SUNTRUST BANKS INC
Form 10-Q
May 08, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

or

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

Commission File Number 001-08918

SUNTRUST BANKS, INC.

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

(404) 588-7711

(Registrant s telephone number, including area code)

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

Yes x No ¨

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

At April 30, 2008, 351,094,884 shares of the Registrant s Common Stock, $1.00 par value, were outstanding.

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PART I - FINANCIAL INFORMATION

The following unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and accordingly do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary to comply with Regulation S-X have been included. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the full year 2008.

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Item 1. FINANCIAL STATEMENTS (UNAUDITED)

SunTrust Banks, Inc.

Consolidated Statements of Income

	For the Three Months Ended March 31	
(Dollars in thousands except per share data) (Unaudited)	**2008**	2007
Interest Income		
Interest and fees on loans	**$1,854,646**	$1,993,217
Interest and fees on loans held for sale	**99,009**	173,728
Interest and dividends on securities available for sale		
Taxable interest	**152,903**	77,379
Tax-exempt interest	**11,303**	10,732
Dividends[1]	**33,925**	31,276
Interest on funds sold and securities purchased under agreements to resell	**8,947**	12,889
Interest on deposits in other banks	**247**	405
Trading account interest	**97,352**	228,431
Total interest income	**2,258,332**	2,528,057
Interest Expense		
Interest on deposits	**747,820**	955,893
Interest on funds purchased and securities sold under agreements to repurchase	**56,949**	140,732
Interest on trading liabilities	**6,050**	4,287
Interest on other short-term borrowings	**22,776**	21,730
Interest on long-term debt	**284,870**	240,856
Total interest expense	**1,118,465**	1,363,498
Net Interest Income	**1,139,867**	1,164,559
Provision for loan losses	**560,022**	56,441
Net interest income after provision for loan losses	**579,845**	1,108,118
Noninterest Income		
Service charges on deposit accounts	**211,839**	189,035
Trust and investment management income	**161,102**	174,318
Retail investment services	**72,300**	63,543
Other charges and fees	**127,231**	118,137
Net gain on sale or merger of Lighthouse interests	**89,390**	32,340
Gain on Visa IPO	**86,305**	-
Mortgage production related income/(loss)	**85,549**	(8,655)
Mortgage servicing related income	**29,098**	35,403
Card fees	**73,761**	64,195
Investment banking income	**55,420**	50,157
Trading account profits and commissions	**28,218**	90,201
Net gain on sale/leaseback of premises	**37,039**	-
Other noninterest income	**60,836**	70,212
Securities gains/(losses), net	**(60,586)**	20
Total noninterest income	**1,057,502**	878,906

Noninterest Expense		
Employee compensation	**584,790**	552,369
Employee benefits	**130,293**	146,631
Outside processing and software	**109,165**	99,676
Net occupancy expense	**86,441**	86,257
Marketing and customer development	**55,703**	45,705
Equipment expense	**52,395**	49,409
Amortization of intangible assets	**20,715**	23,542
Net loss on extinguishment of debt	**11,723**	-
Visa litigation	**(39,124)**	-
Other noninterest expense	**243,043**	232,408
Total noninterest expense	**1,255,144**	1,235,997
Income before provision for income taxes	**382,203**	751,027
Provision for income taxes	**91,648**	229,731
Net income	**290,555**	521,296
Preferred stock dividends	**6,977**	7,363
Net Income Available to Common Shareholders	**$283,578**	$513,933
Per common share information		
Diluted earnings	**$0.81**	$1.44
Basic earnings	**0.82**	1.45
Dividends declared	**0.77**	0.73
Average common shares - diluted	**348,072**	357,214
Average common shares - basic	**346,581**	353,448
[1] Includes dividends on common stock of The Coca-Cola Company	**$16,560**	$16,382

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Balance Sheets

(Dollars in thousands) (Unaudited)	As of March 31 2008	December 31 2007
Assets		
Cash and due from banks	**$3,994,267**	$4,270,917
Interest-bearing deposits in other banks	**21,283**	24,355
Funds sold and securities purchased under agreements to resell	**1,247,495**	1,347,329
Cash and cash equivalents	**5,263,045**	5,642,601
Trading assets	**10,932,251**	10,518,379
Securities available for sale[1]	**15,882,088**	16,264,107
Loans held for sale (loans at fair value: $5,097,410 as of March 31, 2008; $6,325,160 as of December 31, 2007)	**6,977,289**	8,851,695
Loans (loans at fair value: $282,760 as of March 31, 2008; $220,784 as of December 31, 2007)	**123,713,195**	122,318,994
Allowance for loan and lease losses	**(1,545,340)**	(1,282,504)
Net loans	**122,167,855**	121,036,490
Premises and equipment	**1,506,777**	1,595,691
Goodwill	**6,923,033**	6,921,493
Other intangible assets	**1,430,268**	1,362,995
Customers acceptance liability	**17,050**	22,418
Other real estate owned	**244,906**	183,753
Other assets (IRLCs and mortgage derivatives at fair value: $181,796 as of March 31, 2008; $69,405 as of December 31, 2007)	**7,642,385**	7,174,311
Total assets	**$178,986,947**	$179,573,933
Liabilities and Shareholders Equity		
Noninterest-bearing consumer and commercial deposits	**$22,325,750**	$21,083,234
Interest-bearing consumer and commercial deposits	**81,106,694**	80,786,791
Total consumer and commercial deposits	**103,432,444**	101,870,025
Brokered deposits (CDs at fair value: $317,578 as of March 31, 2008; $234,345 as of December 31, 2007)	**11,034,332**	11,715,024
Foreign deposits	**1,712,504**	4,257,601
Total deposits	**116,179,280**	117,842,650
Funds purchased	**3,795,641**	3,431,185
Securities sold under agreements to repurchase	**5,446,204**	5,748,277
Other short-term borrowings	**3,061,003**	3,021,358
Long-term debt (debt at fair value: $7,784,744 as of March 31, 2008; $7,446,980 as of December 31, 2007)	**23,602,919**	22,956,508
Acceptances outstanding	**17,050**	22,418
Trading liabilities	**2,356,037**	2,160,385
Other liabilities (IRLCs and mortgage derivatives at fair value: $135,385 as of March 31, 2008; $56,189 as of December 31, 2007)	**6,097,365**	6,338,634
Total liabilities	**160,555,499**	161,521,415

Preferred stock, no par value (liquidation preference of $100,000 per share)	**500,000**	500,000
Common stock, $1.00 par value	**370,578**	370,578
Additional paid in capital	**6,682,828**	6,707,293
Retained earnings	**10,661,250**	10,646,640
Treasury stock, at cost, and other	**(1,692,117)**	(1,779,142)
Accumulated other comprehensive income, net of tax	**1,908,909**	1,607,149
Total shareholders equity	**18,431,448**	18,052,518
Total liabilities and shareholders equity	**$178,986,947**	$179,573,933
Common shares outstanding	**349,832,264**	348,411,163
Common shares authorized	**750,000,000**	750,000,000
Preferred shares outstanding	**5,000**	5,000
Preferred shares authorized	**50,000,000**	50,000,000
Treasury shares of common stock	**20,746,134**	22,167,235
[1] Includes net unrealized gains on securities available for sale	**$2,835,823**	$2,724,643

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Statements of Shareholders Equity

(Dollars and shares in thousands) (Unaudited)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock and Other[1]	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2007	$500,000	354,903	$370,578	$6,627,196	$10,541,152	($1,151,269)	$925,949	$17,813,606
Net income	-	-	-	-	521,296	-	-	521,296
Other comprehensive income:								
Change in unrealized gains (losses) on derivatives, net of taxes	-	-	-	-	-	-	3,928	3,928
Change in unrealized gains (losses) on securities, net of taxes	-	-	-	-	-	-	(622)	(622)
Change in accumulated other comprehensive income related to employee benefit plans	-	-	-	-	-	-	28,890	28,890
Total comprehensive income								553,492
Common stock dividends, $0.73 per share	-	-	-	-	(259,797)	-	-	(259,797)
Preferred stock dividends, $1,472.50 per share	-	-	-	-	(7,363)	-	-	(7,363)
Exercise of stock options and stock compensation element expense	-	1,178	-	(2,887)	-	86,968	-	84,081
Acquisition of treasury stock	-	(616)	-	50,897	-	(50,897)	-	-
Performance and restricted stock activity	-	772	-	10,962	(2,378)	(11,651)	-	(3,067)
Amortization of compensation element of performance and restricted stock	-	-	-	-	-	5,853	-	5,853
Issuance of stock for employee benefit plans	-	262	-	2,566	-	19,413	-	21,979
Adoption of SFAS No. 159	-	-	-	-	(388,604)	-	147,374	(241,230)
Adoption of SFAS No. 157	-	-	-	-	(10,943)	-	-	(10,943)
Adoption of FIN 48	-	-	-	-	(41,844)	-	-	(41,844)
Adoption of FSP FAS 13-2	-	-	-	-	(26,273)	-	-	(26,273)
Pension plan changes and resulting remeasurement	-	-	-	-	-	-	79,707	79,707
Other activity	-	6	-	(74)	-	411	-	337
Balance, March 31, 2007	$500,000	356,505	$370,578	$6,688,660	$10,325,246	($1,101,172)	$1,185,226	$17,968,538
Balance, January 1, 2008	**$500,000**	**348,411**	**$370,578**	**$6,707,293**	**$10,646,640**	**($1,779,142)**	**$1,607,149**	**$18,052,518**
Net income	**-**	**-**	**-**	**-**	**290,555**	**-**	**-**	**290,555**
Other comprehensive income:								
Change in unrealized gains (losses) on derivatives, net of taxes	**-**	**-**	**-**	**-**	**-**	**-**	**195,653**	**195,653**
Change in unrealized gains (losses) on securities, net of taxes	**-**	**-**	**-**	**-**	**-**	**-**	**101,795**	**101,795**
Change in accumulated other comprehensive income related to employee benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**4,312**	**4,312**
Total comprehensive income								**592,315**
Common stock dividends, $0.77 per share	**-**	**-**	**-**	**-**	**(268,964)**	**-**	**-**	**(268,964)**
Preferred stock dividends, $1,395.50 per share	**-**	**-**	**-**	**-**	**(6,977)**	**-**	**-**	**(6,977)**
Exercise of stock options and stock compensation element expense	**-**	**309**	**-**	**(2,715)**	**-**	**24,933**	**-**	**22,218**
Performance and restricted stock activity	**-**	**590**	**-**	**(10,527)**	**-**	**10,118**	**-**	**(409)**
Amortization of compensation element of performance and restricted stock	**-**	**-**	**-**	**-**	**-**	**10,148**	**-**	**10,148**
Issuance of stock for employee benefit plans	**-**	**522**	**-**	**(10,794)**	**-**	**41,787**	**-**	**30,993**
Other activity	**-**	**-**	**-**	**(429)**	**(4)**	**39**	**-**	**(394)**

Balance, March 31, 2008	**$500,000**	**349,832**	**$370,578**	**$6,682,828**	**$10,661,250**	**($1,692,117)**	**$1,908,909**	**$18,431,448**

[1] Balance at March 31, 2008 includes $1,571,438 for treasury stock and $120,679 for compensation element of restricted stock.
Balance at March 31, 2007 includes $975,978 for treasury stock and $125,194 for compensation element of restricted stock.

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.

Consolidated Statements of Cash Flows

(Dollars in thousands) (unaudited)	**Three Months Ended March 31 2008**	2007
Cash Flows from Operating Activities:		
Net income	**$290,555**	$521,296
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain on sale or merger of Lighthouse interests	**(89,390)**	(32,340)
Visa litigation expense reversal	**(39,124)**	-
Depreciation, amortization, accretion	**219,653**	198,323
Origination of mortgage servicing rights	**(152,303)**	(152,105)
Provisions for loan losses and foreclosed property	**569,513**	58,658
Amortization of compensation element of performance and restricted stock	**10,148**	5,853
Stock option compensation	**6,167**	5,728
Excess tax benefits from stock-based compensation	**(1,409)**	(7,060)
Net securities losses/(gains)	**60,586**	(20)
Net gain on sale/leaseback of premises	**(37,039)**	-
Net gain on sale of assets	**(7,987)**	(15,733)
Originated and purchased loans held for sale net of principal collected	**(10,261,620)**	(12,997,312)
Sales and securitizations of loans held for sale	**11,925,207**	14,752,897
Net increase in other assets	**(1,935,309)**	(1,021,749)
Net (decrease) increase in other liabilities	**(115,203)**	3,099,841
Net cash provided by operating activities	**442,445**	4,416,277
Cash Flows from Investing Activities:		
Seix contingent consideration payout	**-**	(42,287)
Acquisition of Inlign Investments	**(1,540)**	-
Proceeds from sale of Lighthouse interests	**155,000**	-
Proceeds from maturities, calls and repayments of securities available for sale	**314,054**	244,808
Proceeds from sales of securities available for sale	**742,398**	366,948
Purchases of securities available for sale	**(615,082)**	(3,813,853)
Proceeds from maturities, calls and repayments of trading securities	**518,936**	-
Proceeds from sales of trading securities	**881,265**	-
Purchases of trading securities	**(118,082)**	(2,271,433)
Loan originations net of principal collected	**(1,712,390)**	(1,787,659)
Proceeds from sale of loans	**99,294**	2,105,781
Capital expenditures	**(34,187)**	(72,566)
Proceeds from the sale/leaseback of premises	**227,269**	-
Proceeds from the sale of other assets	**47,685**	19,064
Net cash provided by (used in) in investing activities	**504,620**	(5,251,197)
Cash Flows from Financing Activities:		
Net increase in consumer and commercial deposits	**1,563,079**	100,428
Net decrease in foreign and brokered deposits	**(3,225,219)**	(682,282)
Net increase in funds purchased and other short-term borrowings	**102,028**	1,362,843
Proceeds from the issuance of long-term debt	**1,159,038**	-
Repayment of long-term debt	**(667,829)**	(298,456)
Proceeds from the issuance of preferred stock	**-**	153
Proceeds from the exercise of stock options	**16,814**	78,353

Excess tax benefits from stock-based compensation	**1,409**	7,060
Common and preferred dividends paid	**(275,941)**	(267,160)
Net cash (used in) provided by financing activities	**(1,326,621)**	300,939
Net decrease in cash and cash equivalents	**(379,556)**	(533,981)
Cash and cash equivalents at beginning of period	**5,642,601**	5,307,745
Cash and cash equivalents at end of period	**$5,263,045**	$4,773,764
Supplemental Disclosures:		
Securities transferred from available for sale to trading	**$-**	$15,374,452
Loans transferred from loans to loans held for sale	**-**	4,054,246
Loans transferred from loans held for sale to loans	**227,531**	-

See Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements (Unaudited)

Note 1-Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair statement of the results of operations in these financial statements, have been made.

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

These financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2007. Except for accounting policies recently adopted as described below, there have been no significant changes to the Company s Accounting Policies as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2007.

Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In September 2006, the EITF reached a consensus on EITF Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. The guidance clarifies the accounting for endorsement split-dollar life insurance arrangements that provide a benefit to an employee that is not limited to the employee s active service period and concluded that an employer should recognize a liability for future benefits based on the substantive agreement with the employee since the postretirement benefit obligation is not effectively settled through the purchase of the endorsement split-dollar life insurance policy. Also, in March 2007, the EITF reached a consensus on EITF Issue No. 06-10, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements. This Issue clarifies the accounting for collateral split-dollar life insurance arrangements that provide a benefit to an employee that extends into postretirement periods and clarifies the accounting for assets related to collateral split-dollar insurance assignment arrangements. This Issue requires that an employer recognize a liability for future benefits based on the substantive agreement with the employee and concluded that the asset recorded should also be measured based on the nature and substance of the collateral assignment split-dollar life insurance arrangement. The Company adopted EITF No. 06-4 and EITF No. 06-10 effective January 1, 2008, and the adoption did not have an impact to the Company s financial position and results of operations.

In April 2007, the FASB issued FSP FIN 39-1, Amendment of FASB Interpretation No. 39. FSP FIN 39-1 permits companies to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement that have been offset in accordance with FIN 39. Under the provisions of this pronouncement, a company shall make an accounting policy decision whether or not to offset fair value amounts recognized for derivative instruments under master netting arrangements. A company s decision whether to offset or not must be applied consistently. The Company adopted FSP FIN 39-1 effective January 1, 2008 and has elected not to offset fair value amounts related to collateral arrangements recognized for derivative instruments under master netting arrangements; therefore, the adoption did not have an impact to the Company s financial position and results of operations.

In November 2007, the SEC issued Staff Accounting Bulletin (SAB) No. 109. SAB No. 109 revises the view expressed in SAB No. 105 and states that the expected net future cash flows related to the associated servicing of a loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. SAB No. 109 expands to all loan commitments the view that internally-developed intangible assets, such as customer relationship intangible assets, should not be recorded as part of the fair value of a derivative loan commitment. SAB No. 109 is effective on a prospective basis for loan servicing activities related to derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. Effective January 1, 2008, the Company began including the value associated with the servicing of loans in the measurement of all written loan commitments issued after that date that are accounted for at fair value through earnings, and is expected to reduce the potential future liability of loan commitments. The adoption, net of other changes in the valuation of interest rate lock commitments (IRLCs), resulted in the acceleration of $18.3 million in mortgage related income during the first quarter of 2008.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, which revises SFAS No. 141 and changes multiple aspects of the accounting for business combinations. Under the guidance in SFAS No. 141R, the acquisition method

Notes to Consolidated Financial Statements (Unaudited)-Continued

must be used, which requires the acquirer to recognize most identifiable assets acquired, liabilities assumed, and noncontrolling interests in the acquiree at their full fair value on the acquisition date. Goodwill is to be recognized as the excess of the consideration transferred plus the fair value of the noncontrolling interest over the fair values of the identifiable net assets acquired. Subsequent changes in the fair value of contingent consideration classified as a liability are to be recognized in earnings, while contingent consideration classified as equity is not to be remeasured. Costs such as transaction costs are to be excluded from acquisition accounting, generally leading to recognizing expense and additionally, restructuring costs that do not meet certain criteria at acquisition date are to be subsequently recognized as post-acquisition costs. SFAS No. 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently evaluating the impact that this issuance will have on its financial position and results of operations; however, it anticipates that the standard will lead to more volatility in the results of operations during the periods subsequent to an acquisition.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51. SFAS No. 160 requires that a noncontrolling interest in a subsidiary (i.e. minority interest) be reported in the equity section of the balance sheet instead of being reported as a liability or in the mezzanine section between debt and equity. It also requires that the consolidated income statement include consolidated net income attributable to both the parent and noncontrolling interest of a consolidated subsidiary. A disclosure must be made on the face of the consolidated income statement of the net income attributable to the parent and to the noncontrolling interest. Also, regardless of whether the parent purchases additional ownership interest, sells a portion of its ownership interest in a subsidiary or the subsidiary participates in a transaction that changes the parent s ownership interest, as long as the parent retains controlling interest, the transaction is considered an equity transaction. SFAS No. 160 is effective for annual periods beginning after December 15, 2008. The Company is currently evaluating the impact that this standard will have on its financial position and results of operations.

In February 2008, the FASB issued FSP FAS 140-3, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The objective of the FSP is to provide guidance on accounting for a transfer of a financial asset and repurchase financing. The FSP presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. However, if certain criteria are met, the initial transfer and repurchase financing shall not be evaluated as a linked transaction and shall be evaluated separately under SFAS No. 140. FSP SFAS 140-3 is effective for annual and interim periods beginning after November 15, 2008 and early adoption is not permitted. The Company does not expect the adoption of this standard to have a significant impact on its financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and expands the disclosure requirements. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures in tabular format of the fair values of derivative instruments and their gains and losses, and disclosures about credit-risk related contingent features in derivative agreements. The standard also amended SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to clarify the disclosure requirements with respect to derivative counterparty credit risk. SFAS No. 161 is effective for annual and interim periods beginning after November 15, 2008.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

Note 2-Acquisitions/Dispositions

(in millions)

	Date	Cash or other consideration (paid)/received	Goodwill	Other Intangibles	Gain/ (Loss)	Other
First Quarter 2008						
Sale of 24.9% interest in Lighthouse Investment Partners, LLC (Lighthouse Investment Partners)	1/2/08	$155.0	$-	($6.0)	$89.4	SunTrust will continue to earn a revenue share based upon client referrals to the funds.
First Quarter 2007						
Lighthouse Partners, LLC, a wholly owned subsidiary, was merged with and into Lighthouse Investment Partners	3/30/07	-	(48.5)	24.1	32.3	SunTrust received a 24.9% interest in Lighthouse Investment Partners.
Contingent consideration paid to the former owners of Prime Performance, Inc. (Prime Performance), a company formerly acquired by National Commerce Financial Corporation (NCF)	3/12/07	(7.0)	7.0	-	-	Obligations to the former owners of Prime Performance were fully discharged.
Contingent consideration paid to the former owners of Seix Investment Advisors, Inc. (Seix)	2/23/07	(42.3)	42.3	-	-	Goodwill recorded is tax-deductible.
Contingent consideration paid to the former owners of Sun America Mortgage (SunAmerica)	2/13/07	(1.4)	1.4	-	-	Goodwill recorded is tax-deductible.
GenSpring Holdings, Inc. called minority member owned interests in GenSpring Family Offices, LLC [1]	1/31/07	(0.6)	0.5	0.1	-	Goodwill and intangibles recorded are tax-deductible.

[1] As of March 31, 2008, GenSpring Holdings, Inc. owned 65% of the member interests of GenSpring Family Offices, LLC, while 35% were owned by employees. The employee interests are subject to certain vesting requirements. If employee interests vest, they may be called by GenSpring Holdings, Inc. (and some of the interests may be put to GenSpring Holdings, Inc. by the employees) at certain dates in the future in accordance with the applicable plan or agreement pursuant to which they were granted.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

On May 1, 2008, the Company acquired all of the outstanding shares of GB&T Bancshares, Inc. (GB&T), a Georgia-based financial services organization with total assets of $1.8 billion. In connection therewith, GB&T shareholders received 0.1562 shares of the Company s common stock for each share of GB&T common stock held, resulting in the issuance of approximately 2.2 million shares of SunTrust common stock. The merger enhances the Company s geographic position primarily in Central and North Georgia.

Note 3-Securities Available for Sale

During the first quarter of 2008, the Company recorded $64.1 million in other-than-temporary impairment charges within securities gains/(losses), primarily related to $264.0 million in residential mortgage backed securities and residual interests in which the default rates and loss severities of the underlying collateral increased significantly during the first quarter. Despite the decline in performance of the securities, 86.0% of the other-than-temporary losses nonetheless related to investment grade securities. There were no similar charges recorded during the three months ended March 31, 2007.

Note 4-Allowance for Loan and Lease Losses

Activity in the allowance for loan and lease losses is summarized in the table below:

	Three Months Ended March 31		%
(Dollars in thousands)	**2008**	2007	Change
Balance at beginning of period	**$1,282,504**	$1,044,521	22.8 %
Allowance associated with loans at fair value [1]	**-**	(4,100)	(100.0)
Provision for loan losses	**560,022**	56,441	892.2
Loan charge-offs	**(322,696)**	(84,947)	279.9
Loan recoveries	**25,510**	22,024	15.8
Balance at end of period	**$1,545,340**	$1,033,939	49.5 %

[1] Amount removed from the allowance for loan and lease losses related to the Company s election to record $4.1 billion of residential mortgages at fair value.

Note 5-Premises and Equipment

During the first quarter of 2008, the Company completed a sale/leaseback transaction, consisting of 143 branch properties and various individual office buildings. In total, the Company sold and concurrently leased back $125.9 million in land and buildings with associated accumulated depreciation of $63.0 million. Net proceeds were $227.3 million, resulting in a gain, net of transaction costs of $164.4 million. The Company recognized $37.0 million of the gain immediately. The remaining $127.4 million in gains were deferred and will be recognized ratably over the expected term of the respective leases, which is 10 years.

Note 6-Goodwill and Other Intangible Assets

As discussed in Note 14, Business Segment Reporting, to the Consolidated Financial Statements, the Company made certain changes to the segment reporting structure, effective January 1, 2008, that resulted in new segment classifications. The changes in the carrying amount of goodwill by reportable segment for the three months ended March 31 are as follows:

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Notes to Consolidated Financial Statements (Unaudited)-Continued

(Dollars in thousands)	Retail	Commercial	Retail & Commercial	Wholesale Banking	Corporate and Investment Banking	Mortgage	Wealth and Investment Management	Corporate Other and Treasury	Total
Balance, January 1,2007	$4,891,473	$1,262,174	$-	$-	$147,469	$274,524	$307,390	$6,830	$6,889,860
Purchase of GenSpring Holdings Inc. minority shares	-	-	-	-	-	-	513	-	513
SunAmerica contingent consideration	-	-	-	-	-	1,368	-	-	1,368
Prime Performance contingent consideration	7,034	-	-	-	-	-	-	-	7,034
Seix contingent consideration	-	-	-	-	-	-	42,287	-	42,287
Sale upon merger of Lighthouse Partners	-	-	-	-	-	-	(48,474)	-	(48,474)
FIN 48 adoption adjustment	-	-	-	-	-	-	-	4,135	4,135
Balance, March 31, 2007	$4,898,507	$1,262,174	$-	$-	$147,469	$275,892	$301,716	$10,965	$6,896,723
Balance, January 1, 2008	**$4,893,970**	**$1,272,483**	**$-**	**$-**	**$147,454**	**$275,840**	**$331,746**	**$-**	**$6,921,493**
Intersegment transfers	**(4,893,970)**	**(1,272,483)**	**6,135,275**	**168,134**	**(147,454)**	**-**	**-**	**10,498**	**-**
NCF purchase adjustments [1]	**-**	**-**	**(305)**	**(3)**	**-**	**(11)**	**(6)**	**325**	**-**
Inlign Wealth Management Investments, LLC purchase price adjustments[1]	**-**	**-**	**-**	**-**	**-**	**-**	**1,540**	**-**	**1,540**
Balance, March 31, 2008	**$-**	**$-**	**$6,134,970**	**$168,131**	**$-**	**$275,829**	**$333,280**	**$10,823**	**$6,923,033**

[1] SFAS No. 141 requires net assets acquired in a business combination to be recorded at their estimated fair value. Adjustments to the estimated fair value of acquired assets and liabilities generally occur within one year of the acquisition. However, tax related adjustments are permitted to extend beyond one year due to the degree of estimation and complexity. The purchase adjustments in the above table represent adjustments to the estimated fair value of the acquired net assets within the guidelines under US GAAP. See Note 1 Significant Accounting Policies, to the Consolidated Financial Statements contained in the 2007 Annual Report on Form 10-K for changes to be implemented upon adoption of SFAS No. 141(R).

The changes in the carrying amounts of other intangible assets for the three months ended March 31 are as follows:

(Dollars in thousands)	Core Deposit Intangibles	Mortgage Servicing Rights	Other	Total
Balance, January 1, 2007	$241,614	$810,509	$129,861	$1,181,984
Amortization	(18,785)	(41,359)	(4,758)	(64,902)
MSRs originated	-	152,105	-	152,105
Intangible assets obtained from sale upon merger of Lighthouse Partners, net	-	-	24,142	24,142
Purchase of GenSpring Holdings Inc. minority shares	-	-	128	128
Balance, March 31, 2007	$222,829	$921,255	$149,373	$1,293,457

Balance, January 1, 2008	**$172,655**	**$1,049,425**	**$140,915**	**$1,362,995**
Amortization	**(14,952)**	**(56,442)**	**(5,763)**	**(77,157)**
MSRs originated	**-**	**152,303**	**-**	**152,303**
Sale of interest in Lighthouse Investment Partners	**-**	**-**	**(5,992)**	**(5,992)**
MSRs impairment reserve	**-**	**(1,881)**	**-**	**(1,881)**
Issuance of noncompete agreement	**-**	**-**	**-**	**-**
Balance, March 31, 2008	**$157,703**	**$1,143,405**	**$129,160**	**$1,430,268**

As of both March 31, 2008 and December 31, 2007, the fair values of mortgage servicing rights (MSRs) were $1.4 billion. Contractually specified mortgage servicing fees and late fees earned for the three months ended March 31, 2008 and 2007 were $85.1 million and $74.1 million, respectively. These amounts are reported in mortgage servicing related income in the Consolidated Statements of Income.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

Note 7-Earnings Per Share

(In thousands, except per share data)	Three Months Ended March 31 2008	2007
Diluted		
Net income	**$290,555**	$521,296
Preferred stock dividends	**6,977**	7,363
Net income available to common shareholders	**$283,578**	$513,933
Average basic common shares	**346,581**	353,448
Effect of dilutive securities:		
Stock options	**557**	2,830
Performance and restricted stock	**934**	936
Average diluted common shares	**348,072**	357,214
Earnings per average common share - diluted	**$0.81**	$1.44
Basic		
Net income	**$290,555**	$521,296
Preferred stock dividends	**6,977**	7,363
Net income available to common shareholders	**$283,578**	$513,933
Average basic common shares	**346,581**	353,448
Earnings per average common share - basic	**$0.82**	$1.45

Note 8-Income Taxes

As of March 31, 2008, the Company s cumulative unrecognized tax benefits amounted to $305.4 million, of which $219.5 million would affect the Company s effective tax rate, if recognized, and $43.0 million would impact goodwill, if recognized. As of December 31, 2007, the Company s cumulative unrecognized tax benefits amounted to $325.4 million. Additionally, the Company recognized a liability of $81.2 million and $80.0 million for interest related to its unrecognized tax benefits as of March 31, 2008 and December 31, 2007, respectively. For the three month period ended March 31, 2008, the Company s cumulative unrecognized tax benefits decreased by $16.9 million due to settlements with taxing authorities. Interest expense related to unrecognized tax benefits was $4.3 million and $8.1 million for the three month periods ended March 31, 2008 and March 31, 2007, respectively. The Company continually evaluates the unrecognized tax benefits associated with its uncertain tax positions. As of March 31, 2008, the Company does not anticipate a significant increase or decrease in the unrecognized tax benefits over the next twelve months. The Company files consolidated and separate income tax returns in the United States Federal jurisdiction and in various state jurisdictions. The Company s Federal returns through 2001 have been examined by the Internal Revenue Service (IRS) and issues for tax years 1997 through 2001 are still in dispute. The Company has paid the amounts assessed by the IRS in full for tax years 1997 and 1998 and have filed refund claims with the IRS related to the disputed issues for those two years. The Company s 2002 through 2004 Federal income tax returns are currently under examination by the IRS. Generally, the state jurisdictions in which the Company files income tax returns are subject to examination for a period from three to seven years after returns are filed.

Note 9-Employee Benefit Plans

Stock Based Compensation

The weighted average fair values of options granted during the first quarter of 2008 and 2007 were $8.46 and $16.75 per share, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended March 31	
	2008	2007
Expected dividend yield	**4.58 %**	3.01 %
Expected stock price volatility	**21.73**	20.08
Risk-free interest rate (weighted average)	**2.87**	4.70
Expected life of options	**6 years**	6 years

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Notes to Consolidated Financial Statements (Unaudited)-Continued

The following table presents a summary of stock option and performance and restricted stock activity:

	Stock Options			Performance and Restricted Stock		
(Dollars in thousands except per share data)	Shares	Price Range	Weighted-Average Exercise Price	Shares	Deferred Compensation	Weighted-Average Grant Price
Balance, January 1, 2008	16,058,146	$17.06 - $85.06	$65.79	2,270,344	$90,622	$69.63
Granted	1,173,284	63.08 - 64.58	64.57	696,998	45,012	64.58
Exercised/vested	(325,391)	18.77 - 65.33	51.92	(87,453)	-	33.84
Cancelled/expired/forfeited	(322,702)	31.80 - 83.74	68.22	(84,827)	(4,807)	57.08
Amortization of compensation element of performance and restricted stock	-	-	-	-	(10,148)	-
Balance, March 31, 2008	16,583,337	$17.06 - $85.06	$65.93	2,795,062	$120,679	$69.87
Exercisable, March 31, 2008	13,975,875		$64.86			
Available for Additional Grant, March 31, 2008 [1]	7,025,393					

[1] Includes 349,593 shares available to be issued as restricted stock.

The following table presents information on stock options by ranges of exercise price at March 31, 2008:

(Dollars in thousands except per share data)

	Options Outstanding				Options Exercisable			
Range of Exercise Prices	**Number Outstanding at March 31, 2008**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life (Years)**	**Aggregate Intrinsic Value**	**Number Exercisable at March 31, 2008**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life (Years)**	**Aggregate Intrinsic Value**
$17.06 to $49.46	665,988	$43.47	3.50	$7,773,659	665,988	$43.47	3.50	$7,773,659
$49.47 to $64.57	5,677,707	56.53	3.94	7,684,215	5,667,123	56.51	3.95	7,684,215
$64.58 to $85.06	10,239,642	72.60	6.05	-	7,642,674	72.91	5.04	-
	16,583,337	$65.93	5.22	$15,457,874	13,975,785	$64.86	4.52	$15,457,874

Stock-based compensation expense recognized in noninterest expense was as follows:

	Three Months Ended March 31	
(In thousands)	**2008**	2007
Stock-based compensation expense:		
Stock options	**$3,484**	$4,928
Performance and restricted stock	**10,148**	5,853

Total stock-based compensation expense	**$13,632**	$10,781

The recognized tax benefit amounted to $5.2 million and $4.1 million for the three months ended March 31, 2008 and 2007, respectively. These amounts represent the tax impact of the stock-based compensation expense for those periods.

In lieu of restricted stock grants, certain employees received long-term deferred cash awards during the first quarter of 2008 which were subject to a three-year vesting requirement. The accrual related to these cash grants was $1.4 million as of March 31, 2008.

Retirement Plans

On February 13, 2007, the Retirement Benefits plans, Supplemental Benefits plans and the Postretirement Welfare plans were amended. The changes impacting these plans became effective on January 1, 2008.

The SunTrust Excess Plan was amended such that service prior to the date of entry is not credited for new participants on and after January 1, 2008. The criteria to become a participant in the SunTrust Excess Plan were changed, which resulted in 47 new participants on January 1, 2008.

SunTrust did not contribute to either of its noncontributory qualified retirement plans (Retirement Benefits plans) in the first quarter of 2008.

Notes to Consolidated Financial Statements (Unaudited)-Continued

Anticipated employer contributions/benefit payments for 2008 are $5.8 million for the Supplemental Retirement Benefit plans. For the first quarter of 2008, the actual employer contributions/benefit payments totaled $1.5 million.

SunTrust contributed $0.1 million to the Postretirement Welfare Plan in the first quarter of 2008. The expected long-term rate of return on plan assets is 7.5% for 2008.

	Three Months Ended March 31					
	2008			2007		
(Dollars in thousands)	Retirement Benefits	Supplemental Retirement Benefits	Other Postretirement Benefits	Retirement Benefits	Supplemental Retirement Benefits	Other Postretirement Benefits
Service cost	**$19,067**	**$401**	**$155**	$17,419	$516	$487
Interest cost	**27,558**	**1,715**	**2,953**	26,136	1,691	2,837
Expected return on plan assets	**(46,414)**	**-**	**(2,047)**	(45,423)	-	(2,041)
Amortization of prior service cost	**(3,326)**	**534**	**(390)**	(1,897)	787	(196)
Recognized net actuarial loss	**5,059**	**497**	**3,187**	7,977	886	2,965
Amortization of initial transition obligation	**-**	**-**	**-**	-	-	280
Partial settlement	**-**	**-**	**-**	60	-	-
Curtailment charge	**-**	**-**	**-**	-	-	11,586
Net periodic benefit cost	**$1,944**	**$3,147**	**$3,858**	$4,272	$3,880	$15,918

Note 10-Variable Interest Entities

SunTrust assists in providing liquidity to select corporate clients by directing them to a multi-seller commercial paper conduit that the Company administers, Three Pillars Funding, LLC (Three Pillars). Three Pillars provides financing for direct purchases of financial assets originated and serviced by SunTrust s corporate clients. Three Pillars finances this activity by issuing A-1/P-1 rated commercial paper (CP). The result is an attractive funding arrangement for these clients.

As of March 31, 2008 and December 31, 2007, Three Pillars had assets that were not included on the Company s Consolidated Balance Sheets of approximately $4.9 billion and $5.3 billion, respectively, consisting primarily of secured loans. Funding commitments and outstanding receivables extended by Three Pillars to its customers totaled $7.6 billion and $4.8 billion, respectively, as of March 31, 2008, almost all of which renew annually. As of December 31, 2007, funding commitments and outstanding receivables extended by Three Pillars to its customers totaled $7.7 billion and $4.6 billion, respectively. The majority of the commitments are backed by trade receivables and commercial loans. Each transaction added to Three Pillars is typically structured to an implied A/A2 rating according to established credit and underwriting policies as approved by credit risk management and monitored on a regular basis to ensure compliance with each transaction s terms and conditions. During the quarter ended March 31, 2008, there were no write-downs and no downgrades of Three Pillars assets.

At March 31, 2008, Three Pillars outstanding CP used to fund the above assets totaled $4.8 billion, with remaining weighted-average lives of 19.5 days and maturities through June 16, 2008. The Company held no outstanding Three Pillars CP at March 31, 2008 and at December 31, 2007. Three Pillars had no other form of funding outstanding as of March 31, 2008 and December 31, 2007.

Three Pillars has an outstanding subordinated note to an unrelated third party who is expected to absorb the majority of Three Pillars expected losses. The subordinated note holder absorbs the first dollar of loss in the event of nonpayment of any of Three Pillars assets. The subordinated note matures in March 2015; however, the note holder may declare the note due and payable upon an event of default, which includes any loss drawn on the note funding account that remains unreimbursed for 90 days. In such an event, only the remaining balance of the first loss note, after the incurred loss, will be due. If the first loss note holder declared its loss note due under such circumstances and a new first loss note or other first loss protection was not obtained, the Company would likely consolidate Three Pillars on a prospective basis. The outstanding and committed amounts of the subordinated note were both $20.0 million at March 31, 2008 and at December 31, 2007. The Company believes the subordinated note is sized in an amount sufficient to absorb the expected loss of Three Pillars based on current commitment levels as well as for

forecasted growth in Three Pillars   assets, and therefore has concluded it was not Three Pillars   primary beneficiary, and thus the Company is not required to consolidate Three Pillars.

The Company   s involvement with Three Pillars includes the following activities: services related to the Company   s administration of Three Pillars activities, client referrals and investment recommendations to Three Pillars; the issuing of letters of credit, which provides partial credit protection to the commercial paper holders; and providing a majority of the

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Notes to Consolidated Financial Statements (Unaudited)-Continued

liquidity arrangements that would provide funding to Three Pillars in the event it can no longer issue commercial paper or in certain other circumstances. Activities related to the Three Pillars relationship generated total fee revenue for the Company, net of direct salary and administrative costs incurred by the Company, of approximately $6.3 million and $6.9 million for the quarters ended March 31, 2008 and 2007, respectively. There are no other contractual arrangements the Company plans to enter into with Three Pillars to provide it additional support.

Off-balance sheet commitments in the form of liquidity facilities and other credit enhancements provided by the Company to Three Pillars, the sum of which represents the Company s maximum exposure to potential loss, totaled $7.8 billion and $774.5 million, respectively, as of March 31, 2008 compared to $7.9 billion and $763.4 million, respectively, as of December 31, 2007. The liquidity commitments are revolving facilities that are sized based on the current commitments provided by Three Pillars to its customers. The Company manages the credit risk associated with these commitments by subjecting them and the underlying collateral assets of Three Pillars to the Company s normal credit approval and monitoring processes. Losses on the commitments provided to Three Pillars by the Company resulting from a loss due to nonpayment on the underlying assets are reimbursed to the Company from the subordinated note reserve account, which is the amount outstanding on the subordinated note agreement. There were no losses resulting from the commitments the Company provided to Three Pillars during the quarters ended March 31, 2008 and March 31, 2007, respectively.

The Company has variable interests in certain other securitization vehicles that are variable interest entities (VIEs) that are not consolidated because the Company is not the primary beneficiary. In such cases, the Company does not absorb the majority of the entities expected losses nor does it receive a majority of the expected residual returns. At March 31, 2008, total assets of these entities not included on the Company s Consolidated Balance Sheets were approximately $2.6 billion compared to $3.7 billion at December 31, 2007. At March 31, 2008, the Company s maximum exposure to loss related to these VIEs was approximately $382.7 million, which represents the Company s investment in senior interests of $358.0 million and interests in preference shares of $24.7 million, compared to a maximum exposure of $386.9 million as of December 31, 2007, which represented the Company s investment in senior interests of $358.8 million and interests in preference shares of $28.1 million. The Company has no off-balance-sheet or other implicit variable interests related to these entities.

SunTrust provides financing to various VIEs that consist of portfolios of loans managed by a third party. The Company is not the primary beneficiary of these entities. At March 31, 2008, total assets of these entities not included in the Consolidated Balance Sheets were approximately $540.6 million compared to $38.0 million at December 31, 2007. At March 31, 2008, the Company s maximum exposure to loss related to these VIEs was approximately $381.8 million compared to a maximum exposure of $7.6 million at December 31, 2007. This exposure is based on the Company s outstanding loan balance to the entities less any related collateral held by SunTrust in the form of cash or cash equivalents.

As part of its community reinvestment initiatives, the Company invests in multi-family affordable housing developments and other community development entities as a limited and/or general partner throughout its footprint. The Company receives tax credits for these investments. Partnership assets of approximately $817.1 million and $819.5 million in partnerships where SunTrust acts as only a limited partner were not included in the Consolidated Balance Sheets at March 31, 2008 and December 31, 2007, respectively. The Company s maximum exposure to loss for these limited partner investments totaled $327.6 million and $333.8 million at March 31, 2008 and December 31, 2007, respectively. The Company s maximum exposure to loss related to its limited partner investments in affordable housing developments and other community development entities consists of the limited partnership equity investments, unfunded equity commitments, and debt issued by the Company to the limited partnerships.

Ridgeworth Capital Management, formerly known as Trusco, a registered investment advisor and wholly-owned subsidiary of the Company, serves as the investment advisor for various private placement and publicly registered investment funds (collectively the Funds). The Company periodically evaluates these Funds to determine if the Funds are voting interest or variable interest entities, as well as monitors the nature of its interests in each Fund to determine if the Company is required to consolidate any of the Funds. While some of the Funds are VIEs, the Company is neither the primary beneficiary, nor does it have a controlling financial interest, and therefore does not consolidate any of the Funds.

SunTrust is the managing general partner of a number of non-registered investment limited partnerships which have been established to provide investment strategies for its clients. In reviewing the partnerships for consolidation, SunTrust determined that these were voting interest entities and accordingly considered the consolidation guidance contained in EITF Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights. Under the terms of SunTrust s non-registered investment limited partnerships, the limited partners have certain rights, such as the right to remove the general partner, or kick-out rights, as indicated in EITF Issue No. 04-5. Therefore, SunTrust, as the general partner, is precluded from consolidating the limited partnerships.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

Note 11-Reinsurance Arrangements and Guarantees

Reinsurance

The Company provides mortgage reinsurance on certain mortgage loans through contracts with several primary mortgage insurance companies. Under these contracts, the Company provides aggregate excess loss coverage in a mezzanine layer in exchange for a portion of the pool s mortgage insurance premium. As of March 31, 2008, approximately $16.5 billion of mortgage loans were covered by such mortgage reinsurance contracts. The reinsurance contracts place limits on the Company s maximum exposure to losses. At March 31, 2008, the maximum aggregate losses under the reinsurance contracts were limited to approximately $675 million. The Company is required to maintain funds in a trust account to cover potential claims made against the Company under its reinsurance contracts. These restricted funds totaled $220.8 million at March 31, 2008. In addition, the Company maintains a reserve for incurred losses under its reinsurance contracts. As of March 31, 2008 and December 31, 2007, the reserve for losses totaled $7.1 million and $0.2 million, respectively.

Guarantees

The Company has undertaken certain guarantee obligations in the ordinary course of business. In following the provisions of FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, the Company must consider guarantees that have any of the following four characteristics: (i) contracts that contingently require the guarantor to make payments to a guaranteed party based on changes in an underlying factor that is related to an asset, a liability, or an equity security of the guaranteed party; (ii) contracts that contingently require the guarantor to make payments to a guaranteed party based on another entity s failure to perform under an obligating agreement; (iii) indemnification agreements that contingently require the indemnifying party to make payments to an indemnified party based on changes in an underlying factor that is related to an asset, a liability, or an equity security of the indemnified party; and (iv) indirect guarantees of the indebtedness of others. The issuance of a guarantee imposes an obligation for the Company to stand ready to perform, and should certain triggering events occur, it also imposes an obligation to make future payments. Payments may be in the form of cash, financial instruments, other assets, shares of stock, or provisions of the Company s services. The following is a discussion of the guarantees that the Company has issued as of March 31, 2008, which have characteristics as specified by FIN 45.

Visa

The Company issues and acquires credit and debit card transactions through the Visa, U.S.A. Inc. card association or its affiliates (collectively Visa). On October 3, 2007, Visa completed a restructuring and issued shares of Class B Visa Inc. common stock to its financial institution members, including the Company, in contemplation of an initial public offering (IPO). In March 2008, Visa completed its IPO and upon the closing, approximately 2 million of SunTrust s Class B shares were mandatorily redeemed. The Company received cash of $86.3 million in conjunction with the redemption, which was recorded as a gain in noninterest income. As of March 31, 2008, SunTrust had 3.2 million Class B shares remaining, the equivalent to 2.3 million Class A shares of Visa Inc. based on the current conversion factor, which is subject to adjustment depending on the outcome of certain specifically defined litigation. The Class B shares are not transferable until the later of the third anniversary of the IPO closing or the date which certain specifically defined litigation has been resolved; therefore, the Class B shares are accounted for at their carryover basis, which is $0 as of March 31, 2008.

The Company is a defendant, along with Visa U.S.A. Inc. and MasterCard International (the Card Associations), as well as several other banks, in one of several antitrust lawsuits challenging the practices of the Card Associations (the Litigation). The Company has entered into judgment and loss sharing agreements with Visa and certain other banks in order to apportion financial responsibilities arising from any potential adverse judgment or negotiated settlements related to the Litigation. Additionally, in connection with the restructuring, a provision of the original Visa By-Laws, Section 2.05j, was restated in Visa s certificate of incorporation. Section 2.05j contains a general indemnification provision between a Visa member and Visa, and explicitly provides that after the closing of the restructuring, each member s indemnification obligation is limited to losses arising from its own conduct and the specifically defined Litigation. The maximum potential amount of future payments that the Company could be required to make under this indemnification provision cannot be determined as there is no limitation provided under the By-Laws and the amount of exposure is dependent on the outcome of the Litigation. As a result of the indemnification provision in Section 2.05j of the Visa By-Laws and/or the indemnification provided through the judgment or loss sharing agreements, the Company estimated the fair value of the guarantee to be $76.9 million as of December 31, 2007. Upon Visa s IPO in March 2008, Visa funded $3 billion into an escrow account, established for the purpose of funding judgments in or settlements of the Litigation. While the Company could be required to fund its proportionate share of the losses, it is expected that the escrow account will be used to pay a substantial amount of the Litigation losses.

Notes to Consolidated Financial Statements (Unaudited)-Continued

Therefore, during the quarter ended March 31, 2008, SunTrust recorded $39.1 million, its expected economic benefit associated with the escrow account, as an offset to the guarantee liability of $76.9 million as a reduction to Visa litigation expense, resulting in a net guarantee liability of $37.8 million. If the escrow account is insufficient to fund the losses arising from the Litigation, Visa has the right to utilize the Company s remaining Class B shares to raise proceeds to fund the additional Litigation costs. Upon further funding of the escrow utilizing the Company s Class B shares, the Company would reevaluate its guarantee obligation and adjust the net guarantee liability accordingly through noninterest expense. A high degree of subjectivity was used in estimating the fair value of the guarantee obligation and the ultimate cost to the Company could be higher or lower than the liability recorded as of March 31, 2008.

Letters of Credit

Letters of credit are conditional commitments issued by the Company generally to guarantee the performance of a client to a third party in borrowing arrangements, such as commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients and may be reduced by selling participations to third parties. The Company issues letters of credit that are classified as financial standby, performance standby or commercial letters of credit. Commercial letters of credit are specifically excluded from the disclosure and recognition requirements of FIN 45.

As of March 31, 2008 and December 31, 2007, the maximum potential amount of the Company s obligation was $12.8 billion and $12.6 billion, respectively, for financial and performance standby letters of credit. The Company has recorded $115.2 million and $112.4 million in other liabilities for unearned fees related to these letters of credit as of March 31, 2008 and December 31, 2007, respectively. The Company s outstanding letters of credit generally have a term of less than one year but may extend longer than one year. If a letter of credit is drawn upon, the Company may seek recourse through the client s underlying line of credit. If the client s line of credit is also in default, the Company may take possession of the collateral securing the line of credit, where applicable.

Loan Sales

SunTrust Mortgage, Inc. (STM), a consolidated subsidiary of SunTrust, originates and purchases consumer residential mortgage loans, a portion of which are sold to outside investors in the normal course of business. When mortgage loans or MSRs are sold, representations and warranties regarding certain attributes of the loans sold are made to the third party purchaser. These representations and warranties may extend through the life of the mortgage loan, generally 25 to 30 years. Subsequent to the sale, if inadvertent underwriting deficiencies or documentation defects are discovered in individual mortgage loans, STM will be obligated to repurchase the respective mortgage loan, MSRs or absorb the loss if such deficiencies or defects cannot be cured by STM within the specified period following discovery. STM maintains a liability for estimated losses on mortgage loans and MSRs that may be repurchased due to breach of general representations and warranties or purchasers rights under early payment default provisions. As of March 31, 2008 and December 31, 2007, $52.5 million and $49.9 million, respectively were accrued for these repurchases.

Contingent Consideration

The Company has contingent payment obligations related to certain business combination transactions. Payments are calculated using certain post-acquisition performance criteria. The potential liability associated with these arrangements was approximately $32.8 million and $37.7 million as of March 31, 2008 and December 31, 2007, respectively. As contingent consideration in a business combination is not subject to the recognition and measurement provisions of FIN 45, the Company currently has no amounts recorded for these guarantees as of March 31, 2008. If required, these contingent payments will be payable within the next five years.

Other

In the normal course of business, the Company enters into indemnification agreements and provides standard representations and warranties in connection with numerous transactions. These transactions include those arising from underwriting agreements, merger and acquisition agreements, loan sales, contractual commitments, payment processing sponsorship agreements, and various other business transactions or arrangements. The extent of the Company s obligations under these indemnification agreements depends upon the occurrence of future events; therefore, the Company s potential future liability under these arrangements is not determinable.

Notes to Consolidated Financial Statements (Unaudited)-Continued

SunTrust Investment Services, Inc., (STIS) and SunTrust Robinson Humphrey, Inc. (STRH), broker-dealer affiliates of SunTrust, use a common third party clearing broker to clear and execute their customers securities transactions and to hold customer accounts. Under their respective agreements, STIS and STRH agree to indemnify the clearing broker for losses that result from a customer s failure to fulfill its contractual obligations. As the clearing broker s rights to charge STIS and STRH have no maximum amount, the Company believes that the maximum potential obligation cannot be estimated. However, to mitigate exposure, the affiliate may seek recourse from the customer through cash or securities held in the defaulting customers account. For the three months ended March 31, 2008 and March 31, 2007, STIS and STRH experienced minimal net losses as a result of the indemnity. The clearing agreements expire in May 2010 for both STIS and STRH.

The Company has guarantees associated with credit derivatives, an agreement in which the buyer of protection pays a premium to the seller of the credit derivatives for protection against an event of default. Events constituting default under such agreements that would result in the Company making a guaranteed payment to a counterparty may include (i) default of the referenced asset; (ii) bankruptcy of the client; or (iii) restructuring or reorganization by the client. The maximum guarantee outstanding as of March 31, 2008 and December 31, 2007 was $925.6 million and $331.7 million, respectively. As of March 31, 2008, the maximum guarantee amounts expire as follows: $87.0 million in 2008, $64.1 million in 2009, $601.4 million in 2010, $64.4 million in 2011, $47.1 million in 2012 and $61.6 million thereafter. In the event of default under the contract, the Company would make a cash payment to the holder of credit protection and would take delivery of the referenced asset from which the Company may recover a portion of the credit loss. There were no cash payments made during 2007 or in the first quarter ended March 31, 2008. In addition, there are certain purchased credit derivative contracts that mitigate a portion of the Company s exposure on written contracts. Such contracts are not included in this disclosure since they represent benefits to, rather than obligations of, the Company. The Company records purchased and written credit derivative contracts at fair value.

SunTrust CDC, LLC (CDC), a SunTrust subsidiary, obtains state and federal tax credits through the construction and development of affordable housing properties. CDC or its subsidiaries are limited and/or general partners in various partnerships established for the properties. If the partnerships generate tax credits, those credits may be sold to outside investors. As of March 31, 2008, the CDC had completed six tax credit sales containing guarantee provisions stating that the CDC will make payment to the outside investors if the tax credits become ineligible. The CDC also guarantees that the general partner under the transaction will perform on the delivery of the credits. The guarantees are expected to expire within a ten year period. As of March 31, 2008, the maximum potential amount that the CDC could be obligated to pay under these guarantees is $38.6 million; however, the CDC can seek recourse against the general partner. Additionally, the CDC can seek reimbursement from cash flow and residual values of the underlying affordable housing properties provided that the properties retain value. As of March 31, 2008 and December 31, 2007, $13.4 million and $14.4 million, respectively, were accrued representing the remainder of tax credits to be delivered, and were recorded in other liabilities on the Consolidated Balance Sheets.

Note 12-Concentrations of Credit Risk

Credit risk represents the maximum accounting loss that would be recognized at the reporting date if borrowers failed to perform as contracted and any collateral or security proved to be of no value. Concentrations of credit risk (whether on- or off-balance sheet) arising from financial instruments can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, certain loan products, or certain regions of the country.

Credit risk associated with these concentrations could arise when a significant amount of loans, related by similar characteristics, are simultaneously impacted by changes in economic or other conditions that cause their probability of repayment to be adversely affected. The Company does not have a significant concentration of risk to any individual client except for the U.S. government and its agencies. The major concentrations of credit risk for the Company arise by collateral type in relation to loans and credit commitments. The only significant concentration that exists is in loans secured by residential real estate. At March 31, 2008, the Company owned $48.2 billion in residential real estate loans and home equity lines, representing 39.0% of total loans, and an additional $20.4 billion in commitments to extend credit on home equity lines and $15.2 billion in mortgage loan commitments. At December 31, 2007, the Company owned $47.7 billion in residential real estate loans and home equity lines, representing 39.0% of total loans, and an additional $20.4 billion in commitments to extend credit on home equity lines and $12.9 billion in mortgage loan commitments. The Company originates and retains certain residential mortgage loan products that include features such as interest only loans, high loan to value loans and low initial interest rate loans. As of March 31, 2008, the Company owned $16.7 billion of interest only loans, primarily with a ten year interest only period. Approximately $1.5 billion of those loans had combined original loan to value ratios in excess of 80%. Additionally, the Company owned approximately $2.2 billion of amortizing loans with combined loan to value ratios in excess of 80% with no mortgage insurance. The Company attempts to mitigate and control the risk in each loan type by managing the timing of payment shock, and through private mortgage insurance and underwriting guidelines and practices. A

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Notes to Consolidated Financial Statements (Unaudited)-Continued

geographic concentration arises because the Company operates primarily in the Southeastern and Mid-Atlantic regions of the United States.

SunTrust engages in limited international banking activities. The Company s total cross-border outstandings were $666.9 million and $591.6 million as of March 31, 2008 and December 31, 2007, respectively.

Note 13-Fair Value Election and Measurement

In accordance with SFAS No. 159, the Company has elected to record specific financial assets and financial liabilities at fair value. These instruments include all, or a portion, of the following: debt, available for sale debt securities, adjustable rate residential mortgage loans, securitization warehouses and trading loans. The following is a description of each financial asset and liability class as of March 31, 2008 for which fair value has been elected, including the specific reasons for electing fair value and the strategies for managing the financial assets and liabilities on a fair value basis.

Fixed Rate Debt

The debt that the Company initially elected to carry at fair value was all of its fixed rate debt that had previously been designated in qualifying fair value hedges using receive fixed/pay floating interest rate swaps, pursuant to the provisions of SFAS No. 133. This population included fixed-rate Federal Home Loan Bank advances and publicly-issued debt. The Company elected to record this debt at fair value in order to align the accounting for the debt with the accounting for the derivative without having to account for the debt under hedge accounting, thus avoiding the complex and time consuming fair value hedge accounting requirements of SFAS No. 133. This move to fair value introduced potential earnings volatility due to changes in the Company s credit spread that were not required to be valued under the SFAS No. 133 hedge designation. All of the debt, along with the interest rate swaps previously designated as hedges under SFAS No. 133, continues to remain outstanding.

During the year ended December 31, 2007, the Company consummated two fixed rate debt issuances. On September 10, 2007, the Company issued $500 million of Senior Notes, which carried a fixed coupon rate of 6.00% and had a term of 10 years. The Company did not enter into any hedges on this debt at issuance and, therefore, did not elect to carry the debt at fair value. On November 5, 2007, the Company issued $500 million of Senior Notes, which carried a fixed coupon rate of 5.25% and had a term of 5 years. The Company did enter into hedges in connection with this debt issuance and as a result elected to carry this debt at fair value.

During the quarter ended March 31, 2008, the Company consummated two fixed rate debt issuances. On March 4, 2008, the Company issued $685 million of trust preferred securities, which carried a fixed coupon rate of 7.875% and had a term of 60 years. The Company did not enter into any hedges on this debt at issuance and, therefore, did not elect to carry the debt at fair value. On March 17, 2008, the Company issued $500 million of subordinated notes, which carried a fixed coupon rate of 7.25% and had a term of 10 years. The Company did enter into hedges in connection with this debt issuance and as a result elected to carry this debt at fair value.

Mortgage Loans and Loans Held for Sale

In the second quarter of 2007, the Company began recording at fair value certain newly-originated mortgage loans held for sale based upon defined product criteria. SunTrust chose to fair value these mortgage loans held for sale in order to eliminate the complexities and inherent difficulties of achieving hedge accounting and to better align reported results with the underlying economic changes in value of the loans and related hedge instruments. This election impacts the timing and recognition of origination fees and costs, as well as servicing value. Specifically, origination fees and costs, which had been appropriately deferred under SFAS No. 91 and recognized as part of the gain/loss on sale of the loan, are now recognized in earnings at the time of origination. For the three months ended March 31, 2008, approximately $38.3 million of loan origination fees were recognized in noninterest income and approximately $34.5 million of loan origination costs were recognized in noninterest expense due to this fair value election. The servicing value, which had been recorded as MSRs at the time the loan was sold, is now included in the fair value of the loan and initially recognized at the time the Company enters into an interest rate lock commitment with a borrower. The Company began using derivatives to economically hedge changes in servicing value as a result of including the servicing value in the fair value of the loan. The estimated impact from recognizing servicing value, net of related hedging costs, as part of the fair value of the loan is captured in mortgage production income.

In the normal course of business, the Company may elect to transfer certain fair valued mortgage loans held for sale to mortgage loans held for investment. During the three months ended March 31, 2008, approximately $79.9 million of such loans were transferred from mortgage loans held for sale to mortgage loans held for investment due to a

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Notes to Consolidated Financial Statements (Unaudited)-Continued

change of management s intent with respect to these loans based on the limited marketability of these loans given the lack of liquidity for certain loan types.

Trading Loans

The Company often maintains a portfolio of loans that it trades in the secondary market. Pursuant to the provisions of SFAS No. 159, the Company elected to carry trading loans at fair value in order to reflect the active management of these positions. Subsequent to the initial adoption, additional loans were purchased and recorded at fair value as part of the Company s normal loan trading activities. As of March 31, 2008, approximately $291.5 million of trading loans were outstanding.

For loan products and issued liabilities that the Company has elected to carry at fair value, the Company has considered the component of the fair value changes due to instrument-specific credit risk, which is intended to be an approximation of the fair value change attributable to changes in borrower-specific credit risk. Approximately $61.6 million, or 1.2%, of the total mortgage loans carried at fair value were on nonaccrual status, past due, or have other characteristics that would be attributable to borrower-specific credit risk, therefore, the Company does not believe significant fair value changes are attributable to instrument-specific credit risk from nonaccrual loans as of March 31, 2008. As of March 31, 2007, none of the loans carried at fair value were on nonaccrual status, past due or had other characteristics that were attributable to borrower-specific credit risk. In addition to borrower-specific credit risk, there are other, more significant variables; that will drive changes in the fair value of the loans, including interest rates changes and general conditions in the principal markets for the loans. For debt carried at fair value, the Company estimated credit spreads above LIBOR rates, based on trading levels of its debt in the market as of March 31, 2008 and 2007, respectively. Based on this methodology, the Company recognized a gain of approximately $231.3 million and $8.4 million for the three months ended March 31, 2008 and 2007, respectively, due to changes in its own credit spread. The Company prices its debt using a third party pricing service and validates this valuation utilizing market data from recent debt issuances as well as credit spreads it receives from various brokers and the movement of those spreads during the period.

The following tables present financial assets and financial liabilities measured at fair value on a recurring basis and the change in fair value for those specific financial instruments in which fair value has been elected. The tables do not reflect the change in fair value attributable to the related economic hedges the Company used to mitigate the interest rate risk associated with the financial instruments. The changes in the fair value of economic hedges were also recorded in trading account profits and commissions or mortgage production related income, as appropriate, and are designed to partially offset the change in fair value of the financial instruments referenced in the tables below. The Company s economic hedging activities are deployed at both the instrument and portfolio level.

		Fair Value Measurements at March 31, 2008, Using			Fair Value Gain/(Loss) for the Three Months Ended March 31, 2008, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option		
(Dollars in thousands)	Assets/Liabilities Measured at Fair Value March 31, 2008	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Trading Account Profits and Commissions	Mortgage Production Related Income	Total Changes in Fair Values Included in Current-Period Earnings[1]
Assets							
Trading assets	**$10,932,251**	**$293,692**	**$8,887,969**	**$1,750,590**	**($3,558)**	**$-**	**($3,558)**
Securities available for sale	**15,882,088**	**2,806,032**	**11,885,950**	**1,190,106**	**-**	**-**	**-**
Loans held for sale	**5,097,410**	**-**	**4,583,557**	**513,853**	**-**	**73,099[2]**	**73,099**
Loans	**282,760**	**-**	**-**	**282,760**	**-**	**(9,084)**	**(9,084)**
Other assets [3]	**181,796**	**998**	**132,832**	**47,966**	**-**	**-**	**-**
Liabilities							

Brokered deposits	**317,578**	**-**	**317,578**	**-**	**(3,590)**	**-**	**(3,590)**
Trading liabilities	**2,356,037**	**314,178**	**2,041,859**	**-**	**-**	**-**	**-**
Long-term debt	**7,784,744**	**-**	**7,784,744**	**-**	**(13,549)**	**-**	**(13,549)**
Other liabilities [3]	**135,385**	**-**	**113,769**	**21,616**	**-**	**-**	**-**

[1] Changes in fair value for the three months ended March 31, 2008 exclude accrued interest for the period then ended. Interest income or interest expense on trading assets, loans, loans held for sale, brokered deposits and long-term debt that have been elected to be carried at fair value under the provisions of SFAS No. 159 or SFAS No. 155 are recorded in interest income or interest expense in the Consolidated Statements of Income based on their contractual coupons. Certain trading assets do not have a contractually stated coupon and, for these securities, the Company records interest income based on the effective yield calculated upon acquisition of those securities. For the three months ended March 31, 2008, the change in fair value related to accrued interest income on loans and loans held for sale was an increase of $0.4 million and a decrease of $3.1 million, respectively. For the three months ended March 31, 2008, the change in fair value related to accrued interest expense on brokered deposits and long-term debt was an increase of $3.1 million and an increase of $31.0 million, respectively.

[2] This amount includes $121.5 million related to MSR assets recognized upon the sale of the loans.

[3] This amount includes interest rate lock commitments and derivative financial instruments entered into by the Mortgage LOB to hedge its interest rate risk. Beginning in 2008, interest rate lock commitments were recorded gross, instead of net, in other assets or other liabilities. Had SunTrust recorded interest rate lock commitments gross as of year end, the Company would have recorded an asset of $6.8 million and a liability of $26.4 million.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

(Dollars in thousands)	Assets/Liabilities Measured at Fair Value December 31, 2007	Fair Value Measurements at December 31, 2007, Using: Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Gain/(Loss) for the Year Ended December 31, 2007, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option: Trading Account Profits and Commissions	Mortgage Production Related Income	Total Changes in Fair Values Included in Current-Period Earnings[1]
Assets							
Trading assets	**$10,518,379**	**$294,412**	**$7,273,822**	**$2,950,145**	**($151,695)**	**$-**	**($151,695)**
Securities available for sale	**16,264,107**	**2,815,488**	**12,578,912**	**869,707**	**-**	**-**	**-**
Loans held for sale	**6,325,160**	**-**	**5,843,833**	**481,327**	**-**	**81,561[2]**	**81,561**
Loans	**220,784**	**-**	**-**	**220,784**	**-**	**(1,712)**	**(1,712)**
Other assets[3]	**69,405**	**2,781**	**66,624**	**-**	**-**	**-**	**-**
Liabilities							
Brokered deposits	**234,345**	**-**	**234,345**	**-**	**7,686**	**-**	**7,686**
Trading liabilities	**2,160,385**	**592,678**	**1,567,707**	**-**	**-**	**-**	**-**
Long-term debt	**7,446,980**	**-**	**7,446,980**	**-**	**(70,927)**	**-**	**(70,927)**
Other liabilities[3]	**56,189**	**73**	**36,513**	**19,603**	**-**	**-**	**-**

[1] Changes in fair value for the year ended December 31, 2007 exclude accrued interest for the period then ended. Interest income or interest expense on trading assets, loans held for sale, brokered deposits and long-term debt that have been elected to be carried at fair value under the provisions of SFAS No. 159 or SFAS No. 155 are recorded in interest income or interest expense in the Consolidated Statements of Income based on their contractual coupons. Certain trading assets do not have a contractually stated coupon and, for these securities, the Company records interest income based on the effective yield calculated upon acquisition of those securities. For the twelve months ended December 31, 2007, the change in fair value related to accrued interest income on loans held for sale was an increase of $11.1 million and the change in fair value related to accrued interest expense on brokered deposits and long-term debt was an increase of $8.7 million and an increase of $4.2 million, respectively.

[2] This amount includes $214.6 million related to MSR assets recognized upon the sale of the loans.

[3] This amount includes interest rate lock commitments and derivative financial instruments entered into by the Mortgage LOB to hedge its interest rate risk.

(Dollars in thousands)	Fair Value Measurements March 31, 2007	Fair Value Measurements at March 31, 2007, Using: Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Gain/(Loss) for the Three Months Ended March 31, 2007, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option: Trading Account Profits and Commissions	Mortgage Production Related Income	Total Changes in Fair Values Included in Current-Period Earnings[1]
Assets							
Trading assets	**$21,545,502**	**$2,377,086**	**$19,086,576**	**$81,840**	**$71,236**	**$-**	**$71,236**
Securities available for sale	**13,163,036**	**2,706,003**	**9,744,578**	**712,455**	**-**	**-**	**-**
Loans held for sale	**4,033,083**	**-**	**4,033,083**	**-**	**-**	**(4,125)**	**(4,125)**
Other assets[2]	**9,928**	**-**	**9,928**	**-**	**-**	**-**	**-**

Liabilities							
Brokered deposits	**229,884**	**-**	**229,884**	**-**	**1,729**	**-**	**1,729**
Trading liabilities	**1,642,958**	**420,491**	**1,222,467**	**-**	**-**	**-**	**-**
Long-term debt	**6,896,790**	**-**	**6,896,790**	**-**	**(19,150)**	**-**	**(19,150)**
Other liabilities[2]	**35,793**	**29**	**14,630**	**21,134**	**-**	**-**	**-**

[1] Changes in fair value for the three-month period ended March 31, 2007 exclude accrued interest for the period then ended. Interest income or interest expense on trading assets, loans held for sale, brokered deposits and long-term debt that have been elected to be carried at fair value under the provisions of SFAS No. 159 are recorded in interest income or interest expense in the Consolidated Statements of Income based on their contractual coupons. Certain trading assets do not have a contractually stated coupon and, for these securities, the Company records interest income based on the effective yield calculated upon acquisition of those securities. For the three months ended March 31, 2007, the change in fair value related to accrued interest income on loans held for sale was an increase of $0.4 million and the change in fair value related to accrued interest expense on brokered deposits and long-term debt was an increase of $1.6 million and $24.9 million, respectively.

[2] This amount includes interest rate lock commitments and derivative financial instruments entered into by the Mortgage LOB to hedge its interest rate risk.

The following table presents the change in carrying value of those assets measured at fair value on a non-recurring basis, for which impairment was recognized in the current period. The table does not reflect the change in fair value attributable to any related economic hedges the Company used to mitigate the interest rate risk associated with these assets. With respect to loans held for sale, the changes in fair value of the economic hedges were also recorded in mortgage production related income, and substantially offset the change in fair value of the financial assets referenced in the table below. The Company s economic hedging activities are deployed at the portfolio level.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

(Dollars in thouands)	Carrying Value as of March 31, 2008	Fair Value Measurement at March 31, 2008, Using			Valuation Allowance as of March 31, 2008
		Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Loans[1]	**$50,589**	**$-**	**$50,589**	**$-**	**$6,412**
Loans Held for Sale[2]	**1,040,301**	**-**	**744,611**	**295,690**	**81,314**
OREO[3]	**244,906**	**-**	**244,906**	**-**	**16,221**
Affordable Housing assets held for sale[3]	**43,473**	**-**	**43,473**	**-**	**2,365**
MSRs[4]	**40,175**	**-**	**-**	**40,175**	**1,881**

[1] These balances were not impacted by the election of the fair value option and are measured at fair value on a non-recurring basis using the practical expedient approach described in SFAS No. 114.
[2] These balances were not impacted by the election of the fair value option and are measured at fair value on a non-recurring basis in accordance with SFAS No. 65.
[3] These balances were not impacted by the election of the fair value option and are measured at fair value on a non-recurring basis in accordance with SFAS No. 144.
[4] These balances were not impacted by the election of the fair value option and are measured at fair value on a non-recurring basis in accordance with SFAS No. 140, as amended. MSRs are stratified for the purpose of impairment testing.
As of March 31, 2008 and December 31, 2007 approximately $118.2 million and $105.7 million of leases held for sale, respectively, were included in loans held for sale in the Consolidated Balance Sheets and were not eligible for fair value election under SFAS No. 159.

SunTrust used significant unobservable inputs (Level 3) to fair value certain trading assets, securities available for sale, portfolio loans accounted for at fair value, loans held for sale, other assets and other liabilities as of March 31, 2008. The need to use unobservable inputs generally results from the lack of market liquidity for certain types of loans and securities, which has resulted in diminished observability of both actual trades and assumptions that would otherwise be available to value these instruments. More specifically, the asset-backed securities market and certain residential loan markets have experienced significant dislocation and illiquidity in both new issues and the levels of secondary trading. When available, the Company will obtain third-party broker quotes for much of its investment portfolio, as this level of evidence is the strongest support absent current security specific market activity for the fair value of these instruments.

Level 3 trading assets include residual interests retained from Company-sponsored securitizations of commercial loans, structured asset sales participations, investments in structured investment vehicles (SIVs), and investments in other asset-backed securities for which little or no market activity exists or whose value of the underlying collateral is not market observable. The residual interests are valued based on internal models which incorporate assumptions, such as prepayment speeds or estimated credit losses, which are not market observable. Generally, the Company attempts to obtain pricing for its securities from a third-party pricing provider or third party brokers who have experience in valuing certain investments. This pricing may be used as either direct support for the Company s valuation or used to validate outputs from the Company s own proprietary models. However, the distressed market conditions have impacted the Company s ability to obtain third-party pricing data for its investments in SIVs and certain other asset-backed securities. Even when third-party pricing has been available, the limited trading activity and illiquidity resulting from current market conditions has challenged the observability of these quotations. When observable market data for these instruments is not available, SunTrust will use industry-standard or proprietary models to estimate fair value and will consider assumptions such as relevant market indices that correlate to the underlying collateral, prepayment speeds, default rates, loss severity rates and discount rates. Due to the continued illiquidity and credit risk of certain securities, the market value of these securities is highly sensitive to assumption changes and market volatility.

During the first quarter of 2008, the Company transferred $424.3 million of trading and available for sale securities into Level 3 due to the illiquidity of these securities and lack of market observable information to value these securities. Transfers into Level 3 are generally assumed to be as of the beginning of the quarter in which the transfer occurred.

Notes to Consolidated Financial Statements (Unaudited)-Continued

During the first quarter of 2008, the Company transferred $158.0 million of mortgage loans held for sale, including $40.7 million of commercial real estate loans, into Level 3 based on secondary market illiquidity and the resulting reduction of observable market data for certain non-agency loans requiring increased reliance on alternative valuation methodologies.

Level 3 loans are primarily non-agency residential mortgage loans held for investment or loans held for sale for which there is little to no observable trading activity in either the new issuance or secondary loan markets as either whole loans or as securities. Prior to the non-agency residential loan market disruption, which began during the third quarter and increased during the fourth quarter of 2007, the Company was able to obtain certain observable pricing from either the new issuance or secondary loan market. However, as the markets deteriorated and certain loans were not actively trading as either whole loans or as securities, the Company began employing alternative valuation methodologies to determine the fair value of the loans. Even if limited market data is available, the characteristics of the underlying loan collateral are critical to arriving at an appropriate fair value in the current markets, such that any similarities that may otherwise be drawn are questionable. The alternative valuation methodologies include obtaining certain levels of broker pricing, when available, and extrapolating this data across the larger loan population. This extrapolation includes recording additional liquidity adjustments, when necessary, and valuation estimates of underlying collateral to accurately reflect the price the Company believes it would receive if the loans were sold.

Beginning in the first quarter of 2008, the Company classified interest rate lock commitments on residential mortgage loans held for sale, which are derivatives under SFAS No. 133, on a gross basis within other liabilities or other assets. The fair value of these commitments, while based on interest rates observable in the market, is highly dependent on the ultimate closing of the loans. These pull-through rates are based on the Company s historical data and reflect an estimate of the likelihood that a commitment will ultimately result in a closed loan. As a result of the adoption of SAB No. 109, servicing value, beginning in the first quarter of 2008, was also included in the fair value of IRLCs. The fair value of MSRs is determined by projecting cash flows which are then discounted to estimate an expected fair value. The fair value of MSRs is impacted by a variety of factors, including prepayment assumptions, discount rates, delinquency rates, contractual specified servicing fees and underlying portfolio characteristics. Because these inputs are not transparent in market trades, MSRs are considered to be Level 3 assets in the valuation hierarchy.

The following tables show a reconciliation of the beginning and ending balances for fair valued assets measured using significant unobservable inputs:

	Fair Value Measurements Using Significant Unobservable Inputs			
(Dollars in thousands)	Trading Assets	Securities Available for Sale	Mortgage Loans Held for Sale	Loans
Beginning balance January 1, 2008	$2,950,145	$869,707	$481,327	$220,784
Total gains/(losses) (realized/unrealized):				
Included in earnings	(248,516)	(64,075)	(13,797)	(9,399)
Included in other comprehensive income	-	32,105	-	-
Purchases and issuances	43,950	-	-	-
Settlements	-	-	-	-
Sales	(524,083)	-	-	-
Paydowns and maturities	(497,701)	(45,177)	(31,795)	(8,531)
Transfers from loans held for sale to loans held in portfolio	-	-	(79,906)	79,906
Transfers into Level 3, net	26,795	397,546	158,024	-
Ending balance March 31, 2008	**$1,750,590**	**$1,190,106**	**$513,853**	**$282,760**
The amount of total gains/(losses) for the period	**($116,243)**	**($64,075)**	**($13,797)**	**($9,399)**
included in earnings attributable to the change in				

unrealized gains or losses relating to assets and

liabilities still held at March 31, 2008

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Notes to Consolidated Financial Statements (Unaudited)-Continued

(Dollars in thousands)	Fair Value Measurements Using Significant Unobservable Inputs Trading Assets	Securities Available for Sale
Beginning balance January 1, 2007	$24,393	$734,633
Total gains/(losses) (realized/unrealized):		
Included in earnings[1]	(4,406)	-
Included in other comprehensive income	-	430
Purchases and issuances	61,853	453
Settlements	-	(23,061)
Ending balance March 31, 2007	**$81,840**	**$712,455**

[1] The amount of total gains/(losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at period end.

The following tables show a reconciliation of the beginning and ending balances for fair valued other assets/(liabilities), which are IRLCs on residential mortgage loans held for sale, measured using significant unobservable inputs:

(Dollars in thousands)	Other Assets/ (Liabilities)
Beginning balance January 1, 2008	($19,603)
Included in earnings:	
Issuances (inception value)	123,948
Fair value changes	(27,780)
Expirations	(26,151)
Settlements of IRLCs and transfers into closed loans	(24,064)
Ending balance March 31, 2008[1]	**$26,350**

[1] The amount of total gains/(losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to IRLCs still held at period end.

(Dollars in thousands)	Other Assets/ (Liabilities)
Beginning balance January 1, 2007	($29,633)
Included in earnings:	
Issuances (inception value)	(90,589)
Fair value changes	(34,307)
Expirations	66,142
Settlements of IRLCs and transfers into closed loans	67,253
Ending balance March 31, 2007[1]	**($21,134)**

[1] The amount of total gains/(losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to IRLCs still held at period end.

For loans held for sale, trading assets, other assets and other liabilities fair valued using Level 3 inputs, the realized and unrealized gains and losses included in earnings for the three months ended March 31, 2008 and March 31, 2007 are reported in trading account profits and commissions and mortgage production related income as follows:

Notes to Consolidated Financial Statements (Unaudited)-Continued

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
	Trading Account Profits and Commissions	Mortgage Production Related Income	Trading Account Profits and Commissions	Mortgage Production Related Income
Total change in earnings	**($312,591)**	**46,821**	**($4,406)**	**($58,754)**
Change in unrealized gains or losses relating to assets and liabilities still held at period end	**($180,318)**	**$3,154**	**($4,406)**	**($21,134)**

The following tables present the difference between the aggregate fair value and the aggregate unpaid principal balance of trading assets, loans, loans held for sale, brokered deposits and long term debt instruments for which the fair value option has been elected. For loans and loans held for sale for which the fair value option has been elected, the tables also includes the difference between aggregate fair value and the aggregate unpaid principal balance of loans that are 90 days or more past due, as well as loans in nonaccrual status.

(Dollars in thousands)	Aggregate Fair Value March 31, 2008	Aggregate Unpaid Principal Balance under FVO March 31, 2008	Fair value carrying amount over/(under) unpaid principal
Trading assets	**$834,255**	**$828,574**	**$5,681**
Loans	**277,487**	**297,708**	**(20,221)**
Past due loans of 90 days or more	**1,007**	**1,283**	**(276)**
Nonaccrual loans	**4,266**	**5,935**	**(1,669)**
Loans held for sale	**5,082,235**	**5,068,484**	**13,751**
Past due loans of 90 days or more	**4,619**	**5,446**	**(827)**
Nonaccrual loans	**10,556**	**13,536**	**(2,980)**
Brokered deposits	**317,578**	**314,962**	**2,616**
Long-term debt	**7,784,744**	**7,644,250**	**140,494**

(Dollars in thousands)	Aggregate Fair Value December 31, 2007	Aggregate Unpaid Principal Balance under FVO December 31, 2007	Fair value carrying amount over/(under) unpaid principal
Trading assets	**$444,774**	**$442,624**	**$2,150**
Loans	**220,784**	**229,473**	**(8,689)**
Loans held for sale	**6,314,106**	**6,248,541**	**65,565**
Past due loans of 90 days or more	**5,213**	**6,140**	**(927)**
Nonaccrual loans	**5,841**	**7,316**	**(1,475)**
Brokered deposits	**234,345**	**237,205**	**(2,860)**
Long-term debt	**7,446,980**	**7,316,750**	**130,230**

Note 14-Business Segment Reporting

The Company has four business segments used to measure business activities: Retail and Commercial Banking, Wholesale Banking, Wealth and Investment Management, and Mortgage with the remainder in Corporate Other and Treasury. The Company previously had five business segments (Retail, Commercial, Corporate and Investment Banking, Wealth and Investment Management, and Mortgage) with the remainder in Corporate Other and Treasury. Beginning in 2008, the segment reporting structure was adjusted in the following ways:

1. The Retail and Commercial segments were combined.

2. Corporate and Investment Banking was renamed Wholesale Banking.

3. Commercial Real Estate (primarily Real Estate Finance Group and Affordable Housing) were transferred from Commercial to Wholesale Banking.

4. Trustee Management was transferred from Commercial to Corporate Other and Treasury.

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Notes to Consolidated Financial Statements (Unaudited)-Continued

5. Transplatinum, which handles Fleet One fuel cards, was transferred from Commercial to Corporate Other and Treasury.

6. Certain Middle Market clients and relationship managers were transferred from Commercial to Wholesale Banking. Because this included the movement of individual clients and relationship managers, balance, income, and expense from prior periods remained in the Retail and Commercial Banking segment.

Retail and Commercial Banking serves consumers, businesses with up to $100 million in annual revenue, government/not-for-profit enterprises, and provides services for the clients of other segments. Clients are serviced through an extensive network of traditional and in-store branches, ATMs, the Internet and the telephone.

Wholesale Banking s primary businesses include Middle Market which serves commercial clients with $100 million to $750 million in annual revenue, Corporate Banking which serves clients with greater than $750 million in annual revenue, Commercial Real Estate which serves commercial and residential developers and investors, and SunTrust Robinson Humphrey.

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

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

In addition, the Company reports Corporate Other and Treasury, which includes the investment securities portfolio, long-term debt, end user derivative instruments, short-term liquidity and funding activities, balance sheet risk management, and most real estate assets. Other components include Enterprise Information Services, which is the primary data processing and operations group, the Corporate Real Estate group, Marketing, BankCard, SunTrust Online, Human Resources, Finance, Corporate Risk Management, Legal and Compliance, Branch Operations, Corporate Strategies, Procurement, and executive management. Finally, Corporate Other and Treasury also includes Transplatinum, which handles fuel cards, and Trustee Management, which provides treasury management and deposit services to bankruptcy trustees.

Because the business segment results are presented based on management accounting practices, the transition to generally accepted accounting principles creates a difference which is reflected in Reconciling Items.

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

	Net interest income - All net interest income is presented on a fully taxable-equivalent basis. The revenue gross-up has been applied to tax-exempt loans and investments to make them comparable to other taxable products. The segments have also been matched maturity funds transfer priced, generating credits or charges based on the economic value or cost created by the assets and liabilities of each segment. The mismatch between funds rap align="center" colspan="3" style="border-bottom: 1px solid #000000">**or Programs**	**Programs**		
				(In thousands)
Month Ended July 31, 2010		$	$	103,793
		$	$	103,793

Month Ended August 31, 2010			
Month Ended September 30, 2010	$	$	103,793

(1) Represents shares surrendered by executives as payment for the strike prices and taxes due on exercised stock options and/or taxes due on vested restricted stock.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Removed and Reserved.***

Item 5. ***Other Information***

None.

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Item 6. ***Exhibits***

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).
3.2	Amended and Restated Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010).
10.1 +	Credit Agreement dated September 19, 2008 by and among the Company and Branch Banking and Trust Company, as agent and lender; Deutsche Bank Trust Company Americas, as lender; and BB&T Capital Markets, as lead arranger ($125 million credit facility), as amended by the First, Second, Third, Fourth and Fifth Amendments thereto.
31.1	Certification by Chief Executive Officer.
31.2	Certification by Chief Financial Officer.
32.1	Certification by Chief Executive Officer.
32.2	Certification by Chief Financial Officer.
99.1	Supplemental Information regarding Land-Use Entitlements, Sales by Community and other quarterly information.
101 *	The following information from the Company s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Changes in Equity (iv) the Consolidated Statements of Cash Flow and (v) Notes to the Consolidated Financial Statements, tagged as blocks of text.

+ The Credit Agreement, as amended, is being re-filed at the request of the Securities and Exchange Commission in order to include the disclosure schedules to the Credit Agreement from September 2008.

*

In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed".

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	The St. Joe Company
Date: November 2, 2010	/s/ Wm. Britton Greene Wm. Britton Greene *President and Chief Executive Officer*
Date: November 2, 2010	/s/ Janna L. Connolly Janna L. Connolly *Senior Vice President and Chief Accounting Officer*

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