SUNTRUST BANKS INC
Form 424B5
October 30, 2007
Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(B)(5)
Registration No.: 333-137101

Subject to completion. Dated October 30, 2007.

Prospectus Supplement to Prospectus dated October 18, 2006.

SunTrust Banks, Inc.

% Senior Notes due

SunTrust Banks, Inc. will pay interest on the notes on and of each year, beginning . The notes will mature on .

The notes will be senior unsecured indebtedness of SunTrust Banks, Inc. and rank equally with SunTrust Banks, Inc. s other senior unsecured indebtedness and will be effectively subordinated to SunTrust Banks, Inc. s secured indebtedness and indebtedness of its subsidiaries. The notes will be issued only in fully registered book-entry form without coupons and in denominations of $5,000 and integral multiples of $1,000 in excess thereof. The notes will not be subject to redemption at our option or repayment at the option of the holder at any time prior to maturity and will not be entitled to any sinking fund.

The notes will not be listed on any securities exchange. Currently there is no public market for the notes.

The notes will not be deposits or other obligations of a depositary institution and will not be insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement. Any representation to the contrary is a criminal offense.

Investing in the notes involves risk. See Risk Factors beginning on page 6 of our Annual Report on Form 10-K for the year ended December 31, 2006, on page 82 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, and on page 89 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, and Special Note Regarding Forward-Looking Statements beginning on page iii of this prospectus supplement.

	Per Note	Total
Initial public offering price	%	$

Underwriting discount	%	$
Proceeds, before expenses, to SunTrust Banks, Inc.	%	$

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on , 2007. Beneficial interests in the notes will be shown on, and transfers thereof will be effected only through, records maintained by The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V.

SunTrust Robinson Humphrey

Prospectus Supplement dated , 2007

[Table of Contents](#)

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the heading Where You Can Find More Information.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to *SunTrust,* *we,* *us,* *our* or similar references mean SunTrust Banks, Inc. and its subsidiaries.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement. This prospectus supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this prospectus supplement and in the documents referred to in this prospectus supplement. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement or any document incorporated by reference is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase, any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or *SEC*. You may read and copy any document that we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, our SEC filings are available to the public from the SEC s web site at http://www.sec.gov. Our SEC filings are also available at the offices of the New York Stock Exchange. For further information on obtaining copies of our public filings at the New York Stock Exchange, you should call 212-656-5060.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the *Exchange Act*, until we or any of the underwriters sell all of the securities:

- Annual Report on Form 10-K for the year ended December 31, 2006;

- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007 and June 30, 2007; and

- Current Reports on Form 8-K dated September 26, 2006 (Form 8-K/A filed on March 7, 2007), January 19, 2007 (Form 8-K/A filed on March 1, 2007), February 12, 2007 (Form 8-K/A), February 13, 2007, March 28, 2007, April 17, 2007 (Item 5.03 and the related Exhibits 3.1 and 3.2 included in Item 9.01 only), May 15, 2007 (except Item 7.01 and the related Exhibit 99.1 included in Item 9.01), May 21, 2007, May 31, 2007 (filed on June 1, 2007), May 31, 2007 (filed on June 7, 2007), August 16, 2007 (except Item 7.01), August 20, 2007, September 5, 2007, September 11, 2007, (except Item 7.01 and the related Exhibit 99.1 included in Item 9.01) and October 30, 2007.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

SunTrust Banks, Inc.

303 Peachtree Street, NE

Atlanta, GA 30308

Telephone: 404-588-7711

Attn: Corporate Secretary

We have also filed a registration statement (No. 333-137101) with the SEC relating to the securities offered by this prospectus supplement and the accompanying prospectus. This prospectus supplement is part of the registration statement. You may obtain from the SEC a copy of the registration statement and exhibits that we filed with the SEC when we registered the notes. The registration statement may contain additional information that may be important to you.

Unless otherwise indicated, currency amounts in this prospectus supplement are stated in U.S. dollars.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information included or incorporated by reference in this prospectus supplement may contain forward-looking statements, including statements about credit quality and the future prospects of SunTrust. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words *believes*, *expects*, *anticipates*, *estimates*, *intends*, *plans*, *targets*, *potentially*, *probably*, *projects*, *outlook* or similar expressions or future conditiona *may*, *will*, *should*, *would*, and *could*.

Such statements are based upon the current beliefs and expectations of SunTrust s management and on information currently available to management. The forward looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements speak as of the date hereof, and SunTrust does not assume any obligation to update the statements included or incorporated by reference herein or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events.

Forward looking statements involve significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially from those described in the forward-looking statements can be found on page 6 of SunTrust s 2006 Annual Report on Form 10-K, on page 82 of SunTrust s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and on page 89 of SunTrust s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, and elsewhere in SunTrust s periodic reports and Current Reports filed on Form 8-K with the SEC and available at the SEC s internet site (http://www.sec.gov). Those factors include:

adverse changes in general business or economic conditions, including customers ability to repay debt obligations, could have a material adverse effect on our financial condition and results of operations;

changes in market interest rates or capital markets could adversely affect our revenues and expenses, the value of assets and obligations, costs of capital, or liquidity;

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

a decline in markets for residential or commercial real estate could harm our revenues and profitability;

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

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

we have businesses other than banking, which subjects us to a variety of risks;

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

negative public opinion could damage our reputation and adversely impact our business and revenues;

we rely on other companies for key components of our business infrastructure;

Table of Contents

we rely on our systems, employees and certain counterparties, and certain failures could materially adversely affect our operations;

we depend on the accuracy and completeness of information about clients and counterparties;

regulation by federal and state agencies could adversely affect our business, revenues, and profit margins;

competition in the financial services industry is intense and could result in losing business or reducing profit margins;

future legislation could harm our competitive position;

maintaining or increasing market share depends on market acceptance and regulatory approval of new products and services;

our ability to receive dividends from our subsidiaries accounts for most of our revenues and could affect our liquidity and ability to pay dividends;

significant legal actions could subject us to substantial uninsured liabilities;

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

we depend on the expertise of key personnel without whom our operations may suffer;

we may be unable to hire or retain additional qualified personnel and recruiting and compensation costs may increase as a result of turnover, both of which may increase costs and reduce profitability and may adversely impact our ability to implement our business strategy;

our accounting policies and methods are key to how we report financial condition and results of operations, and may require management to make estimates about matters that are uncertain;

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

our stock price can be volatile;

our disclosure controls and procedures may fail to prevent or detect all errors or acts of fraud;

our financial instruments carried at fair value expose us to certain market risks;

weakness in residential property values and mortgage loan markets could adversely affect us; and

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

Table of Contents

SUMMARY INFORMATION

This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement. As a result, it does not contain all of the information that may be important to you or that you should consider before investing in the notes. You should read this entire prospectus supplement and accompanying prospectus and the documents incorporated by reference, which are described under Where You Can Find More Information.

SunTrust Banks, Inc.

SunTrust Banks, Inc., a Georgia corporation, is one of the nation s largest financial services holding companies. Our principal executive offices are located at 303 Peachtree Street, NE, Atlanta, Georgia 30308. Our telephone number is 404-588-7711.

The Offering

Issuer	SunTrust Banks, Inc.
Securities Offered	% Senior Notes due
Maturity Date	,
Interest Payments	The notes will bear interest from , 2007 or from the most recent interest payment date on which we paid or provided for interest on the notes, at the rate of % per annum. We will pay interest semiannually in arrears on and of each year beginning on , 2008. Interest will be calculated based on a 360-day year composed of twelve 30-day months.
Redemption/Repayment	The notes will not be subject to redemption at our option or repayment at the option of the holder at any time prior to maturity.
Ranking	The notes will be senior unsecured indebtedness of SunTrust Banks, Inc. and rank equally with our other senior unsecured indebtedness and will be effectively subordinated to our secured indebtedness and indebtedness of our subsidiaries. At September 30, 2007, our subsidiaries direct borrowings and deposit liabilities totaled approximately $149.3 billion.
Ratings	The notes are expected to be rated A+ by Standard & Poor s Ratings, Aa3 by Moody s Investors Service and A+ by Fitch Ratings. The ratings of the notes should be evaluated independently from similar ratings of other securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

Use of Proceeds	We expect to receive net proceeds from this offering of approximately $, after expenses and underwriting commissions. We intend to use the net proceeds for general corporate purposes. For further information, see Use of Proceeds in this prospectus supplement.
Form and denomination	The notes will be issued in book-entry form through the facilities of The Depository Trust Company, which we refer to along with its successors in this capacity as *DTC*, in minimum denominations of $5,000 and integral multiples of $1,000 in excess thereof.
	The notes will be accepted for clearance by DTC. Beneficial interests in the global securities will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including Euroclear Bank, S.A./N.V. (*Euroclear*) and Clearstream Banking, société anonyme, Luxembourg (*Clearstream*). Owners of beneficial interests in the notes will receive all payments relating to their notes in U.S. dollars.
Listing	The notes will not be listed on any securities exchange.
Trustee	U.S. Bank National Association.
Governing law	The notes and the indenture governing the notes are governed by the laws of the State of New York.

Table of Contents

Selected Financial Data

The following is selected consolidated financial data for SunTrust for the nine-month periods ended September 30, 2007 and 2006 and the years ended December 31, 2006, 2005 and 2004.

The selected consolidated financial data for each of the years ended December 31, 2006, 2005 and 2004 are derived from our audited consolidated financial statements. Our consolidated financial statements for each of the three fiscal years ended December 31, 2006, 2005 and 2004 were audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. The selected consolidated condensed financial data for SunTrust for the nine-month periods ended September 30, 2007 and 2006 are derived from our unaudited consolidated condensed financial statements filed on a Current Report on Form 8-K dated October 30, 2007 and, in our opinion, such financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the data for those periods. Our results of operations for the nine months ended September 30, 2007 may not be indicative of results that may be expected for the full fiscal year. The summary below should be read in conjunction with our unaudited consolidated condensed financial statements included in our Current Report on Form 8-K dated October 30, 2007 and our audited consolidated financial statements, and the related notes thereto, and the other detailed information contained in our 2006 Annual Report on Form 10-K.

(Dollars in millions, except per share and other data)	Nine Months Ended September 30 2007	2006	Twelve Months Ended December 31 2006	2005	2004
Summary of Operations					
Interest income	**$ 7,587.2**	$ 7,227.3	$ 9,792.0	$ 7,731.3	$ 5,218.4
Interest expense	**4,035.2**	3,728.1	5,131.6	3,152.3	1,533.2
Net interest income	**3,552.0**	3,499.2	4,660.4	4,579.0	3,685.2
Provision for loan losses	**308.1**	146.7	262.5	176.9	135.6
Net interest income after provision for loan losses	**3,243.9**	3,352.5	4,397.9	4,402.1	3,549.6
Noninterest income	**2,852.7**	2,585.8	3,468.4	3,155.0	2,604.4
Noninterest expense	**3,778.4**	3,646.1	4,879.9	4,690.7	3,897.0
Income before provision for income taxes	**2,318.2**	2,292.2	2,986.4	2,866.4	2,257.0
Provision for income taxes	**695.3**	681.1	869.0	879.2	684.1
Net income	**1,622.9**	1,611.1	2,117.4	1,987.2	1,572.9
Preferred stock dividends	**22.4**	-	7.7	-	-
Net income available to common shareholders	**$ 1,600.5**	$ 1,611.1	$ 2,109.7	$ 1,987.2	$ 1,572.9
Net income available to common shareholders excluding gain on sale of shares of The Coca-Cola Company[1]	**$ 1,455.0**	$ 1,611.1	$ 2,109.7	$ 1,987.2	$ 1,572.9
Net interest income-FTE	**3,627.5**	3,563.3	4,748.4	4,654.5	3,743.6
Total revenue-FTE	**6,480.1**	6,149.1	8,216.8	7,809.5	6,348.0
Total revenue-FTE excluding net securities gains and losses and net gain on sale of Bond Trustee business[2]	**6,242.7**	6,122.2	8,154.5	7,816.7	6,389.7
Net Income Per Average Common Share					
Diluted	**$ 4.52**	$ 4.42	$ 5.82	$ 5.47	$ 5.19
Diluted, excluding gain on sale of shares of The Coca-Cola Company[1]	**4.11**	4.42	5.82	5.47	5.19
Basic	**4.57**	4.46	5.87	5.53	5.25
Dividends paid per average common share	**2.19**	1.83	2.44	2.20	2.00
Market price:					
High	**$ 94.18**	$ 81.59	$ 85.64	$ 75.77	$ 76.65
Low	**73.61**	69.68	69.68	65.32	61.27
Close	**75.67**	77.28	84.45	72.76	73.88
Selected Average Balances					
Total assets	**$ 178,693.6**	$ 179,631.7	$ 180,315.1	$ 168,088.8	$ 133,754.3
Earning assets[3]	**156,438.9**	157,860.4	158,428.7	146,639.8	117,968.8

Loans	**119,738.9**	119,066.0	119,645.2	108,742.0	86,214.5
Consumer and commercial deposits	**97,471.4**	96,711.0	97,175.3	93,355.0	77,091.5
Total shareholders equity	**17,732.3**	17,341.6	17,546.7	16,526.3	11,469.5

Table of Contents

(Dollars in millions, except per share and other data)	Nine Months Ended September 30 2007	2006	Twelve Months Ended December 31 2006	2005	2004
As of September 30/December 31					
Total assets	**$ 175,857.2**	$ 183,104.6	$ 182,161.6	$ 179,712.8	$ 158,869.8
Earning assets[3]	**151,228.6**	160,287.6	159,063.8	156,640.9	137,813.4
Loans	**120,748.4**	121,237.4	121,454.3	114,554.9	101,426.2
Allowance for loan and lease losses	**1,093.7**	1,087.3	1,044.5	1,028.1	1,050.0
Consumer and commercial deposits	**98,834.1**	98,684.1	99,775.9	97,572.4	92,109.7
Long-term debt	**22,661.4**	17,477.3	18,992.9	20,779.2	22,127.2
Total shareholders equity	**17,907.2**	18,589.3	17,813.6	16,887.4	15,986.9
Financial Ratios and Other Data					
Return on average total assets	**1.21%**	1.20%	1.17%	1.18%	1.18%
Return on average total assets less net unrealized securities gains[4]	**1.09**	1.22	1.17	1.17	1.19
Return on average common shareholders equity	**12.42**	12.45	12.13	12.02	13.71
Return on average realized common shareholders equity[5]	**11.70**	13.24	12.72	12.70	15.65
Net interest margin[3]	**3.10**	3.02	3.00	3.17	

9

RBC Capital Markets, LLC

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Common Stock of Applied Materials,
Inc., Due September 17, 2018

Historical Information

Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of the Reference Stock. The information provided in the table is for the period from January 1, 2013 through August 31, 2017.

Period-Start Date	Period-End Date	High Intra-Day Price of the Reference Stock ($)	Low Intra-Day Price of the Reference Stock ($)	Period-End Closing Price of the Reference Stock ($)
1/1/2013	3/31/2013	13.99	11.39	13.48
4/1/2013	6/30/2013	16.09	12.66	14.91
7/1/2013	9/30/2013	17.94	14.67	17.54
10/1/2013	12/31/2013	18.18	16.42	17.69
1/1/2014	3/31/2014	20.81	16.40	20.42
4/1/2014	6/30/2014	23.21	18.28	22.55
7/1/2014	9/30/2014	23.45	20.48	21.61
10/1/2014	12/31/2014	25.71	18.64	24.92
1/1/2015	3/31/2015	25.64	21.80	22.56
4/1/2015	6/30/2015	22.71	19.06	19.22
7/1/2015	9/30/2015	19.72	14.25	14.69
10/1/2015	12/31/2015	19.41	14.44	18.67
1/1/2016	3/31/2016	21.41	15.45	21.18
4/1/2016	6/30/2016	24.65	19.47	23.97
7/1/2016	9/30/2016	31.06	23.50	30.15
10/1/2016	12/31/2016	33.67	27.56	32.27
1/1/2017	3/31/2017	39.80	31.66	38.90
4/1/2017	6/30/2017	47.86	37.42	41.31
7/1/2017	8/31/2017	47.59	40.98	45.12

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

The graph below illustrates the performance of the Reference Stock from January 1, 2013 to August 31, 2017, assuming an Initial Stock Price of $45.12, which was the closing price of the Reference Stock on August 31, 2017. The red line represents a hypothetical Coupon Barrier and Trigger Price of $33.84, which is equal to 75.00% of the closing price on August 31, 2017. The actual Coupon Barrier and Trigger Price will be based on the closing price of the Reference Stock on the Trade Date.

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Common Stock of Applied Materials,
Inc., Due September 17, 2018

SUPPLEMENTAL DISCUSSION OF U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 8, 2016 under "Supplemental Discussion of U.S. Federal Income Tax Consequences."

Under Section 871(m) of the Code, a "dividend equivalent" payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments ("ELIs") that are "specified ELIs" may be treated as dividend equivalents if such specified ELIs reference an interest in an "underlying security," which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Stock or the Notes, and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Reference Stock or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We expect that delivery of the Notes will be made against payment for the Notes on or about September 15, 2017, which is the third (3rd) business day following the Trade Date (this settlement cycle being referred to as "T+3"). See "Plan of Distribution" in the prospectus dated January 8, 2016. For additional information as to the relationship between us and RBCCM, please see the section "Plan of Distribution—Conflicts of Interest" in the prospectus dated January 8, 2016.

We expect to deliver the Notes on a date that is greater than two business days following the trade date. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The value of the Notes shown on your account statement may be based on RBCCM's estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately three months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM's estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period may initially be a higher amount, reflecting the addition of RBCCM's underwriting discount and our estimated costs and profits from hedging the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

We may use this terms supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this terms supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this terms supplement is being used in a market-making transaction.

STRUCTURING THE NOTES

The Notes are our debt securities, the return on which is linked to the performance of the Reference Stock. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than the secondary market rate, is a factor that is likely to reduce the initial estimated value of the Notes at the time their terms are set. Unlike the estimated value included in this terms supplement or in the final pricing supplement, any value of the Notes determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the Notes than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Reference Stock, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Notes on the Trade Date being less than their public offering price. See “Selected Risk Considerations—The Initial Estimated Value of the Notes Will Be Less than the Price to the Public” above.