As a result of the high degree of judgment and estimates used to value these illiquid securities, the market values could vary significantly in future periods. See Difficult to Value Financial Assets included in this MD&A for more information.

The amount of ARS recorded in trading assets at fair value totaled $133.1 million at December 31, 2008. The majority of these ARS are preferred equity securities, and the remaining securities consist of ABS backed by trust preferred bank debt or student loans.

In September 2008, we purchased, at amortized cost plus accrued interest, a Lehman Brothers security from the RidgeWorth Prime Quality Money Market Fund (the Fund). The Fund received a cash payment for the accrued interest along with a $70 million note that we issued. RidgeWorth, one of our wholly-owned subsidiaries, is the investment adviser to the Fund. The Lehman Brothers security went into default when Lehman Brothers filed for bankruptcy in September 2008. We took this action in response to the unprecedented market events during the third quarter and to protect investors in the Fund from losses associated with this specific security. When purchased by the Fund, the Lehman Brothers security was rated A-1/P-1 and was a Tier 1 eligible security. Lehman Brothers is currently in liquidation and the ultimate timing and form of repayment on the security is not known at this time. During 2008, we recorded a pre-tax market valuation loss of $63.8 million as a result of the purchase. We evaluated this transaction under the applicable accounting guidance and concluded that we were not the primary beneficiary and therefore consolidation of the Fund was not appropriate.

In September 2008, the Federal Reserve Bank of Boston (the Fed) instituted the ABCP MMMF Liquidity Facility program (the Program) that allows eligible depository institutions, bank holding companies and affiliated broker/dealers to purchase

certain asset-backed commercial paper (ABCP) from certain money market mutual funds (the MMMF). These purchases will be made by the participating institution at a price equal to the MMMF s amortized cost. The Fed will then make a fixed rate non-recourse loan to the participating institution that will mature on the same date as the ABCP that was purchased with a specific draw. As of December 31, 2008, SunTrust Robinson Humphrey (STRH) owned $400 million of eligible ABCP at a fair value of $399.6 million. At December 31, 2008, this ABCP had a weighted average maturity of 9 days and a risk weighting of 0% for regulatory capital purposes. Per the terms of the Program, STRH also had outstanding loans from the Fed in the amount of $399.6 million at fixed interest rates ($199.8 million at 2.25% and $199.8 million at 1.75%). Subsequent to December 31, 2008, all of this ABCP matured, STRH collected 100% of the par amount of this ABCP from the issuer and repaid the loan to the Fed. At December 31, 2008, this ABCP was classified within trading assets and carried at fair value, and the loans from the Fed were elected to be carried at fair value pursuant to the provisions of SFAS No. 159 and classified within other short-term borrowings. Because of the non-recourse nature of the loan, we did not recognize through earnings any differences in fair value between the loans and the ABCP.

Table 11 Securities Available for Sale

	As of December 31			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities				
2008	**$125.6**	**$1.5**	**$-**	**$127.1**
2007	139.2	1.6	-	140.8
2006	143.7	1.5	0.1	145.1
U.S. government-sponsored enterprises				
2008	**$339.0**	**$20.3**	**$0.3**	**$359.0**
2007	244.0	5.6	-	249.6
2006	1,464.3	7.1	16.0	1,455.4
States and political subdivisions				
2008	**$1,018.9**	**$24.6**	**$6.1**	**$1,037.4**
2007	1,052.6	16.2	1.5	1,067.3
2006	1,032.3	13.4	4.6	1,041.1
Asset-backed securities				
2008	**$54.1**	**$3.1**	**$7.6**	**$49.6**
2007	241.7	-	31.4	210.3
2006	1,128.0	1.9	17.6	1,112.3
Mortgage-backed securities				
2008	**$15,022.1**	**$142.2**	**$118.0**	**$15,046.3**
2007	10,085.8	71.7	16.3	10,141.2
2006	17,337.3	37.4	243.8	17,130.9
Corporate bonds				
2008	**$275.5**	**$3.3**	**$13.0**	**$265.8**
2007	232.2	0.7	1.6	231.3
2006	468.9	1.5	7.6	462.8
Other securities[1]				
2008	**$1,448.0**	**$1,363.3**	**$-**	**$2,811.3**
2007	1,544.0	2,679.6	-	4,223.6
2006	1,423.9	2,330.2	-	3,754.1
Total securities available for sale				
2008	**$18,283.2**	**$1,558.3**	**$145.0**	**$19,696.5**
2007	13,539.5	2,775.4	50.8	16,264.1
2006	22,998.4	2,393.0	289.7	25,101.7

[1] Includes our investment in 30.0 million, 43.6 million, and 48.2 million shares of common stock of The Coca-Cola Company, $493.2 million, $452.2 million, and $389.2 million of Federal Home Loan Bank of Cincinnati and Federal Home Loan Bank of Atlanta stock stated at par value, and $360.9 million, $340.2 million, and $340.2 million of Federal Reserve Bank stock stated at par value as of December 31, 2008, 2007, and 2006, respectively.

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Securities Available for Sale

The securities available for sale portfolio is managed as part of the overall asset and liability management process to optimize income and market performance over an entire interest rate cycle while mitigating risk. For much of 2008 the securities portfolio remained relatively constant with cash flow from maturities and prepayments primarily reinvested into longer duration agency MBS.

The size of the portfolio was $19.7 billion as of December 31, 2008, an increase of $3.4 billion, or 21.1%, from December 31, 2007, due primarily to the net purchases during the fourth quarter of 2008 of MBS issued by federal agencies, offset by the sale and contribution of a portion of our investment in Coke common stock along with a decline in the fair value of the remaining portion of the Coke common stock.

Net securities gains of $1.1 billion were realized during 2008, primarily due to the sale and contribution of a portion of our investment in Coke common stock from which a $732.2 million gain was realized. Additionally in the fourth quarter of 2008, $14.6 billion of MBS issued by federal agencies were purchased and $9.3 billion of primarily agency MBS were sold generating a $413.1 million realized gain. The securites sold were held in conjunction with our risk management strategies associated with economically hedging the value of MSRs. Net securities gains realized for the year ended December 31, 2007 were $243.1 million primarily related to the sale of Coke common stock, while we realized net securities losses of $50.5 million for the year ended December 31, 2006.

The portfolio s effective duration decreased to 2.8% as of December 31, 2008 from 3.9% as of December 31, 2007. The decline was caused by an increase in prepayment assumptions on our MBS portfolio. 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 2.8% suggests an expected price change of 2.8% from a one percent instantaneous change in market interest rates. The average yield for 2008 declined to 5.99% compared to 6.20% during 2007. The yield remained relatively constant during the first half of 2008 but began to decline significantly from 6.30% during the second quarter to 5.86% during the third quarter, and 5.65% during the fourth quarter. The decline in yield during the second half of 2008 was primarily driven by a decline in dividend income as a result of the sale and contribution of a portion of our investment in Coke common stock. The yield during the fourth quarter was also negatively impacted by the decision of the FHLB to delay the declaration of their quarterly dividend until the first quarter of 2009. We expect to see a further decline in the yield on available for sale securities in the first quarter of 2009 due to the timing of the net purchase of lower-yielding MBS issued by federal agencies in late December. In addition, should we experience an increase in prepayments on these newly acquired MBS during the first quarter of 2009, we would see an additional decrease in yield due to the immediate recognition of the unamortized premium on these securities.

The carrying value of available for sale securities reflected $1.5 billion in net unrealized gains as of December 31, 2008, comprised of a $1.4 billion unrealized gain from our remaining 30.0 million shares of Coke common stock and a less than $0.1 billion net unrealized gain on the remainder of the portfolio.

The credit quality of the securities portfolio was bolstered as a result of our purchase of agency MBS, with approximately 94% of the total securities available for sale portfolio rated AAA, the highest possible rating by nationally recognized rating agencies. We review all of our securities with unrealized losses for other-than-temporary impairment at least quarterly. During 2008, we recorded $83.8 million in other-than-temporary impairment charges within securities gains/(losses), primarily related to $269.4 million in residential MBS and residual interests in which the default rates and loss severities of the underlying collateral, including subprime and Alt-A loans, increased significantly during the year. These securities were valued using either third party pricing data, including broker indicative bids, or expected cash flow models. There were no similar charges recorded in 2007.

There is a potential in the future that proposed bankruptcy legislation may lead to future other-than-temporary impairment charges associated primarily with super-senior private MBS, the amount of which is uncertain. The amortized cost of these securities was $619.2 million with associated net unrealized losses of approximately $108.9 million as of December 31, 2008.

We hold stock in the FHLB of Atlanta and FHLB of Cincinnati totaling $493.2 million as of December 31, 2008. We account for the stock based on the industry guidance in Statement of Position (SOP) 01-6 Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others , which requires the investment be carried at cost and be evaluated for impairment based on the ultimate recoverability of the par value. We evaluated our holdings in FHLB stock at December 31, 2008 and believe our holdings in the stock are ultimately recoverable at par. In addition, we do not have operational or liquidity needs that would require a redemption of the stock in the foreseeable future and therefore determined that the stock was not other-than-temporarily impaired.

Difficult to Value Financial Assets and Liabilities

The broad credit crisis that was triggered by the 2007 subprime loan melt-down intensified throughout 2008 and, as the broader economy continued to worsen, the credit and liquidity markets became dysfunctional. The second half of 2008 was marked by turmoil in the financial sector, with the failure or government induced acquisitions of several large banks and investment banks, increased unemployment, and further declines in real estate values. Additional liquidity adjustments were made on many securities, and wider spreads caused valuing our level 3 financial instruments to become even more difficult.

Fair value is the estimated price using market-based inputs or assumptions 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. Current market conditions have led to diminished, and in some cases, non-existent trading in certain of the financial asset classes that we own. We are required to consider observable inputs, to the extent available, in the fair value estimation process, unless that data results from forced liquidations or distressed sales. When available, we will obtain third party broker quotes or observable market pricing data, as this level of evidence is the strongest support for the fair value of these instruments, absent current market activity in that specific security or a similar security. Despite our best efforts to maximize the use of relevant observable inputs, the current market environment has diminished the observability of trades and assumptions that have historically been available. As such, the degree to which significant unobservable inputs have been utilized in our valuation procedures has increased, largely with respect to certain types of loans, securities, and public debt. This decrease in observability of market data began in the third quarter of 2007 and persisted through 2008.

The lack of liquidity in the market during the third and fourth quarters of 2008 created additional challenges when estimating the fair value of certain financial instruments. Generally, the securities most affected by the lack of liquidity are those securities classified as level 3 in the fair value hierarchy. The lack of liquidity in specific types of securities caused us to evaluate the performance of the underlying collateral and use a discount rate commensurate with the rate a market participant would use to value the instrument in an orderly transaction and that also acknowledged illiquidity premiums and required investor rates of return that would be demanded in the market. The discount rate considered the capital structure of the instrument, market indices, and the relative yields of instruments for which third party pricing information and/or market activity was available. In certain instances, the interest rate and credit risk components of the valuation indicated a full return of expected principal and interest; however, the lack of liquidity resulted in discounts on the value of certain securities ranging from 5% to 40% or even higher in some cases. The current illiquid market is requiring discounts of this degree to drive a market competitive yield, as well as account for the extended duration risk from the repayment of the instrument. The discount rates selected derived reasonable prices when compared to (i) observable transactions, when available, (ii) other securities on a relative basis, or (iii) the bid/ask spread of non-binding broker indicative bids. For certain securities, particularly non-investment grade MBS, a reasonable market discount rate could not be determined using those methodologies, and therefore dollar prices were established based on market intelligence.

Pricing services and broker quotes were obtained when available to assist in estimating the fair value of level 3 instruments. The number of quotes we obtained varied based on the number of brokers following a particular security, but generally two to four quotes were obtained; however, the ability to obtain broker quotes or indications declined throughout the year and particularly during the fourth quarter. We gained an understanding of the information used by these third party pricing sources to develop these estimated values. The information obtained from third party pricing sources was evaluated and relied upon based on the degree of market transactions supporting the price indications and the firmness of the price indications. In most cases, the current market conditions caused the price indications to be non-binding and supported by very limited to no recent market activity. In those instances, we weighted the third party information according to our judgment of it being a reasonable indication of the instrument s fair value.

Generally, pricing services values and broker quotes obtained on level 3 instruments were indications of value based on price indications, market intelligence, and proprietary cash flow modeling techniques but could not otherwise be supported by recent trades due to the illiquidity in the markets. These values were evaluated in relation to other securities, other broker indications, as well as our independent knowledge of the security s collateral. It is important to note that we believe that we evaluated all available information to estimate the value of level 3 assets. The decline in the amount of third party information available, particularly in the third and fourth quarters, necessitated the further use of internal models when valuing level 3 instruments. All of the techniques used and information obtained in the valuation process provides a range of estimated values, which were evaluated and compared in order to establish an estimated value that, based on management s judgment, represented a reasonable estimate of the instrument s fair value. It was not uncommon for the range of value of these instruments to vary widely; in such cases, we selected an estimated value that we believed was the best indication of value based on the yield a market participant in this current environment would expect. We evaluate the amount of realized gains or losses upon disposition of level 3 securities relative to our most recent mark to support the accuracy of the judgments made by management in estimating the value of illiquid securities.

Beginning in the first quarter of 2008, management established a level 3 valuation working group to evaluate the available information pertaining to certain securities and ultimately develop a consensus estimate of the instrument s fair value. The

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process involves the gathering of multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other similar securities, market indices, and internal cash flow and pricing matrix estimates. Participation on this working group includes the business or functional area that manages the instrument, market risk, and finance, including the independent price verification function. Pricing estimates are derived on most illiquid instruments weekly and at a minimum monthly, and the working group formally reviews the pricing information at least quarterly. These reviews also include assessing an instrument s classification in the fair value hierarchy based on the significance of the unobservable assumptions used to estimate the fair value.

We used significant unobservable inputs (level 3) to fair value certain trading assets, securities available for sale, portfolio loans accounted for at fair value, interest rate lock commitments (IRLCs), loans held for sale, derivatives, and public debt. The table below discloses financial instruments that have been impacted by level 3 fair value determinations.

Table 12

	As of			
(Dollars in millions)	**December 31, 2008**		December 31, 2007	
Trading assets	**$1,391.4**		$2,950.1	
Securities available for sale	**1,489.6**		869.7	
Loans held for sale	**487.4**		481.3	
Loans	**270.3**		220.8	
IRLCs [1]	**73.6**		-	
Total level 3 assets	**$3,712.3**		$4,521.9	
Total assets	**$189,138.0**		$179,573.9	
Total assets measured at fair value	**$32,897.2**		$33,397.8	
Level 3 assets as a percent of total assets	**2.0**	%	2.5	%
Level 3 assets as a percent of total assets measured at fair value	**11.3**		13.5	
Long-term debt	**$3,496.3**		$-	
IRLCs [1]	**1.2**		19.6	
Total level 3 liabilities	**$3,497.5**		$19.6	
Total liabilities	**$166,749.9**		$161,521.4	
Total liabilities measured at fair value	**$11,456.5**		$9,897.9	
Level 3 liabilities as a percent of total liabilities	**2.1**	%	-	%
Level 3 liabilities as a percent of total liabilities measured at fair value	**30.5**		0.2	

[1] Beginning in the first quarter of 2008, we classified IRLCs on residential mortgage loans held for sale on a gross basis within other liabilities and other assets.

Securities Available for Sale and Trading Assets

Our level 3 securities available for sale include instruments totaling approximately $1.5 billion at December 31, 2008 including FHLB and Federal Reserve Bank stock, as well as certain municipal bond securities, which are only redeemable with the issuer at par and cannot be traded in the market; as such, no significant observable market data for these instruments is available. These nonmarketable securities total approximately $934 million at December 31, 2008. Level 3 trading assets total approximately $1.4 billion at December 31, 2008, which includes the Coke common stock forward sale derivative valued at approximately $249.5 million at December 31, 2008, as well as approximately $674 million of Small Business Administration (SBA) loans and pooled securities whose payment is guaranteed by the U.S. government. The remaining level 3 securities, both trading assets and available for sale securities, totals approximately $1 billion at December 31, 2008 and are

predominantly residual and other interests retained from Company-sponsored participations or securitizations of commercial loans and residential mortgage loans, investments in SIVs, and MBS and ABS collateralized by a variety of underlying assets including residential mortgages, corporate obligations, and commercial real estate for which little or no market activity exists or whose value of the underlying collateral is not market observable. We have also increased our exposure to bank trust preferred ABS, student loan ABS, and municipal securities as a result of our offer to purchase certain ARS as a result of failed auctions. While the majority of the collateral in the remaining level 3 securities continues to be residential mortgages, exposure is widely spread across prime first and second lien mortgages, as well as subprime first and second lien mortgages that were originated from 2003 through 2007.

ARS purchased since the auction rate market began failing in February 2008 have all been considered level 3 securities. We classify ARS as securities available for sale or trading securities. ARS include municipal bonds, nonmarketable preferred equity securities, and ABS collateralized by student loans or trust preferred bank obligations. Under a functioning ARS market, ARS could be remarketed with tight interest rate caps to investors targeting short-term investment securities that repriced generally every 7 to 28 days. Unlike other short-term instruments, these ARS do not benefit from back-up liquidity lines or letters of credit, and therefore, as auctions began to fail, investors were left with securities that were more akin to longer-term, 20-30 year, illiquid bonds, with the anticipation that auctions will continue to fail in the foreseeable future. The combination of materially increased tenors, capped interest rates and general market illiquidity has had a significant impact on the risk profiles and market values of these securities and has resulted in the use of valuation techniques and models that rely on significant inputs that are largely unobservable.

At December 31, 2008, we hold SIV assets which are in receivership and are carried at a fair value of approximately $188 million. In addition, we hold corporate bond exposure to Lehman Brothers, which is undergoing bankruptcy proceedings, that is carried at a fair value of approximately $6.7 million. At December 31, 2008, 40 level 3 ABS and MBS that we own were downgraded during the year ended December 31, 2008 due to continued deterioration in the credit quality of the underlying collateral and in many cases, the downgrade of a monoline insurer of the security. The fair value of the downgraded securities totaled approximately $200 million at December 31, 2008 and includes $135 million of first lien mortgages, $14 million of second lien mortgages, $45 million of trust preferred bank obligations, $1 million of student loan ARS, and $5 million of special purpose vehicles (SPV) repackaged risk. We recognized additional unrealized losses of approximately $68 million for the year ended December 31, 2008 on these downgraded securities. There is also approximately $32 million of unrealized losses that have not been recognized in earnings related to two MBS available for sale that were downgraded in 2008, but continue to maintain an investment grade rating. We have evaluated these securities for impairment and believe all contractual principal and interest payments will be received timely for these securities, and therefore, have taken no impairment through earnings. If future performance in the underlying collateral of ABS and MBS further declines, we would anticipate additional downgrades and valuation reductions, as well as other-than-temporary impairment adjustments.

Residual and other retained interests classified as securities available for sale or trading securities are valued based on internal models which incorporate assumptions, such as prepayment speeds and estimated credit losses, which are not market observable. Generally, we attempt to obtain pricing for our securities from a third party pricing provider or third party brokers who have experience in valuing certain investments. This pricing may be used as either direct support for our valuation or used to validate outputs from our own proprietary models. Although third party price indications have been available for the majority of the securities, limited trading activity makes it difficult to support the observability of these quotations. Therefore, we evaluate third party pricing to determine the reasonableness of the information relative to changes in market data such as trades we executed during the quarter, market information received from outside market participants and analysts, or changes in the underlying collateral performance. When third party pricing is not available to corroborate pricing information received, we will use industry standard or proprietary models to estimate fair value, and will consider assumptions such as relevant market indices that correlate to the underlying collateral, prepayment speeds, default rates, loss severity rates, and discount rates.

The Asset-backed Securities Indices (ABX Indices) have a high correlation to subprime, second lien and certain Alt-A exposures, particularly for the direct residential MBS exposure where vintage and collateral type are more easily determined. As such, the dollar prices and corresponding discount margins from the ABX indices are a relevant market data point to consider when estimating the fair value of certain ABS. We will also consider premiums or discounts relative to an index based on information we have obtained from our trades of similar assets and other information made available to us. The use of ABX indices to value certain level 3 ABS was minimal at December 31, 2008 as the size of our exposure to these types of assets has decreased through sales and paydowns or as other market information becomes available to use in estimations of fair value. We also may use ABX indices, as well as other synthetic indices such as the Credit Derivatives Index (CDX) and Commercial Mortgage-backed Securities Index (CMBX), when valuing collateral underlying CDO and SIV assets as an input to assist in determining overall valuation of the CDO or SIV security owned. Pricing on these securities declined significantly due to the significant widening in these indices for year ended December 31, 2008.

Due to the continued illiquidity and credit risk of level 3 securities, these market values are highly sensitive to assumption changes and market volatility. In many instances, pricing assumptions for level 3 securities may fall within an acceptable range of values. In those cases, we attempt to consider all information to determine the most appropriate price within that range. Improvements may be made to our pricing methodologies on an ongoing basis as observable and relevant information becomes available to us, including a comparison of actual sales prices to the most recent value placed on the asset prior to sale to validate our pricing methodologies. During the year ended December 31, 2008, we sold approximately $1.6 billion of level 3 ABS, and received approximately $50.7 million through the settlement proceeding of one SIV under enforcement, providing us with relevant and timely market data to utilize in determining

an appropriate value for similar ABS remaining in the portfolio. Sales, trading and settlement activity were scarce in the fourth quarter of 2008; however, we maintained consistency in our pricing methodology and processes, and incorporated any relevant changes to the valuation assumptions needed to ensure a supportable value for these illiquid securities at December 31, 2008.

During 2008, we recognized through earnings $481.6 million in net trading and securities losses related to trading assets and securities available for sale classified as level 3. While we believe we have utilized all pertinent market data in establishing an appropriate fair value for our securities, current market conditions result in wide price ranges used to evaluate market value. While it is difficult to accurately predict the ultimate cash value of these securities; we believe the amount that would be ultimately realized if the securities were held to settlement or maturity will generally be greater than the current fair value of the securities classified as level 3. This assessment is based on the current performance of the underlying collateral, which is experiencing elevated losses but not to the degree that correlates to current market values, which is pressured downward in this market due to liquidity issues and other broad macroeconomic conditions. It is reasonably likely that this market volatility will continue as a result of a variety of factors, including but not limited to economic conditions, the restructuring of SIVs, and third party sales of securities, some of which could be large-scale.

During the year ended December 31, 2008, we purchased $322.4 million of level 3 ABS, MBS, ARS and corporate debt, including the $70 million Lehman Brothers bond, of which $270.0 million of ABS, MBS, ARS, and corporate debt was classified as trading securities and $52.4 million of ARS was classified as securities available for sale. We also purchased stock in the FHLB and Federal Reserve Bank of approximately $140.6 million, which is classified as level 3 available for sale securities. In addition, $39.1 million of trading ABS, $879.2 million of available for sale ABS, $669.9 million of SBA trading loans and pools and $3.6 billion of the public debt at fair value were transferred into level 3 during the year ended December 31, 2008 due to the absence of significant observable pricing data. Since the transfer into level 3, we have purchased $145.0 million of SBA loans.

Loans and Loans Held for Sale

Level 3 loans are primarily non-agency residential mortgage loans held for investment or loans held for sale for which there is little to no observable trading in either the new issuance or secondary loan markets as either whole loans or as securities. Prior to the non-agency residential loan market disruption, which began during the third quarter of 2007 and continues, we were able to obtain certain observable pricing from either the new issuance or secondary loan market. However, as the markets deteriorated and certain loans were not actively trading as either whole loans or as securities, we began employing the same alternative valuation methodologies used to value level 3 residential mortgage securities, as described previously, to fair value the loans. We recognized $90.4 million and $15.6 million in net losses through earnings during the years ended December 31, 2008 and 2007, respectively, related to level 3 loans and loans held for sale, excluding IRLCs. During the years ended December 31, 2008 and 2007, we transferred $406.9 million and $716.0 million, respectively, of mortgage loans held for sale into level 3 due to the determination that there was no longer a liquid market for valuing certain loan types.

On May 1, 2008, we acquired 100% of the outstanding common shares of GB&T. We elected to account for $171.6 million of the acquired loans, which were classified as nonaccrual, at fair value in accordance with SFAS No. 159. Upon acquisition, the loans had a fair value of $111.1 million. These loans are primarily commercial real estate loans which do not trade in an active secondary market, and as such, are considered level 3 instruments. As these loans are all classified as nonperforming, cash proceeds from the sale of the underlying collateral is the expected source of repayment for the majority of these loans. In order to fair value these loans, we utilized market data, when available, as well as internal assumptions, to derive fair value estimates of the underlying collateral. During the year ended December 31, 2008, we recorded through earnings a loss of $4.2 million on these loans. On December 31, 2008, primarily as a result of paydowns, payoffs, and transfers to OREO, the loans had a fair value of $31.2 million.

Derivatives

Most derivative instruments are level 1 or level 2 instruments, except for the IRLCs discussed below. In addition, the equity forward agreements we entered into related to our investment in Coke common stock are level 3 instruments within the fair value hierarchy of SFAS No. 157, due to the unobservability of a significant assumption used to value these instruments. Because the value is primarily driven by the embedded equity collars on the Coke common shares, a Black-Scholes model is the appropriate valuation model. Most of the assumptions are directly observable from the market, such as the per share market price of Coke common stock, interest rates and the dividend rate on Coke common stock. Volatility is a significant assumption and is impacted both by the unusually large size of the trade and the long tenor until settlement. The derivatives carried scheduled terms of approximately six and a half and seven years from the effective date, and as such, the observable and active options market on Coke does not provide for any identical or

similar instruments. As a result, we receive estimated market values from a market participant who is knowledgeable about Coke equity derivatives and is active in the market. Based on inquiries of the market participant as to their procedures as well as our own valuation assessment procedures, we have satisfied ourselves that the market participant is using methodologies and assumptions that other market participants would use in arriving at the fair value of the Agreements. At December 31, 2008, the Agreements were in an asset position to us of approximately $249.5 million.

The fair value of our IRLCs, 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 our historical data and reflect an estimate of the likelihood that a commitment will ultimately result in a closed loan. As a result of the adoption of SEC Staff Accounting Bulletin (SAB) No. 109, servicing value, beginning in the first quarter of 2008, was also included in the fair value of IRLCs. The fair value of MSRs is determined by projecting cash flows which are then discounted to estimate an expected fair value. The fair value of MSRs is impacted by a variety of factors, including prepayment assumptions, discount rates, delinquency rates, contractual specified servicing fees and underlying portfolio characteristics. Because these inputs are not transparent in market trades, MSRs are considered to be level 3 assets in the valuation hierarchy.

Long Term Debt

We have elected to carry at fair value $3.6 billion (par) of our publicly-issued, fixed rate debt. The debt consists of a number of different issuances that carry coupon rates ranging from 5.00% to 7.75%, resulting in a weighted-average rate of 5.93%, and maturities from May 1, 2010 through April 1, 2020, resulting in a weighted-average life of 5.9 years. During the years ended December 31, 2008 and 2007, we recognized net gains of $431.7 million and $140.9 million, respectively, in trading gains associated with the fair value changes in the debt and related derivatives and trading securities that provide an economic offset to the change in the value of the debt. Credit spreads widened throughout 2008 in connection with the continued deterioration of the broader financial markets and a number of failures in the financial services industry. Further fluctuations in our credit spreads are likely to occur in the future based on instrument specific and broader market conditions.

To mitigate the prospective impact of spread tightening, we completed the repurchase of a portion of our fair value debt of approximately $386.6 million during the year ended December 31, 2008. We also hold approximately $166.1 million of fixed rate corporate bonds referencing financial services companies to provide some level of offset to the changes in our credit spreads. We entered into pay fixed/receive float interest rate swaps to offset the changes in fair value of those corporate bonds due to interest rate movement. To mitigate the impact of fair value changes on our debt due to interest rate movement, we generally enter into interest rate swaps; however, at times, we may also purchase fixed rate agency MBS to achieve this offset in interest rates. There were no agency MBS held as of December 31, 2008 for this purpose. See the Trading Assets and Liabilities section included in the MD&A for more information. We value this debt by obtaining quotes from a third party pricing service and utilizing broker quotes to corroborate the reasonableness of those market values. In addition, 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 mark. During the third and fourth quarters of 2008, there were few trades to reference, and therefore, given the continued lack of liquidity for these types of instruments, both in the secondary markets and for primary issuances, this debt was transferred from a level 2 to a level 3 classification in the fair value hierarchy effective July 1, 2008.

Overall, the financial impact of the level 3 financial instruments did not have a significant impact on our liquidity or capital. We acquired certain ABS from affiliates during the fourth quarter of 2007 using our existing liquidity position, and since purchasing the securities, we have received approximately $2.4 billion in cash consideration from paydowns, settlements, sales and maturities of these securities. For the year ended December 31, 2008, we recognized $624.6 million in net losses through earnings due to the change in the fair value of level 3 assets and liabilities, excluding IRLCs. Some fair value assets are pledged for corporate borrowings or other liquidity purposes. Most of these arrangements provide for advances to be made based on the market value and not the principal balance of the assets, and therefore whether or not we have elected fair value accounting treatment does not impact our liquidity. If the fair value of assets posted as collateral declines, we will be required to post more collateral under our borrowing arrangements which could negatively impact our liquidity position on an overall basis. For purposes of computing regulatory capital, mark to market adjustments related to our own creditworthiness for debt accounted for at fair value are excluded from regulatory capital.

INVESTMENT IN COMMON SHARES OF THE COCA-COLA COMPANY

Background

We have owned common shares of Coke since 1919, when one of our predecessor institutions participated in the underwriting of Coke s initial public offering and received common shares of Coke in lieu of underwriting fees. These shares have grown in value over the past 89 years and have been classified as available for sale securities, with unrealized gains, net of tax, recorded as a component of shareholders equity. Because of the low accounting cost basis of these shares, we have accumulated significant unrealized gains in shareholders equity. As of December 31, 2007, our total holdings of approximately 43.6 million Coke shares had an accounting cost basis of $100,000 and a fair value of approximately $2.7 billion. As of December 31, 2008, as a result of the transactions discussed herein, we owned 30 million Coke shares with an accounting cost basis of $69,295 and a fair market value of approximately $1.4 billion.

We established a target Tier 1 Capital ratio of 7.50% in 2006 and commenced a comprehensive balance sheet review initiative in early 2007 in an effort to improve liquidity and capital efficiency. As part of this initiative, we began to formally evaluate the capital efficiency of our holdings of Coke common shares, as we were prohibited from including the market value of our investment in Coke common shares in Tier 1 Capital in accordance with Federal Reserve capital adequacy rules.

Executed Multi-Step Strategy

As we reported in connection with our financial results for the quarter ended June 30, 2007, we sold 4.5 million Coke common shares, or approximately 9% of our holdings at that time, in an open market sale. At that time, we also announced publicly that we were evaluating various strategies to address our remaining Coke common shares.

In the second and third quarters of 2008, we completed the following three-part strategy with respect to our remaining 43.6 million common shares of Coke: (i) a market sale of 10 million shares, (ii) a charitable contribution of approximately 3.6 million shares to the SunTrust Foundation and (iii) the execution of equity forward agreements on 30 million shares. Our primary objective in executing these transactions was to optimize the benefits we obtained from our long-term holding of this asset, including the capital treatment by bank regulators.

I. Market Sale

During the second quarter of 2008, we sold 10 million Coke common shares in the market. These sales, which resulted in an increase of approximately $345 million, or approximately 20 basis points, to Tier 1 Capital, generated approximately $549 million in net cash proceeds and an after-tax gain of approximately $345 million that was recorded in our financial results for the quarter ended June 30, 2008. This transaction will result in foregone dividend income of approximately $0.04 per share in annual earnings per share and gave rise to a current tax liability with a marginal rate of just over 37%.

II. Contribution to the SunTrust Foundation

In July 2008, we contributed approximately 3.6 million Coke common shares to the SunTrust Foundation, which was reflected as a contribution expense of $183.4 million in our financial results for the quarter ended September 30, 2008. As the gain from this contribution is non-taxable, the only impact to our net income was the release of the deferred tax liability of approximately $65.8 million (net of valuation allowance). This contribution increased Tier 1 Capital in the third quarter by approximately $65.8 million, or approximately 4 basis points. This gain and resultant increase to Tier 1 Capital were reflected in our third quarter results, as we had not made any commitments or entered into any other transactions as of June 30, 2008 that would have required us to record this contribution in the second quarter. This contribution will result in foregone dividend income of approximately $0.01 per share in annual earnings per share. We expect this contribution to act as an endowment for the SunTrust Foundation to make grants to charities operating within our footprint for years to come and reduce our ongoing charitable contribution expense. This transaction was treated as a discrete item for income tax provision purposes and significantly lowered the effective tax rate for the third quarter of 2008.

III. Equity Forward Agreements

The final piece of the strategy related to the remaining 30 million Coke common shares and was executed in July 2008. We entered into two variable forward agreements and share forward agreements effective July 15, 2008 with a major, unaffiliated financial institution (the Counterparty) collectively covering our 30 million Coke shares (the Agreements). Under the Agreements, we must deliver to the Counterparty at settlement of the variable forward agreements either a variable number of Coke common shares or a cash payment in lieu of such shares. The Counterparty is obligated to settle the Agreements for no less than approximately $38.67 per share, or approximately $1.16 billion in the aggregate (the Minimum Proceeds). The share forward agreements give us the

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right, but not the obligation, to sell to the Counterparty, at prevailing market prices at the time of settlement, any of the 30 million Coke common shares that are not delivered to the Counterparty in settlement of the variable forward agreements. The Agreements effectively ensure that we will be able to sell our 30 million Coke common shares at a price no less than approximately $38.67 per share, while permitting us to participate in future appreciation in the value of the Coke common shares up to approximately $66.02 per share and approximately $65.72 per share, under each of the respective Agreements.

During the terms of the Agreements, and until we sell the 30 million Coke common shares, we generally will continue to receive dividends as declared and paid by Coke and will have the right to vote such shares. However, the amounts payable to us under the Agreements will be adjusted if actual dividends are not equal to expected amounts.

Contemporaneously with entering into the Agreements, the Counterparty invested in senior unsecured promissory notes issued by SunTrust Bank and SunTrust Banks, Inc. (collectively, the Notes) in a private placement in an aggregate principal amount equal to the Minimum Proceeds. The Notes carry stated maturities of approximately ten years from the effective date and bear interest at one-month LIBOR plus a fixed spread. The Counterparty pledged the Notes to us and we pledged the 30 million Coke common shares to the Counterparty, securing each entity s respective obligations under the Agreements. The pledged Coke common shares are held by an independent third party custodian and the Counterparty is prohibited under the Agreements from selling, pledging, assigning or otherwise using the pledged Coke common shares in its business.

We generally may not prepay the Notes. The interest rate on the Notes will be reset upon or after the settlement of the Agreements, either through a remarketing process or based upon dealer quotations. In the event of an unsuccessful remarketing of the Notes, we would be required to collateralize the Notes and the maturity of the Notes may accelerate to the first anniversary of the settlement of the Agreements. However, we presently believe that it is substantially certain that the Notes will be successfully remarketed.

The Agreements carry scheduled settlement terms of approximately seven years from the effective date. However, we have the option to terminate the Agreements earlier with the approval of the Federal Reserve. The Agreements may also terminate earlier upon certain events of default, extraordinary events regarding Coke and other typical termination events. Upon such early termination, there could be exit costs or gains, such as certain breakage fees including an interest rate make-whole amount, associated with both the Agreements and the Notes. Such costs or gains may be material but cannot be determined at the present time due to the unlikely occurrence of such events and the number of variables that are unknown. However, the payment of such costs, if any, will not result in us receiving less than the Minimum Proceeds from the Agreements. We expect to sell all of the Coke common shares upon settlement of the Agreements, either under the terms of the Agreements or in another market transaction. See Note 17, Derivative Financial Instruments , to the Consolidated Financial Statements for additional discussion of the transactions.

The Federal Reserve determined that we may include in Tier 1 Capital, as of the effective date of the Agreements, an amount equal to the Minimum Proceeds minus the deferred tax liability associated with the ultimate sale of the 30 million Coke common shares. Accordingly, the Agreements resulted in an increase in Tier 1 Capital during the third quarter of approximately $728 million or an estimated 43 basis points as of the transaction date.

DEPOSITS

Table 13 Composition of Average Deposits

	Year Ended December 31			Percent of Total		
(Dollars in millions)	**2008**	2007	2006	**2008**	2007	2006
Noninterest-bearing	**$20,949.0**	$21,677.2	$23,312.3	**18.0 %**	18.1 %	18.9 %
NOW accounts	**21,080.7**	20,042.8	17,214.4	**18.2**	16.7	13.9
Money market accounts	**26,564.8**	22,676.7	24,507.9	**22.9**	18.9	19.8
Savings	**3,770.9**	4,608.7	5,371.1	**3.2**	3.8	4.3
Consumer time	**16,770.2**	16,941.3	15,622.7	**14.5**	14.2	12.7
Other time	**12,197.2**	12,073.5	11,146.9	**10.5**	10.1	9.0
Total consumer and commercial deposits	**101,332.8**	98,020.2	97,175.3	**87.3**	81.8	78.6
Brokered deposits	**10,493.2**	16,091.9	17,425.7	**9.0**	13.4	14.1
Foreign deposits	**4,250.3**	5,764.5	9,064.5	**3.7**	4.8	7.3

Total deposits	**$116,076.3**	$119,876.6	$123,665.5	**100.0 %**	100.0 %	100.0 %

Average consumer and commercial deposits increased during 2008 by $3.3 billion, or 3.4%, compared to 2007. The growth was in NOW, money market, and other time deposits which, in aggregate, increased $5.0 billion, or 9.2%. The increase was

partially offset by declines in savings, noninterest bearing DDA, and consumer time account balances. Savings accounts declined $0.8 billion, or 18.2%, noninterest bearing DDA declined $0.7 billion, or 3.4%, and consumer time accounts declined $0.2 billion, or 1.0%. The decline in these products was the result of deposit migration to higher cost money market accounts reflecting consumer sentiment favoring liquidity, safety and soundness, and higher rates than traditional checking and savings products.

Average brokered and foreign deposits decreased by $7.1 billion, or 3.3%, during 2008 compared to 2007. The decrease was due to our efforts to reduce our reliance upon wholesale funding sources and may continue to decline in 2009 due to recent alternative funding sources. Consumer and commercial deposit growth is one of our key initiatives, as we focus on deposit gathering opportunities across all lines of business throughout the geographic footprint. Initiatives to attract deposits included the My Cause campaign which provides enrollment incentives to depositors, the modification of incentive plans to place greater emphasis on deposit and package account sales, enhancing online banking products, and partnering with other well known brands in deposit oriented promotions. We also significantly improved our pricing process and product structure in 2008, which provided us with enhanced capability to price our products differentially across different parts of our footprint. Despite the larger mix of higher cost deposit products, primarily driven by market dynamics, this enhancement was critical as we not only lowered our interest expense on deposits, but also grew customer deposits during 2008. The My Cause campaign, which generated over 1.1 million checking accounts during 2008, ended in the fourth quarter of 2008, and we launched the Live Solid. Bank Solid. branding and marketing campaign to improve our visibility in the marketplace. It is designed to speak to what is important to clients in the current environment and to inspire customer loyalty and capitalize on some of the opportunities presented by the new banking landscape. As of December 31, 2008 securities pledged as collateral for deposits totaled $6.2 billion.

OTHER SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Other short-term borrowings increased $2.1 billion, or 71.0%, from December 31, 2007 to $5.2 billion at December 31, 2008. The change in other short-term borrowings was primarily a result of our participation in the Federal Reserve s (Fed) TAF in November and December of 2008. The Fed announced in October that it would offer expanded TAF funds availability during the fourth quarter of 2008. We purchased $2.5 billion in three-month funding under the TAF in support of the Fed s initiative.

Long-term debt increased $3.9 billion, or 16.8%, from December 31, 2007 to $26.8 billion at December 31, 2008. The change in long-term debt was primarily the result of our participation, in December, in the FDIC s TLGP under which we issued $3.0 billion in debt that was guaranteed by the FDIC under the terms of the program. Our decision to participate in the program was a result of being able to obtain a lower cost funding source than other borrowing channels available to us as a result of the guarantee provided on the issued debt by the U.S. government agency. We have approximately $1.0 billion in capacity remaining under this program and are reasonably likely to issue the additional $1.0 billion in long-term debt under the program during the first or second quarter of 2009.

CAPITAL RESOURCES

Table 14 Capital Ratios

	As of December 31					
(Dollars in millions)	**2008**	2007	2006	2005	2004	2003
Tier 1 capital[1]	**$17,613.7**	$11,424.9	$12,524.7	$11,079.8	$9,783.7	$8,930.0
Total capital	**22,743.4**	16,994.1	18,024.9	16,713.6	14,152.6	13,365.9
Risk-weighted assets	**162,046.4**	164,931.9	162,236.7	158,132.3	136,642.8	113,711.3
Risk-based ratios:						
Tier 1 capital	**10.87 %**	6.93 %	7.72 %	7.01 %	7.16 %	7.85 %
Total capital	**14.04**	10.30	11.11	10.57	10.36	11.75
Tier 1 leverage ratio	**10.45**	6.90	7.23	6.65	6.64	7.37
Total shareholders equity to assets	**11.84**	10.05	9.78	9.40	10.06	7.76

[1] Tier 1 capital includes trust preferred obligations of $2.8 billion at the end of 2008, $2.1 billion at the end of 2007, $2.4 billion at the end of 2006, $1.9 billion at the end of 2005 and 2004, and $1.7 billion at the end of 2003. Tier 1 capital also includes qualifying minority interests in consolidated subsidiaries of $102 million at the end of 2008, $105 million at the end of 2007, $455 million at the end of 2006, $467 million at the end of 2005, $451 million at the end of 2004 and 2003.

Our primary regulator, the Federal Reserve, measures capital adequacy within a framework that makes capital requirements sensitive to the risk profiles of individual banking companies. The guidelines weigh assets and off balance sheet risk exposures (risk weighted assets) according to predefined classifications, creating a base from which to compare capital levels. Tier 1 Capital primarily includes realized equity and qualified

preferred instruments, less purchase accounting intangibles such as goodwill and core deposit intangibles. Total Capital consists of Tier 1 Capital and Tier 2 Capital, which includes qualifying portions of subordinated debt, allowance for loan losses up to a maximum of 1.25% of risk weighted assets, and 45% of the unrealized gain on equity securities.

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Both the Company and SunTrust Bank (the Bank) are subject to a minimum Tier 1 Capital and Total Capital ratios of 4% and 8%, respectively, of risk weighted assets. To be considered well-capitalized, ratios of 6% and 10%, respectively, are required. Additionally, the Company and the Bank are subject to Tier 1 Leverage ratio requirements, which measures Tier 1 Capital against average assets. The minimum and well-capitalized ratios are 3% and 5%, respectively.

In light of the current economic environment and the uncertainty with respect to the depth and duration of the recession, we believe that it is prudent to hold capital in excess of our target. As such, we steadily built our capital position throughout the year through several strategically planned actions which are detailed below.

- In the first quarter of 2008, we issued $685 million of trust preferred securities, which qualified as Tier 1 Capital, and $500 million of subordinated notes, which favorably impacted our Total Capital ratio.

- In the second quarter of 2008, we sold 10 million shares of Coke common stock, which increased Tier 1 Capital by $345 million as of the transaction date. See additional discussion in Investment in Common Shares of the Coca-Cola Company in this MD&A for further discussion.

- In the third quarter of 2008, we executed two transactions that included 33.6 million shares of Coke common stock that generated approximately $800 million, or 47 basis points, of additional Tier 1 Capital as of the transaction date. See additional discussion in Investment in Common Shares of the Coca-Cola Company in this MD&A for further discussion.

- In the fourth quarter of 2008, we participated in the Treasury s Capital Purchase Program by issuing $4.9 billion in preferred stock and related warrants to the Treasury under the EESA. Initially, we issued $3.5 billion in preferred stock to build up our capital position to what we believed to be prudent levels given the uncertainty in the economy. As a result of a significant deterioration in the economy in the fourth quarter, we chose to issue an additional $1.35 billion in preferred stock, which represented our remaining capacity under the Capital Purchase Program. Refer to our discussion in Liquidity Risk within this MD&A for additional information regarding the terms of these securities.

- In an effort to preserve capital, the Board voted to reduce the quarterly common stock dividend by 30% starting with the fourth quarter dividend which was $0.54 per common share.

In January 2009, we made the decision to further reduce our quarterly common stock dividend to $0.10 per common share due to the credit and earnings environment that has deteriorated further since the original reduction of the common stock dividend in the fourth quarter of 2008. Our decision to reduce the common stock dividend was not made lightly, but we ultimately believed it was the responsible action to take in light of the further deterioration of the economy. On an ongoing basis, we will reevaluate the common stock dividend, to balance prudence in our capital levels with the long-run view of the profitability of the Bank and our desire to return a portion of our earnings to the shareholders.

Our decision to issue the preferred stock to the Treasury was made to enhance our already solid capital position and to allow us to further expand our business. The decision was primarily made as a result of worsening economic indicators occurring in the fourth quarter suggesting a recession that will endure longer than originally anticipated causing us to believe it prudent to have the additional capital during the potentially challenging economic times ahead. As a result of the worsening economic environment, we decided to issue the additional $1.35 billion in preferred stock due to an internal analysis of capital and liquidity that considered several factors. As we were also evaluating acquisition activity and opportunities, we reached the conclusion that potential capital requirements were more significant than previously thought due to asset and loan values that had declined further. In addition, we wanted to ensure adequate capital would be readily available to meet the borrowing needs of clients and prospects in the coming months and noted that most of our regional banking competitors had issued the maximum amount of preferred stock under the program, potentially putting us at a competitive disadvantage had we not obtained the additional capital. We have developed strategies and tactics to deploy the capital in a fashion that balances supporting economic stability, safety and soundness, and earnings dilution. Specifically, we have deployed the additional capital thus far by increasing our loans and agency MBS holdings, as well as in decreasing short-term borrowings.

The Tier 1 Capital and Total Capital ratios improved from 6.93% and 10.30%, respectively, at December 31, 2007 to 10.87% and 14.04% at December 31, 2008. The primary drivers of the increase were several Coke common stock transactions executed during the second and third quarters, as well as our participation in the Capital Purchase Program in the fourth quarter, as mentioned above. The Tier 1 Capital ratio also benefited from an overall reduction in risk weighted assets. The reduction in risk weighted assets occurred, in part due to an ongoing effort to reduce illiquid trading securities, construction related loans and commitments, and more generally to ensure that unused commitments are efficiently utilized. Also, in the third quarter of 2008, the Tier 1 Capital ratio improved due to increasing the granularity of certain loan related data to identify assets eligible for a lower risk weighting under applicable regulations.

Tangible equity to tangible assets increased to 8.40% as of December 31, 2008 from 6.31% last year. The increase was primarily due to the issuance of the preferred stock to the Treasury. Tangible common equity to tangible assets declined 49 basis points to 5.53% as of December 31, 2008. The decline is primarily the result of a $9.5 billion increase in tangible assets. This increase relates to cash and securities from the temporary deployment of proceeds received from the issuance of preferred stock and debt securities, as well as $6.4 billion of unsettled sales of securities available for sale that settled in January 2009, increasing tangible common equity to tangible assets approximately 20 basis points. We declared and paid common dividends totaling $1.0 billion in 2008, or $2.85 per common share, on net income available to common shareholders of $746.9 million. The dividend payout ratio was 134.4% for 2008 versus 64.0% for 2007. The increase in the payout ratio was the result of the decline in earnings caused largely by an increased provision for loan losses during 2008.

In connection with the issuances of the Series A Preferred Stock of SunTrust Banks, Inc., the Fixed to Floating Rate Normal Preferred Purchase Securities of SunTrust Preferred Capital I, the 6.10% Enhanced Trust Preferred Securities of SunTrust Capital VIII, and the 7.875% Trust Preferred securities of SunTrust Capital IX (collectively, the Issued Securities), we entered into Replacement Capital Covenants (RCCs). The RCCs limit our ability to repay, redeem or repurchase the Issued Securities (or certain related securities). We executed each RCCs in favor of the holders of certain debt securities, which are initially the holders of our 6% Subordinated Notes due 2026. The RCCs are more fully described in Current Reports on Form 8-K filed on September 12, 2006, November 6, 2006, December 6, 2006, and March 4, 2008.

In connection with the issuance of the Series C and D Preferred Stock of SunTrust Banks, Inc. we agreed to certain terms affecting repurchase, redemption, and repayment of the preferred stock and restriction on payment of common stock dividends, among other terms. Also included with the issuance of the preferred stock was issuance of ten-year warrants to the Treasury to purchase approximately 11.9 million and 6.0 million shares of our common stock at initial exercise prices of $44.15 and $33.70. The preferred stock and related warrants were issued at a total discount of approximately $132.0 million, which will be accreted into U.S. Treasury preferred dividend expense using the effective yield method over a five year period from each respective issuance date. The terms of the warrants as well as the restrictions related to the issuance of the preferred stock is more fully described in Current Reports on Form 8-K filed on November 17, 2008 and January 2, 2009.

ENTERPRISE RISK MANAGEMENT

In the normal course of business, we are exposed to various risks. To manage the major risks that we face and to provide reasonable assurance that key business objectives will be achieved, we have established an enterprise risk governance process and established the SunTrust Enterprise Risk Program (SERP). Moreover, we have policies and various risk management processes designed to effectively identify, monitor and manage risk.

We continually refine and enhance our risk management policies, processes and procedures to maintain effective risk management and governance, including identification, measurement, monitoring, control, mitigation and reporting of all material risks. Over the last several years, we have enhanced risk measurement applications and systems capabilities that provide management information on whether we are being appropriately compensated for the risk profile we have adopted. We balance our strategic goals, including revenue and profitability objectives, with the risks associated with achieving our goals. Effective risk management is an important element supporting our business decision making.

Corporate Risk Management s focus is on synthesizing, assessing, reporting and mitigating the full set of risks at the enterprise level, and providing senior management with a holistic picture of the organization s risk profile. We have implemented an enterprise risk management framework that has improved our ability to manage our aggregate risk profile. At the core of the framework is our risk vision and risk mission.

Risk Vision: To deliver sophisticated risk management capabilities that are consistent with those of top-tier financial institutions and that support the needs of SunTrust business units.

Risk Mission: To measure, monitor and manage risk throughout the SunTrust footprint to ensure that risk at the transaction, portfolio and institution levels is viewed consistently in order to optimize risk-adjusted return decision making.

The Board of Directors is wholly responsible for oversight of our corporate risk governance process. The Risk Committee of the Board assists the Board of Directors in executing this responsibility.

The Chief Risk Officer (CRO) reports to the Chief Executive Officer and is responsible for the oversight of the Corporate Risk Management organization as well as the risk governance processes. The CRO provides overall leadership, vision and direction for our enterprise risk management framework. In addition, the CRO provides regular risk assessments to the Risk Committee of the Board and to the full Board of Directors, and provides other information to Executive Management and the Board, as requested.

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The risk governance framework incorporates a variety of senior management risk-related committees. These committees are responsible for ensuring adequate risk measurement and management in their respective areas of authority. These committees include: Corporate Risk Committee (CRC), Asset/Liability Management Committee (ALCO), Corporate Product Risk Assessment Committee (PRAC), and the SERP Steering Committee. The CRC is chaired by the CRO and supports the CRO in measuring and managing our aggregate risk profile. The CRC consists of various senior executives and meets on a monthly basis.

Organizationally, we measure and manage risk according to the three traditional risk disciplines of credit risk, market risk (including liquidity risk) and operational risk (including compliance risk). Corporate risk programs are managed by the Chief Wholesale Credit Officer and Chief Retail Credit Officer for Credit Risk, the Chief Market Risk Officer for Market Risk, and the Chief Operational Risk Officer for Operational Risk. The three risk disciplines are managed on a consolidated basis under our enterprise risk management framework, which also takes into consideration legal and reputation risk factors.

Within each line of business and corporate function is a risk manager and support staff whose primary role is to drive effective risk management practices throughout the business organization. These risk managers, who report on a dotted line to the Chief Operational Risk Officer, facilitate communications with corporate risk functions and execute the requirements of the enterprise risk management framework and policies. Corporate Risk Management works in partnership with the risk managers to ensure alignment with sound risk management practices as well as industry best practices.

In 2008, we continued to make significant enhancements to our Corporate Risk Management function. The Model Validation and Performance Measurement groups continued to provide assurance that risks inherent in model development and usage are properly identified and managed to oversee the calculation of economic capital. Risk identification, assessment and mitigation planning were formally incorporated into the strategic planning process.

SERP continues to ensure that the approach and plans for risk management are aligned to the vision and mission of Corporate Risk Management in addition to managing regulatory compliance. In addition, the SERP goal is to ensure our future compliance with the Basel II Capital Accord. Key objectives of SERP include incorporating risk management principles that encompass our values and standards and are designed to guide risk-taking activity, maximizing performance through the balance of risk and reward and leveraging initiatives driven by regulatory requirements to deliver capabilities to better measure and manage risk.

Credit Risk Management

Credit risk refers to the potential for economic loss arising from the failure of clients to meet their contractual agreements on all credit instruments, including on-balance sheet exposures from loans and leases, contingent exposures from unfunded commitments, letters of credit, credit derivatives, and counterparty risk under derivative products. As credit risk is an essential component of many of the products and services we provide to our clients, the ability to accurately measure and manage credit risk is integral to maintain both the long-run profitability of our lines of business and our capital adequacy.

The Credit Risk Management group manages and monitors extensions of credit risk through initial underwriting processes and periodic reviews. They maintain underwriting standards in accordance with credit policies and procedures. The Corporate Risk Review unit conducts independent risk reviews to ensure active compliance with all policies and procedures. Credit Risk Management periodically reviews our lines of business to monitor asset quality trends and the appropriateness of credit policies. In addition, total borrower exposure limits are established and concentration risk is monitored. Credit risk is partially mitigated through purchase of credit loss protection via third party insurance and use of credit derivatives such as credit default swaps.

Borrower/counterparty (obligor) risk and facility risk are evaluated using our risk rating methodology, which has been implemented in all lines of business. We use various risk models in the estimation of expected and unexpected losses. These models incorporate both internal and external default and loss experience. To the extent possible, we collect internal data to ensure the validity, reliability, and accuracy of our risk models used in default and loss estimation.

We have made a commitment to maintain and enhance comprehensive credit systems in order to meet business requirements and comply with evolving regulatory standards. As part of a continuous improvement process, Credit Risk Management evaluates potential enhancements to our risk measurement and management tools, implementing them as appropriate along with amended credit policies and procedures.

Operational Risk Management

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

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

Operational Risk Management is overseen by our Chief Operational Risk Officer, who reports directly to the Chief Risk Officer. The corporate governance structure also includes a risk manager and support staff embedded within each line of business and corporate function. These risk managers also report indirectly to the Chief Operational Risk Officer and are responsible for execution of the Operational Risk Management program within their areas.

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 Economic Value of Equity (EVE) to adverse movements in interest rates, is our primary market risk, and mainly arises from the structure of the balance sheet. We are also exposed to market risk in our trading activities, MSRs, loan warehouse and pipeline, and debt carried at fair value. The ALCO meets regularly and is responsible for reviewing our open positions and establishing policies to monitor and limit exposure to market risk. The policies established by ALCO are reviewed and approved by our Board of Directors.

Market Risk from Non-Trading Activities

The primary goal of interest rate risk management is to control exposure to interest rate risk, both within policy limits approved by the Board and within narrower guidelines established by ALCO. These limits and guidelines reflect our tolerance for interest rate risk over both short-term and long-term horizons.

The major sources of our non-trading interest rate risk are timing differences in the maturity and repricing characteristics of assets and liabilities, changes in the shape of the yield curve, and the potential exercise of explicit or embedded options. We measure these risks and their impact by identifying and quantifying exposures through the use of sophisticated simulation and valuation models, as well as repricing gap analysis.

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

As the future path of interest rates cannot be known in advance, we use simulation analysis to project net interest income under various interest rate scenarios including implied forward and deliberately extreme and perhaps unlikely scenarios. The analyses may include rapid and gradual ramping of interest rates, rate shocks, basis risk analysis, and yield curve twists. Each analysis incorporates what management believes to be the most appropriate assumptions about customer behavior in an interest rate scenario. Specific strategies are also analyzed to determine their impact on net interest income levels and sensitivities.

The sensitivity analysis included below is measured as a percentage change in net interest income due to an instantaneous 100 basis point move in benchmark interest rates. Estimated changes set forth below are dependent upon material assumptions such as those previously discussed. The net interest income profile reflects asset sensitivity with respect to an instantaneous 100 basis point change in rates.

Economic Perspective

Rate Change (Basis Points)	Estimated % Change in Net Interest Income Over 12 Months	
	December 31, 2008	December 31, 2007

+100	**3.5%**	(1.0%)
-100	**(0.1%)**	0.3%

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The December 31, 2008 net interest income sensitivity profiles include the impact from adopting SFAS No. 159. Specifically, the net interest payments from $6.6 billion of receive fixed swaps are now reflected in trading income versus net interest income. The benefit to net interest income due to a decline in short term interest rates will be recognized as a gain in the fair value of the swaps and will be recorded as an increase in trading account profits and commissions. The recognition of interest rate sensitivity from an economic perspective (above) is different from a financial reporting perspective (below) due to the use of fair value accounting for these interest rate swaps and related underlying debt. Hence, the above profile includes the recognition of the net interest payments from these swaps, while the profile below does not include the net interest payments.

Financial Reporting Perspective

Rate Change (Basis Points)	Estimated % Change in Net Interest Income Over 12 Months	
	December 31, 2008	December 31, 2007
+100	**4.2%**	0.1%
-100	**(1.3%)**	(0.8%)

The difference from December 31, 2007 to 2008 seen above in both the economic and financial reporting perspectives related to a 100 basis point increase is primarily due to the significant decline in interest rates year over year and the increase in fixed rate funding.

We also perform valuation analysis, which is used for discerning levels of risk present in the balance sheet and derivative positions that might not be taken into account in the net interest income simulation analysis. Whereas net interest income simulation highlights exposures over a relatively short time horizon, valuation analysis incorporates all cash flows over the estimated remaining life of all balance sheet and derivative positions. The valuation of the balance sheet, at a point in time, is defined as the discounted present value of asset cash flows and derivative cash flows minus the discounted value of liability cash flows, the net of which is referred to as EVE. The sensitivity of EVE 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, EVE uses instantaneous changes in rates. EVE values only the current balance sheet and does not incorporate the growth assumptions that are used in the net interest income simulation model. As with the net interest income simulation model, assumptions about the timing and variability of balance sheet cash flows are critical in the EVE analysis. Particularly important are the assumptions driving prepayments and the expected changes in balances and pricing of the indeterminate deposit portfolios.

We have implemented a new vendor risk management model for analysis of residential mortgage loans and home equity loans and lines. Cash flows of these portfolios are particularly reliant on prepayment assumptions and we believe the new model offers a more robust and granular prepayment model relative to the previous model. Further, the new model is able to provide daily analysis using updated market information, thus enhancing the risk management process. For these reasons, cash flow sensitivity analysis of trading securities and securities available for sale, issued public debt securities, derivatives, residential mortgage loans, home equity lines, and MSRs has also been transitioned to the new model. Comparable EVE profiles as of December 31, 2008 using both models are provided, in addition to prior year information under the previous model.

New Model

Rate Shock (Basis Points)	Estimated % Change in EVE
	December 31, 2008
+100	**(4.2%)**
-100	**1.8%**

Previous Model

Rate Change	Estimated % Change in EVE

(Basis Points)		
	December 31, 2008	December 31, 2007
+100	**1.4%**	(2.8%)
-100	**(0.7%)**	(1.2%)

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The change in the comparable EVE profile from December 31, 2007 to December 31, 2008 can be attributed to the net impact of lower interest rates, lower pricing sensitivity on indeterminate maturity deposit products and lower valuations of loans, deposits and MSRs. The difference between the two profiles at December 31, 2008 is as a result of slower prepayments in the aforementioned models. This change in prepayments caused the value sensitivity of assets to interest rates in the new model to be greater than that of liabilities, while the value sensitivity of assets to rates in the previous model remained lower than that of liabilities. While an instantaneous and severe shift in interest rates is used in this analysis to provide an estimate of exposure under an extremely adverse scenario, we believe that a gradual shift in interest rates would have a much more modest impact. Since EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current fiscal year). Further, EVE does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could mitigate the adverse impact of changes in interest rates. The net interest income simulation and EVE analyses do not necessarily include certain actions that management may undertake to manage this risk in response to anticipated changes in interest rates.

Trading Activities

Beginning in 2007 and continuing into 2008, we expanded the use of trading securities as part of our overall balance sheet management strategies. The remainder of our actively traded securities, other than corporate treasury trading securities, are primarily held to support customer requirements through our broker/dealer subsidiary. Product offerings to clients include debt securities, loans traded in the secondary market, equity securities, derivatives and foreign exchange contracts and similar financial instruments. Other trading activities include acting as a market maker in certain debt and equity securities and related derivatives. Typically, we maintain a securities inventory to facilitate customer transactions. Also in the normal course of business, we assume a degree of market risk in proprietary trading, hedging, and other strategies, subject to specified limits.

We have developed policies and procedures to manage market risk associated with trading, capital markets and foreign exchange activities using a value-at-risk (VaR) approach that determines total exposure arising from interest rate risk, equity risk, foreign exchange risk, spread risk and volatility risk. For trading portfolios, VaR measures the estimated maximum loss from a trading position, given a specified confidence level and time horizon. VaR exposures and actual results are monitored daily for each trading portfolio. Our VaR calculation measures the potential losses using a 99% confidence level with a one day holding period. This means that, on average, losses are expected to exceed VaR two or three times per year. The following table displays high, low, and average VaR for 2008 and 2007.

(Dollars in millions)	**2008**	2007
Average VaR	**$28.5**	$14.2
High VaR	**$42.3**	$33.1
Low VaR	**$16.5**	$6.3

An increase in volatility in certain markets drove the increase in VaR during 2008. Trading assets net of trading liabilities averaged $7.7 billion for 2008 and $11.5 billion for 2007. Trading assets net of trading liabilities were $7.2 billion at December 31, 2008 and $8.4 billion at December 31, 2007.

Liquidity Risk

Liquidity risk is the risk of being unable to meet obligations as they come due at a reasonable funding cost. We mitigate this risk by attempting to structure our balance sheet prudently and by maintaining diverse borrowing resources to fund potential cash needs. For example, we attempt to structure our balance sheet so that less liquid assets, such as loans, are funded through stable funding sources, such as retail deposits, long-term debt, wholesale deposits, and capital. We assess liquidity needs arising from asset growth, maturing obligations, and deposit withdrawals, considering operations in both the normal course of business and times of unusual events. In addition, we consider our off-balance sheet arrangements and commitments that may drain liquidity in certain business environments.

Our ALCO measures liquidity risks, sets policies to manage these risks, and reviews adherence to those policies. For example, we manage reliance on short-term unsecured borrowings as well as total wholesale funding through policies established and reviewed by ALCO. In addition, the Risk Committee of our Board of Directors sets liquidity limits and reviews current and forecasted liquidity positions at each of its regularly scheduled meetings.

We have a contingency funding plan that assesses liquidity needs that may arise from certain stress events such as credit rating downgrades, rapid asset growth, and financial market disruptions. We believe we have sufficient funding capacity to meet the liquidity needs arising from these potential events. Our contingency plans also provide for continuous monitoring of net borrowed funds dependence and available sources of contingent liquidity. These sources of contingent liquidity include

capacity to borrow at the Federal Reserve discount window and from the FHLB system and the ability to sell, pledge or borrow against unencumbered securities in the investment portfolio. As of December 31, 2008, the potential liquidity from these sources exceeded $23 billion. In addition, we may have the ability to raise funds by selling or securitizing loans, including single-family mortgage loans.

Uses and Sources 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. Our sources of funds include a large, stable retail deposit base; various forms of wholesale funding, including access to the capital markets and secured advances from the FHLB; and access to the Federal Reserve discount window. Wholesale funding, particularly the unsecured variety, comes from uncommitted sources and is subject to market conditions and various risks and uncertainties.

Our credit ratings are an important factor in our access to unsecured wholesale funds, and significant changes in these ratings could affect the cost and availability of these sources. Factors that affect our credit ratings include, but are not limited to, the credit risk profile of our assets, the adequacy of our loan loss reserves, the liquidity profile of both the Bank and the parent company, and the adequacy of our capital base. On January 27, 2009, Standard & Poor s Rating Services lowered, by one rating, its long-term counterparty credit ratings on SunTrust Banks, Inc. to A and SunTrust Bank to A+ , citing deterioration in the quality of our loan portfolio. Consistent with this view, we consider the primary risk of downgrade to our credit ratings is the potential for additional material credit losses in our loan portfolio if the U.S. economy does not begin to recover during 2009 from the current sharp, broad and sustained recession.

Core deposits, primarily gathered from our retail branch network, are our largest and most cost-effective source of funding. Core deposits comprised approximately 93% of total deposits at December 31, 2008. These deposits averaged $101.3 billion, or 67.4% of the funding base, during 2008, up from an average of 64.1% during 2007. Core deposits totaled $105 billion at year end 2008 and increased $3.5 billion during the fourth quarter. Growth in core deposits, along with an increase in term wholesale funding and balance sheet de-leveraging, has reduced the Bank s average daily overnight borrowing position materially over the past two years, resulting in a strong liquidity position. As of December 31, 2008, the daily overnight borrowing position was zero. Much of the growth in core deposits occurred amidst a period of some consolidation in the banking industry, giving us reason to expect these new deposits will be stable.

We maintain access to a diversified base of wholesale funding sources. These uncommitted sources include Fed Funds purchased from other banks, securities sold under agreements to repurchase, negotiable certificates of deposit, offshore deposits, FHLB advances, global bank notes, and commercial paper. Aggregate wholesale funding totaled $44.0 billion as of December 31, 2008 compared to $50.4 billion as of December 31, 2007. Net short-term unsecured borrowings, which includes wholesale domestic and foreign deposits and Fed Funds purchased, totaled $14.2 billion as of December 31, 2008, down from $21.9 billion as of December 31, 2007.

An additional source of wholesale liquidity is our access to the capital markets. SunTrust Banks, Inc. (the parent company) maintains a registered debt shelf from which it may issue senior or subordinated notes, commercial paper and various capital securities such as common or preferred stock. SunTrust Bank (the Bank) maintains a global notes program under which it may issue senior or subordinated debt with various terms. As of December 31, 2008, the parent company had authority to issue an additional $3.2 billion of securities under its shelf registration and the Bank had authority to issue an additional $30.1 billion of notes under the global bank note program. Borrowings under these programs are designed to appeal primarily to domestic and international institutional investors. Institutional investor demand for these securities is dependent upon numerous factors, including but not limited to our credit ratings and investor perception of financial market conditions and the health of the banking sector.

Parent Company Liquidity. We measure parent company liquidity by comparing sources of liquidity from short-term assets, such as unencumbered and other investment securities and cash, relative to short-term liabilities, which include overnight sweep funds, seasoned long-term debt and commercial paper. As of December 31, 2008, the parent company had $5.6 billion in such sources compared to short-term debt of $1.4 billion. We also manage the parent company s liquidity by structuring its maturity schedule to minimize the amount of debt maturing within a short period of time. A $350 million parent company note matured in October 2008 and the next parent company debt maturity is $300 million in October 2009. Much of the parent company s liabilities are long-term in nature, coming from the proceeds of our capital securities and long-term senior and subordinated notes.

The primary uses of parent company liquidity include debt service, dividends on capital, the periodic purchase of investment securities and loans to our subsidiaries. We believe the parent company holds cash adequate to satisfy these working capital needs. We fund corporate dividends primarily with dividends from our banking subsidiaries. We are subject to both state and federal regulations that limit our ability to pay common stock dividends in certain circumstances. In the context of an ongoing U.S. economic recession and credit market turmoil in 2008, we announced a reduction of our quarterly common stock dividend on October 27, 2008 from $0.77 per share to $0.54 per share and on January 22, 2009 to its current level of $0.10 per share.

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Recent Market and Regulatory Developments. Recent financial market conditions have often made it difficult or uneconomical for banks and financial institutions to access the debt and equity capital markets. As a result, the United States Congress, the Treasury, the Federal Reserve, and the FDIC have announced various programs designed to enhance market liquidity and bank capital.

During the fourth quarter of 2008 the parent company received $4.9 billion of preferred stock proceeds from the Treasury s Capital Purchase Program (CPP , as described below). By participating in the CPP we are prohibited from increasing our common stock dividend for three years unless (i) we have redeemed the Treasury s preferred stock, (ii) the Treasury has transferred all of such preferred stock, or (iii) the Treasury consents to such increase.

This sale of preferred stock subjects us to certain conditions and agreements. The preferred stock pays a 5% cumulative dividend for the first five years, after which the dividend rate increases to 9%. The preferred stock is accompanied by 10-year warrants to purchase up to $727 million of our common stock at market value, based on the 20-day average price prevailing at the time of issuance. The Treasury may transfer the preferred stock and warrants.

Separately during the fourth quarter, the FDIC implemented the TLGP under which banks and financial institutions can issue senior, unsecured debt guaranteed by the FDIC. In December 2008, we issued $3.0 billion of bank debt pursuant to the TLGP. As of December 31, 2008, we retained approximately $1.0 billion of capacity to issue additional debt under the TLGP rules then in force. We expect to utilize this remaining capacity by issuing approximately $1.0 billion before the TLGP has been announced to expire on October 31, 2009; however we note that at the time of drafting of this filing, the final regulations regarding TLGP have not yet been updated and is still scheduled to expire on June 30, 2009.

During the fourth quarter of 2008, we also participated in the Federal Reserve s TAF and maintained outstanding borrowings of $2.5 billion as of December 31, 2008. The TAF has provided banks with a source of relatively inexpensive funding with a term of 84 days or less. We expect to continue to utilize the TAF in the near term so long as the cost of funds remains attractive and/or financial market conditions remain volatile and uncertain.

Other Liquidity Considerations. As detailed in Table 16, we had an aggregate potential obligation of $86.4 billion to our clients in unused lines of credit at December 31, 2008. Commitments to extend credit are arrangements to lend to a customer who has complied with predetermined contractual obligations. We also had $13.9 billion in letters of credit as of December 31, 2008, most of which are standby letters of credit which require that we provide funding if certain future events occur. Approximately $8.7 billion of these letters support variable rate demand obligations (VRDOs), municipal securities remarketed by us and other agents on a regular basis (usually weekly). In the event that we or the other agents are unable to remarket these securities, we would provide funding under the letters of credit.

Certain provisions of long-term debt agreements and the lines of credit prevent us from creating liens on, disposing of, or issuing (except to related parties) voting stock of subsidiaries. Further, there are restrictions on mergers, consolidations, certain leases, sales or transfers of assets, and minimum shareholders equity ratios. As of December 31, 2008, we were and expect to remain in compliance with all covenants and provisions of these debt agreements.

As of December 31, 2008, our cumulative UTBs amounted to $330.0 million. Interest related to UTBs was $70.9 million as of December 31, 2008. These UTBs represent the difference between tax positions taken or expected to be taken in our tax returns and the benefits recognized and measured in accordance with FIN 48. The UTBs are based on various tax positions in several jurisdictions and, if taxes related to these positions are ultimately paid, the payments would be made from our normal, operating cash flows, likely over multiple years.

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Hedging Activity

Table 15 Risk Management Derivative Financial Instruments

We monitor our sensitivity to changes in interest rates and may use derivative instruments to limit the volatility of net interest income. Derivative instruments increased net interest income in 2008 by $180.7 million and decreased net interest income in 2007 by $25.6 million. The following tables summarize the derivative instruments into which we entered as hedges under SFAS No. 133. See Note 17, Derivative Financial Instruments, to the Consolidated Financial Statements for a complete description of our derivative instruments and activities during 2008, 2007, and 2006.

	As of December 31, 2008[1]				
(Dollars in millions)	Notional Amount	Gross Unrealized Gains [4]	Gross Unrealized Losses [4]	Equity [7]	Average Maturity in Yrs
Asset Hedges					
Cash flow hedges					
Interest rate swaps [2]	**$11,100**	**$1,102**	**$-**	**$689**	**3.98**
Equity forward contracts [5]	**1,547**	**250**	**-**	**162**	**6.37**
Total asset hedges	**$12,647**	**$1,352**	**$-**	**$851**	**4.27**
Liability Hedges					
Cash flow hedges					
Interest rate swaps [3]	**$2,250**	**$-**	**($47)**	**($29)**	**0.47**
Total liability hedges	**$2,250**	**$-**	**($47)**	**($29)**	**0.47**
Terminated/Dedesignated Liability Hedges					
Cash flow hedges					
Interest rate swaps [6]	**$6,087**	**$-**	**$-**	**$26**	**1.20**
Total terminated/dedesignated hedges	**$6,087**	**$-**	**$-**	**$26**	**1.20**

[1] Includes only derivative financial instruments which are currently, or were previously designated as, and for which the Company continues to recognize the impacts of, qualifying hedges under SFAS No. 133. Certain other derivatives, which are effective for risk management purposes, but which are not in designated hedging relationships under SFAS No. 133, are not incorporated in this table. All interest rate swaps have resets of six months or less.

[2] Represents interest rate swaps designated as cash flow hedges of commercial loans.

[3] Represents interest rate swaps designated as cash flow hedges of floating rate certificates of deposit and FHLB advances.

[4] Represents the change in fair value of derivative financial instruments from inception to December 31, 2008 less any accrued interest receivable or payable from interest rate derivatives.

[5] Represents equity forward contracts designated as cash flow hedges of the probable forecasted sale of common shares of Coke.

[6] Represents interest rate swaps and options that have been terminated and/or dedesignated as derivatives that qualify for hedge accounting. The derivatives were designated as cash flow hedges of floating rate debt, certificates of deposit, commercial loans, and tax exempt bonds. The $25.9 million of net gains, net of tax, recorded in accumulated other comprehensive income will be reclassified into earnings as interest income or expense over the life of the respective hedged items.

[7] At December 31, 2008, the net unrealized gain on derivatives included in accumulated other comprehensive income, which is a component of stockholders equity, was $847.1 million, net of tax. Of this net of tax amount, a $821.2 million gain represents the effective portion of the net gains on derivatives that currently qualify as cash flow hedges, and a $25.9 million gain relates to previous qualifying cash flow hedging relationships that have been terminated or dedesignated. Gains or losses on hedges of interest rate risk will be classified into interest income or expense as a yield adjustment of the hedged item in the same period that the hedged cash flows impact earnings. As of December 31, 2008, $225.0 million of net gains, net of tax, recorded in accumulated other comprehensive income are expected to be reclassified as interest income or interest expense during the next twelve months. Gains or losses on hedges of the risk of changes in overall cash flows on the probable forecasted sales of equity securities will be reclassified from accumulated other comprehensive income as an adjustment to the sales price of the equity shares when such shares are sold; no amounts are expected to be reclassified from accumulated other comprehensive income in the next twelve months.

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	As of December 31, 2007 [1]				
(Dollars in millions)	Notional Amount	Gross Unrealized Gains [4]	Gross Unrealized Losses [4]	Accumulated Other Comprehensive Income [6]	Average Maturity in Years
Asset Hedges					
Cash flow hedges					
Interest rate swaps [2]	$10,200	$246	($1)	$152	3.07
Total asset hedges	$10,200	$246	($1)	$152	3.07
Liability Hedges					
Cash flow hedges					
Interest rate swaps [3]	$3,865	$3	($47)	($27)	1.45
Total liability hedges	$3,865	$3	($47)	($27)	1.45
Terminated/Dedesignated Liability Hedges					
Cash flow hedges					
Interest rate swaps and options [5]	$5,737	$-	$-	$34	1.88
Total terminated/dedesignated hedges	$5,737	$-	$-	$34	1.88

[1] Includes only derivative financial instruments which are currently, or previously designated as, and for which the Company continues to recognize the impacts of, qualifying hedges under SFAS No. 133. Certain other derivatives which are effective for risk management purposes, but which are not in designated hedging relationships under SFAS No. 133, are not incorporated in this table. All interest rate swaps have resets of six months or less.
[2] Represents interest rate swaps designated as cash flow hedges of commercial loans.
[3] Represents interest rate swaps designated as cash flow hedges of floating rate certificates of deposit and FHLB advances.
[4] Represents the change in fair value of derivative financial instruments from inception to December 31, 2007 less accrued interest receivable or payable.
[5] Represents interest rate swaps and options that have been terminated and/or dedesignated as derivatives that qualify for hedge accounting. The derivatives were designated as cash flow hedges of floating rate debt, certificates of deposit, commercial loans, and tax exempt bonds. The $33.7 million of net gains, net of tax, recorded in accumulated other comprehensive income will be reclassified into earnings as interest income or expense over the life of the respective hedged items.
[6] At December 31, 2007, the net unrealized gain on derivatives included in accumulated other comprehensive income, which is a component of shareholders equity, was $158.6 million, net of tax. Of this net of tax amount, a $124.9 million gain represents the effective portion of the net gains on derivatives that currently qualify as cash flow hedges, and a $33.7 million gain relates to previous qualifying cash flow hedging relationships that have been terminated or dedesignated. Gains or losses on hedges of interest rate risk will be classified into interest income or expense as a yield adjustment of the hedged item in the same period that the hedged cash flows impact earnings. As of December 31, 2007, $45.3 million of net gains, net of tax, recorded in accumulated other comprehensive income are expected to be reclassified into interest income or interest expense during the next twelve months.

Derivative hedging instrument activities are as follows:

Derivatives Hedging

	Notional Values[1]		
(Dollars in millions)	Asset Hedges	Liability Hedges	Total
Balance, January 1, 2007	$7,000	$6,088	$13,088
Additions	11,600	7,400	19,000
Maturities	(4,900)	(5,400)	(10,300)
Terminations	(3,500)	(400)	(3,900)
Dedesignations	-	(3,823)	(3,823)
Balance, December 31, 2007	$10,200	$3,865	$14,065
Additions	**4,047**	**-**	**4,047**
Maturities	**(600)**	**(1,115)**	**(1,715)**
Terminations	**(1,000)**	**(500)**	**(1,500)**
Balance, December 31, 2008	**$12,647**	**$2,250**	**$14,897**

[1] Includes only derivative financial instruments which are currently qualifying hedges under SFAS No. 133. Certain other derivatives that are effective for risk mananagement purposes, but which are not in designated hedging relationships under SFAS No. 133, are not incorporated in this table. The hedging activity for our mortgage loans held for sale is excluded from this table. The SFAS No. 133 hedging program was terminated for mortgage loans during 2007.

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The following tables present the expected maturities of interest rate swaps currently designated as hedging instruments under SFAS No. 133. Certain other derivatives that are effective for risk management purposes, but which are not in designated hedging relationships of interest rate risk under SFAS No. 133, are not incorporated in the tables.

(Dollars in millions)	As of December 31, 2008					
	1 Year or Less	1 - 2 Years	2 - 5 Years	5 - 7 Years	After 7 Years	Total
CASH FLOW ASSET HEDGES						
Notional amount - swaps	$1,100	$-	$6,000	$4,000	$-	$11,100
Net unrealized gain (loss)	5	-	575	522	-	1,102
Weighted average receive rate [1]	5.32 %	- %	4.73 %	4.52 %	- %	4.71 %
Weighted average pay rate [1]	1.90	-	1.90	1.90	-	1.90
CASH FLOW LIABILITY HEDGES						
Notional amount - swaps	$2,250	$-	$-	$-	$-	$2,250
Net unrealized gain (loss)	(47)	-	-	-	-	(47)
Weighted average receive rate [1]	0.91 %	- %	- %	- %	- %	0.91 %
Weighted average pay rate [1]	5.26	-	-	-	-	5.26

[1] The average pay and receive rates are those in effect at December 31, 2008 weighted on the notional of the corresponding interest rate swaps. The variable rates of all interest rate swaps reset within six months.

(Dollars in millions)	As of December 31, 2007					
	1 Year or Less	1 - 2 Years	2 - 5 Years	5 - 7 Years	After 7 Years	Total
CASH FLOW ASSET HEDGES						
Notional amount swaps	$600	$2,100	$4,500	$3,000	$-	$10,200
Net unrealized gain (loss)	(1)	39	167	41	-	246
Weighted average receive rate [1]	3.95 %	5.13 %	5.08 %	4.64 %	- %	4.89 %
Weighted average pay rate [1]	5.23	5.23	5.23	5.09	-	5.18
CASH FLOW LIABILITY HEDGES						
Notional amount swaps	$1,115	$2,750	$-	$-	$-	$3,865
Net unrealized gain (loss)	3	(47)	-	-	-	(44)
Weighted average receive rate [1]	5.04 %	4.87 %	- %	- %	- %	4.92 %
Weighted average pay rate [1]	3.85	5.05	-	-	-	4.70

[1] The average pay and receive rates are those in effect at December 31, 2007 weighted on the notional of the corresponding interest rate swaps. The variable rates of all interest rate swaps reset within six months.

Other Market Risk

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

We manage interest rate risk predominantly with interest rate swaps, futures, and forward sale agreements, where the changes in value of the instruments substantially offset the changes in value of the warehouse and the IRLCs. The IRLCs on residential mortgage loans intended for sale are classified as free standing derivative financial instruments in accordance with SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, and are not designated in SFAS No. 133 hedge accounting relationships.

MSRs are the present value of future net cash flows that are expected to be received from the mortgage servicing portfolio. The value of MSRs is highly dependent upon the assumed prepayment speed of the mortgage servicing portfolio which is driven by the level of certain key interest rates, primarily the 30-year current coupon par mortgage rate known as the par mortgage rate. Future expected net cash flows from servicing a loan in the mortgage servicing portfolio would not be realized if the loan pays off earlier than anticipated.

We have not historically hedged MSRs, but have managed the market risk through our overall asset/liability management process with consideration to the natural counter-cyclicality of servicing and production that occurs as interest rates rise and fall over time with the economic cycle as well as with securities available for sale. The precipitous drop in mortgage rates as evidenced by the decline in the par mortgage rate, (down over 200 basis points) during the fourth quarter of 2008, generated

significantly higher expected prepayment speeds that resulted in an impairment of $370.0 million of MSRs. This same decline in rates generated gains on MBS which were held in our available for sale securities portfolio. During December, $9.3 billion of MBS were sold generating $413.1 million of gains that were used to offset the MSRs impairment. As of January 1, 2009, ALCO designated the 2008 MSRs vintage and all future MSRs production as fair value under SFAS No. 156. The fair value determination, key economic assumptions and the sensitivity of the current fair value of the MSRs as of December 31, 2008 and December 31, 2007 is discussed in greater detail in Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities to the Consolidated Financial Statements.

We also have market risk through capital stock we hold in the FHLB of Atlanta and Cincinnati. In order to be an FHLB member, we are required to purchase capital stock in the FHLB. In exchange, members take advantage of competitively priced advances as a wholesale funding source and access grants and low-cost loans for affordable housing and community-development projects, amongst other benefits. As of December 31, 2008, we held a total of $493.2 million of capital stock in the FHLB. In February 2009, we reduced our capital stock holdings in the FHLB by $150.3 million to $342.9 million.

For a detailed overview regarding actions taken to address the risk from changes in equity prices associated with our investment in Coke common stock, see Investment in Common Shares of the Coca-Cola Company, in this MD&A. We also hold a total of approximately $209 million of private equity investments that include direct investments and limited partnerships. We hold these investments as long-term investments and make additional contributions based on our contractual commitments but have decided to limit investments into new private equity investments.

In addition to MSRs impairment, other impairment charges could occur if deteriorating conditions in the market persist, including, but not limited to, goodwill and other intangibles impairment charges and increased charges with respect to OREO.

OFF-BALANCE SHEET ARRANGEMENTS

See discussion of off-balance sheet arrangements in Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities and Note 18, Reinsurance Arrangements and Guarantees , to the Consolidated Financial Statements.

Table 16 Unfunded Lending Commitments

(Dollars in millions)	**December 31 2008**	December 31 2007
Unused lines of credit		
Commercial	**$37,167.1**	$38,959.1
Mortgage commitments[1]	**17,010.4**	12,859.5
Home equity lines	**18,293.8**	20,424.9
Commercial real estate	**3,652.0**	6,228.2
Commercial paper conduit	**6,060.3**	7,877.5
Credit card	**4,167.8**	1,808.5
Total unused lines of credit	**$86,351.4**	$88,157.7
Letters of credit		
Financial standby	**$13,622.8**	$12,287.5
Performance standby	**220.2**	283.1
Commercial	**99.0**	132.3
Total letters of credit	**$13,942.0**	$12,702.9

1 Includes $7.2 billion and $5.0 billion in IRLCs accounted for as derivatives as of December 31, 2008 and December 31, 2007, respectively.

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CONTRACTUAL COMMITMENTS

In the normal course of business, we enter into certain contractual obligations, including obligations to make future payments on debt and lease arrangements, contractual commitments for capital expenditures, and service contracts. Table 17 summarizes our significant contractual obligations at December 31, 2008, except for pension and other postretirement benefit plans, included in Note 16, Employee Benefit Plans, to the Consolidated Financial Statements.

Table 17 Contractual Commitments

	As of December 31, 2008				
(Dollars in millions)	**1 year or less**	**1-3 years**	**3-5 years**	**After 5 years**	**Total**
Time deposit maturities[1]	$29,059	$7,538	$1,721	$71	$38,389
Short-term borrowings[1]	9,480	-	-	-	9,480
Long-term debt [1]	1,536	10,078	7,311	7,871	26,796
Operating lease obligations	208	375	313	728	1,624
Capital lease obligations[1]	1	3	2	10	16
Purchase obligations[2]	104	282	226	640	1,252
Total	$40,388	$18,276	$9,573	$9,320	$77,557

[1] Amounts do not include accrued interest.
[2] Includes contracts with a minimum annual payment of $5 million.

As of December 31, 2008, our cumulative UTBs amounted to $330.0 million. Interest related to UTBs was $70.9 million as of December 31, 2008. We are under continuous examination by various tax authorities. We are unable to make a reasonable estimate of the periods of cash settlement because it is not possible to reasonably predict, with respect to periods for which the statutes of limitations are open, the amount of tax and interest (if any) that might be assessed by a tax authority or the timing of an assessment or payment. It is also not possible to reasonably predict whether or not the applicable statutes of limitations might expire without us being examined by any particular tax authority.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in detail in Note 1, Accounting Policies, to the Consolidated Financial Statements and are integral to understanding MD&A. We have identified certain accounting policies as being critical because (1) they require our judgment about matters that are highly uncertain and (2) different estimates that could be reasonably applied would result in materially different assessments with respect to ascertaining the valuation of assets, liabilities, commitments, and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset, valuing an asset or liability, or reducing a liability. Our accounting and reporting policies are in accordance with U.S. GAAP, and they conform to general practices within the financial services industry. We have established detailed policies and control procedures that are intended to ensure these critical accounting estimates are well controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a description of our current critical accounting policies.

Allowance for Loan and Lease Losses

The ALLL represents our estimate of probable losses inherent in the existing loan portfolio. The ALLL is increased by the provision for loan losses and reduced by loans charged off, net of recoveries. The ALLL is determined based on our review and evaluation of larger loans that meet our definition of impairment and the size and current risk characteristics of pools of homogeneous loans (i.e., loans having similar characteristics) within the loan portfolio and our assessment of internal and external influences on credit quality that are not fully reflected in the historical loss or risk-rating data.

Larger nonaccrual loans are individually evaluated to determine the amount of specific allowance required using the most probable source of repayment, including the present value of the loan s expected future cash flows, the fair value of the underlying collateral less costs of disposition, or the loan s estimated market value. In these measurements, we use assumptions and methodologies that are relevant to estimating

the level of impaired and unrealized losses in the portfolio. To the extent that the data supporting such assumptions has limitations, our judgment and experience play a key role in enhancing the specific ALLL estimates.

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General allowances are established for loans and leases grouped into pools that have similar characteristics, including smaller balance homogeneous loans. The ALLL Committee estimates probable losses by evaluating quantitative and qualitative factors, including net charge-off trends, internal risk ratings, changes in internal risk ratings, loss forecasts, collateral values, geographic location, borrower FICO scores, delinquency rates, nonperforming and restructured loans, origination channel, product mix, underwriting practices, industry conditions, and economic trends.

Unallocated allowances relate to inherent losses that are not included elsewhere in the ALLL. The qualitative factors associated with unallocated allowances are subjective and require a high degree of management judgment. These factors include the inherent imprecision in mathematical models and credit quality statistics, recent economic uncertainty, losses incurred from recent events not reflected in general or specific allowances, and lagging or incomplete data. During 2008, additional analysis was performed to identify the loan pools most susceptible to the imprecision risk being captured by the unallocated allowance. As of December 31, 2008, all of the unallocated allowance was assigned to specific loan pools.

Our financial results are affected by the changes in and the absolute level of the ALLL. This process involves our analysis of complex internal and external variables, and it requires that we exercise judgment to estimate an appropriate ALLL. As a result of the uncertainty associated with this subjectivity, we cannot assure the precision of the amount reserved, should we experience sizeable loan or lease losses in any particular period. For example, changes in the financial condition of individual borrowers, economic conditions, or the condition of various markets in which collateral may be sold could require us to significantly decrease or increase the level of the ALLL. Such an adjustment could materially affect net income as a result of the change in provision for loan losses. During 2007 and 2008, we experienced increases in delinquencies and net charge-offs in residential real estate loans due to the deterioration of the housing market. During 2008, we began to identify and realize loan-related losses that were due to borrower misrepresentations and insurance claim denials. We classify these loans as operating losses instead of net charge-offs applied against the ALLL, since the circumstances leading to the loss were the result of reasons other than a decline in the borrower s credit conditions. Reserves for this type of loss were estimated using recent historical loss experience data. The ALLL and operating loss reserve considered the current market conditions in deriving the estimated reserves; however, given the continued economic uncertainty, the ultimate amount of loss, as well as classification of loss, could vary from that estimate. For additional discussion of the ALLL see the Provision for Loan Losses and Allowance for Loan and Lease Losses section in this MD&A, and for additional discussion of operating losses see the Noninterest Expense section in this MD&A.

Estimates of Fair Value

We measure or monitor many of our assets and liabilities on a fair value basis. Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary basis of accounting. The extent to which we use fair value on a recurring basis was significantly expanded upon the adoption of SFAS No. 159 during the first quarter of 2007. Examples of recurring uses of fair value include derivative instruments, available for sale and trading securities, certain investment portfolio and held for sale loans, certain issuances of long-term debt, and certain residual interests from Company-sponsored securitizations. Additionally, fair value is used on a non-recurring basis to evaluate assets or liabilities for impairment or for disclosure purposes in accordance with SFAS No. 107. Examples of these non-recurring uses of fair value include loans held for sale accounted for at the lower of cost or market, MSRs, OREO, goodwill, intangible assets, nonmarketable equity securities, and long-lived assets. Depending on the nature of the asset or liability, we use various valuation techniques and assumptions when estimating fair value. These valuation techniques and assumptions are in accordance with SFAS No. 157 and when applicable, FASB Staff Position (FSP) FAS 157-3.

Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Estimating fair value in accordance with SFAS No. 157 requires that we make a number of significant judgments. Where observable market prices for identical assets or liabilities are not available, SFAS No. 157 requires that we identify, what we believe to be, similar assets or liabilities. If observable market prices are unavailable or impracticable to obtain for any such similar assets or liabilities, then fair value is estimated using modeling techniques, such as discounted cash flow analyses. These modeling techniques incorporate our assessments regarding assumptions that market participants would use in pricing the asset or the liability, including market-based assumptions, such as interest rates, as well as assumptions about the risks inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance. In certain cases, our assessments with respect to assumptions that market participants would make may be inherently difficult to determine and the use of different assumptions could result in material changes to these fair value measurements. The use of significant, unobservable inputs in our models is described in Note 20, Fair Value Election and Measurement, to the Consolidated Financial Statements.

In instances where required by U.S. GAAP, we use discount rates in our determination of the fair value of certain assets and liabilities such as retirement and other postretirement benefit obligations, loans carried at fair value, MSRs, and residual interests from Company-sponsored securitizations. Discount rates used are those considered to be commensurate with the risks involved. A change in these discount rates could increase or decrease the values of those assets and liabilities. The fair

value of MSRs is based on discounted cash flow analyses. We provide disclosure of the key economic assumptions used to measure MSRs and residual interests and a sensitivity analysis to adverse changes to these assumptions in Note 11, Certain Transfers of Financial Assets, Mortgage Servicing Rights and Variable Interest Entities, to the Consolidated Financial Statements. A detailed discussion of key variables, including the discount rate, used in the determination of retirement and other postretirement obligations is contained in the Pension Accounting section below.

In estimating the fair values for investment securities and most derivative financial instruments, we believe that independent, third-party market prices are the best evidence of exit price. If such third-party market prices are not available on the exact securities that we own, fair values are based on the market prices of similar instruments, third-party broker quotes or are estimated using industry-standard or proprietary models whose inputs may be unobservable. When market observable data is not available, the valuation of financial instruments becomes more subjective and involves substantial judgment. The need to use unobservable inputs generally results from the lack of market liquidity for certain types of loans and securities, which results in diminished observability of both actual trades and assumptions that would otherwise be available to value these instruments. The distressed market conditions, that began in the third quarter of 2007 and continued through 2008, have impacted our ability to obtain third-party pricing data for certain of our investments. Even when third-party pricing has been available, the reduced trading activity resulting from current market conditions has challenged the observability of these quotations. When fair values are estimated based on internal models, we will consider relevant market indices that correlate to the underlying collateral, along with assumptions such as liquidity discounts, interest rates, prepayment speeds, default rates, loss severity rates, and discount rates.

The fair values of loans held for investment recorded at fair value and loans held for sale are based on observable current market prices in the secondary loan market in which loans trade, as either whole loans or as ABS. When securities prices are obtained in the secondary loan market, we will translate these prices into whole loan prices by incorporating adjustments for estimated credit enhancement costs, loan servicing fees, and various other transformation costs, when material. The fair value of a loan is impacted by the nature of the asset and the market liquidity. When observable market prices are not available, for example as a result of the current illiquidity in the market for certain loan products, we will use judgment and estimate fair value using internal models. When estimating fair value, we will make assumptions about prepayment speeds, default rates, loss severity rates, and liquidity discounts. Absent comparable current market data, we believe that the fair value derived from these various approaches is a reasonable approximation of the prices that we would receive upon sale of the loans.

The fair values of OREO and other repossessed assets are typically determined based on recent appraisals by third parties, less estimated selling costs. Estimates of fair value are also required when performing an impairment analysis of goodwill, intangible assets and long-lived assets. For long-lived assets, including intangible assets subject to amortization, an impairment loss is recognized if the carrying amount of the asset is not recoverable and exceeds its fair value. In determining the fair value, management uses models which require assumptions about growth rates, the life of the asset, and/or the market value of the assets. We test long-lived assets for impairment whenever events or changes in circumstances indicate that our carrying amount may not be recoverable.

Goodwill

We review the goodwill of each reporting unit for impairment on an annual basis, or more often, if events or circumstances indicate that it is more likely than not that the fair value of the reporting unit is below the carrying value of its equity. In 2008, our reporting units were comprised of Retail, Commercial, Commercial Real Estate, Mortgage, Corporate and Investment Banking, Wealth and Investment Management, and Affordable Housing.

Valuation Techniques

In determining the fair value of our reporting units, we primarily use discounted cash flow analyses, which require assumptions about short and long-term net cash flow growth rates for each reporting unit, as well as discount rates. In addition, in 2008, we also applied guideline company and guideline transaction information, where available, to aid in the valuation of certain reporting units. The guideline information was based on publicly available information. A valuation multiple was selected based on a financial benchmarking analysis that compared the reporting unit s benchmark result with the guideline information. In addition to these financial considerations, qualitative factors such as asset quality, growth opportunities, and overall risk were considered in the ultimate selection of the multiple used to estimate a value on a minority basis. A control premium of 30% was applied to the minority basis value to arrive at the reporting unit s estimated fair value on a controlling basis. The values separately derived from each valuation technique (i.e., discounted cash flow, guideline company, and guideline transaction) were used to develop an overall estimate of a reporting unit s fair value. Generally, the discounted cash flow analysis was weighted 60% and the market based approaches were weighted 40% in the final estimated value. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weightings that are most representative of fair value.

Growth Assumptions

Multi-year financial forecasts were developed for each reporting unit by considering several key business drivers such as new business initiatives, client service and retention standards, market share changes, anticipated loan and deposit growth, forward interest rates, historical performance, and industry and economic trends, among other considerations. The long-term growth rate used in determining the terminal value of each reporting unit was estimated at 4% in 2008 based on management s assessment of the minimum expected terminal growth rate of each reporting unit, as well as broader economic considerations such as GDP and inflation. The sum of the reporting unit cash flow projections was compared to our market capitalization, on a control adjusted basis, in a discounted cash flow framework to calculate an overall implied internal rate of return. In connection with the 2008 annual goodwill impairment evaluation, the implied internal rate of return was 11%. This implied internal rate of return served as a baseline for estimating the specific discount rate for each reporting unit.

Discount Rate Assumptions

Discount rates are estimated based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and in some cases, unsystematic risk and size premium adjustments specific to a particular reporting unit. The discount rates are also calibrated based on the assessment of the risks related to the projected cash flows of each reporting unit. For the 2008 annual goodwill impairment evaluation, the discount rates used to develop the estimated fair value of the reporting units ranged from 10% to 14%.

Estimated Fair Value and Sensitivities

The estimated fair value of each reporting unit is derived from the valuation techniques described above, incorporating the related projections and assumptions. As of September 30, 2008, the estimated fair value of each reporting unit exceeded its carrying value. The estimated fair value of the reporting units is analyzed in relation to numerous market and historical factors, including current economic and market conditions, recent, historical, and implied stock price volatility, marketplace dynamics such as level of short selling, company-specific growth opportunities, and an implied control premium. The implied control premium is determined by comparing the aggregate fair value of the reporting units to our market capitalization, measured over a reasonable period of time. We compared the aggregate fair values of the reporting units as of September 30, 2008 and 2007 to our market capitalization and derived an implied control premium of approximately 60% and 40%, respectively. The implied control premium was calculated using an average market capitalization based on five days before and after September 30, 2008 and 2007. We assessed the reasonableness of the implied control premium in relation to the market and historical factors previously mentioned, as well as recognizing that the size of the implied control premium is not, independently, a determinative measure to assess the estimated fair values of the reporting units. In the current unprecedented market environment, the size of the implied control premium can vary significantly based on the economic and market conditions which may cause increased volatility in a company s stock price, resulting in a temporary decline in market capitalization; however, current market capitalization may not be an accurate indication of a market participant s estimate of entity-specific value measured over a more reasonable period of time.

The estimated fair value of the reporting unit is highly sensitive to changes in these projections and assumptions; therefore, in some instances minor changes in these assumptions could impact whether the fair value of a reporting unit is greater than its carrying value. For example, a 100 basis point increase in the discount rate and/or 20% decline in the cumulative cash flow projections of a reporting unit could cause the fair value of certain reporting units to be below its carrying value. We perform sensitivity analyses around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values. Ultimately, future potential changes in these assumptions may impact the estimated fair value of a reporting unit and cause the fair value of the reporting unit to be below its carrying value.

An indication of possible impairment occurs when the estimated fair value of the reporting unit is below the carrying value of its equity. In the case of our fourth quarter of 2008 updated goodwill impairment evaluation, we determined that it was possible that the fair value of the Mortgage, Commercial Real Estate, and Corporate and Investment Banking reporting units was less than their respective carrying values as of December 31, 2008, due, in large part, to their exposure to residential real estate and capital markets, as well as the continued deterioration in the economy during the fourth quarter of 2008. In those situations where the carrying value of equity exceeds the estimated fair value, an additional goodwill impairment evaluation is performed which involves calculating the implied fair value of the reporting unit s goodwill. The implied fair value of goodwill is determined in the same manner as goodwill is recognized in a business combination. The fair value of the reporting unit s assets and liabilities, including previously unrecognized intangible assets, is individually determined. Significant judgment and estimates are involved in estimating the fair value of the assets and liabilities of the reporting unit. The excess fair value of the reporting unit over the fair value of the reporting unit s net assets is the implied goodwill.

The value of the implied goodwill is highly sensitive to the estimated fair value of the reporting unit s net assets. The fair value of the reporting unit s net assets is estimated using a variety of valuation techniques including the following:

recent data observed in the market, including similar assets
cash flow modeling based on projected cash flows and market discount rates
market indices

estimated net realizable value of the underlying collateral
price indications from independent third parties

Observable market information is utilized to the extent available and relevant. The estimated fair values reflect management s assumptions regarding how a market participant would value the net assets and includes appropriate credit, liquidity, and market risk premiums that are indicative of the current environment. Currently, estimated liquidity and market risk premiums on certain loan categories ranged from 5% to 20% due to the distressed nature of the market; however, those values may not be indicative of the ultimate economic value of those assets. For example, the fair value of the loans based on estimated future cash flows discounted at new origination rates for loans with similar terms and credit quality, (i.e. discount rates exclusive of the market risk premium and liquidity discount) derives an estimated fair value that approximates 95% of the loans carrying value.

If the implied fair value of the goodwill for the reporting unit exceeds the carrying value of the goodwill for the respective reporting unit, no goodwill impairment is recorded. Changes in the estimated fair value of the individual assets and liabilities may result in a different amount of implied goodwill, and ultimately the amount of goodwill impairment, if any. Sensitivity analysis is performed to assess the potential ranges of implied goodwill. In the case of separately estimating the implied goodwill for our Mortgage, Commercial Real Estate, and Corporate and Investment Banking reporting units, the fair value of the reporting unit s assets and liabilities was estimated to be a net liability as of December 31, 2008, which caused the implied fair value of the reporting unit s goodwill to exceed its carrying value, resulting in no goodwill impairment. The size of the implied goodwill was significantly affected by the estimated fair value of the loans pertaining to these reporting units. The fair value estimate of these loan portfolios ranged from approximately 75% to 90%. The estimated fair value of these loan portfolios is based on an exit price, and the assumptions used are intended to approximate those that a market participant would use in valuing the loans in an orderly transaction, including a market liquidity discount. As previously mentioned, the significant market risk premium that is a consequence of the current distressed market conditions was a significant contributor to the valuation discounts associated with these loans. However, it is possible that future changes in the fair value of the reporting unit s net assets could result in future goodwill impairment. For example, to the extent that market liquidity returns and the fair value of the individual assets of a reporting unit increases at a faster rate than the fair value of the reporting unit as a whole, that may cause the implied goodwill of a reporting unit to be lower than the carrying value of goodwill, resulting in goodwill impairment.

Income Taxes

We are subject to the income tax laws of the various jurisdictions where we conduct business and estimate income tax expense based on amounts expected to be owed to these various tax jurisdictions. On a quarterly basis, we evaluate the reasonableness of our effective tax rate based upon a current estimate of net income, tax credits, non-taxable income and the applicable statutory tax rates expected for the full year. The estimated income tax expense is reported in the Consolidated Statements of Income.

Accrued taxes represent the net estimated amount due to or to be received from tax jurisdictions either currently or in the future and are reported in other liabilities on the Consolidated Balance Sheets. We assess the appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent and other pertinent information and maintain tax accruals consistent with our evaluation. Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations by the tax authorities and newly enacted statutory, judicial and regulatory guidance that could impact the relative merits of tax positions. These changes, when they occur, impact accrued taxes and can materially affect our operating results.

We periodically evaluate our uncertain tax positions and estimate the appropriate level of tax reserves related to each of these positions. Additionally, we evaluate the realizability of deferred tax asset positions based on expectations of future taxable income. The evaluation pertaining to the tax expense and related tax asset and liability balances involves a high degree of judgment and subjectivity around the ultimate measurement and resolution of these matters.

Pension Accounting

Several variables affect the annual pension cost and the annual variability of cost for our retirement programs. The main variables are: (1) size and characteristics of the employee population, (2) discount rate, (3) expected long-term rate of return on plan assets, (4) recognition of actual asset returns, (5) other actuarial assumptions and (6) healthcare cost. Below is a brief description of these variables and the effect they have on our pension costs.

Size and Characteristics of the Employee Population

Pension cost is directly related to the number of employees covered by the plans, and other factors including salary, age, years of employment, and benefit terms. Effective January 1, 2008, retirement plan participants who were employed as of

December 31, 2007 ceased to accrue additional benefits under the existing pension benefit formula and their accrued benefits were frozen. Beginning January 1, 2008, participants who had fewer than 20 years of service and future participants accrue future pension benefits under a cash balance formula that provides compensation and interest credits to a Personal Pension Account. Participants with 20 or more years of service as of December 31, 2007 were given the opportunity to choose between continuing a traditional pension benefit accrual under a reduced formula or participating in the new Personal Pension Account. The plan population decreased through 2008 due to the effects of a reorganization announced during 2007.

Discount Rate

The discount rate is used to determine the present value of future benefit obligations. The discount rate for each plan is determined by matching the expected cash flows of each plan to a yield curve based on long term, high quality fixed income debt instruments available as of the measurement date, December 31, 2008. The discount rate for each plan is reset annually on the measurement date to reflect current market conditions.

If we were to assume a 0.25% increase/decrease in the discount rate for all retirement and other postretirement plans, and keep all other assumptions constant, the benefit cost would decrease/ increase by approximately $11 million.

Expected Long-term Rate of Return on Plan Assets

Based on historical experience and market projection of the target asset allocation set forth in the investment policy for the Retirement Plans, the pre-tax expected rate of return on plan assets was 8.50% for 2007 and 8.25% for 2008. This expected rate of return is dependent upon the asset allocation decisions made with respect to plan assets. We modified the pre-tax expected rate of return on plan assets for 2009 to be 8.00% to reflect the reduction in pension trust equity exposure.

Annual differences, if any, between expected and actual returns are included in the unrecognized net actuarial gain or loss amount. We generally amortize any unrecognized net actuarial gain or loss in excess of a 10% corridor, as defined in SFAS No. 87, Employers Accounting for Pensions, in net periodic pension expense over the average future service of active employees, which is approximately seven years, or average future lifetime for plans with no active participants that are frozen. See Note 16, Employee Benefit Plans, to the Consolidated Financial Statements for details on changes in the pension benefit obligation and the fair value of plan assets.

If we were to assume a 0.25% increase/decrease in the expected long-term rate of return for the retirement and other postretirement plans, holding all other actuarial assumptions constant, the benefit cost would decrease/increase by approximately $5 million.

Recognition of Actual Asset Returns

SFAS No. 87 allows for the use of an asset value that smoothes investment gains and losses over a period up to five years. However, we have elected to use a preferable method in determining pension cost. This method uses the actual market value of the plan assets. Therefore, we will experience more variability in the annual pension cost, as the asset values will be more volatile than companies who elected to smooth their investment experience.

Other Actuarial Assumptions

To estimate the projected benefit obligation, actuarial assumptions are required about factors such as mortality rate, turnover rate, retirement rate, disability rate, and the rate of compensation increases. These factors do not tend to change significantly over time, so the range of assumptions, and their impact on pension cost, is generally limited. We periodically review the assumptions used based on historical and expected future experience. The interest crediting rate applied to each Personal Pension Account was 6.28% in 2008.

Healthcare Cost

Assumed healthcare cost trend rates also have an impact on the amounts reported for the postretirement plans. Due to changing medical inflation, it is important to understand the effect of a one percent change in assumed healthcare cost trend rates. If we were to assume a one percent increase in healthcare cost trend rates, the effect on the other postretirement benefit obligation and total interest and service cost would be a $12.8 million and $0.7 million increase, respectively. If we were to assume a one percent decrease in healthcare trend rates, the effect on the other postretirement benefit obligation and total interest and service cost would be a $11.2 million and $0.6 million decrease, respectively.

To estimate the projected benefit obligation as of December 31, 2008, we projected forward the benefit obligations from January 1, 2008 to December 31, 2008, adjusting for benefit payments, expected growth in the benefit obligations, changes in key assumptions and plan provisions, and any significant changes in the plan demographics that occurred during the year, including (where appropriate) subsidized early retirements, salary changes different from expectations, entrance of new participants, changes in per capita claims cost, Medicare Part D subsidy, and retiree contributions.

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Table 18 - Selected Quarterly Financial Data

	Three Months Ended							
	2008				2007			
(Dollars in millions, except per share and other data)	**December 31**	**September 30**	**June 30**	**March 31**	December 31	September 30	June 30	March 31
Summary of Operations								
Interest, fees, and dividend income	**$1,985.4**	**$2,017.3**	**$2,066.4**	**$2,258.3**	$2,448.7	$2,515.3	$2,543.9	$2,528.0
Interest expense	**808.5**	**871.1**	**909.7**	**1,118.5**	1,281.1	1,323.1	1,348.6	1,363.5
Net interest income	**1,176.9**	**1,146.2**	**1,156.7**	**1,139.8**	1,167.6	1,192.2	1,195.3	1,164.5
Provision for loan losses	**962.5**	**503.7**	**448.0**	**560.0**	356.8	147.0	104.7	56.4
Net interest income after provision for loan losses	**214.4**	**642.5**	**708.7**	**579.8**	810.8	1,045.2	1,090.6	1,108.1
Noninterest income [1]	**717.7**	**1,285.2**	**1,413.0**	**1,057.5**	576.0	819.1	1,154.6	878.9
Noninterest expense	**1,588.7**	**1,668.1**	**1,378.5**	**1,255.1**	1,455.4	1,291.2	1,251.2	1,236.0
Income/(loss) before provision (benefit) for income taxes	**(656.6)**	**259.6**	**743.2**	**382.2**	(68.6)	573.1	994.0	751.0
Provision (benefit) for income taxes	**(309.0)**	**(52.8)**	**202.8**	**91.6**	(79.7)	152.9	312.6	229.7
Net income/(loss)	**(347.6)**	**312.4**	**540.4**	**290.6**	11.1	420.2	681.4	521.3
Series A preferred stock dividends	**5.0**	**5.1**	**5.1**	**7.0**	7.8	7.6	7.5	7.4
U.S. Treasury preferred dividends	**26.6**	**-**	**-**	**-**	-	-	-	-
Net income available to common shareholders	**($379.2)**	**$307.3**	**$535.3**	**$283.6**	$3.3	$412.6	$673.9	$513.9
Net interest income-FTE	**$1,208.7**	**$1,175.7**	**$1,185.0**	**$1,167.8**	$1,194.8	$1,219.2	$1,220.0	$1,188.3
Total revenue-FTE	**1,926.5**	**2,460.9**	**2,598.0**	**2,225.3**	1,770.8	2,038.3	2,374.6	2,067.2
Net income per average								

common share								
Diluted	**($1.08)**	**$0.88**	**$1.53**	**$0.81**	$0.01	$1.18	$1.89	$1.44
Basic	**(1.08)**	**0.88**	**1.53**	**0.82**	0.01	1.19	1.91	1.45
Dividends paid per average common share	**0.54**	**0.77**	**0.77**	**0.77**	0.73	0.73	0.73	0.73
Selected Average Balances								
Total assets	**$177,047.3**	**$173,888.5**	**$175,548.8**	**$176,916.9**	$175,130.5	$174,653.4	$179,996.5	$181,506.4
Earning assets	**153,187.9**	**152,319.8**	**152,483.0**	**153,003.6**	151,541.0	152,327.6	157,594.2	159,473.6
Loans	**127,607.9**	**125,642.0**	**125,191.9**	**123,263.0**	121,094.3	119,558.6	118,164.6	121,514.9
Consumer and commercial deposits	**102,238.4**	**100,199.8**	**101,727.0**	**101,168.4**	99,648.5	96,707.6	97,926.3	97,792.3
Brokered and foreign deposits	**12,648.7**	**15,799.8**	**15,068.3**	**15,468.6**	15,717.0	21,139.9	23,983.4	26,714.1
Total shareholders equity	**19,778.0**	**17,981.9**	**18,093.2**	**18,061.7**	18,032.8	17,550.2	17,928.1	17,720.4
Financial Ratios and Other Data (Annualized)								
Return on average total assets	**(0.78)** %	**0.71** %	**1.24** %	**0.66** %	0.03 %	0.95 %	1.52 %	1.16 %
Return on average assets less net unrealized securities gains	**(1.39)**	**0.45**	**0.42**	**0.72**	(0.01)	0.93	1.18	1.15
Return on average common shareholders equity	**(8.63)**	**6.99**	**12.24**	**6.49**	0.07	9.60	15.51	12.10
Return on average realized common shareholders equity	**(15.54)**	**4.55**	**4.36**	**7.69**	(0.33)	9.86	12.71	12.54
Net interest margin- FTE	**3.14**	**3.07**	**3.13**	**3.07**	3.13	3.18	3.10	3.02
Efficiency ratio- FTE	**82.47**	**67.78**	**53.06**	**56.40**	82.19	63.35	52.69	59.79
Tangible efficiency ratio	**81.57**	**67.03**	**50.57**	**55.47**	80.86	62.13	51.64	58.65
Effective tax rate (benefit)	**(47.06)**	**(20.32)**	**27.29**	**23.98**	(116.22)	26.68	31.45	30.59
Allowance to period-end loans	**1.86**	**1.54**	**1.46**	**1.25**	1.05	0.91	0.88	0.88
Nonperforming assets to total loans plus OREO and other repossessed assets	**3.49**	**2.90**	**2.36**	**1.85**	1.35	0.97	0.73	0.64
Common dividend payout ratio	**(50.4)**	**88.6**	**50.8**	**94.8**	7,788.6	61.6	38.5	50.6
Full-service banking offices	**1,692**	**1,692**	**1,699**	**1,678**	1,682	1,683	1,685	1,691
ATMs	**2,582**	**2,506**	**2,506**	**2,509**	2,507	2,518	2,533	2,543
	29,333	**29,447**	**31,602**	**31,745**	32,323	32,903	33,241	33,397

Full-time equivalent employees								
Tier 1 capital ratio	**10.87 %**	**8.15 %**	**7.47 %**	**7.23 %**	6.93 %	7.44 %	7.49 %	7.60 %
Total capital ratio	**14.04**	**11.16**	**10.85**	**10.97**	10.30	10.72	10.67	10.94
Tier 1 leverage ratio	**10.45**	**7.98**	**7.54**	**7.22**	6.90	7.28	7.11	7.24
Total average shareholders equity to average assets	**11.17**	**10.34**	**10.31**	**10.21**	10.30	10.05	9.96	9.76
Tangible equity to tangible assets	**8.40**	**6.40**	**6.27**	**6.56**	6.31	6.36	5.85	5.97
Tangible common equity to tangible assets	**5.53**	**6.10**	**5.97**	**6.27**	6.02	6.06	5.56	5.69
Book value per common share	**$48.42**	**$49.32**	**$49.24**	**$51.26**	$50.38	$50.01	$48.33	$49.00
Market Price:								
High	**57.75**	**64.00**	**60.80**	**70.00**	78.76	90.47	94.18	87.43
Low	**19.75**	**25.60**	**32.34**	**52.94**	60.02	73.61	78.16	80.76
Close	**29.54**	**44.99**	**36.22**	**55.14**	62.49	75.67	85.74	83.04
Market capitalization	**10,472**	**15,925**	**12,805**	**19,290**	21,772	26,339	29,928	29,604
Average common shares outstanding (000s)								
Diluted	**351,882**	**350,970**	**349,783**	**348,072**	348,072	349,592	356,008	357,214
Basic	**350,439**	**349,916**	**348,714**	**346,581**	345,917	346,150	351,987	353,448
[1] Includes net securities gains/(losses)	**$411.1**	**$173.0**	**$549.8**	**($60.6)**	$5.7	$1.0	$236.4	$-

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Table 19 - Consolidated Daily Average Balances, Income/Expense and Average Yields Earned and Rates Paid

	Three Months Ended					
	December 31, 2008			December 31, 2007		
(Dollars in millions; yields on taxable-equivalent basis)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets						
Loans:[1]						
Real estate 1-4 family	**$31,006.9**	**$482.4**	**6.22 %**	$31,990.3	$517.4	6.47 %
Real estate construction	**8,914.8**	**106.5**	**4.75**	13,250.9	238.8	7.15
Real estate home equity lines	**15,803.1**	**173.8**	**4.38**	14,394.8	268.1	7.39
Real estate commercial	**14,736.8**	**202.2**	**5.46**	12,891.6	221.2	6.81
Commercial - FTE[2]	**40,463.8**	**540.5**	**5.31**	34,879.3	564.9	6.43
Credit card	**999.0**	**16.9**	**6.76**	690.1	2.1	1.23
Consumer - direct	**5,009.4**	**65.3**	**5.18**	3,949.3	70.7	7.10
Consumer - indirect	**6,820.9**	**109.6**	**6.39**	7,877.3	125.7	6.33
Nonaccrual and restructured	**3,853.2**	**5.1**	**0.53**	1,170.7	4.3	1.45
Total loans[1]	**127,607.9**	**1,702.3**	**5.31**	121,094.3	2,013.2	6.60
Securities available for sale:						
Taxable	**13,071.2**	**183.8**	**5.63**	11,814.6	182.9	6.19
Tax-exempt - FTE[2]	**1,007.9**	**15.2**	**6.04**	1,054.0	16.0	6.07
Total securities available for sale - FTE[2]	**14,079.1**	**199.0**	**5.65**	12,868.6	198.9	6.18
Funds sold and securities purchased under agreements to resell	**963.2**	**1.9**	**0.77**	1,066.1	11.6	4.25
Loans held for sale	**3,968.3**	**53.5**	**5.39**	8,777.6	139.2	6.34
Interest-bearing deposits	**30.9**	**0.2**	**2.14**	18.2	0.3	6.22
Interest earning trading assets	**6,538.5**	**60.3**	**3.67**	7,716.2	112.8	5.80
Total earning assets	**153,187.9**	**2,017.2**	**5.24**	151,541.0	2,476.0	6.48
Allowance for loan and lease losses	**(1,997.9)**			(1,114.9)		
Cash and due from banks	**3,218.6**			3,462.6		
Other assets	**17,695.3**			17,172.3		
Noninterest earning trading assets	**3,571.8**			1,660.9		
Unrealized gains on securities available for sale, net	**1,371.6**			2,408.6		
Total assets	**$177,047.3**			$175,130.5		
Liabilities and Shareholders Equity						
Interest-bearing deposits:						
NOW accounts	**$20,095.0**	**$32.6**	**0.65 %**	$20,737.2	$121.0	2.32 %
Money market accounts	**27,968.7**	**126.3**	**1.80**	24,261.5	177.7	2.91
Savings	**3,460.0**	**2.8**	**0.32**	4,177.7	11.1	1.05
Consumer time	**17,043.5**	**141.9**	**3.31**	17,170.7	197.2	4.56
Other time	**12,716.6**	**112.0**	**3.50**	12,353.3	151.5	4.87
Total interest-bearing consumer and commercial deposits	**81,283.8**	**415.6**	**2.03**	78,700.4	658.5	3.32
Brokered deposits	**8,942.3**	**84.3**	**3.69**	12,771.1	168.2	5.15
Foreign deposits	**3,706.4**	**4.0**	**0.42**	2,945.9	32.6	4.33
Total interest-bearing deposits	**93,932.5**	**503.9**	**2.13**	94,417.4	859.3	3.61
Funds purchased	**2,156.1**	**3.8**	**0.69**	2,151.4	24.1	4.38
Securities sold under agreements to repurchase	**3,609.4**	**3.1**	**0.33**	5,706.7	55.2	3.78
Interest-bearing trading liabilities	**585.9**	**5.7**	**3.87**	504.2	3.5	2.75
Other short-term borrowings	**4,163.5**	**8.0**	**0.77**	3,202.8	37.4	4.63
Long-term debt	**24,037.8**	**284.0**	**4.70**	22,808.1	301.7	5.25
Total interest-bearing liabilities	**128,485.2**	**808.5**	**2.50**	128,790.6	1,281.2	3.95
Noninterest-bearing deposits	**20,954.6**			20,948.1		

Other liabilities	**5,237.7**		5,812.5	
Noninterest-bearing trading liabilities	**2,591.8**		1,546.5	
Shareholders equity	**19,778.0**		18,032.8	
Total liabilities and shareholders equity	**$177,047.3**		$175,130.5	
Interest Rate Spread		**2.74 %**		2.53 %
Net Interest Income - FTE [3]	**$1,208.7**		$1,194.8	
Net Interest Margin[4]		**3.14 %**		3.13 %

[1] Interest income includes loan fees of $34.8 million and $33.3 million in the quarters ended December 31, 2008 and December 31, 2007, respectively. Nonaccrual loans are included in average balances and income on such loans, if recognized, is recorded on a cash basis.

[2] Interest income includes the effects of taxable-equivalent adjustments using a federal income tax rate of 35% and, where applicable, state income taxes to increase tax-exempt interest income to a taxable-equivalent basis. The net taxable-equivalent adjustment amounts included in the above table aggregated $31.8 million and $27.3 million in the quarters ended December 31, 2008 and December 31, 2007, respectively.

[3] The Company obtained derivative instruments to manage the Company s interest-sensitivity position that increased net interest income $46.3 million and $6.6 million in the quarters ended December 31, 2008 and December 31, 2007, respectively.

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

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FOURTH QUARTER RESULTS

We reported a net loss available to common shareholders of $379.2 million for the fourth quarter of 2008, a decrease of $382.5 million compared to the same period of the prior year. Diluted loss per average common share was $1.08 for the fourth quarter of 2008 compared to diluted income of $0.01 for the fourth quarter of 2007. The fourth quarter of 2008 results included net market valuation losses on illiquid financial instruments and our public debt and related hedges carried at fair value of approximately $144.6 million and a provision for loan losses of $962.5 million. The loan loss provision was increased due to higher residential mortgage and residential construction net charge-offs.

Net interest income FTE was $1,208.7 million for the fourth quarter of 2008, an increase of $13.9 million, or 1.2%, from the fourth quarter of 2007. The increase was due to growth in average earning assets, an improved mix of loans and deposits, an increase in consumer and commercial deposits, and a decrease in wholesale funding during the fourth quarter. While net interest margin grew nominally from 3.13% in the fourth quarter of 2007 to 3.14% for the same period of 2008, we experienced an increase of 7 basis points from the third quarter of 2008.

Provision for loan losses was $962.5 million in the fourth quarter of 2008, an increase of $605.7 million from the fourth quarter of 2007. The provision for loan losses was $410.0 million more than net charge-offs for the fourth quarter of 2008 reflecting the dramatic decline in the state of the economy and, specifically, further deterioration in credit conditions of the residential mortgage and real estate construction portfolios.

Total noninterest income was $717.7 million for the fourth quarter of 2008, an increase of $141.7 million, or 24.6%, from the fourth quarter of 2007. This increase was primarily driven by the impact of the net market valuation losses of approximately $555 million recorded in 2007 that declined to approximately $145 million in 2008. Partially offsetting the benefit of lower mark to market losses was lower mortgage production income and trust and investment management revenue in 2008. The fourth quarter of 2008 included net mark to market valuation losses in trading income of $43.6 million related to illiquid trading securities and loans carried at fair value and losses of $44.3 million related to the tightening of credit spreads on our public debt and related hedges carried at fair value. The fourth quarter of 2007 included losses of approximately $475 million related to market value declines in ABS, net of valuation gains on our debt carried at fair value. Although we had a decrease in valuation losses on mortgage loans carried at fair value or held for sale, noninterest income was negatively impacted by a decline in mortgage-related income of $50.1 million in the fourth quarter as reserves for losses associated with repurchases of mortgage loans increased approximately $32 million and mortgage origination volume declined 44% compared to the fourth quarter of 2007. Offsetting the increase was a $118.8 million net gain from the sale/leaseback of branch and office properties recognized in the fourth quarter of 2007. Net securities gains/(losses) for the fourth quarter of 2008 also increased by $405.4 million compared to the same period of 2007 due to the sale of MBS held in conjunction with our risk management strategies associated with hedging the values of MSRs. Volatility in interest rates and increased loan prepayment speed estimates during the quarter resulted in a $370.0 million impairment of MSRs that were amortized at cost.

Total noninterest expense was $1,588.7 million during the fourth quarter of 2008, an increase of $133.3 million, or 9.2%, over the fourth quarter of 2007. The increase was primarily driven by growth in credit-related expenses of approximately $334 million which overshadowed the cost savings achieved from our efficiency and productivity initiatives. Included in the credit-related expenses were operating losses, growing from $42.8 million for fourth quarter of 2007 to $236.1 million for the same period of 2008, primarily related to increased reserves stemming from borrower misrepresentations and insurance claim denials, as well as $100 million related to mortgage reinsurance reserves. Positively impacting the fourth quarter of 2008 was a decrease compared to 2007 of $44.8 million in employee compensation expense and benefits. The fourth quarter also benefited from a $14.3 million expense reversal related to Visa litigation, resulting from the recognition of the funding by Visa of its litigation escrow account, compared to a $76.9 million expense accrual for Visa litigation in the same period of 2007. In the fourth quarter of 2008, we recorded write-downs of $15.7 million related to Affordable Housing properties as compared to $57.7 million of related charges in the fourth quarter of 2007. Outside processing increased $38.5 million, or 36.5%, due to the outsourcing of certain back-office operations in the third quarter of 2008, which was more than offset by the corresponding decrease in employee compensation and benefits.

The income tax benefit for the fourth quarter of 2008 was $309.0 million compared to the income tax benefit of $79.7 million for the fourth quarter of 2007. The decrease in the tax provision was primarily attributable to the lower level of earnings and a higher proportion of tax-exempt income, state tax benefits resulting from subsidiaries net operating losses and tax credits.

BUSINESS SEGMENTS

We have four business segments used to measure business activities: Retail and Commercial, Wholesale, Wealth and Investment Management, and Mortgage with the remainder in Corporate Other and Treasury.

In this section, we discuss the performance and financial results of our business segments. For more financial details on business segment disclosures, see Note 22, Business Segment Reporting to the Consolidated Financial Statements.

Retail and Commercial

Retail and Commercial serves consumers, businesses with up to $100 million in annual revenue, government/not-for-profit enterprises, and provides services for the clients of our other businesses. Financial products and services offered to consumers include loans, deposits, and other fee-based services through an extensive network of traditional and in-store branches, ATMs, the Internet (www.suntrust.com) and the telephone (1-800-SUNTRUST). Financial products and services offered to business clients include commercial lending, financial risk management, insurance premium financing, and treasury and payment solutions including commercial card services. In addition to serving the retail market, Retail and Commercial serves as an entry point for other lines of business. When client needs change and expand, Retail and Commercial refers clients to our Wealth and Investment Management, Wholesale, and Mortgage lines of business.

Wholesale

Wholesale s primary businesses include Middle Market which serves commercial clients with $100 million to $750 million in annual revenue, Corporate Banking which serves clients with greater than $750 million in annual revenue, Commercial Real Estate which serves commercial and residential developers and investors, and STRH. Corporate Banking is focused on selected industry sectors: consumer and retail, financial services and technology, energy, healthcare, and diversified while Middle Market is more geographically focused. Through STRH, Wholesale offers a full range of capital markets services to its clients, including strategic advice, capital raising, and financial risk management. These capital markets services are also provided to Commercial and Wealth and Investment Management clients. In addition, Wholesale offers traditional lending, leasing, and treasury management services to its clients and also refers clients to Wealth and Investment Management. Commercial Real Estate also offers specialized investments delivered through SunTrust Community Capital, LLC.

Mortgage

Mortgage offers residential mortgage products nationally through our retail, broker, and correspondent channels. These products are either sold in the secondary market primarily with servicing rights retained or held as whole loans in our residential loan portfolio. The line of business services loans for its own residential mortgage portfolio as well as for others. Additionally, the line of business generates revenue through its tax service subsidiary (ValuTree Real Estate Services, LLC) and our captive reinsurance subsidiary (Twin Rivers).

Wealth and Investment Management

Wealth and Investment Management provides a full array of wealth management products and professional services to both individual and institutional clients. Wealth and Investment Management s primary businesses include Private Wealth Management (PWM) (brokerage and individual wealth management), GenSpring Family Offices (GenSpring), Institutional Investment Solutions (IIS), and RidgeWorth.

The PWM group offers professional investment management and trust services to clients seeking active management of their financial resources. In addition, the Private Banking group is included in PWM, which enables the group to offer a full array of loan and deposit products to clients. PWM also includes SunTrust Investment Services which operates across our footprint and offers discount/online and full service brokerage services to individual clients. In addition, GenSpring 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 their wealth across multiple generations.

Institutional Investment Solutions is comprised of Employee Benefit Solutions, Foundations & Endowments Specialty Group, Institutional Asset Services (IAS), as well as SunTrust Institutional Asset Advisors (STIAA). Employee Benefit Solutions provides administration and custody services for defined benefit and defined contribution plans as well as administration services for non-qualified plans. The Foundations & Endowments Specialty Group provides bundled administrative and investment solutions (including planned giving, charitable trustee, and foundation grant administration services) for non-profit organizations. IAS provides custody, master custody, and various administrative services for both non-profit and for-profit organizations including colleges and universities, hospitals, foundations, endowments, insurance companies and government entities. Corporate Agency Services, a specialized group within IAS, targets corporations, governmental entities and attorneys requiring escrow services. STIAA provides portfolio construction and manager due diligence services to other units within IIS to facilitate the delivery of investment management services to their clients.

RidgeWorth, which serves as investment manager for the RidgeWorth Funds and individual clients, is an investment advisor registered with the SEC. RidgeWorth is also a holding company with ownership in other institutional asset management boutiques offering a wide array of equity, alternative, fixed income, and liquidity management capabilities. These boutiques include Alpha Equity Management, Ceredex Value Advisors, Certium Asset Management, IronOak Advisors, Seix Investment Advisors, Silvant Capital Management, StableRiver Capital Management, and Zevenbergen Capital Investments.

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Corporate Other and Treasury

Corporate Other and Treasury includes the investment securities portfolio, long-term debt, end user derivative instruments, short-term liquidity and funding activities, balance sheet risk management, and most real estate assets. The majority of the support, operational, and overhead costs associated with the Corporate Other and Treasury have been allocated to the functional segments with the cost recovery recognized in Corporate Other and Treasury. These components include Enterprise Information Services, which is the primary data processing and operations group; the Corporate Real Estate group, which manages our facilities; Marketing, which handles advertising, product management, customer information functions, and internet banking; SunTrust Online, which handles customer phone inquiries and phone sales and manages the Internet banking functions; Human Resources, which includes the recruiting, training and employee benefit administration functions; Finance, which includes accounting, planning, tax, and treasury. Other functions included in Corporate Other and Treasury are corporate risk management, legal and compliance, branch operations, corporate strategies, procurement, and the executive management group. Finally, Corporate Other and Treasury also includes Trustee Management, which provides treasury management and deposit services to bankruptcy trustees.

For business segment reporting purposes, the basis of presentation in the accompanying discussion includes the following:

Net interest income All net interest income is presented on an FTE basis. The revenue gross-up has been applied to tax-exempt loans and investments to make them comparable to other taxable products. The segments have also been matched maturity funds transfer priced, generating credits or charges based on the economic value or cost created by the assets and liabilities of each segment. The mismatch between funds credits and funds charges at the segment level resides in Reconciling Items. The change in the matched maturity funds mismatch is generally attributable to the corporate balance sheet management strategies.

Provision for loan losses Represents net charge-offs by segment. The difference between the total segment net charge-offs and the consolidated provision for loan losses is reported in Reconciling Items.

Provision for income taxes Calculated using a nominal income tax rate for each segment. This calculation includes the impact of various income adjustments, such as the reversal of the FTE gross up on tax-exempt assets, tax adjustments and credits that are unique to each business segment. The difference between the calculated provision for income taxes at the total segment level and the consolidated provision for income taxes is reported in Reconciling Items.

We continue to augment our internal management reporting methodologies. Currently, the segment s financial performance is comprised of direct financial results as well as various allocations that for internal management reporting purposes provide an enhanced view of analyzing the segment s financial performance. The internal allocations include the following:

Operational Costs Expenses are charged to the segments based on various statistical volumes multiplied by activity based cost rates. As a result of the activity based costing process, planned residual expenses are also allocated to the segments. The recoveries for the majority of these costs are in the Corporate Other and Treasury segment.

Support and Overhead Costs Expenses not directly attributable to a specific segment are allocated based on various drivers (e.g., number of full-time equivalent employees and volume of loans and deposits). The recoveries for these allocations are in Corporate Other and Treasury.

Sales and Referral Credits Segments may compensate another segment for referring or selling certain products. The majority of the revenue resides in the segment where the product is ultimately managed.

The application and development of management reporting methodologies is a dynamic process and is subject to periodic enhancements. The implementation of these enhancements to the internal management reporting methodology may materially affect the net income disclosed for each segment with no impact on consolidated results. Whenever significant changes to management reporting methodologies take place, the impact of these changes is quantified and prior period information is reclassified wherever practicable. We will reflect these changes in the current period and will update historical results. At the end of 2008, we announced certain management and organizational changes related to the

lines of business. This reorganization will strengthen the alignment between strategy development and execution. Our reporting segments could change after the organizational transitions are completed in the first quarter of 2009.

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The following table for our reportable business segments compares net income for the twelve months ended December 31, 2008 to the same period in 2007 and 2006:

Table 20 Net Income/(Loss) by Segment

	Year Ended December 31		
(Dollars in millions)	**2008**	2007	2006
Retail and Commercial	**$306.6**	$790.5	$929.9
Wholesale	**217.3**	196.1	376.4
Mortgage	**(561.8)**	5.4	242.8
Wealth and Investment Management	**186.9**	88.3	290.8
Corporate Other and Treasury	**830.6**	256.7	36.8
Reconciling Items	**(183.8)**	297.0	240.8

The following table for our reportable business segments compares average loans and average deposits for the year ended December 31, 2008 to the same period in 2007 and 2006:

Table 21 Average Loans and Deposits by Segment

	Year Ended December 31					
	Average Loans			Average Deposits		
(Dollars in millions)	**2008**	2007	2006	**2008**	2007	2006
Retail and Commercial	**$51,148**	$51,199	$50,497	**$80,944**	$80,153	$80,273
Wholesale	**34,615**	29,790	29,512	**9,060**	5,553	5,080
Mortgage	**31,342**	30,805	31,233	**2,238**	2,137	1,811
Wealth and Investment Management	**8,109**	7,965	8,135	**9,563**	9,781	9,477
Corporate Other and Treasury	**236**	356	294	**14,370**	22,277	27,149

BUSINESS SEGMENT RESULTS

Retail and Commercial

Retail and Commercial net income for the twelve months ended December 31, 2008 was $306.6 million, a decrease of $483.9 million, or 61.2%, compared to the same period in 2007. This decrease was primarily the result of higher provision for loan losses due to home equity line, consumer, indirect, and commercial loan net charge-offs, lower net interest income related to deposit spreads and higher credit-related noninterest expense, partially offset by strong growth in service charges on deposits.

Net interest income decreased $217.9 million, or 7.7%, driven by a continued shift in deposit mix and decreased spreads, as deposit competition and the interest rate environment encouraged clients to migrate into higher yielding interest-bearing deposits. Average deposit balances increased $0.8 billion, or 1.0%, while deposit spreads decreased 26 basis points resulting in a $207.6 million decrease in net interest income. Low cost demand deposit and savings account average balances decreased a combined $1.6 billion, or 8.1%, primarily due to decreases in commercial demand and savings. Higher cost products such as NOW and money market increased a combined $2.3 billion, or 6.7%. Net interest income from loans decreased $14.3 million, or 1.4%, as average loan balances declined $0.1 billion, or 0.1%. Growth in commercial loans, equity lines, credit card, student loans, and loans acquired in conjunction with the GB&T transaction was offset by an approximately $1.8 billion decline in average loan balances related to the migration of middle market clients from Retail and Commercial to Wholesale.

Provision for loan losses increased $593.1 million over the same period in 2007. The provision increase was most pronounced in home equity lines reflecting deterioration in the residential real estate market, while provision for loan losses on consumer, indirect, and commercial loans, primarily to commercial clients with annual revenues of less than $5 million, also increased.

Total noninterest income increased $102.6 million, or 8.2%, over the same period in 2007. This increase was driven primarily by a $66.5 million, or 9.1%, increase in service charges on both consumer and business deposit accounts, primarily due to growth in the number of accounts, higher nonsufficient funds (NSF) rates, and an increase in occurrences of NSF fees. Interchange fees increased $24.5 million, or 12.1%, and ATM revenue increased $9.9 million, or 8.3%.

Total noninterest expense increased $60.2 million, or 2.3%, from the same period in 2007. The continuing positive impact of expense savings initiatives and lower amortization of intangibles was offset by higher credit-related expenses including operating losses due to fraud, other real estate, and collections, as well as continued investments in the branch distribution network.

Wholesale

Wholesale s net income for the twelve months ended December 31, 2008 was $217.3 million, an increase of $21.2 million, or 10.8%, compared to the same period in 2007. Lower market valuation trading losses in structured products and affordable housing related noninterest expenses were partially offset by an increase in provision expense, lower merchant banking gains, and higher incentive-based compensation.

Net interest income was $564.7 million for the twelve months ended December 31, 2008, relatively unchanged from prior year. Average loan balances increased $4.8 billion, or 16.2%, while the corresponding net interest income declined $7.1 million, or 1.6%. The migration of middle market clients from Retail and Commercial to Wholesale accounted for approximately $1.8 billion of the increase in average loan balances and increased net interest income $25.8 million. The remainder of Wholesale s average loans increased $3.0 billion, or 10.4%, driven by increased corporate banking loans and lease financing, which was partially offset by reductions in the residential builder portfolio. The corresponding net interest income declined $32.9 million, or 7.3%, due to a shift in mix away from higher spread residential construction loans to lower spread commercial loans, as well as an increase in residential construction nonaccrual loans. Total average deposits increased $3.5 billion, or 63.2%, primarily in higher cost interest-bearing deposits. Deposit-related net interest income decreased $8.9 million, or 6.6%, driven by the lower credit for funds on demand deposits partially offset by the increased volumes in higher cost deposit products.

Provision for loan losses was $167.4 million, an increase of $120.5 million over the prior year, resulting from higher residential builder related charge-offs as well as increased charge-offs on middle market clients partially offset by lower charge-offs in corporate banking.

Noninterest income increased $168.2 million, or 35.0%, primarily due to lower market valuation trading losses in structured products. In addition, increases in direct finance, loan syndications, credit-related fees, and fixed income sales and trading were partially offset by a reduction in merchant banking gains and lower revenues in structured leasing, derivatives, and Affordable Housing.

Noninterest expense increased $6.4 million, or 0.8%, primarily due to the transfer of the middle market business from Retail and Commercial to Wholesale which accounted for approximately $24.9 million of the increase. The remainder of Wholesale s noninterest expense decreased $18.4 million, or 2.3%, primarily due to a decrease in write-downs related to Affordable Housing properties offset in part by higher incentive-based compensation.

Mortgage

Mortgage reported a net loss for the twelve months ended December 31, 2008 of $561.8 million, compared to $5.4 million in net income in 2007, a decrease of $567.2 million, principally due to higher credit-related costs.

Net interest income declined $67.0 million, or 12.8%. Average loans increased $0.5 billion, or 1.7%, while the resulting net interest income declined $78.7 million. Nonaccrual loans accounted for $46.0 million of the net interest income decline as average nonaccrual loans increased $1.1 billion. Accruing loans declined $0.5 billion, or 1.8%, while net interest income decreased $32.7 million, or 8.5%. The decline in net interest income was influenced by a change in product mix as declines in construction-perm and Alt-A balances were replaced with lower yielding prime first lien mortgages. Average mortgage loans held for sale declined $5.5 billion; however, due to widening spreads, net interest income increased $25.4 million. Average investment securities were up $0.8 billion while net interest income increased $21.5 million primarily due to improved spreads. Average deposits increased $0.1 billion, or 4.8%, although net interest income on deposits and other liabilities decreased $17.7 million primarily due to lower short-term interest rates.

Provision for loan losses increased $410.1 million to $491.3 million due to higher residential mortgage and residential construction net charge-offs.

Total noninterest income increased $70.2 million, or 19.2%, due to reduced net valuation losses, increased production fee income, and securities gains in excess of MSRs impairment, partially offset by higher repurchase reserves and lower gains from the sale of MSRs. Total production income increased $83.2 million, or 85.5%, driven by reduced valuation losses associated with secondary market loans and the recognition of loan origination fees resulting from our election to record

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certain mortgage loans at fair value beginning in May 2007. The increase in loan production income was partially offset by increased reserves for the repurchase of loans. Loan production of $36.4 billion was down $21.9 billion, or 37.6%. Mortgage servicing related income declined $426.3 million from $193.6 million in 2007, to a net loss of $232.7 million in 2008. The decline was driven by $370.0 million in impairment of MSRs that were carried at amortized cost, as well as lower gains from the sale of MSRs. The MSRs impairment was offset by $410.7 million of net gains from the sale of available for sale securities that were held in conjunction with our risk management strategies associated with economically hedging the value of MSRs.

Total noninterest expense increased $509.1 million, or 61.8%, driven by increased credit-related expenses. Operating losses were up $266.9 million driven by fraud losses and reserves primarily related to borrower misrepresentation and insurance claim denials. Reserves for mortgage reinsurance losses increased $179.8 million while other real estate expense and collection services expense increased $95.9 million. Additionally, the recognition of loan origination costs resulting from our election to record certain mortgage loans at fair value beginning in May 2007 increased noninterest expense compared with the prior year, offsetting significant reductions in staff and commissions expense related to lower loan production.

Wealth and Investment Management

Wealth and Investment Management s net income for the twelve months ended December 31, 2008 was $186.9 million, an increase of $98.6 million compared to same period in 2007. The following transactions represented $141.7 million of the year-over-year increase:

- $39.4 million decrease due to the after-tax impact of the market valuation loss on Lehman Brothers bonds purchased from our RidgeWorth subsidiary in the third quarter of 2008.

- $18.4 million increase due to the after-tax gain on the sale of First Mercantile in the second quarter of 2008.

- $27.9 million decrease due to the after-tax impairment charge on a client-based intangible asset in the second quarter of 2008.

- $55.4 million increase due to the after-tax gain on sale of a minority interest in Lighthouse Investment Partners in the first quarter of 2008.

- $155.3 million increase due to the after-tax impact of the market valuation losses in the fourth quarter of 2007 on securities purchased from our RidgeWorth funds.

- $20.1 million decrease due to the after-tax gain resulting from the sale upon merger of Lighthouse Partners into Lighthouse Investment Partners in the first quarter of 2007.

Net interest income decreased $20.3 million, or 5.8%, primarily due to a decline in deposit-related net interest income. Average deposits were down $0.2 billion, or 2.2%, while net interest income on deposits declined $14.4 million, or 6.5%, due to the decreased average balance, as well as a lower credit for funds on demand deposits. Average loans increased $0.1 billion, or 1.8%, while net interest income declined $5.0 million driven by growth in commercial loans in the professional specialty lending units at compressed spreads.

Provision for loan losses increased $18.4 million driven by higher home equity lines, personal credit lines, and consumer mortgage net charge-offs.

Total noninterest income increased $138.6 million, or 17.1%, compared to the twelve months ended December 31, 2007 driven by a decrease in market valuation losses. Additionally, gains on the sale of non-strategic businesses were offset by the corresponding loss of revenue and lower market valuations on managed equity assets. Trading gains and losses increased $168.4 million primarily due to a $250.5 million market valuation loss in 2007 related to securities purchased from our RidgeWorth funds as compared to a $63.8 million market valuation loss in 2008 related to Lehman Brothers bonds purchased from our RidgeWorth funds. A $29.6 million gain on sale of First Mercantile in 2008 and $24.1

million of incremental noninterest income from the sale of our Lighthouse Partners investment also increased income. Retail investment income increased $6.8 million, or 2.5%, due to higher annuity sales and higher recurring managed account fees. Trust income decreased $91.1 million, or 13.4%, primarily due to the aforementioned sales of Lighthouse Partners and First Mercantile, which resulted in a $49.1 million decline in trust income as well as lower market valuations on managed equity assets.

As of December 31, 2008, assets under management were approximately $113.1 billion compared to $142.8 billion as of December 31, 2007. Assets under management include individually managed assets, the RidgeWorth Funds, managed institutional assets, and participant-directed retirement accounts. Our total assets under advisement were approximately $192.0 billion, which includes $113.1 billion in assets under management, $45.7 billion in non-managed trust assets, $31.2 billion in retail brokerage assets, and $2.0 billion in non-managed corporate trust assets.

Total noninterest expense decreased $52.8 million, or 5.2%, despite a $45.0 million impairment charge on a client based intangible in the second quarter of 2008. Noninterest expense before intangible amortization declined $91.0 million, or 9.2%, driven by lower staff, discretionary, and indirect expenses, as well as lower structural expense resulting from the sales of Lighthouse Partners and First Mercantile.

Corporate Other and Treasury

Corporate Other and Treasury s net income for the twelve months ended December 31, 2008 was $830.6 million, an increase of $573.9 million from the same period in 2007.

Net interest income increased $312.8 million over the same period in 2007 mainly due to increased gains on interest rate swaps employed as part of an overall interest rate risk management strategy. Total average assets decreased $4.1 billion, or 17.1%, mainly due to the reduction in the size of the investment portfolio in 2007 as part of our overall balance sheet management strategy. Total average deposits decreased $7.9 billion, or 35.5%, mainly due to a decrease in brokered and foreign deposits as we reduced our reliance on wholesale funding sources.

Provision for loan losses decreased $0.6 million.

Total noninterest income increased $555.6 million compared to the same period in 2007 mainly due to increased gains on securities and the sale of non-strategic businesses. Securities gains increased $431.4 million primarily due to the sale of Coke common stock, partially offset by market value impairment related to certain ABS that were estimated to be other-than-temporarily impaired. Trading gains and losses increased $40.2 million as gains on our long-term debt carried at fair value were partially offset by losses on certain illiquid assets. Gains on our public debt carried at fair value, net of related hedges in 2008, were $431.7 million as compared to $140.9 million during 2007. The increase was also due to an $86.3 million gain on our holdings of Visa in connection with its initial public offering and an $81.8 million gain on sale of TransPlatinum subsidiary were offset by an $81.8 million decrease in gains on the sale/leaseback of real estate properties.

Total noninterest expense increased $124.1 million from the same period in 2007. The increase in expense was mainly due to a $183.4 million contribution of Coke common stock to our charitable foundation recognized in marketing and customer development expense.

EARNINGS AND BALANCE SHEET ANALYSIS 2007 vs. 2006

Consolidated Overview

Net income totaled $1.6 billion, or $4.55 per diluted share for 2007, down 22.8% and 21.8%, respectively, from 2006. The following are some of the key drivers of our 2007 financial performance as compared to 2006:

Total revenue-FTE increased $34.1 million, or 0.4%, compared to 2006. Total revenue included approximately $712.6 million in net market valuation related losses, which were offset by growth in net interest income, the $234.8 million gain on sale of Coke common stock, fee-related noninterest income, and other gains, including real estate related gains from various sale/leaseback transactions executed during 2007.

Net interest income-FTE increased $73.8 million, or 1.6%, and the net interest margin increased 11 basis points to 3.11% compared to 2006. The increase in net interest income and net interest margin was due to our balance sheet management initiatives that were implemented in 2006 and 2007.

The average earning asset yield increased 29 basis points compared to 2006 while the average interest bearing liability cost increased 17 basis points, resulting in a 12 basis point increase in interest rate spread. Total average earning assets decreased $3.2 billion, or 2.0%, to $155.2 billion during 2007, while total average customer deposits increased $844.9 million, or 0.9%, to $98.0 billion during 2007. Additionally, there was a shift in the mix of deposits to higher cost products, with certificates of deposits increasing, while other deposit products, specifically demand deposit accounts, money market, and savings, declined.

Noninterest income decreased $39.7 million, or 1.1%, compared to 2006. The decrease was driven by $527.7 million of mark to market valuation losses related to the purchase of securities from (1) an institutional private placement fund that we managed, (2) Three Pillars, a multi-seller commercial paper conduit that we sponsor and (3) certain money market funds that we manage. The acquired securities were predominantly AAA or AA-rated at the time originally purchased by these entities. In the fourth quarter of 2007, while certain securities were not downgraded, these securities experienced an increase in the loss severity expectations of the underlying collateral,

which included Alt-A and subprime mortgages, resulting in a decline in market value of these securities. The decrease in noninterest income was further impacted by market value declines in the mortgage loan warehouse and securitization and trading assets. The impact of these valuation adjustments was substantially offset by the second quarter gain recognized on the sale of Coke common stock shares, the gain recognized on sale/leaseback transactions related to premises, and the market valuation gain on our public debt and related hedges carried at fair value.

Noninterest expense increased $353.9 million, or 7.3%, compared to 2006. The increase was primarily driven by an increase in fraud losses, growth in compensation expense attributable to the election in 2007 to record certain newly originated mortgage loans held for sale at fair value, litigation expense related to our ownership in Visa, Inc., and severance expense incurred in association with the E^2 program.

Provision for loan losses increased $402.4 million, or 153.3%, compared to 2006. The provision for loan losses exceeded net charge-offs for the year by $242.1 million, primarily related to higher delinquencies and increased net charge-offs associated with residential real estate and home equity portfolios.

Net charge-offs as a percentage of average loans was 0.35% for 2007, up 14 basis points from 2006. The increase in net charge-offs was primarily related to residential real estate-related loans. Nonperforming assets increased $1.1 billion, compared to December 31, 2006, due primarily to the overall downturn in the housing market.

Retail and Commercial

Retail and Commercial net income for the twelve months ended December 31, 2007 was $790.5 million, a decrease of $139.4 million, or 15.0%, compared to the same period in 2006. This decrease was primarily the result of higher provision expense and lower net interest income primarily related to deposit spreads partially offset by higher noninterest income.

Net interest income decreased $94.7 million, or 3.2%, driven by a shift in deposit mix and compressed spreads as deposit competition and the interest rate environment encouraged clients to migrate into higher yielding interest bearing accounts. Average deposit balances decreased $120.5 million, or 0.2%, reducing net interest income by $3.2 million, while deposit spreads decreased 10 basis points driving an $81.2 million decrease in net interest income. Average loan balances increased $701.5 million, or 1.4%, increasing net interest income by $19.6 million, while loan spreads decreased 5 basis points causing a $28.5 million decline in net interest income.

Provision for loan losses increased $175.2 million over the same period in 2006. The provision increase was most pronounced in home equity lines, indirect auto and commercial loans (primarily commercial clients with annual revenue of less then $5 million), reflecting the negative impact from the deterioration in certain segments of the consumer portfolio, primarily related to the residential real estate market.

Total noninterest income increased $55.4 million, or 4.6%, over the same period in 2006. This increase was driven primarily by a $52.8 million, or 7.8%, increase in service charges on deposit accounts from both consumer and business deposit accounts primarily due to higher NSF fees. Interchange fees increased $21.4 million, or 11.8%. These increases were partially offset by a decrease in gains on sales of student loans.

Total noninterest expense increased $13.3 million, or 0.5%, from the same period in 2006. A 1.8% increase in personnel expense and other expenses related to investments in the branch distribution network and business banking were partially offset by decreases in amortization of core deposit intangibles and new loan production expense.

Wholesale

Wholesale s net income for the twelve months ended December 31, 2007 was $196.1 million, a decrease of $180.3 million, or 47.9%, from 2006. The decrease was driven by write-downs and losses primarily in structured products due to capital markets volatility created by turmoil in the mortgage industry, lack of loan liquidity, and widening credit spreads as well as increased Affordable Housing related noninterest expense, partially offset by lower provision expense.

Net interest income decreased $21.0 million, or 3.6%, year over year. Average loan balances increased $277.9 million, or 0.9%. The increase in loan balances was offset by compressing spreads, resulting in a $23.8 million, or 4.9%, decrease in loan related net interest income. The increase in balances was despite a $1.9 billion structured asset sale of corporate loans in the first quarter of 2007, which was partially offset by growth in

construction loans, corporate banking loans, lease financing assets and the move of middle market clients from the Commercial line of business during the fourth quarter 2007. Average deposits increased $472.5 million, or 9.3%, driven by an increase in higher cost corporate money market accounts offset in part by a decline in demand deposits. Deposit related net interest income was down $1.1 million, or 0.8%, as the shift to higher cost money market accounts compressed deposit spreads.

Provision for loan losses was $46.9 million, an improvement of $75.5 million, or 61.7%, from the same period of 2006 due to the charge-off a single large commercial loan in the fourth quarter of 2006.

Total noninterest income decreased $286.1 million, or 37.3%, compared to 2006. The decrease was primarily driven by write-downs and losses of approximately $316.1 million in collateralized debt obligations, MBS, and collateralized loan obligation securities most of which occurred during the third and fourth quarters of 2007. Additional weakness in fixed income trading, loan related fees, and M&A fee revenue was partially offset by strong performance in derivatives, structured leasing, merchant banking and equipment lease financing.

Total noninterest expense increased $53.3 million, or 7.0%, compared to 2006. The increase was primarily driven by increased write-downs related to Affordable Housing properties as well as higher outside processing, legal and consulting expenses offset in part by lower personnel expense related to lower incentive-based compensation expense tied to revenue, and lower shared corporate expenses.

Mortgage

Mortgage s net income for the twelve months ended December 31, 2007 was $5.4 million, a decrease of $237.4 million, or 97.8%. The decline resulted primarily from $165.4 million in net valuation losses on mortgage loans held for sale due to market volatility and mortgage spread widening in conjunction with increased credit-related losses on mortgage loans. These losses were partially offset by higher mortgage servicing revenue.

Net interest income in 2007 declined $75.2 million, or 12.6%, compared to 2006 principally due to lower income from portfolio loans and loans held for sale, as well as higher funding costs for MSRs, which was partially offset by higher net interest income on deposits and investments. Average portfolio loans, principally consumer mortgages and residential construction loans, declined $0.4 billion, or 1.4%. The volume decline combined with compressed spreads resulted in a reduction of net interest income from total loans of $53.1 million. Average loans held for sale increased $0.5 billion; however, compressed spreads more than offset the benefit of higher balances and reduced net interest income by $38.0 million. Funding costs on higher MSRs balances further reduced net interest income by $16.5 million. Net interest income from deposits increased $17.8 million, while net interest income from investments increased $13.1 million.

Provision for loan losses for the year 2007 increased $72.4 million driven by higher consumer mortgage and residential construction net charge-offs.

Total noninterest income declined $13.7 million, or 3.6%, due to lower production income, partially offset by higher servicing and insurance income. Production income declined $103.9 million on loans due to net valuation losses of $165.4 million on loans held for sale, primarily due to market volatility and mortgage spread widening. These declines were partially offset by the recognition of origination fees that were deferred prior to the May 2007 fair value election for certain loans. Loan production of $58.3 billion was up $3.0 billion, or 5.4%, for the year 2007. At December 31, 2007, total loans serviced were $149.9 billion, an increase of $19.9 billion, or 15.3%. Revenues from mortgage insurance increased $10.0 million due to new mortgage origination volume.

Total noninterest expense increased $222.3 million for the year 2007, or 36.9%, over 2006, principally due to increased operating losses of $84.3 million driven by fraud from customer misrepresentations on loan related documents, primarily on Alt-A products originated in prior periods, recognition of loan origination costs that were deferred prior to the May 2007 election to record certain loans at fair value, and increased credit and growth-related expenses.

Wealth and Investment Management

Wealth and Investment Management s net income for the year ended December 31, 2007, was $88.3 million, a decrease of $202.5 million, or 69.6%, compared to the year ended December 31, 2006. The decline was principally driven by a $250.5 million pre-tax mark to market loss on SIV securities and a $112.8 million pre-tax gain realized in 2006 on the sale of the Bond Trustee business, partially offset by a $32.3 million pre-tax gain on sale upon merger of Lighthouse Partners into Lighthouse Investment Partners and increased retail investment income in 2007.

For 2007, net interest income decreased $21.1 million, or 5.7%, as the continued shift in deposit mix to higher cost products compressed spreads. Average deposits increased $303.3 million, or 3.2%, as increases in higher-cost NOW account and time deposits were partially offset by declines in lower-cost demand deposit and money market account balances. This shift in deposit mix coupled with a decline in spreads driven by deposit competition was the primary driver of a $16.2 million decline in net interest income on deposits. Average loans declined $170.0 million, or 2.1%, resulting in a $5.3 million decline in net interest income on loans. The decline in loan balances resulted from lower consumer and commercial loans.

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Provision for loan losses increased $4.8 million over 2006 primarily due to higher home equity and consumer mortgage net charge-offs.

Total noninterest income decreased $287.6 million, or 26.1%, primarily due to a $250.5 million mark to market loss on SIV securities in the fourth quarter of 2007 and a $112.8 million gain realized in 2006 on the sale of the Bond Trustee business. Partially offsetting these items was a $32.3 million gain on sale upon merger of Lighthouse Partners, as well as strong growth in retail investment income, which increased $44.0 million, or 19.3%, due to strong annuity sales and higher recurring managed account fees. Trust income declined $5.1 million, or 0.7%, due to lost revenue from the Lighthouse Partners merger and sale of the Bond Trustee business.

As of December 31, 2007, assets under management were approximately $142.8 billion compared to $141.3 billion as of December 31, 2006. Approximately $5.3 billion in Lighthouse Partners assets were merged into Lighthouse Investment Partners are not included in the December 31, 2007 total. Assets under management include individually managed assets, the RidgeWorth (formally known as STI Classic) Funds, institutional assets managed by RidgeWorth (formally known as Trusco) and participant-directed retirement accounts. SunTrust s total assets under advisement were approximately $250.0 billion, which includes $142.8 billion in assets under management, $60.9 billion in non-managed corporate trust assets, $41.6 billion in retail brokerage assets, and $4.7 billion in non-managed corporate trust assets.

Total noninterest expense increased $6.2 million, or 0.6%, due to a $20.3 million, or 3.7%, increase in total personnel expense. Higher variable compensation primarily associated with strong retail investment income was partially offset by a $16.7 million, or 5.8%, decline in salary expense. Favorably impacting noninterest expense was lower Lighthouse Partners related expenses as a result of the sale upon merger.

Corporate Other and Treasury

Corporate Other and Treasury s net income for the twelve months ended December 31, 2007 was $256.7 million, an increase of $219.9 million compared to the same period in 2006. The increase was mainly driven by a $234.8 million pre-tax gain on sale of the Coke common stock, a gain of $118.8 million on the sale leaseback of real estate properties, net securities losses of $54.4 million resulting primarily from the securities portfolio repositioning in 2006, and a net market valuation gain of $64.3 million on trading assets and long-term corporate debt carried at fair value during 2007. These factors were partially offset by a $116.2 million market valuation write-down on securities consolidated in the third quarter of 2007 in anticipation of closing the Private Fund.

Net interest income decreased $23.4 million mainly due to a reduction in the size of the investment portfolio as a result of the balance sheet management strategies. Total average assets decreased $6.8 billion, or 22.3%, mainly due to the reduction in the size of the securities portfolio. Total average deposits decreased $4.9 billion, or 17.9% mainly due to decrease in brokered and foreign deposits.

Provision for loan losses decreased $0.2 million.

Total noninterest income increased $490.2 million. This was mainly driven by the $234.8 million pre-tax gain on sale of Coke common stock, net securities losses of $54.4 million in 2006, a gain of $118.8 million on sale leaseback of real estate properties, and $78.1 million increase in trading income due to net market valuation gains recorded on trading assets and our long-term corporate debt carried at fair value. Noninterest income was also impacted by a $132.5 million market valuation write-down on securities consolidated in the third quarter of 2007 in anticipation of closing of Private Fund.

Total noninterest expense increased $58.6 million compared to the same period in 2006. Included in the twelve months ended December 31, 2007, was a $76.9 million accrual for VISA litigation and $50.7 million in initial implementation cost associated with the E^2 Program, of which $45.0 million was severance. Positively impacting noninterest expense was a $33.6 million decrease in the accrued liability associated with a capital instrument that we called in the fourth quarter of 2007. Additionally, reflected in total noninterest expenses are reductions in total staff expense in support functions and consulting expenses.

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Table 22 Reconcilement of Non-U.S. GAAP Measures Annual

	Twelve Months Ended December 31					
(Dollars in millions, except per share and other data)	**2008**	2007	2006	2005	2004	2003
Net income	**$795.8**	$1,634.0	$2,117.4	$1,987.2	$1,572.9	$1,332.3
Securities losses/(gains), net of tax	**(665.4)**	(150.7)	31.3	4.4	27.1	(80.5)
Net income excluding net securities losses/(gains)	**130.4**	1,483.3	2,148.7	1,991.6	1,600.0	1,251.8
Coke stock dividend, net of tax	**(49.8)**	(54.2)	(53.3)	(48.1)	(43.0)	(37.8)
Net income excluding net securities losses/(gains) and the Coke stock dividend, net of tax	**80.6**	1,429.1	2,095.4	1,943.5	1,557.0	1,214.0
Less: Series A preferred dividends	**22.3**	30.3	7.7	-	-	-
Less: U.S. Treasury preferred dividends	**26.6**	**-**	**-**	**-**	**-**	-
Net income available to common shareholders excluding net securities losses/(gains) and the Coke stock dividend, net of tax	**$31.7**	$1,398.8	$2,087.7	$1,943.5	$1,557.0	$1,214.0
Net income	**$795.8**	$1,634.0	$2,117.4	$1,987.2	$1,572.9	$1,332.3
Merger expense, net of tax	**-**	**-**	**-**	61.1	18.5	-
Net income excluding merger expense	**$795.8**	$1,634.0	$2,117.4	$2,048.3	$1,591.4	$1,332.3
Noninterest expense	**$5,890.4**	$5,233.8	$4,879.9	$4,690.7	$3,897.0	$3,400.6
Merger expense	**-**	**-**	**-**	(98.6)	(28.4)	-
Noninterest expense excluding merger expense	**$5,890.4**	$5,233.8	$4,879.9	$4,592.1	$3,868.6	$3,400.6
Diluted earnings per common share	**$2.13**	$4.55	$5.82	$5.47	$5.19	$4.73
Impact of excluding merger expense	**-**	-	-	0.17	$0.06	-
Diluted earnings per common share excluding merger expense	**$2.13**	$4.55	$5.82	$5.64	$5.25	$4.73
Efficiency ratio[1]	**63.95 %**	63.43 %	59.39 %	60.06 %	61.39 %	59.99%
Impact of excluding merger expense	-	-	-	(1.26)	(0.45)	-

Efficiency ratio excluding merger expense	**63.95 %**	63.43 %	59.39 %	58.80 %	60.94 %	59.99%
Efficiency ratio[1]	**63.95 %**	63.43 %	59.39 %	60.06 %	61.39 %	59.99%
Impact of excluding amortization/impairment of intangible assets other than MSRs	**(1.31)**	(1.17)	(1.26)	(1.52)	(1.22)	(1.13)
Tangible efficiency ratio[2]	**62.64 %**	62.26 %	58.13 %	58.54 %	60.17 %	58.86
Total average assets	**$175,848.3**	$177,795.5	$180,315.1	$168,088.8	$133,754.3	$122,325.4
Average net unrealized securities gains	**(1,909.5)**	(2,300.8)	(1,620.5)	(1,949.4)	(2,372.2)	(2,343.0)
Average assets less net unrealized securities gains	**$173,938.8**	$175,494.7	$178,694.6	$166,139.4	$131,382.1	$119,982.4
Total average common shareholders equity	**$17,530.7**	$17,308.0	$17,394.7	$16,526.3	$11,469.5	$9,083.0
Average accumulated other comprehensive income	**(1,220.9)**	(1,143.3)	(976.0)	(1,220.5)	(1,517.2)	(1,486.1)
Total average realized common shareholders equity	**$16,309.8**	$16,164.7	$16,418.7	$15,305.8	$9,952.3	$7,596.9
Return on average total assets	**0.45 %**	0.92 %	1.17 %	1.18 %	1.18 %	1.09 %
Impact of excluding net realized and unrealized securities losses/(gains) and the Coke stock dividend	**(0.40)**	(0.11)	-	(0.01)	0.01	(0.08)
Return on average total assets less net realized and unrealized securities losses/(gains) and the Coke stock dividend [3]	**0.05 %**	0.81 %	1.17 %	1.17 %	1.19 %	1.01 %
Return on average common shareholders equity	**4.26 %**	9.27 %	12.13 %	12.02 %	13.71 %	14.67 %
Impact of excluding net realized and unrealized securities losses/(gains) and the Coke stock dividend	**(4.07)**	(0.62)	0.59	0.68	1.94	1.31
Return on average realized common shareholders equity[4]	**0.19 %**	8.65 %	12.72 %	12.70 %	15.65 %	15.98 %
Total shareholders equity	**$22,388.1**	$18,052.5	$17,813.6	$16,887.4	$15,986.9	$9,731.2
Goodwill	**(6,941.1)**	(6,921.5)	(6,889.8)	(6,835.1)	(6,806.0)	(1,077.7)
Other intangible assets including mortgage servicing rights (MSRs)	**(978.2)**	(1,308.6)	(1,182.0)	(1,123.0)	(1,061.5)	(639.6)
MSRs	**810.5**	1,049.4	810.5	657.6	482.4	449.3
Tangible equity	**15,279.3**	10,871.8	10,552.3	9,586.9	8,601.8	8,463.2

Preferred stock	**(5,221.7)**		(500.0)		(500.0)		-		-		-
Tangible common equity	**$10,057.6**		$10,371.8		$10,052.3		$9,586.9		$8,601.8		$8,463.2
Total assets	**$189,138.0**		$179,573.9		$182,161.6		$179,712.8		$158,869.8		$125,393.2
Goodwill	**(7,043.5)**		(6,921.5)		(6,889.8)		(6,835.1)		(6,806.0)		(1,077.7)
Other intangible assets including MSRs	**(1,035.4)**		(1,363.0)		(1,182.0)		(1,123.0)		(1,061.5)		(639.6)
MSRs	**810.5**		1,049.4		810.5		657.6		482.4		449.3
Tangible assets	**$181,869.6**		$172,338.8		$174,900.3		$172,412.3		$151,484.7		$124,125.2
Tangible equity to tangible assets[5]	**8.40**	**%**	6.31	%	6.03	%	5.56	%	5.68	%	6.82	%
Tangible common equity to tangible assets[6]	**5.53**	**%**	6.02	%	5.75	%	5.56	%	5.68	%	6.82	%
Net interest income	**$4,619.7**		$4,719.5		$4,660.4		$4,579.0		$3,685.2		$3,320.3
Taxable equivalent adjustment	**117.5**		102.7		88.0		75.5		58.4		45.0
Net interest income FTE	**4,737.2**		4,822.2		4,748.4		4,654.5		3,743.6		3,365.3
Noninterest income	**4,473.5**		3,428.7		3,468.4		3,155.0		2,604.4		