SUNTRUST BANKS INC
Form 10-K
February 24, 2014

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

2013 FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
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 registered
Common Stock	New York Stock Exchange
Depositary Shares, Each Representing 1/4000th Interest in a Share of Perpetual Preferred Stock, Series A	New York Stock Exchange
Depositary Shares, Each Representing 1/4000th Interest in a Share of Perpetual Preferred Stock, Series E	New York Stock Exchange
5.853% Fixed-to Floating Rate Normal Preferred Purchase Securities of SunTrust Preferred Capital I	New York Stock Exchange
Warrants to Purchase Common Stock at $44.15 per share, expiring November 14, 2018	New York Stock Exchange
Warrants to Purchase Common Stock at $33.70, expiring December 31, 2018	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 ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark 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.
Large accelerated filer ý 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 ý
The aggregate market value of the voting and non-voting Common Stock held by non-affiliates at June 28, 2013, was approximately $17.0 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 19, 2014, 534,671,799 shares of the Registrant's Common Stock, $1.00 par value, were outstanding.
DOCUMENTS INCORPORATED BY REFERENCE
Pursuant to Instruction G of Form 10-K, information in the Registrant's Definitive Proxy Statement for its 2014 Annual Shareholder's Meeting, which it will file with the SEC no later than April 22, 2014 (the "Proxy Statement"), is incorporated by reference into Items 10-14 of this Report.

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GLOSSARY OF DEFINED TERMS

ABS — Asset-backed securities.
ACH — Automated clearing house.
AFS — Available for sale.
Agreements — Equity forward agreements.
AIP — Annual Incentive Plan.
ALCO — Asset/Liability Management Committee.
ALM — Asset/Liability Management.
ALLL — Allowance for loan and lease losses.
AOCI — Accumulated other comprehensive income.
ARM — Adjustable rate mortgage.
ARS — Auction rate securities.
ASU — Accounting standards update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
Basel III — The third Basel Accord developed by the BCBS to strengthen existing regulatory capital requirements.
BCBS — Basel Committee on Banking Supervision.
BHC — Bank Holding Company.
BHC Act — The Bank Holding Company Act of 1956.
Board — The Company's Board of Directors.
BPS — Basis points.
BRC — Board Risk Committee.
CC — Capital Committee.
CCAR — Comprehensive Capital Analysis and Review.
CDO — Collateralized debt obligation.
CD — Certificate of deposit.
CDR — Conditional default rate.
CDS — Credit default swaps.
CET 1 — Common Equity Tier 1 Capital.
CEO — Chief Executive Officer.
CFO — Chief Financial Officer.
CFPB — Bureau of Consumer Financial Protection.
CFTC — Commodities Futures Trading Commission.
CIB — Corporate and Investment Banking.
C&I — Commercial and Industrial.
Class A shares — Visa Inc. Class A common stock.
Class B shares —Visa Inc. Class B common stock.
CLO — Collateralized loan obligation.
Coke — The Coca-Cola Company.
Company — SunTrust Banks, Inc.
CORO — Corporate Operations Risk Officer.
CP — Commercial paper.
CPP — Capital Purchase Program.

CPR — Conditional prepayment rate.
CRA — Community Reinvestment Act of 1977.
CRC — Corporate Risk Committee.
CRE — Commercial real estate.
CRO — Chief Risk Officer.
CRM — Corporate Risk Management.
CSA — Credit support annex.
DDA — Demand deposit account.
DFAST — Dodd-Frank Act Stress Testing.
DIF — Deposit Insurance Fund.
Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DOJ — Department of Justice.
DTA — Deferred tax asset.
DTL — Deferred tax liability.
EPS — Earnings per share.
ERISA — Employee Retirement Income Security Act of 1974.
Exchange Act — Securities Exchange Act of 1934.
FASB — Financial Accounting Standards Board.
FDIA — Federal Deposit Insurance Act.
FDIC — The Federal Deposit Insurance Corporation.
FDICIA — The Federal Deposit Insurance Corporation Improvement Act of 1991.
Federal Reserve — The Board of Governors of the Federal Reserve System.
Fed funds — Federal funds.
FFELP — Federal Family Education Loan Program.
FFIEC — Federal Financial Institutions Examination Council.
FHA — Federal Housing Administration.
FHFA — Federal Housing Finance Agency.
FHLB — Federal Home Loan Bank.
FICO — Fair Isaac Corporation.
FINRA — Financial Industry Regulatory Authority.
Fitch — Fitch Ratings Ltd.
Form 8-K items - Items disclosed in Form 8-K that was filed with the SEC on September 6, 2012 or October 10, 2013.
FRB — Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GenSpring — GenSpring Family Offices, LLC.
GLB Act — Gramm-Leach-Bliley Act.
GSE — Government-sponsored enterprise.
HAMP — Home Affordable Modification Program.
HARP — Home Affordable Refinance Program.
HOEPA — Home Owner's Equity Protection Act.
HUD — U.S. Department of Housing and Urban Development.
IIS — Institutional Investment Solutions.
IPO — Initial public offering.

IRLC — Interest rate lock commitment.
IRS — Internal Revenue Service.
ISDA — International Swaps and Derivatives Association.
LCR — Liquidity coverage ratio.
LGD — Loss given default.
LHFI — Loans held for investment.
LHFI-FV — Loans held for investment carried at fair value.
LHFS — Loans held for sale.
LIBOR —London InterBank Offered Rate.
LOCOM – Lower of cost or market.
LTI — Long-term incentive.
LTV— Loan to value.
MBS — Mortgage-backed securities.
MD&A — Management's Discussion and Analysis of Financial Condition and Results of Operations.
MI — Mortgage insurance.
Moody's — Moody's Investors Service.
MSA — Metropolitan Statistical Area.
MRA — Master Repurchase Agreement.
MRMG — Model Risk Management Group.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NCF — National Commerce Financial Corporation.
NOL — Net operating loss.
NOW — Negotiable order of withdrawal account.
NPA — Nonperforming asset.
NPL — Nonperforming loan.
NPR — Notice of Proposed Rulemaking.
NSFR — Net stable funding ratio.
NYSE — New York Stock Exchange.
OCC — Office of the Comptroller of the Currency.
OCI — Other comprehensive income.
OFAC — Office of Foreign Assets Control.
OIG — Office of Inspector General.
OREO — Other real estate owned.
OTC — Over-the-counter.
OTTI — Other-than-temporary impairment.
Parent Company — SunTrust Banks, Inc., the parent Company of SunTrust Bank and other subsidiaries of SunTrust Banks, Inc.
Patriot Act — The USA Patriot Act of 2001.
PD — Probability of default.
PMC — Portfolio Management Committee.
PWM — Private Wealth Management.
QSPE — Qualifying special-purpose entity.
REIT — Real estate investment trust.
RidgeWorth — RidgeWorth Capital Management, Inc.

ROA — Return on average total assets.
ROE — Return on average common shareholders’ equity.
ROTCE — Return on average tangible common shareholders' equity.
RSU — Restricted stock unit.
RWA — Risk-weighted assets.
S&P — Standard and Poor’s.
SBA — Small Business Administration.
SCAP — Supervisory Capital Assessment Program.
SEC — U.S. Securities and Exchange Commission.
SERP — Supplemental Executive Retirement Plan.
SPE — Special purpose entity.
STIS — SunTrust Investment Services, Inc.
STM — SunTrust Mortgage, Inc.
STRH — SunTrust Robinson Humphrey, Inc.
SunTrust — SunTrust Banks, Inc.
SunTrust Community Capital — SunTrust Community Capital, LLC.
TARP — Troubled Asset Relief Program.
TDR — Troubled debt restructuring.
TRS — Total return swaps.
U.S. — United States.
U.S. GAAP — Generally Accepted Accounting Principles in the United States.
U.S. Treasury — The United States Department of the Treasury.
UPB — Unpaid principal balance.
UTB — Unrecognized tax benefit.
VA —Veterans Administration.
VAR —Value at risk.
VEBA — Voluntary Employees' Beneficiary Association.
VI — Variable interest.
VIE — Variable interest entity.
Visa —The Visa, U.S.A. Inc. card association or its affiliates, collectively.
Visa Counterparty — a financial institution which purchased the Company's Visa Class B shares.
VOE — Voting interest entity.
W&IM — Wealth and Investment Management.

PART I

Item 1. BUSINESS

General

The Company, a Georgia corporation and a bank holding company and a financial holding company, is one of the nation's largest commercial banking organizations whose businesses provide a broad range of financial services to consumer, business, 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 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, and Note 20, “Business Segment Reporting,” to the Consolidated Financial Statements in Item 8 of this Form 10-K.

Primary Market Areas

Through its principal subsidiary, SunTrust Bank, the Company offers a full line of financial services for consumers and businesses including deposit, credit, mortgage banking, and trust and investment services. Additional subsidiaries provide asset management, securities brokerage, and capital market services. SunTrust operates primarily within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia and enjoys strong market positions in these markets. In certain businesses, SunTrust also operates in select markets nationally. SunTrust provides clients with a selection of branch-based and technology-based banking channels, including the internet, mobile, ATMs, and telebanking. SunTrust's client base encompasses a broad range of individuals and families, businesses, institutions, and governmental agencies. Within its geographic footprint, SunTrust operated the following business segments during 2013, with the remainder in Corporate Other: Consumer Banking and Private Wealth Management, Wholesale Banking, and Mortgage Banking.

Acquisition and Disposition Activity

As part of its operations, the Company evaluates, when deemed appropriate, the potential acquisition of financial institutions and other business types eligible for financial holding company ownership or control. Additionally, the Company regularly analyzes the values of and may submit bids for 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.

The Company entered into an agreement for the sale of its Ridgeworth asset management subsidiary during the fourth quarter of 2013, which it expects will close in the second quarter of 2014. During 2012 and 2011, the Company acquired the assets of an online lender, and the Company's PWM business acquired the assets and liabilities of an asset manager, respectively. Additional information on these acquisitions and dispositions is included in Note 2, “Acquisitions/Dispositions,” to the Consolidated Financial Statements in Item 8 of this Form 10-K, which is 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 Federal Reserve, and as a Georgia-chartered bank holding company, by the Georgia Department of Banking and Finance. The Company's 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 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 SunTrust 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.

The Company's non-banking subsidiaries are regulated and supervised by various other regulatory bodies. For example, STRH is a broker-dealer registered with the SEC and is a FINRA member. STIS is also a broker-dealer and investment adviser registered with the SEC and a member of FINRA. RidgeWorth and several of RidgeWorth's

subsidiaries are investment advisers

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registered with the SEC. GenSpring is an investment adviser registered with the SEC and a member of the National Futures Association. Furthermore, under the Dodd-Frank Act, the Federal Reserve may regulate and supervise any subsidiary of the Company to determine (i) the nature of the operations and financial condition of the company, (ii) the financial, operational and other risks of the company, (iii) the systems for monitoring and controlling such risks, and (iv) compliance with Title I of the Dodd-Frank Act.

The BHC Act limits the activities in which bank holding companies and their subsidiaries may engage. As a bank holding company that has elected to become a financial holding company, the Company may engage, in addition to activities “closely related to banking," in expanded securities activities, insurance sales, underwriting activities, and other financial activities, and may also acquire securities firms and insurance companies, subject to certain conditions. The expanded activities in which the Company may engage are limited to those that are (i) financial in nature or incidental to such financial activity, and/or (ii) complimentary to a financial activity and which does not pose a risk to the safety and soundness of a depository institution or the financial system generally. To maintain its status as a financial holding company, the Company and its banking subsidiary must be “well capitalized,” and “well managed” and must maintain at least a “satisfactory” CRA rating, failing which the Federal Reserve may, among other things, limit the Company’s ability to conduct these broader financial activities or, if the deficiencies persist, require the Company to divest the banking subsidiary. If the 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.

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, but are generally not intended for the protection of shareholders or other investors. For example, pursuant to the Dodd-Frank Act and Federal Reserve policy, 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, which may include circumstances in which it might not otherwise do so.

The Company and its subsidiaries are subject to an extensive regulatory framework of complex and comprehensive federal and state laws and regulations regulating the provision of banking and other financial services and other aspects of the Company’s businesses and operations. Regulation and regulatory oversight have increased significantly over the past three years, primarily as a result of the passage of the Dodd-Frank Act in 2010. The Dodd-Frank Act imposes new regulatory requirements and oversight over banks and other financial institutions in a number of ways, among which are (i) creating the CFPB to regulate consumer financial products and services; (ii) creating the Financial Stability Oversight Council to identify and impose additional regulatory oversight on large financial firms; (iii) granting orderly liquidation authority to the FDIC for the liquidation of financial corporations that pose a risk to the financial system of the U.S.; (iv) requiring financial institutions to draft a resolution plan that contemplates the dissolution of the enterprise and submit that resolution plan to both the Federal Reserve and the FDIC; (v) limiting debit card interchange fees; (vi) adopting certain changes to shareholder rights and responsibilities, including a shareholder “say on pay” vote on executive compensation; (vii) strengthening the SEC's powers to regulate securities markets; (viii) regulating OTC derivative markets; (ix) restricting variable-rate lending by requiring the ability to repay to be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; (x) changing the base upon which the deposit insurance assessment is assessed from deposits to, substantially, average consolidated assets minus equity, which likely increases the amount of the deposit insurance assessment collected from SunTrust Bank; and (xi) amending the Truth in Lending Act with respect to mortgage originations, including originator compensation, minimum repayment standards, and prepayment considerations.

One of the more important changes instituted by the Dodd-Frank Act is the requirement for twice-annual stress tests of the Company and its bank. The performance of the Company under the stress tests and the CCAR determine the capital actions the Company will be permitted by its regulators to take, such as dividends and share repurchases. Due to the importance and intensity of the stress tests and the CCAR process, the Company has dedicated significant

resources to comply with stress testing requirements. These changes have profoundly impacted our policies and procedures and will likely continue to do so as regulators adopt regulations going forward in accordance with the time table for enacting regulations set forth in the Dodd-Frank Act.

The Dodd-Frank Act imposed a new regulatory regime for the OTC derivatives market, aimed at increasing transparency and reducing systemic risk in the derivative markets, such as requirements for central clearing, exchange trading, capital, margin, reporting, and recordkeeping. Jurisdiction is broadly shared by the CFTC for swaps and the SEC for security-based swaps. In 2012 and 2013, the CFTC finalized most of its core regulations, triggering a phased-in compliance period commencing in late 2012 and continuing throughout 2013. The Bank provisionally registered as a swap dealer with the CFTC and became subject to new substantive requirements, including trade reporting and robust record keeping requirements, business conduct requirements (including daily valuations, disclosure of material risks associated with swaps and disclosure of material

incentives and conflicts of interest), and mandatory clearing of certain standardized swaps designated by the CFTC, such as most interest rate swaps. While the SEC has proposed most of its core regulations for security-based swaps, most of its new requirements await final regulations and are expected to be similar to the CFTC rules for swaps. The Company's derivatives business is expected to become subject to additional substantive requirements, including margin requirements in excess of current market practice, increased capital requirements and exchange trading requirements. These new rules collectively will impose implementation and ongoing compliance requirements for the Company and will introduce additional legal risk, as a result of newly applicable anti-fraud and anti-manipulation provisions and private rights of action.

Under the Dodd-Frank Act, the FDIC has the authority to liquidate certain financial holding companies that are determined to pose significant risks to the financial stability of the U.S. (“covered financial companies”). Under this scenario, the FDIC would exercise broad powers to take prompt corrective action to resolve problems with a covered financial company. The Dodd-Frank Act gives the Financial Stability Oversight Counsel substantial resolution authority, which may affect or alter the rights of creditors and investors in a resolution or distressed scenario. The FDIC may make risk-based assessments of all bank holding companies with total consolidated assets greater than $50 billion to recover losses incurred by the FDIC in exercising its authority to liquidate covered financial companies. Pursuant to the Dodd-Frank Act, bank holding companies with total consolidated assets of $50 billion or more are required to submit resolution plans to the Federal Reserve and FDIC providing for the company's strategy for rapid and orderly resolution in the event of its material financial distress or failure. In September 2011, these agencies issued a joint final resolution plan rule implementing this requirement. The FDIC issued a separate such rule applicable to insured depository institutions of $50 billion or more in total assets. The Company and the Bank submitted their first resolution plans to these agencies in December 2013. If a plan is not approved, the Company’s and the Bank’s growth, activities, and operations may be restricted.

Most recently, federal regulators have finalized rules for the new capital requirements for financial institutions that include several changes to the way capital is calculated and how assets are risk-weighted, informed in part by the Basel Committee on Banking Supervision's Basel III revised international capital framework. The rules, summarized briefly below, will have a profound effect on the Company's level of capital, as well as the volatility of that capital, and may influence the types of business the Company may pursue and how the Company pursues business opportunities. Among other things, the final rules raise the required capital ratios, adding a new common equity ratio and capital buffers, and restrict what may constitute capital. Because the rules remain subject to interpretation in a number of important aspects, their ultimate effect on the Company is not yet known. The Company does, however, provide an estimate of what capital ratios would be in accordance with the capital portion, as well as the risk-weighting of assets, based upon the Company's interpretation of the final rules. See the Company's estimate of the proposed Basel III common equity Tier 1 capital ratio in the "Capital Resources" section of Item 7, "MD&A," in this Form 10-K.

Capital Framework and Basel III

On July 9, 2013, the Federal Reserve jointly with other federal regulators published three final rules, generally consistent with the three proposed rules published August 30, 2012, substantially implementing the Basel III accord for the U.S. banking system (the “Final Rules”). As applicable to the Company, the Final Rules make changes to regulatory capital levels, how regulatory capital is calculated, and how bank assets are risk-weighted. The Final Rules become effective starting January 1, 2015. Among other things, the Final Rules generally include, among others, the following requirements applicable to the Company:

- A new minimum CET 1 capital ratio of 4.5%; a Tier 1 capital ratio, with a numerator consisting of the sum of CET 1 and “Additional Tier 1 capital” instruments meeting specified requirements, of 6.0%; and a total capital ratio, with a numerator consisting of the sum of CET 1, Additional Tier 1 capital and Tier 2 capital, of 8.0%.

- CET 1 is defined narrowly by requiring that most deductions or adjustments to regulatory capital measures be made to CET 1, and expanding the scope of the deductions or adjustments as compared to existing regulations.
- A 2.5% “capital conservation buffer” to be phased-in starting January 1, 2016, added to the CET 1, Tier 1, and Total Capital ratios , effectively resulting upon full implementation in a minimum ratio of each of CET 1, Tier 1, and Total Capital of 7.0%, 8.5%, and 10.5%, respectively;
- A significant increase to capital charges for certain commercial real estate loans determined to be “high volatility real estate exposures” not involving a down payment of at least 15% of the “as completed” value of the property, which would apply, subject to certain exceptions, to a large array of commercial real estate loans, including small business loans and owner-occupied business properties; and
- Include unrealized gains and losses on all securities AFS in the calculation of CET 1, subject to a one-time election for securities AFS as a component of other AOCI, to allow the treatment of AOCI as currently treated for regulatory capital purposes. The Company intends to make such an election.

The capital conservation buffer is a buffer above the minimum levels designed to ensure that banks remain well-capitalized even in adverse economic scenarios. If a banking organization does not have the CET 1, Tier 1, and Total Capital minimum

ratios including the capital conservation buffer as described above, it will face constraints on capital distributions, share repurchases and redemptions, and discretionary bonus payments to executive officers. We believe the Company's and Bank's current capital levels already exceed these capital requirements, including the capital conservation buffer. See additional discussion of Basel III in the "Capital Resources" section of Item 7, "MD&A," in this Form 10-K.

Liquidity Ratios under Basel III

Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, both in the U.S. and internationally, without required formulaic measures. The Basel III framework requires banks and bank holding companies to measure their liquidity against specific liquidity ratios that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward will be required by regulation. One ratio, referred to as the LCR, is designed to ensure that the banking entity maintains sufficient liquidity under an acute 30-day liquidity stress scenario. Specifically, the bank must maintain a level of unencumbered high-quality liquid assets greater than or equal to projected cash outflows under stress, where the outflows are the greater of (i) the entity's expected net cash outflow or (ii) 25% of its expected total cash outflow. The other ratio, referred to as the NSFR, is designed to promote more medium and long-term funding based on the liquidity characteristics of the assets and activities of banking entities over a one-year time horizon. To comply with these requirements, banks will take a number of actions which may include increasing their asset holdings of U.S. Treasury securities and other sovereign debt, increasing the use of long-term debt as a funding source, and adopting new business practices that may limit the provision of liquidity to clients. The LCR is subject to an observation period that began in 2011, but will be phased-in as a requirement beginning January 1, 2015. In October 2013, the Federal Reserve issued an NPR to implement the LCR proposal, which in certain respects is more restrictive than the Basel III LCR. The LCR NPR provides for a modified LCR to apply to BHCs with over $50 billion in assets such as the Company, which measures the cumulative net cash outflows at the end of a 21-day period and generally sets the cash outflow parameters at 70% of those applicable to larger institutions. At this time, international regulatory authorities are still assessing the NSFR and it is unclear when the NSFR will be introduced as a requirement. These new standards are subject to further rulemaking, and their terms may change before implementation.

Other Regulation

The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to U.S. banking organizations. Additionally, these regulatory agencies may 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, certain non-controlling interests and qualifying preferred stock, less goodwill (net of any qualifying DTL) and other adjustments. Beginning in 2013, trust preferred securities will no longer be included in Tier 1 after a three-year phase-out. 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 RWAs. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. Additionally, 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 Reserve also requires the Company to calculate, report, and maintain certain levels of Tier 1 common equity. Tier 1 common equity is calculated by taking Tier 1 capital and subtracting certain elements, including perpetual preferred stock and related surplus, non-controlling interests in subsidiaries, trust preferred securities and mandatorily convertible preferred securities. Under the final rules, as discussed above, the capital requirements for bank holding companies and banks will increase substantially.

The federal banking agencies have broad powers with which to require companies 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 under the FDICIA including progressively more restrictive constraints on operations, management, and capital distributions. 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 5.0% of the bank's assets at the time it became “undercapitalized” or the amount needed to comply with the plan. The final capital rules described above amended the prompt corrective action framework to include the new CET 1 capital measure and higher minimum capital requirements, effective January 1, 2015, such that the minimum CET 1, Tier 1 risk-based, and total risk based measures required to be “adequately capitalized” will be 4.5%, 6.0%, and 8.0%, respectively, “well-capitalized”, will be at least 2.0% higher in each respective category, and the minimum standard leverage ratio to be adequately capitalized and well-capitalized will be 4.0% and 5.0%, respectively. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee

would take priority over the parent's general unsecured creditors. Additionally, 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.

Regulators also must take into consideration: (i) concentrations of credit risk; (ii) 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 (iii) 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. Regulators make this evaluation as a part of their regular examination of the institution's safety and soundness. Additionally, regulators may choose to examine other factors in order to evaluate the safety and soundness of financial institutions. The Federal Reserve recently announced that its approval of certain capital actions, such as dividend increases and stock repurchase, will be tied to the level of CET 1, and that bank holding companies must consult with the Federal Reserve's staff before taking any actions, such as stock repurchases, capital redemptions, or dividend increases, which might result in a diminished capital base.

In addition, 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. 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. In the event of the “liquidation or other resolution” of an insured depository institution, the FDIA provides that 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 insures deposit accounts up to $250,000. It provides this insurance through the DIF, which the FDIC maintains by assessing depository institutions an insurance premium. The amount each institution was assessed prior to April 1, 2011 was based upon statutory factors that include the average balance of insured deposits as well as the degree of risk the institution poses to the insurance fund. Pursuant to the Dodd-Frank Act, the FDIC changed how it assesses insurance premiums. Beginning April 1, 2011, the FDIC began assessing deposit insurance premiums on the basis of a depository institution's average consolidated net assets and not its deposits. Additionally, the FDIC introduced changes to the method by which it determines each depository institution's insurance premium rate to include a variety of factors that translate into a complex scorecard. These changes were in addition to previous changes related to pre-funding insurance premiums.

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.

The Dodd-Frank Act created the CFPB, which is separated into five units: Research, Community Affairs, Complaint Tracking and Collection, Office of Fair Lending and Equal Opportunity, and Office of Financial Literacy. The CFPB has broad power to adopt new regulations to protect consumers, which power it may exercise at its discretion and so long as it advances the general concept of the protection of consumers. In particular, such regulations may further restrict the Company's banking subsidiary from collecting overdraft fees or limit the amount of overdraft fees that may be collected by the Company's banking subsidiary beyond the limits imposed by the 2009 amendments to Regulation E discussed below.

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.

There are limits and restrictions on transactions in which the Bank and its subsidiaries may engage with the Company and other Company subsidiaries. Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve's Regulation W, among other things, govern the terms and conditions and limit the amount of extensions of credit by the Bank and its subsidiaries to the Company and other Company subsidiaries, purchases of assets by the Bank and its subsidiaries from the Company and other Company subsidiaries, and the amount of collateral required to secure extensions of credit by the Bank and its subsidiaries to the Company and other Company subsidiaries. The Dodd-Frank Act significantly enhanced and expanded the scope and coverage of the limitations imposed by Sections 23A and 23B, in particular, by including within its scope derivative transactions by and between the Bank or its subsidiaries and the Company or other Company subsidiaries. The Federal Reserve enforces the terms of 23A and 23B and audits the enterprise for compliance.

In October 2011, the Federal Reserve and other regulators jointly issued a proposed rule implementing requirements of a new Section 13 to the BHC Act, commonly referred to as the “Volcker Rule.” The regulatory agencies released final implementing regulations on December 10, 2013, providing for an extended conformance date through July 21, 2015. The Volcker Rule generally prohibits the Company and its subsidiaries from (i) engaging in proprietary trading for its own account, (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund,” and (iii) entering into certain relationships with a “covered fund,” all subject to certain exceptions. The Volcker Rule also specifies certain limited activities in which the Company and its subsidiaries may continue to engage.

The Volcker Rule will further restrict and limit the types of activities in which the Company and its subsidiaries may engage. Moreover, it will require the Company and its subsidiaries to adopt complex compliance monitoring and reporting systems in order to assure compliance with the rule while engaging in activities that the Company and its subsidiaries currently conduct.

The Patriot Act substantially broadened existing anti-money laundering legislation and the extraterritorial jurisdiction of the U.S. It imposes compliance and due diligence obligations; creates crimes and penalties; compels the production of documents located both inside and outside the U.S., including those of non-U.S. institutions that have a correspondent relationship in the U.S.; and clarifies the safe harbor from civil liability to clients. The U.S. 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-U.S. 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.” Recently the Financial Crimes Enforcement Network, which drafts regulations implementing the Patriot Act and other anti-money laundering and bank secrecy act legislation, proposed a rule that would require financial institutions to obtain beneficial ownership information with respect to all legal entities with which such institutions conduct business. The scope and compliance requirements of such a rule have yet to be formalized or completed. Bank regulators are focusing their examinations on anti-money laundering compliance, and the Company continues to enhance its anti-money laundering compliance programs.

During the fourth quarter of 2011, the Federal Reserve's final rules related to debit card interchange fees became effective. These rules significantly limit the amount of interchange fees that the Company may charge for electronic debit transactions. Similarly, in 2009, the Federal Reserve adopted amendments to its Regulation E that restrict the Company's ability to charge its clients overdraft fees for ATM and everyday debit card transactions. Pursuant to the adopted regulation, clients must opt-in to an overdraft service in order for banks to collect overdraft fees. Overdraft fees have in the past represented a significant amount of noninterest fees collected by the Company's banking subsidiary. The CFPB also has amended Regulation E to impose certain disclosure and other requirements on the Company’s provision of electronic funds transfer services for U.S. consumers to recipients in other countries.

Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, and, as amended by the Dodd-Frank Act, bank holding companies from any state may acquire banks located in any other state, subject to certain conditions, including concentration limits. Additionally, 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. Under the Dodd-Frank Act, a bank holding company may not acquire another bank or engage in new activities that are financial in nature or acquire a non-bank company that engages in activities that are financial in nature unless the bank holding company is both "well capitalized" and deemed by the Federal Reserve to be "well managed." 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 U.S., and a financial company may not merge, consolidate or acquire another company if the total consolidated liabilities of the acquiring financial company after such acquisition exceeds 10% of the aggregated consolidated liabilities of all financial companies at the end of the year preceding the transaction.

Additionally, certain states may have limitations on the amount of deposits any bank may hold within that state.
On July 21, 2010, the Federal Reserve and other regulators jointly published final guidance for structuring incentive compensation arrangements at financial organizations. The guidance does not set forth any formulas or pay caps for, but contains certain principles which companies are required to follow with respect to employees and groups of employees that may expose the company to material amounts of risk. The three primary principles are (i) balanced risk-taking incentives, (ii) compatibility with effective controls and risk management, and (iii) strong corporate governance. The Federal Reserve will monitor compliance with this guidance as part of its safety and soundness oversight.

Competition
The Company's primary operating footprint is in the Southeast and Mid-Atlantic U.S., though certain lines of business serve broader, national markets. Within those markets the Company faces competition from domestic and foreign lending institutions and numerous other providers of financial services. The Company competes using a client-centered model that focuses on high quality service, while offering a broad range of products and services. The Company believes that this approach better positions it to increase loyalty and expand relationships with current clients and attract new ones. Further, the Company maintains a strong presence within select markets, thereby enhancing its competitive position.

While the Company believes it is well positioned within the highly competitive industry, the industry could become even more competitive as a result of legislative, regulatory, economic, and technological changes, as well as continued consolidation. 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 many of the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. However, non-banking financial institutions may not have the same access to deposit funds or government programs and, as a result, those non-banking financial institutions may elect, as some have done, 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 could alter 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.
Employees
At December 31, 2013, the Company had 26,281 full-time equivalent employees. See additional information in the "Executive Overview" section of this Form 10-K.

Additional Information
See also the following additional information which is incorporated herein by reference: Business Segments (under the captions “Business Segments” and "Business Segment Results" in Item 7, in the MD&A of this Form 10-K, and “Business Segment Reporting” in Note 20 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); Loans and Leases (under the captions “Loans”, “Allowance for Credit Losses”, and “Nonperforming Assets” in the MD&A and “Loans” and “Allowance for Credit Losses” in Notes 6 and 7, respectively, to the Consolidated Financial Statements); Deposits (under the caption “Deposits” in the MD&A); Short-Term Borrowings (under the caption “Short-Term Borrowings” in the MD&A and “Borrowings and Contractual Commitments” in Note 11 to the Consolidated Financial Statements); Trading Activities and Trading Assets and Liabilities (under the caption “Trading Assets and Liabilities and Derivatives” in the MD&A and “Trading Assets and Liabilities and Derivatives” and “Fair Value Election and Measurement” in Notes 4 and 18, 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 Management” in the MD&A); Credit Risk Management (under the caption "Credit Risk Management" 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 Exchange Act are available free of charge on the Company's web site 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 SEC 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 web site address is www.sec.gov. In addition, SunTrust makes available on its website at www.suntrust.com under the heading Corporate Governance: (i) its Code of Ethics; (ii) its Corporate Governance Guidelines; and (iii) the charters of SunTrust Board committees.

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.

Item 1A. RISK FACTORS

The risks described in this Form 10-K 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.

As one of the largest lenders in the Southeast and Mid-Atlantic U.S. and a provider of financial products and services to consumers and businesses across the U.S., our financial results have been, and may continue to be, materially affected by general economic conditions, particularly unemployment levels and home prices in the U.S., and a deterioration of economic conditions or of the financial markets may materially adversely affect our lending and other businesses and our financial results and condition.

We generate revenue from the interest and fees we charge on the loans and other products and services we sell, and a substantial amount of our revenue and earnings come from the net interest income and fee income that we earn from our consumer, wholesale, and mortgage banking businesses. These businesses have been, and may continue to be, materially affected by the state of the U.S. economy, particularly unemployment levels and home prices. Although the U.S. economy has continued to gradually improve from the severely depressed levels of 2008 and early 2009, economic growth and improvement in the housing market have been modest. In addition, financial uncertainty stemming from U.S. debt and budget matters, as well as the uncertainty surrounding financial regulatory reform and its effect on the revenues of financial services companies such as us, have impacted and may continue to impact the continuing global economic recovery. A prolonged period of slow growth in the U.S. economy or any deterioration in general economic conditions and/or the financial markets resulting from the above matters, or any other events or factors that may disrupt or dampen the global economic recovery, could materially adversely affect our financial results and condition.

If unemployment levels increase or if home prices decrease we would expect to incur higher than normal charge-offs and provision expense from increases in our allowance for credit losses. These conditions may adversely affect not only consumer loan performance but also C&I and CRE loans, especially for those businesses that rely on the health of industries or properties that may experience deteriorating economic conditions. The ability of these borrowers to repay their loans may be reduced, causing us to incur significantly higher credit losses. In addition, current economic conditions have made it more challenging for us to increase our consumer and commercial loan portfolios by making loans to creditworthy borrowers at attractive yields. If economic conditions do not continue to improve or if the economy worsens and unemployment rises, then a decrease in consumer and business confidence and spending are likely, which may reduce demand for our credit products, which would adversely affect our interest and fee income and our earnings.

A deterioration in business and economic conditions that erodes consumer and investor confidence levels, and/or increased volatility of financial markets, also could adversely affect financial results for our fee-based businesses, including our wealth management, investment advisory, and investment banking businesses. We earn fee income from managing assets for others and providing brokerage and other investment advisory and wealth management services. Because investment management fees are often based on the value of assets under management, a decrease in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business. Poor economic conditions and volatile or unstable financial markets also can adversely affect our debt and equity underwriting and advisory businesses.

Legislation and regulation, including the Dodd-Frank Act, as well as future legislation and/or regulation, could require us to change certain of our business practices, reduce our revenue, impose additional costs on us, or otherwise

adversely affect our business operations and/or competitive position.

We are heavily regulated by federal and state agencies. This regulation is to protect depositors, the federal DIF and the banking system as a whole. The U.S. 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 be subject to regulatory sanctions and damage to our reputation.

Regulation of the financial services industry has increased significantly since the global financial crisis. The regulation is focused on the protection of depositors, FDIC funds, consumers, and the banking system as a whole, rather than our shareholders, and may be adverse to the interests of our shareholders. We are subject to significant regulation under state and federal laws in the U.S., including new legislation and rule-making promulgated under the Dodd-Frank Act. Increased supervision, reporting, and significant new and proposed legislation and regulatory requirements in the U.S. and in other jurisdictions outside of the U.S. where we conduct business may affect the manner in which we do business and the products

and services that we provide, and may affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue in businesses or impose additional fees, assessments or taxes on us, and adversely affect our business operations or have other negative consequences.
The Dodd-Frank Act, among other things, (i) established a new Financial Stability Oversight Council to monitor systemic risk posed by financial firms and imposes additional and enhanced FRB regulations, including significant changes to capital and liquidity requirements, on certain large, interconnected bank holding companies and systemically significant nonbanking firms intended to promote financial stability, and gives the Financial Stability Oversight Council substantial resolution authority that may affect or alter the rights of creditors and investors in a resolution scenario; (ii) created a liquidation framework for the resolution of covered financial companies, the costs of which would be paid through assessments on surviving covered financial companies; (iii) made significant changes to the structure of bank and bank holding company regulation and activities in a variety of areas, including prohibiting proprietary trading and private fund activities, subject to certain exceptions; (iv) created a new framework for the regulation of OTC derivatives and new regulations for the securitization market and strengthened the regulatory oversight of securities and capital markets by the SEC; (v) established the CFPB, which has broad powers to administer and enforce a new federal regulatory framework of comprehensive consumer financial regulation; (vi) provided for increased regulation of residential mortgage activities; (vii) revised the FDIC's assessment base for deposit insurance by changing from an assessment base defined by deposit liabilities to a risk-based system based on consolidated total assets minus average tangible equity, and also allows the Federal Reserve to assess additional fees for systemic risk oversight, and (vii) authorized the FRB under the Durbin Amendment to issue regulations establishing, among other things, standards for assessing whether debit card interchange fees received by debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions.
A significant number of the provisions of the Dodd-Frank Act still require extensive rulemaking and interpretation by regulatory authorities. In several cases, authorities have extended implementation periods and delayed effective dates. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S. financial system and SunTrust will not be known for an extended period of time. Nevertheless, the Dodd-Frank Act, including current and future rules implementing its provisions and the interpretation of those rules, could result in a loss of revenue, require us to change certain of our business practices, limit our ability to pursue certain business opportunities, increase our capital and liquidity requirements and impose additional assessments and costs on us, and otherwise adversely affect our business operations and have other negative consequences. For example, on October 1, 2011, final rules issued by the Federal Reserve became effective which limit the fees we can charge for debit card interchange, and this has reduced our noninterest income. The ultimate status of these rules is uncertain as merchants brought suit against the Federal Reserve in 2012 challenging the rules. The Federal Reserve has appealed a lower court finding that set aside the rules. In addition, several recent legislative and regulatory initiatives were adopted that have had an impact on our businesses and financial results, including FRB and CFPB amendments to Regulation E which, among other things, affect the way we may charge overdraft fees and our provision of electronic funds transfer services for U.S. consumers to recipients in other countries. We also implemented policy changes to help customers limit overdraft and returned item fees. These reduced our fee revenue.
The Dodd-Frank Act also established the CFPB, which has authority to regulate, among other things, unfair, deceptive, or abusive acts or practices. The CFPB has been active in rule-making and enforcement activity, and already has imposed substantial fines on other financial institutions. Among its other consumer-protective initiatives, the CFPB has placed significant emphasis on consumer complaint management. The CFPB has established a public consumer complaint database to encourage consumers to file complaints they may have against financial institutions, which the CFPB may use to focus enforcement actions and for rule-making. In addition, each financial institution is expected to maintain an effective consumer complaint management program. Further, in 2013 the CFPB released final regulations under Title XIV of the Dodd-Frank Act in 2013 further regulating the origination of mortgages and addressing "ability to repay" standards, loan officer compensation, appraisal disclosures, HOEPA triggers and other matters. The "ability to repay" rule, in particular, has the potential to significantly affect our business since it provides a borrower with a defense to foreclosure unless the lender established the borrower's ability to repay, or that the loan

was a "qualified mortgage" or met other exceptions to the rule. While qualified mortgages may provide certain safe harbors, the extent of these safe harbors remains unclear. Our business strategy, product offerings, and profitability may be affected by CFPB rules and may change as these and other rules are developed, become effective, and are interpreted by the regulators and courts.

The Dodd-Frank Act (through provisions commonly known as the “Volcker Rule”) prohibits banking entities from engaging in certain types of proprietary trading and restricts their ability to sponsor, invest in, or have certain relationships with “covered funds” such as private equity funds, hedge funds or other similar private investment vehicles. The Volcker Rule became effective on July 21, 2012 in advance of the finalization of the implementing regulations by the relevant regulatory agencies. These regulatory agencies issued guidance during the automatic two year conformance period which commenced on July 21, 2012, providing that banking entities should engage in good-faith planning efforts to enable them to comply with the Volcker Rule and any final implementing regulations by no later than the end of that two year period. They also clarified that these

good-faith efforts should include an assessment of which banking entity activities are covered by the Volcker Rule and any final implementing regulations and development of a plan to conform these activities to the Volcker Rule/final implementing regulations by July 21, 2014, which was the original conformance date. We have undertaken such good faith planning efforts. The regulatory agencies released final implementing regulations on December 10, 2013, which extended the conformance date and good faith planning requirements to July 21, 2015. Although we do not have a designated proprietary trading operation, the scope of the proprietary trading prohibition and its impact on us depends on certain definitions in the final implementing regulations, particularly those definitions related to exemptions for market making, hedging activities and customer trading. While we are assessing the impact of the final regulations, we believe that the impact to revenues associated with the Volcker Rule will be immaterial. The final regulations will also require us to establish and maintain an internal compliance program to monitor and assure compliance with the Volcker Rule, which will impose ongoing compliance costs on us.

The Dodd-Frank Act created a new regulatory framework for the U.S. OTC derivatives markets with jurisdiction being broadly shared by the CFTC for swaps and the SEC for security-based swaps. In 2012 and 2013, the CFTC finalized most of its core regulations triggering a phased-in compliance period commencing in late 2012 and continuing throughout 2013. In 2013, SunTrust Bank provisionally registered as a swap dealer with the CFTC and became subject to new substantive requirements, including trade reporting and robust record keeping requirements, business conduct requirements (including daily valuations, disclosure of material risks associated with swaps and disclosure of material incentives and conflicts of interest), and mandatory clearing of certain standardized swaps designated by the CFTC, such as most interest rate swaps. While the SEC has proposed most of its core regulations for security-based swaps, most of its new requirements await final regulations and are expected to be similar to the CFTC rules for swaps. Moreover, we expect our derivatives business will become subject to additional substantive requirements, including margin requirements in excess of current market practice, increased capital requirements and exchange trading requirements. These new rules collectively will impose implementation and ongoing compliance burdens on us and will introduce additional legal risk, including as a result of newly applicable anti-fraud and anti-manipulation provisions and private rights of action.

Additionally, the relevant regulatory agencies have proposed rules to implement the Dodd-Frank Act provisions requiring retention of risk by certain securitization participants through holding interests in the securitization vehicles, but the rules are not yet finalized or effective. As a result, the ultimate impact of these Dodd-Frank Act provisions on us remains unpredictable. The impact on us could be direct, by requiring us to hold interests in a securitization vehicle or other assets that represent a portion of the credit risk held by the securitization vehicle, or indirect, by impacting markets in which we participate. Since the beginning of the financial crisis, there has been and continues to be substantially less private (that is, non-government backed) securitization activity than had previously been the case. It is unclear at present whether and to what extent the private securitization markets will rebound. In recent years we have only engaged in securitization transactions to a limited extent under circumstances where we might expect to be required to retain additional risk on our balance sheet as a result of implementation of these Dodd-Frank Act provisions. If the market for private securitizations rebounds and we decide to increase our participation in that market, we would likely be required under the regulations to retain more risk than would otherwise have been the case, with currently uncertain financial impact. In addition, other securitization reforms mandated by the Dodd-Frank Act or implemented or proposed by the SEC may have the effect of limiting our ability to execute, or increase the cost of, securitization transactions. The impact of such reforms on our business is uncertain and difficult to quantify.

In February 2011, the White House delivered a report to Congress regarding proposals to reform the housing finance market in the U.S. The report, among other things, outlined various potential proposals to wind down the GSEs and reduce or eliminate over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as proposals to implement reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can guarantee, phasing in a minimum down payment

requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. The extent and timing of any regulatory reform regarding the GSEs and the home mortgage market, as well as any effect on our business and financial results, are uncertain.

Additionally, legislation or regulation may impose unexpected or unintended consequences, the impact of which is difficult to predict. For example, some commentators have expressed a view that proposed liquidity requirements, which will require certain banks to hold more liquid securities, may have the unintended consequence of reducing the size of the trading markets for such securities and thereby reduce liquidity in those markets.

Any other future legislation and/or regulation, if adopted, also could have a material adverse effect on our business operations, income, and/or competitive position and may have other negative consequences. For additional information, see the “Government Supervision and Regulation” section in this Form 10-K.

We are subject to capital adequacy and liquidity guidelines and, if we fail to meet these guidelines, our financial condition would be adversely affected.

Under regulatory capital adequacy guidelines and other regulatory requirements, we, together with our banking subsidiary and broker-dealer subsidiaries, must meet certain capital and liquidity guidelines, subject to qualitative judgments by regulators about components, risk weightings, and other factors.

In July 2013, the Federal Reserve issued final capital rules that replace existing capital adequacy rules and implement Basel III and certain requirements imposed by the Dodd-Frank Act. The final capital rules consolidate and largely adopt unchanged the three proposals included in the June 2012 regulatory capital rules NPR. When fully phased-in, these rules will result in higher and more stringent capital requirements for us and our banking subsidiary. Under the final rules, our capital requirements will increase and the risk-weighting of many of our assets will change.

Under the final capital rules, Tier 1 capital will consist of CET 1 capital and additional Tier 1 capital, with Tier 1 capital plus Tier 2 capital constituting total risk-based capital. The required minimum capital requirements will be a CET 1 ratio of 4.5%; a Tier 1 capital ratio of 6%, and a total capital ratio of 8%. In addition, a Tier 1 leverage ratio to average consolidated assets of 4% will apply. Further, we will be required to maintain a capital conservation buffer of 2.5% of additional CET 1. If we do not maintain the capital conservation buffer once it is fully phased in, then our ability to pay dividends and discretionary bonuses and to make share repurchases will be restricted. We will be required to comply with the minimum regulatory capital ratios as of January 1, 2015, which also starts the transition period for other requirements of the final rules and the capital conservation buffer. We have estimated our regulatory capital under Basel III under the final rules, and we provide that estimate and a reconcilement to U.S. GAAP in Table 36, "Reconcilement of Non-U.S. GAAP Measures - Annual" in Item 7, "MD&A", in this Form 10-K. Note that this estimate is consistent with our interpretation of the final rule and ambiguities in the final rule or other interpretations of the final rule could result in a larger measure of RWAs and consequently a lower CET 1 capital ratio. If risk weightings of certain assets change, and we are required to hold increased amounts of capital as a result of holding those assets, the profitability of those assets and businesses may change, and longer-term this may result in changes in our business mix.

The final rules will also gradually eliminate the contribution to Tier 1 capital of certain trust preferred and certain other hybrid debt securities currently included in Tier 1 capital. These securities will lose Tier 1 capital status under the phased-in approach between 2013 and 2016, but will qualify for Tier 2 capital treatment. At December 31, 2013, we had $627 million principal amount of such securities outstanding.

Additionally, the Basel III framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests, including a LCR, which is designed to ensure that the banking entity maintains a level of unencumbered high-quality liquid assets greater than or equal to the entity's expected net cash outflow for a specified time horizon under an acute liquidity stress scenario, and a NSFR, designed to promote more medium and long-term funding based on the liquidity characteristics of the assets and activities of banking entities over a one-year time horizon. In October 2013, the FRB, jointly with other federal banking regulators, issued an NPR to implement the LCR. These proposed rules are more stringent than the Basel III LCR in several respects, including, among other things, requirements for holding certain high quality liquid assets. The LCR NPR provides for a modified LCR to apply to BHCs with over $50 billion in assets such as us, which generally sets the cash outflow parameters at 70% of those applicable to larger institutions. At this time, international regulatory authorities are still assessing the NSFR and it is unclear when the NSFR will be introduced as a requirement. In order to meet future LCR, we may alter the composition of our investment portfolio and/or balance sheet composition and this may adversely affect our earnings. Under the proposed rule, banking organizations will be required to comply with the LCR during a phase-in period beginning January 1, 2015.

Pursuant to the Dodd-Frank Act, the FRB issued a final capital plan rule effective in December 2011, which requires large bank holding companies, such as us, to submit annual capital plans to the FRB for review and non-objection as part of CCAR. Pursuant to this rule, we annually submit a capital plan to the FRB. As part of CCAR, the FRB evaluates banking organizations' capital adequacy, internal capital adequacy assessment processes, and their plans to make capital distributions. Under the Dodd-Frank Act, we must also conduct semi-annual company-run stress tests

and disclose certain information regarding the results of these stress tests.
CCAR includes a supervisory stress test to support the FRB's analysis of the adequacy of banking organizations' capital. Our capital planning under CCAR requires an analysis of capital management and capital adequacy under a variety of hypothetical stressed economic scenarios. Our performance under CCAR's hypothetical scenarios dictates the capital actions the FRB will allow us to take, such as dividends and share repurchases. In addition to the quantitative requirements of CCAR, the FRB also evaluates the qualitative aspects of our capital management program, which can also impact our capital actions. Due to the importance and intensity of the CCAR process, we have dedicated additional resources to comply with CCAR, although no assurance can be provided that these resources will be deemed sufficient or that we will be deemed to have adequate capital under CCAR's hypothetical scenarios. There can be no assurance that the FRB will respond favorably to our pending and

future capital plan reviews. If we are deemed to have inadequate capital under CCAR's hypothetical scenarios, then the FRB may prohibit us from taking certain capital actions, such as paying or increasing dividends or repurchasing capital stock.

The Basel standards and FRB regulatory capital and liquidity requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases, and may require us to increase our capital and/or liquidity. Any requirement that we increase our regulatory capital, replace certain capital instruments which presently qualify as Tier 1 capital, or increase regulatory capital ratios or liquidity, could require us to liquidate assets or otherwise change our business and/or investment plans, which may adversely affect our financial results. Although not currently anticipated, the proposed Basel capital rules and/or our regulators may require us to raise additional capital in the future. Issuing additional common stock would dilute the ownership of existing stockholders. Further, even if the FRB approves a capital plan which we submit under CCAR, such approval would not mean that other limitations do not exist on our ability to pay or increase dividends or repurchase stock.

The need to maintain more capital and greater liquidity than has been historically required could limit our business activities, including lending, and our ability to expand, either organically or through acquisitions. It could also depress our return on equity, thereby making it more difficult to earn our cost of capital. In addition, the new liquidity standards could require us to increase our holdings of highly liquid short-term investments, thereby reducing our ability to invest in longer-term assets even if more desirable from a balance sheet management perspective. Moreover, although these new requirements are being phased in over time, U.S. federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases and acquisitions.

Loss of customer deposits and market illiquidity could increase our funding costs.

We rely heavily on bank deposits to be a low cost and stable source of funding for the loans we make. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits, our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs reduce our net interest margin and net interest income.

We rely on the mortgage secondary market and GSEs for some of our liquidity.

We sell most of the mortgage loans we originate to reduce our credit risk and to provide funding for additional loans. We rely on GSEs to purchase loans that meet their conforming loan requirements. We rely on other capital markets investors to purchase non-conforming loans (i.e., loans that do not meet GSE requirements). Since 2007, investor demand for nonconforming loans has fallen sharply, increasing credit spreads and reducing the liquidity of those loans. In response to the reduced liquidity in the capital markets, we may retain more nonconforming loans, negatively impacting reserves, or we may originate less negatively impacting revenue. When we retain a loan not only do we keep the credit risk of the loan but we also do not receive any sale proceeds that could be used to generate new loans. A persistent lack of liquidity could limit our ability to fund and thus originate new mortgage loans, reducing the fees we earn from originating and servicing loans. In addition, we cannot provide assurance that GSEs will not materially limit their purchases of conforming loans due to capital constraints or change their criteria for conforming loans (e.g., maximum loan amount or borrower eligibility). As previously noted, proposals have been presented to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The extent and timing of any such regulatory reform regarding the housing finance market and the GSEs, as well as any effect on our business and financial results, are uncertain.

Our framework for managing risks may not be effective in mitigating risk and loss to us.

Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management

strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. The recent financial and credit crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks. If our risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

We are subject to credit risk.

When we lend money, commit to lend money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, which is 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, leveraged loans, leases and lending commitments, derivatives, trading 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 conditions 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 do identify.
We might underestimate the credit losses inherent in our loan portfolio and have credit losses in excess of the amount reserved. We might increase the allowance because of changing economic conditions, including falling home prices and higher unemployment, or other factors such as changes in borrower behavior. As an example, borrowers may discontinue making payments on their real estate-secured loans if the value of the real estate is less than what they owe, even if they are still financially able to make the payments.

While we believe that our allowance for credit losses was adequate at December 31, 2013, there is no assurance that it will be sufficient to cover all incurred credit losses, especially if housing and employment conditions worsen. In the event of significant deterioration in economic conditions, we may be required to increase reserves in future periods, which would reduce our earnings. For additional information, see the "Risk Management-Credit Risk Management" and "Critical Accounting Policies-Allowance for Credit Losses" sections in the MD&A in this Form 10-K.

Our ALLL may not be adequate to cover our eventual losses.
Like other financial institutions, we maintain an ALLL to provide for loan defaults and nonperformance. Our ALLL is based on our historical loss experience, as well as an evaluation of the risks associated with our loan portfolio, including the size and composition of the loan portfolio, current economic conditions and geographic concentrations within the portfolio. The current economic conditions in the U.S. and in our markets could deteriorate, which could result in, among other things, greater than expected deterioration in credit quality of our loan portfolio or in the value of collateral securing these loans. Our ALLL may not be adequate to cover eventual loan losses, and future provisions for loan losses could materially and adversely affect our financial condition and results of operations. Additionally, in order to maximize the collection of loan balances, we sometimes modify loan terms when there is a reasonable chance that an appropriate modification would allow our client to continue servicing the debt. If such modifications ultimately are less effective at mitigating loan losses than we expect, we may incur losses in excess of the specific amount of ALLL associated with a modified loan, and this would result in additional provision for loan losses.
On December 20, 2012, the FASB issued for public comment a Proposed ASU, Financial Instruments-Credit Losses (Subtopic 825-15) (the Credit Loss Proposal), that would substantially change the accounting for credit losses under U.S. GAAP. Under U.S. GAAP's current standards, credit losses are not reflected in the financial statements until it is probable that the credit loss has been incurred. Under the Credit Loss Proposal, an entity would reflect in its financial statements its current estimate of credit losses on financial assets over the expected life of each financial asset. The Credit Loss Proposal, if adopted as proposed, may have a negative impact on our reported earnings, capital, regulatory capital ratios, as well as on regulatory limits which are based on capital (e.g., loans to affiliates) since it would accelerate the recognition of estimated credit losses.

We may have more credit risk and higher credit losses to the extent that our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral.
Our credit risk and credit losses can increase if our loans are concentrated in borrowers engaged in the same or similar activities or in borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. For example, we experienced the effect of concentration risk when we incurred greater than expected losses in our residential real estate loan portfolio due to the latest housing slowdown and greater than expected deterioration in residential real estate values in many markets, particularly several Florida MSAs. As Florida is our largest banking state in terms of loans and deposits, deterioration in real estate values and underlying economic conditions in those markets or elsewhere could result in materially higher credit losses. A deterioration in economic conditions, housing conditions, or real estate values in the markets in which we operate could result in materially

higher credit losses. For additional information, see the "Loans", "Allowance for Credit Losses", “Risk Management-Credit Risk Management” and “Critical Accounting Policies-Allowance for Credit Losses” sections in the MD&A and Notes 6 and 7, "Loans" and "Allowance for Credit Losses", to the Consolidated Financial Statements in this Form 10-K.

We will realize future losses if the proceeds we receive upon liquidation of NPAs are less than the carrying value of such assets.
NPAs are recorded on our financial statements at the estimated net realizable value that we expect to receive from ultimately disposing of the assets. We could realize losses in the future as a result of deteriorating market conditions if the proceeds we receive upon dispositions of NPAs are less than the carrying value of such assets.

A downgrade in the U.S. government's sovereign credit rating, or in the credit ratings of instruments issued, insured or guaranteed by related institutions, agencies or instrumentalities, could result in risks to us and general economic conditions that we are not able to predict.
On June 10, 2013, S&P reaffirmed its government bond rating of the U.S. at AA+, while also raising its outlook from “Negative” to “Stable.” On July 18, 2013, Moody’s reaffirmed the government bond rating of the U.S. at Aaa, while raising the outlook from “Negative” to “Stable.” On October 15, 2013, however, Fitch placed its AAA rating of U.S. government debt on “Ratings Watch Negative.” While the risk of a sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities, has been reduced, the possibility still remains. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are key assets on the balance sheets of financial institutions, including us, and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market.

A downgrade of the sovereign credit ratings of the U.S. government and the perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact on us. In addition, we presently deliver a material portion of the residential mortgage loans we originate into government-sponsored institutions, agencies or instrumentalities (or instruments insured or guaranteed thereby). We cannot predict if, when or how any changes to the credit ratings of these organizations will affect their ability to finance residential mortgage loans. Such ratings actions, if any, could result in a significant change to our mortgage business. A downgrade of the sovereign credit ratings of the U.S. government or the credit ratings of related institutions, agencies or instrumentalities would significantly exacerbate the other risks to which we are subject and any related adverse effects on our business, 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.
Weakness in the non-agency secondary market for residential mortgage loans has limited the market for and liquidity of many mortgage loans. These conditions have resulted in losses, write-downs and impairment charges in our mortgage and other lines of business. Declines in real estate values, low home sales volumes, financial stress on borrowers as a result of unemployment, interest rate resets on ARMs or other factors could have further adverse effects on borrowers that could result in higher delinquencies and greater charge-offs in future periods, which would adversely affect our financial condition or results of operations. Additionally, counterparties to insurance arrangements used to mitigate risk associated with increased defaults in the real estate market are stressed by weaknesses in the real estate market and a commensurate increase in the number of claims. Further, 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 as a result of foreclosing a loan and our ability to realize value on such assets.
We are subject to certain risks related to originating and selling mortgages. 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 breaches of our servicing agreements, and this could harm our liquidity, results of operations, and financial condition.
We originate and often sell mortgage loans. 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 that 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 by 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, whether or not we were the originator of the loan. While in many cases we may have a remedy available against the originating broker or correspondent, often these 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 satisfy remedies that 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.

Since the beginning of 2006, we have received an elevated number of repurchase and indemnity demands from purchasers. These have resulted in an increase in the amount of losses for repurchases. While we have taken steps to enhance our underwriting policies and procedures, these steps will not reduce risk associated with loans sold in the past. If repurchase and indemnity demands increase materially, our results of operations may be adversely affected.

During 2012, we recorded a $371 million provision for mortgage repurchase losses, primarily related to loans sold to the GSEs prior to 2009, and the resulting mortgage repurchase reserve reflected the estimated incurred losses on repurchase demands for this population of loans. In 2013, SunTrust reached agreements with Fannie Mae and Freddie Mac to address outstanding and potential repurchase obligations, and reserved an additional $63 million. Accordingly, we expect that future mortgage repurchase provisions will decrease substantially from levels experienced in recent years. However, the 2013 agreements with Fannie Mae and Freddie Mac settling certain aspects of our repurchase obligations preserve their right to require repurchases arising from certain types of events, and that preservation of rights can impact our future losses. We understand the FHFA's Office of Inspector General has commenced an audit of the FHFA's oversight of Fannie Mae's and Freddie Mac's exercise of their rights under settlement agreements with banks, including Fannie Mae's and Freddie Mac's preserved right to require repurchases when consumer protection laws have been violated. While the repurchase reserve includes the estimated cost of settling claims related to required repurchases, our estimate of losses depends on our assumptions regarding GSE and other counterparty behavior, loan performance, home prices, and other factors. For additional information, see Note 17, "Guarantees," to the Consolidated Financial Statements in this Form 10-K, and the following sections of MD&A in this Form 10-K-"Noninterest Income" and "Critical Accounting Policies."

We also have received indemnification requests related to our servicing of loans owned or insured by other parties, primarily GSEs. Typically, such a claim seeks to impose a compensatory fee on us for departures from GSE service levels. In most cases, this is related to delays in the foreclosure process. Additionally, we have received indemnification requests where an investor or insurer has suffered a loss due to a breach of the servicing agreement. While the number of such claims has been small, these could increase in the future. See additional discussion in Note 17, "Guarantees," to the Consolidated Financial Statements in this Form 10-K. In addition to repurchase claims from the GSEs, we have received indemnification claims and in some cases, have been sued, by non-GSE purchasers of our loans. These claims allege that we sold loans that failed to conform to statements about their quality because of missing or inaccurate documentation, fraud by borrowers, or fraudulent or inflated appraisals. See additional discussion in Note 19, "Contingencies," to the Consolidated Financial Statements in this Form 10-K.

We face certain risks as a servicer of loans. Also, we may be terminated as a servicer or master servicer, be required to repurchase a mortgage loan or reimburse investors for credit losses on a mortgage loan, or incur costs, liabilities, fines and other sanctions if we fail to satisfy our servicing obligations, including our obligations with respect to mortgage loan foreclosure actions.

We act as servicer and/or master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans, we have certain contractual obligations to the securitization trusts, investors or other third parties, including, in our capacity as a servicer, foreclosing on defaulted mortgage loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales and, in our capacity as a master servicer, overseeing the servicing of mortgage loans by the servicer. Generally, our servicing obligations are set by contract, for which we receive a contractual fee. However, the costs to perform contracted-for services has been increasing, which reduces our profitability. Further, GSEs can amend their servicing guidelines, which can increase the scope or costs of the services we are required to perform without any corresponding increase in our servicing fee. Further, the CFPB has implemented national servicing standards which became effective on January 10, 2014 and which may further increase the scope and costs of services which we are required to perform. In addition, there has been a significant increase in state laws that impose additional servicing requirements that increase the scope and cost of our servicing obligations.

Further, if we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing us to lose servicing income. In addition, we may be required to indemnify the securitization trustee against losses from any failure by us, as a servicer or master servicer, to perform our servicing obligations or any act or omission on our part that involves willful

misfeasance, bad faith or gross negligence. For certain investors and/or certain transactions, we may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. If we experience increased repurchase obligations because of claims that we did not satisfy our obligations as a servicer or master servicer, or increased loss severity on such repurchases, we may have to materially increase our repurchase reserve.

We may incur costs if we are required to, or if we elect to, re-execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. We may incur litigation costs if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to the borrower and/or to any title insurer of the property sold in foreclosure if the required process was not followed. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. In addition, if certain documents required for a foreclosure action are missing or defective, we could be obligated to cure the defect or repurchase the loan. We may incur a liability to securitization investors

relating to delays or deficiencies in our processing of mortgage assignments or other documents necessary to comply with state law governing foreclosures. The fair value of our MSRs may be adversely affected to the extent our servicing costs increase because of higher foreclosure costs. Further, we may be subject to fines and other sanctions, including a foreclosure moratorium or suspension or a requirement to forgive or modify the loan obligations of certain of our borrowers, imposed by Federal or state regulators as a result of actual or perceived deficiencies in our foreclosure practices or in the foreclosure practices of other mortgage loan servicers. Any of these actions may harm our reputation or adversely affect our residential mortgage origination or servicing business.

As a servicer, we advance expenses on behalf of investors which we may be unable to collect. In 2013, we completed an expanded review of our servicing advance practices. Separately, we entered into an agreement to sell MSRs on approximately $1 billion of UPB of predominantly delinquent mortgage loans. As a result of the review and the MSR sale, we refined our loss estimates and valuation methodologies for servicing advances, resulting in a $96 million charge to our earnings during 2013.

In 2011, the FRB conducted a horizontal review of the nation's largest mortgage loan servicers, including us. Following this review, we and other servicers entered into a Consent Order with the FRB. We describe the Consent Order in Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K. The Consent Order required us to improve certain mortgage servicing and foreclosure processes and to retain an independent foreclosure consultant to conduct a review of residential foreclosure actions pending during 2009 and 2010 to identify any errors, misrepresentations or deficiencies, determine whether any instances so identified resulted in financial injury, and prepare a written report detailing the findings. On January 7, 2013, we, along with nine other mortgage servicers, entered into an amendment to the Consent Order with the OCC and the FRB to amend the 2011 Consent Order. This agreement ended the independent foreclosure review process created by the Consent Order, replacing it with an accelerated remediation program. We have taken actions to satisfy our commitments under the amendment to the Consent Order, and our financial results at December 31, 2013 reflect the expected costs of satisfying our financial obligations under the amendment to the Consent Order.
As a result of the FRB's review of our residential mortgage loan servicing and foreclosure processing practices that preceded the Consent Order, the FRB announced that it would impose a $160 million civil money penalty. As permitted in the agreement with the FRB, we expect to satisfy the civil money penalty by providing consumer relief and certain cash payments as contemplated by such agreement. We also continue with settlement discussions with the U.S. and States Attorneys General related to mortgage servicing claims as discussed in Note 19, "Contingencies" to the Consolidated Financial Statements in this Form 10-K. We have accrued for the anticipated cost of resolving these and other potential claims in our financial results.

Financial difficulties or credit downgrades of mortgage and bond insurers may adversely affect our servicing and investment portfolios.
Our servicing portfolio includes certain mortgage loans that carry some level of insurance from one or more mortgage insurance companies. To the extent that any of these companies experience financial difficulties or credit downgrades, we may be required, as servicer of the insured loan on behalf of the investor, to obtain replacement coverage with another provider, possibly at a higher cost than the coverage we would replace. We may be responsible for some or all of the incremental cost of the new coverage for certain loans depending on the terms of our servicing agreement with the investor and other circumstances. Similarly, some of the mortgage loans we hold for investment or for sale carry mortgage insurance. If a mortgage insurer is unable to meet its credit obligations with respect to an insured loan, we might incur higher credit losses if replacement coverage is not obtained. We also have investments in municipal bonds that are guaranteed against loss by bond insurers. The value of these bonds and the payment of principal and interest on them may be adversely affected by financial difficulties or credit downgrades experienced by the bond insurers.

We are subject to risks related to delays in the foreclosure process.

When we originate a mortgage loan, we do so with the expectation that if the borrower defaults, our ultimate loss is mitigated by the value of the collateral which secures the mortgage loan. Our ability to mitigate our losses on such defaulted loans depends upon our ability to promptly foreclose upon such collateral after an appropriate cure period. In some states, the large number of foreclosures which have occurred has resulted in delays in foreclosing. In some instances, our practices or failures to adhere to our policies have contributed to these delays. Any delay in the foreclosure process will adversely affect us by increasing our expenses related to carrying such assets, such as taxes, insurance, and other carrying costs, and exposes us to losses as a result of potential additional declines in the value of such collateral.

We face risks related to recent mortgage settlements.

On October 10, 2013, we announced that we reached agreements in principle with the HUD and the U.S. DOJ (collectively, the "Government") to settle (i) certain civil and administrative claims arising from FHA-insured mortgage loans originated by STM from January 1, 2006 through March 31, 2012 and (ii) certain alleged civil claims regarding our mortgage servicing and origination practices as part of the National Mortgage Servicing Settlement. Pursuant to the combined agreements in

principle, we have committed to provide $500 million of consumer relief, to make a $468 million cash payment, and to implement certain mortgage servicing standards.
We are continuing to negotiate definitive settlement terms for each of these matters and have certain substantive disagreements with some of the positions being taken by the Government. We may be unable to resolve our disagreements with the Government and may not reach a definitive settlement agreement as it relates to the FHA matter. If we do not reach a definitive settlement agreement, then the Government may sue us alleging deficiencies in our FHA loan origination practices. We are not able to predict the effect that a failure to resolve the FHA matter will have on the agreement in principle to settle the alleged claims regarding our mortgage servicing and origination practices.
Our financial statements at December 31, 2013 reflected our estimated cost of the settlements, and we are not able to predict what our ultimate cost to resolve these matters will be if we are not able to reach definitive settlement agreements. Even if we were to reach a definitive settlement agreement with the Government to resolve the alleged mortgage servicing and origination claims as contemplated by the agreement in principle, we face the risk of being unable to meet certain consumer relief commitments, resulting in increased costs to resolve this matter. Additionally, while we do not expect the consumer relief efforts or implementation of certain servicing standards associated with the settlements to have a material impact on our future financial results, this expectation is based on anticipated requirements of the definitive agreements which the parties have not finalized.

We may continue to suffer increased losses in our loan portfolio despite enhancement of our underwriting policies and practices.
We seek to mitigate risks inherent in our loan portfolio by adhering to specific underwriting policies and practices, which often include analysis of a borrower's credit history, financial statements, tax returns and cash flow projections; valuation of collateral based on reports of independent appraisers; and verification of liquid assets. Our underwriting policies, practices and standards are periodically reviewed and, if appropriate, enhanced in response to changing market conditions and/or corporate strategies. Examples include: client eligibility requirements, documentation requirements, loan types, collateral types, LTV ratios, and minimum credit scores. Prior reviews have resulted in more stringent documentation standards, lower maximum LTV ratios, and channel and client type restrictions. These actions have contributed to a reduction in exposure to certain higher risk portfolio segments, such as higher risk mortgage, home equity, and commercial construction. These actions have also contributed to declines in early stage delinquencies and NPLs. While these changes have resulted in improving asset quality metrics, elevated losses may continue to occur due to economic factors, changes in borrower behavior, or other factors.
Our mortgage production and servicing revenue can be volatile.
We earn revenue from fees we receive for originating mortgage loans and for servicing mortgage loans. When rates rise, the demand for mortgage loans usually tends to fall, reducing the revenue we receive from loan originations. Under the same conditions, revenue from our MSRs can increase through reductions in the decay, or amortization, of the MSR asset. When rates fall, mortgage originations usually tend to increase and mortgage servicing income tends to decline given increases in the decay, or amortization, of the MSR asset. Even though the MSR asset can act as a "natural hedge," the hedge is not perfect, nor is it designed to be, either in amount or timing. Servicing income can also be impacted by the change in the fair value of the MSR asset due to changes in market interest rates and other assumptions, exclusive of decay of the MSR asset. We use derivatives to hedge the risk of changes in the fair value of the MSR, exclusive of decay. The hedge may not be effective and may cause volatility, or losses, in our mortgage servicing income.

During 2012, our mortgage production income benefited from high levels of refinancing activity and historically high gain on sale margins for our mortgage loans. In contrast, during the second half of 2013, increased interest rates caused mortgage applications and refinancing activity to decline substantially, and this adversely affected mortgage production income. Our mortgage production income likely will continue to be depressed as long as gain on sale margins remain narrow and until refinance and purchase activity improves.

We typically use derivatives and other instruments to hedge our mortgage banking interest rate risk. We generally do not hedge all of our risk, and we may not be successful in hedging any of the risk. Hedging is a complex process, requiring sophisticated models and constant monitoring. We may use hedging instruments tied to U.S. Treasury rates, LIBOR or Eurodollars that may not perfectly correlate with the value or income being hedged. We could incur significant losses from our hedging activities. There may be periods where we elect not to use derivatives and other instruments to hedge mortgage banking interest rate risk. For additional information, see Note 16, “Derivative Financial Instruments,” to the Consolidated Financial Statements in this Form 10-K.

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 and liquidity.
Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices, and other relevant market rates or prices. Interest rate risk, defined as the exposure of net interest income and MVE to adverse movements in interest rates, is our primary market risk, and mainly arises from the structure of the balance sheet, which includes all loans. Variable rate loans, prior to any hedging related actions, are approximately 56% of total loans and approximately 43% of total loans after giving consideration to hedging related actions. We are also exposed to market risk in our trading instruments, AFS investment portfolio, MSRs, loan warehouse and pipeline, and debt and brokered deposits carried at fair value. 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.
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 our pension plan assets could decline, thereby potentially requiring us to further fund the plan; 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.

Our net interest income is the interest we earn on loans, debt securities and other assets we hold less the interest we pay on our deposits, long-term and short-term debt, and other liabilities. Net interest income is a function of both our net interest margin-the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding-and the amount of earning assets we hold. Changes in either our net interest margin or the amount of earning assets we hold could affect our net interest income and our earnings. Changes in interest rates can affect our net interest margin. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. When interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the asset yield catches up.
The amount and type of earning assets we hold can affect our yield and net interest margin. We hold earning assets in the form of loans and investment securities, among other assets. As noted above, if current economic conditions persist, we may continue to see lower demand for loans by creditworthy customers, reducing our yield. In addition, we may invest in lower yielding investment securities for a variety of reasons.

Changes in the slope of the “yield curve,” or the spread between short-term and long-term interest rates, could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens or even inverts, our net interest margin could decrease as our cost of funds increases relative to the yield we can earn on our assets. The interest we earn on our assets and our costs to fund those assets may be affected by changes in market interest rates, changes in the slope of the yield curve, and our cost of funding. This could lower our net interest margin and our net interest income. We discuss these topics in greater detail under the caption “Enterprise Risk Management” in the MD&A in this Form 10-K.

During the third quarter of 2013, the Federal Reserve reaffirmed that a highly accommodative monetary policy will remain in effect for a considerable time after its asset purchase program ends and the economic recovery strengthens. Accordingly, the Federal Reserve conveyed that it anticipates maintaining key interest rates at exceptionally low

levels, at least as long as the unemployment rate remains above 6.5% and its long-term inflation goals are not met. A persistent low interest rate environment likely will adversely affect the interest income we earn on loans and investments.

We assess our interest rate risk by estimating the effect on our earnings under various scenarios that differ based on assumptions about the direction, magnitude and speed of interest rate changes and the slope of the yield curve. We hedge some of that interest rate risk with interest rate derivatives.

We may not hedge all of our interest rate risk. There is always the risk that changes in interest rates could reduce our net interest income and our earnings in material amounts, especially if actual conditions turn out to be materially different than what we assumed. For example, if interest rates rise or fall faster than we assumed or the slope of the yield curve changes, we may incur significant losses on debt securities we hold as investments. To reduce our interest rate risk, we may rebalance

our investment and loan portfolios, refinance our debt and take other strategic actions. We may incur losses when we take such actions. For additional information, see the “Enterprise Risk Management” section in the MD&A in this Form 10-K.

Changes in interest rates could also reduce the value of our MSRs and mortgages held for sale, reducing our earnings. We have a sizable portfolio of MSRs. An MSR is the right to service a mortgage loan-collect principal, interest and escrow amounts-for a fee. We record MSRs when we keep the servicing rights after we sell or securitize the loans we have originated or when we purchase the servicing rights to mortgage loans originated by other lenders. We initially measure all and carry all our residential MSRs using the fair value measurement method. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers.

Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our MSRs can decrease. Each quarter we evaluate the fair value of our MSRs and any related hedges, and any decrease in fair value reduces earnings in the period in which the decrease occurs.

We measure at fair value prime mortgages held for sale for which an active secondary market and readily available market prices exist. We also measure at fair value certain other interests we hold related to residential loan sales and securitizations. Similar to other interest-bearing securities, the value of these mortgages held for sale and other interests may be adversely affected by changes in interest rates. For example, if market interest rates increase relative to the yield on these mortgages held for sale and other interests, their fair value may fall. We may not hedge this risk, and even if we do hedge the risk with derivatives and other instruments we may still incur significant losses from changes in the value of these mortgages held for sale and other interests or from changes in the value of the hedging instruments.

For additional information, see “Enterprise Risk Management-Other Market Risk” and “Critical Accounting Policies” in the MD&A, and Note 9, "Goodwill and Other Intangible Assets," to the Consolidated Financial Statements in this Form 10-K.

The fiscal and monetary policies of the federal government and its agencies could have a material adverse effect on our earnings.
The Federal Reserve regulates the supply of money and credit in the U.S. 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 MSRs. Federal Reserve policies can also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans, or could adversely create asset bubbles which result from prolonged periods of accommodative policy, and which in turn result in volatile markets and rapidly declining collateral values. Changes in Federal Reserve 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.
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.

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. Other businesses include investment banking, securities underwriting and retail and wholesale brokerage services offered through our subsidiaries. Securities underwriting, loan syndications and securities market making entail significant market, operational, credit, legal, and other risks that could materially adversely impact us and our results of operations.

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

Large scale natural or man-made 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 disasters cannot be predicted and may be exacerbated by global climate change. The ultimate impact of a 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 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. The reputation of the financial services industry in general has been damaged as a result of the financial crisis and other matters affecting the financial services industry, including mortgage foreclosure issues. Negative public opinion regarding us 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 personnel 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 accessing 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. Further, in some instances we may be responsible for failures of such third parties to comply with government regulations. 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.

A failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber attacks, could disrupt our businesses, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.

We depend upon our ability to process, record, and monitor a large number of client transactions on a continuous basis. As client, public, and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns. Our business, financial, accounting, data processing, or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there could be sudden increases in client transaction volume; electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and clients.

Information security risks for large financial institutions such as ours have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. As noted above, our operations rely on the secure processing, transmission, and storage of confidential information in our computer systems and networks. Our banking, brokerage, investment advisory, and capital markets businesses rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In addition, to access our products and services, our clients may use personal smartphones, tablet PCs, personal computers, and other mobile devices that are beyond our control systems. Although we have information security procedures and controls in place, our technologies, systems, networks, and our clients' devices may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our clients' confidential, proprietary and other information, or otherwise disrupt our or our clients' or other third parties' business operations.

For example, during 2013, our main online banking website, as well as those of several other prominent financial institutions, was subject to a limited number of distributed denial of service attacks. The attacks against us, which were also generally publicized in the media, did not result in any financial loss, fraud or breach of client data or service disruptions of any materiality.

Third parties with whom we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries, or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our prominent size and scale and our role in the financial services industry, our plans to continue to implement our internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our clients when and how they want to be served, our expanded geographic footprint, the outsourcing of some of our business operations, and the continued uncertain global economic environment. As a result, cybersecurity and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a focus for us. As threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities.

Additionally, the FRB, the CFPB, and other regulators expect financial institutions to be responsible for all aspects of their performance, including aspects which they delegate to third parties. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and clients, or cyber attacks or security breaches of the networks, systems or devices that our clients use to access our products and services could result in client attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

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, in the past 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 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.

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.

Competition in the financial services industry is intense and could result in losing business or margin declines.

We operate in a highly competitive industry that could become even more competitive as a result of reform of the financial services industry resulting from the Dodd-Frank Act and other legislative, regulatory and technological changes, and from continued consolidation. We face aggressive competition from other domestic and foreign lending institutions and from numerous other providers of financial services. The ability of nonbanking financial institutions

to provide services previously limited to commercial banks has intensified competition. Because nonbanking 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 can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking, and 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.

Maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services.
Our success depends, in part, on our 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 developments 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, any of which would adversely affect our profitability.

We might not pay dividends on our common stock.
Holders of our common stock are only entitled to receive such dividends as our Board 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.
Further, in February 2009, the Federal Reserve required bank holding companies to substantially reduce or eliminate dividends. Since that time, the Federal Reserve has indicated that increased capital distributions would generally not be considered prudent in the absence of a well-developed capital plan and a capital position that would remain strong even under adverse conditions. As a result, we expect that any substantial increase in our dividend will require the approval of the Federal Reserve. Refer to the discussion under the caption "We are subject to capital adequacy and liquidity guidelines and, if we fail to meet these guidelines, our financial condition would be adversely affected," above.
Additionally, our obligations under the warrant agreements that we entered into with the U.S. Treasury as part of the CPP will increase to the extent that we pay dividends prior to December 31, 2018 exceeding $0.54 per share per quarter, which was the amount of dividends we paid when we first participated in the CPP. Specifically, the exercise price and the number of shares to be issued upon exercise of the warrants will be adjusted proportionately (that is, adversely to us) as specified in a formula contained in the warrant agreements.
Our ability to receive dividends from our subsidiaries could affect our liquidity and ability to pay dividends.
We are a separate and distinct legal entity from our subsidiaries, including the 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.

Disruptions in our ability to access global capital markets may adversely 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 contingent funding available to us include inter-bank borrowings, repurchase agreements, FHLB capacity, 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 investors, 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.

Our issuer ratings are rated investment grade by the major rating agencies. There were no changes to our primary credit ratings during 2013. On October 8, 2013, Fitch affirmed our senior long- and short-term credit ratings and revised its outlook on our ratings from “Stable” to “Positive.” Our credit ratings remain on “Positive” outlook with S&P and on “Stable” outlook with Moody's. Future downgrades are possible, although not anticipated, given the “Stable” or "Positive" outlook from the three major rating agencies.

The rating agencies regularly evaluate us, and their ratings 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. Credit ratings are one of numerous factors that influence

our funding costs. Among our various retail and wholesale funding sources, credit ratings have a more direct impact on the cost of wholesale funding, as our primary source of retail funding is bank deposits, most of which are insured by the FDIC. During the most recent financial market crisis and economic recession, our senior debt credit spread to the matched maturity 5-year swap rate widened before we received any credit ratings downgrades in 2009 and began to tighten before we received our most recent credit rating downgrade in November 2010. After the loss of our A-1 short-term credit rating in April 2009 and capital raises in May and June 2009, more recent credit rating downgrades had little or no detrimental impact to our debt credit spreads. We expect that a one notch downgrade would have a relatively small impact on our debt credit spreads. A one notch downgrade could impact our ability to maintain certain business deposits that are sensitive to credit ratings. If we were not able to maintain these deposits, we would have to replace this funding with wholesale or capital markets funding, which would be more expensive and therefore negatively impact our net interest margin and net interest income.

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 acquisitions, and may seek acquisitions in the future. 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 our 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 CRA, 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.

Additionally, our regulatory burden increases as our size increases. We become subject to enhanced capital and liquidity requirements once our assets exceed $250 billion, and our regulators likely would expect us to begin voluntarily complying with those requirements as we approach that size.

We are subject to certain litigation, and our expenses related to this litigation may adversely affect our results.
From time to time we are subject to certain litigation in the ordinary course of our business. These claims and legal actions, including supervisory actions by our regulators, could involve large monetary claims and significant defense costs. During the recent credit crisis, we have seen both the number of cases and our expenses related to those cases increase. The outcome of these cases is uncertain.

We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

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. For additional information, see Note 19, "Contingencies," to the Consolidated Financial Statements in this Form 10-K.

We may incur fines, penalties and other negative consequences from regulatory violations, possibly even inadvertent or unintentional violations.
We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations, but there can be no assurance that these will be effective. We may incur fines, penalties and other negative consequences from regulatory violations. We may suffer other negative consequences resulting from findings of noncompliance with laws and regulations, including restrictions on certain activities, such as our mortgage business, which may affect our relationship with the GSEs and may also damage our reputation, and this in turn might materially affect our business and results of operations.

For example, on October 10, 2013, we announced that we reached agreements in principle with the HUD and the U.S. DOJ to settle (i) certain civil and administrative claims arising from FHA-insured mortgage loans originated by STM from January 1, 2006 through March 31, 2012 and (ii) certain alleged civil claims regarding our mortgage servicing and origination practices as part of the National Mortgage Servicing Settlement. Pursuant to the combined agreements in principle, we have committed to provide $500 million of consumer relief, to make a $468 million cash payment, and to implement certain mortgage servicing standards. See additional discussion of this in our earlier risk factor, "We face risks related to recent mortgage settlements."

Further, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there were in place at the time systems and procedures designed to ensure compliance. For example, we are subject to regulations issued by the OFAC that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations.

Additionally, in the past year, federal regulators have begun pursuing financial institutions with emerging theories of recovery under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Courts may uphold significant additional penalties on financial institutions, even where the financial institution had already reimbursed the government or other counterparties for actual losses.

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, William H. Rogers, Jr., and other key personnel who have extensive experience in the industry. We generally 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 adversely 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 strategies.
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. Further, in June 2010, the Federal Reserve and other federal banking regulators jointly issued comprehensive final guidance designed to ensure that incentive compensation policies do not undermine the safety and soundness of banking organizations by encouraging employees to take imprudent risks. This regulation significantly restricts the amount, form, and context in which we pay incentive compensation.

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 our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Several of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. Pursuant to U.S. GAAP, we are required to make certain assumptions and estimates in preparing our financial statements, including in determining credit loss reserves, reserves related to litigation and the fair value of certain assets and liabilities, among other items. If assumptions or estimates underlying our financial statements are incorrect, we may experience material losses.

Certain of our financial instruments, including trading assets and liabilities, securities AFS, certain loans, MSRs, structured notes and certain repurchase and resale agreements, among other items, require a determination of their fair value in order to prepare our financial statements. Where quoted market prices are not available, we may make fair value determinations based

on internally developed models or other means which ultimately rely to some degree on management judgment. Some of these and other assets and liabilities may have no direct observable price levels, making their valuation particularly subjective, being based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain loans and securities may make it more difficult to value certain balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings.

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 recognizing 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 "Critical Accounting Policies" in the MD&A and Note 1, "Significant Accounting Policies," to the Consolidated Financial Statements in this Form 10-K.

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 FASB and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be hard to predict and could materially affect how we report our financial results and condition. 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 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. For the above and other reasons, the market price of our securities may not accurately reflect the value of our securities, and you should consider this before relying on the market prices of our securities when making an investment decision.

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

Our disclosure controls and procedures are designed to provide reasonable assurance 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, which could result in a material weakness in our internal controls over financial reporting and the restatement of previously filed financial statements.

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

We maintain at fair value a securities AFS portfolio and trading assets and liabilities and derivatives, which include various types of instruments and maturities. Additionally, we elected to record selected fixed-rate debt, mortgage loans, MSRs and other financial instruments at fair value. The changes in fair value of the financial instruments carried at fair value 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 ALM 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, 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 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.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal executive offices are located in SunTrust Plaza, Atlanta, Georgia. The 60-story office building is majority-owned by SunTrust Banks, Inc. At December 31, 2013, the Bank operated 1,497 full-service banking offices, of which 590 were owned and the remainder were leased. The full-service banking offices are located primarily in Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. See Note 8, “Premises and Equipment,” to the Consolidated Financial Statements in this Form 10-K for further discussion of our properties.

Item 3. LEGAL PROCEEDINGS

For information regarding the Company's legal matters, see Note 19, “Contingencies,” to the Consolidated Financial Statements in this Form 10-K, which is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

The principal market in which the common stock of the Company is traded is the NYSE. See Item 6 and Table 33 in the MD&A for information on the high and the low sales prices of SunTrust common stock on the NYSE, which is incorporated herein by reference. During the year ended December 31, 2013, we paid a quarterly dividend on common stock of $0.05 per common share for the first quarter and $0.10 per common share for each of the second, third, and fourth quarters, compared to a quarterly dividend on common stock of $0.05 per common share during 2012. Our common stock was held of record by 27,916 holders at December 31, 2013. See "Unregistered Sales of Equity Securities and Use of Proceeds" below for information on share repurchase activity, announced programs, and the remaining buy back authority under the announced programs, which is incorporated herein by reference.

Please also refer to Item 1, “Business—Government Supervision and Regulation,” 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, “MD&A—Capital Resources,” for a discussion of the dividends paid during the year 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 SEC 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, 2008 and ending December 31, 2013. The foregoing analysis assumes an initial $100 investment in our stock and each index and the reinvestment of all dividends during the periods presented.

Cumulative Total Return for the Years Ended December 31

	2008	2009	2010	2011	2012	2013
SunTrust Banks, Inc.	100.00	69.43	100.78	61.21	97.94	127.76
S&P 500	100.00	125.92	144.21	147.12	169.23	219.83
S&P Commercial Bank Index	100.00	92.86	110.87	99.28	122.02	162.59

Unregistered Sales Of Equity Securities And Use Of Proceeds
SunTrust did not repurchase any shares of Series A Preferred Stock Depositary Shares, Series B Preferred Stock, Series E Preferred Stock Depositary Shares, or warrants to purchase common stock during the year ended December 31, 2013, and there was no unused Board authority to repurchase any shares of Series A Preferred Stock Depositary Shares, Series B Preferred Stock, or the Series E Preferred Stock Depositary Shares.
At December 31, 2013, the Company had authority from its Board to repurchase all of the 13.9 million outstanding stock purchase warrants. However, any such repurchase would be subject to the prior approval of the Federal Reserve through the capital planning and stress testing process, and the Company did not request approval to repurchase any warrants.
On September 12, 2006, SunTrust issued and registered under Section 12(b) of the Exchange Act, 20 million Depositary Shares, each representing a 1/4,000th interest in a share of Perpetual Preferred Stock, Series A. In 2011, the Series A Preferred Stock became redeemable at the Company’s option at a redemption price equal to $100,000 per share, plus any declared and unpaid dividends.

On March 30, 2011, the Company repurchased $3.5 billion of Fixed Rate Cumulative Preferred Stock-Series C, and $1.4 billion of Fixed Rate Cumulative Preferred Stock-Series D, that was issued to the U.S. Treasury under the CPP. Warrants to purchase common stock issued to the U.S. Treasury in connection with the issuance of Series C and D preferred stock remained outstanding. The Board authorized the Company to repurchase all of the remaining outstanding warrants to purchase our common stock that were issued to the U.S. Treasury in connection with its investment in SunTrust Banks, Inc. under the CPP. On September 28, 2011, the Company purchased and retired 4 million warrants to purchase SunTrust common stock in connection with the U.S. Treasury's resale, via a public secondary offering of the warrants that the Treasury held. At December 31, 2013, 13.9 million warrants remained outstanding.

On December 15, 2011, SunTrust issued 1,025 shares of Perpetual Preferred Stock-Series B, no par value and $100,000 liquidation preference per share (the "Series B Preferred Stock") to SunTrust Preferred Capital I. The Series B Preferred Stock by its terms is redeemable by the Company at $100,000 per share plus any declared and unpaid dividends.

On December 13, 2012, SunTrust issued depositary shares representing ownership interest in 4,500 shares of Perpetual Preferred Stock-Series E, no par value and $100,000 liquidation preference per share (the "Series E Preferred Stock"). The Series E Preferred Stock by its terms is redeemable by the Company at $100,000 per share plus any declared and unpaid dividends.

Share repurchases during the year ended December 31, 2013:

	Common Stock [1]			
	Total number of shares purchased [2]	Average price paid per share	Number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs ($ in millions)
April 1 - 30	1,072,400	$29.03	1,072,400	$169
May 1 - 31	591,532	31.89	591,532	150
June 1 - 30	—	—	—	150
Total during second quarter of 2013	1,663,932	$30.05	1,663,932	$150
July 1 - 31	1,429,527	$34.98	1,429,527	$100
August 1 - 31	—	—	—	100
September 1 - 30	—	—	—	100
Total during third quarter of 2013	1,429,527	$34.98	1,429,527	$100
October 1 - 31	1,463,185	$34.17	1,463,185	$50
November 1 - 30	—	—	—	50
December 1-31	—	—	—	50
Total during fourth quarter of 2013	1,463,185	$34.17	1,463,185	$50
Total during 2013	4,556,644	$32.92	4,556,644	$50

[1] On March 14, 2013, the Company announced that its Board had authorized the repurchase of up to $200 million shares of the Company's common stock. This authorization expires December 31, 2016. However, any share repurchase is subject to the approval of the Company's primary banking regulator as part of the annual capital planning and stress testing process and, therefore, this authority effectively expires on March 31, 2014. During 2013, the Company repurchased approximately $150 million of its common stock at market value as part of this publicly announced plan. Subsequent to December 31, 2013, the Company repurchased an additional $50 million of its common stock in early 2014 as part of the repurchases authorized related to the 2013 capital plan.
[2] Includes shares repurchased pursuant to SunTrust's employee stock option plans, pursuant to which participants may pay the exercise price upon exercise of SunTrust stock options by surrendering shares of SunTrust common stock which the participant already owns. SunTrust considers shares so surrendered by participants in SunTrust's employee stock option plans to be repurchased pursuant to the authority and terms of the applicable stock option plan rather than pursuant to publicly announced share repurchase programs. No shares of SunTrust common stock were surrendered by participants in SunTrust's employee stock option plans in 2013.

Item 6. SELECTED FINANCIAL DATA

(Dollars in millions, except per share data)	Year Ended December 31 2013	2012	2011	2010	2009
Summary of Operations:					
Interest income	$5,388	$5,867	$6,181	$6,343	$6,710
Interest expense	535	765	1,116	1,489	2,244
Net interest income	4,853	5,102	5,065	4,854	4,466
Provision for credit losses	553	1,395	1,513	2,651	4,064
Net interest income after provision for credit losses	4,300	3,707	3,552	2,203	402
Noninterest income	3,214	5,373	3,421	3,729	3,710
Noninterest expense	5,880	6,323	6,234	5,911	6,562
Income/(loss) before provision for income taxes	1,634	2,757	739	21	(2,450)
Provision/(benefit) for income taxes	273	773	79	(185)	(898)
Net income attributable to noncontrolling interest	17	26	13	17	12
Net income/(loss)	$1,344	$1,958	$647	$189	($1,564)
Net income/(loss) available to common shareholders	$1,297	$1,931	$495	($87)	($1,733)
Net income/(loss) available to common shareholders, excluding Form 8-K items [1]	$1,476	$1,178	$495	($87)	($1,733)
Net interest income - FTE [1]	$4,980	$5,225	$5,179	$4,970	$4,589
Total revenue - FTE [1]	8,194	10,598	8,600	8,699	8,299
Total revenue - FTE, excluding net securities gains [1]	8,192	8,624	8,483	8,508	8,201
Total revenue - FTE, excluding Form 8-K items [1]	8,257	11,901	8,600	8,699	8,299
Net income/(loss) per average common share:					
Diluted [2]	2.41	3.59	0.94	(0.18)	(3.98)
Diluted excluding goodwill/intangible impairment charges, other than MSRs [1,2]	2.41	3.60	0.94	(0.18)	(2.34)
Diluted excluding effect of accelerated accretion associated with the repurchase of preferred stock issued to the U.S. Treasury [1,2]	2.41	3.59	1.08	(0.18)	(3.98)
Diluted, excluding the effect of Form 8-K items [1,2]	2.74	2.19	0.94	(0.18)	(3.98)
Basic	2.43	3.62	0.94	(0.18)	(3.98)
Dividends paid per average common share	0.35	0.20	0.12	0.04	0.22
Book value per common share	38.61	37.59	36.86	36.34	35.29
Tangible book value per common share [1]	27.01	25.98	25.18	23.76	22.59
Market capitalization	19,734	15,279	9,504	14,768	10,128
Market price:					
High	36.99	30.79	33.14	31.92	30.18
Low	26.93	18.07	15.79	20.16	6.00
Close	36.81	28.35	17.70	29.51	20.29
Selected Average Balances					
Total assets	$172,497	$176,134	$172,440	$172,375	