SUNTRUST BANKS INC
Form 10-Q
May 07, 2014

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-08918

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý
At April 30, 2014, 532,843,111 shares of the Registrant's Common Stock, $1.00 par value, were outstanding.

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GLOSSARY OF DEFINED TERMS

ABS — Asset-backed securities.
ACH — Automated clearing house.
AFS — Available for sale.
Agreements — Equity forward agreements.
AIP — Annual Incentive Plan.
ALCO — Asset/Liability Management Committee.
ALM — Asset/Liability Management.
ALLL — Allowance for loan and lease losses.
AOCI — Accumulated other comprehensive income.
ASU — Accounting standards update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
Basel III — The third Basel Accord developed by the BCBS to strengthen existing regulatory capital requirements.
BCBS — Basel Committee on Banking Supervision.
Board — The Company's Board of Directors.
BPS — Basis points.
BRC — Board Risk Committee.
CCAR — Comprehensive Capital Analysis and Review.
CDO — Collateralized debt obligation.
CD — Certificate of deposit.
CDR — Conditional default rate.
CDS — Credit default swaps.
CET 1 — Common Equity Tier 1 Capital.
CEO — Chief Executive Officer.
CFO — Chief Financial Officer.
CIB — Corporate and Investment Banking.
C&I — Commercial and Industrial.
Class A shares — Visa Inc. Class A common stock.
Class B shares —Visa Inc. Class B common stock.
CLO — Collateralized loan obligation.
Company — SunTrust Banks, Inc.
CP — Commercial paper.
CPR — Conditional prepayment rate.
CRE — Commercial real estate.
CSA — Credit support annex.
DDA — Demand deposit account.
Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DOJ — Department of Justice.
DTA — Deferred tax asset.
EPS — Earnings per share.

ERISA — Employee Retirement Income Security Act of 1974.
Exchange Act — Securities Exchange Act of 1934.
FASB — Financial Accounting Standards Board.
FDIC — The Federal Deposit Insurance Corporation.
Federal Reserve — The Board of Governors of the Federal Reserve System.
Fed funds — Federal funds.
FHA — Federal Housing Administration.
FHLB — Federal Home Loan Bank.
FICO — Fair Isaac Corporation.
Fitch — Fitch Ratings Ltd.
FRB — Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GenSpring — GenSpring Family Offices, LLC.
GSE — Government-sponsored enterprise.
HAMP — Home Affordable Modification Program.
HUD — U.S. Department of Housing and Urban Development.
IIS — Institutional Investment Solutions.
IPO — Initial public offering.
IRLC — Interest rate lock commitment.
IRS — Internal Revenue Service.
ISDA — International Swaps and Derivatives Association.
LCR — Liquidity coverage ratio.
LGD — Loss given default.
LHFI — Loans held for investment.
LHFI-FV — Loans held for investment carried at fair value.
LHFS — Loans held for sale.
LIBOR —London InterBank Offered Rate.
LOCOM – Lower of cost or market.
LTI — Long-term incentive.
LTV— Loan to value.
MBS — Mortgage-backed securities.
MD&A — Management’s Discussion and Analysis of Financial Condition and Results of Operations.
MI — Mortgage insurance.
Moody’s — Moody’s Investors Service.
MRA — Master Repurchase Agreement.
MRM — Market Risk Management.
MRMG — Model Risk Management Group.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NCF — National Commerce Financial Corporation.
NOW — Negotiable order of withdrawal account.

NPA — Nonperforming asset.
NPL — Nonperforming loan.
OCC — Office of the Comptroller of the Currency.
OCI — Other comprehensive income.
OIG — Office of Inspector General.
OREO — Other real estate owned.
OTC — Over-the-counter.
OTTI — Other-than-temporary impairment.
Parent Company — SunTrust Banks, Inc., the parent Company of SunTrust Bank and other subsidiaries of SunTrust Banks, Inc.
PD — Probability of default.
QSPE — Qualifying special-purpose entity.
REIT — Real estate investment trust.
RidgeWorth — RidgeWorth Capital Management, Inc.
ROA — Return on average total assets.
ROE — Return on average common shareholders' equity.
ROTCE — Return on average tangible common shareholders' equity.
RSU — Restricted stock unit.
RWA — Risk-weighted assets.
S&P — Standard and Poor's.
SBA — Small Business Administration.
SCAP — Supervisory Capital Assessment Program.
SEC — U.S. Securities and Exchange Commission.
SERP — Supplemental Executive Retirement Plan.
SPE — Special purpose entity.
STIS — SunTrust Investment Services, Inc.
STM — SunTrust Mortgage, Inc.
STRH — SunTrust Robinson Humphrey, Inc.
SunTrust — SunTrust Banks, Inc.
SunTrust Community Capital — SunTrust Community Capital, LLC.
TDR — Troubled debt restructuring.
TRS — Total return swaps.
U.S. — United States.
U.S. GAAP — Generally Accepted Accounting Principles in the United States.
U.S. Treasury — The United States Department of the Treasury.
UPB — Unpaid principal balance.
UTB — Unrecognized tax benefit.
VA —Veterans Administration.
VAR —Value at risk.
VI — Variable interest.
VIE — Variable interest entity.
Visa —The Visa, U.S.A. Inc. card association or its affiliates, collectively.
Visa Counterparty — A financial institution which purchased the Company's Visa Class B shares.

PART I - FINANCIAL INFORMATION

The following unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, and accordingly do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. However, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary to comply with Regulation S-X have been included. Operating results for the three months ended March 31, 2014, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2014.

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

SunTrust Banks, Inc.
Consolidated Statements of Income

(Dollars in millions and shares in thousands, except per share data) (Unaudited)	Three Months Ended March 31 2014	2013
Interest Income		
Interest and fees on loans	$1,151	$1,169
Interest and fees on loans held for sale	15	31
Interest and dividends on securities available for sale	153	143
Trading account interest and other	17	16
Total interest income	1,336	1,359
Interest Expense		
Interest on deposits	65	79
Interest on long-term debt	58	51
Interest on other borrowings	9	8
Total interest expense	132	138
Net interest income	1,204	1,221
Provision for credit losses	102	212
Net interest income after provision for credit losses	1,102	1,009
Noninterest Income		
Service charges on deposit accounts	155	160
Other charges and fees	88	89
Card fees	76	76
Trust and investment management income	130	124
Retail investment services	71	61
Investment banking income	88	68
Trading income	49	42
Mortgage servicing related income	54	38
Mortgage production related income	43	159
Net securities (losses)/gains [1]	(1)	2
Other noninterest income	38	44
Total noninterest income	791	863
Noninterest Expense		
Employee compensation	659	611
Employee benefits	141	148
Outside processing and software	170	178
Net occupancy expense	86	89
Equipment expense	44	45
Regulatory assessments	40	54
Marketing and customer development	25	30
Credit and collection services	22	33
Operating losses	21	39
Consulting and legal fees	9	15
Amortization of intangible assets	3	6
Other noninterest expense [2]	137	105
Total noninterest expense	1,357	1,353

Income before provision for income taxes	536	519
Provision for income taxes [2]	125	161
Net income including income attributable to noncontrolling interest	411	358
Net income attributable to noncontrolling interest	6	6
Net income	$405	$352
Net income available to common shareholders	$393	$340
Net income per average common share:		
Diluted	$0.73	$0.63
Basic	0.74	0.64
Dividends declared per common share	0.10	0.05
Average common shares - diluted	536,992	539,862
Average common shares - basic	531,162	535,680

[1] Total OTTI was $0 for the three months ended March 31, 2014 and 2013. Of total OTTI, losses of $0 and $1 million were recognized in earnings, and gains of $0 and $1 million were recognized as non-credit-related OTTI in OCI for the three months ended March 31, 2014 and 2013, respectively.
[2] Amortization expense related to qualified affordable housing investment costs is recognized in provision for income taxes for each of the periods presented as allowed by a recently adopted accounting standard. Prior to the first quarter of 2014, these amounts were recognized in other noninterest expense.

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Comprehensive Income

	Three Months Ended March 31	
(Dollars in millions) (Unaudited)	2014	2013
Net income	$405	$352
Components of other comprehensive income/(loss):		
Change in net unrealized gains/(losses) on securities, net of tax of $63 and ($42), respectively	108	(73)
Change in net unrealized losses on derivatives, net of tax of ($29) and ($42), respectively	(50)	(71)
Change related to employee benefit plans, net of tax of $18 and $12, respectively	31	20
Total other comprehensive income/(loss)	89	(124)
Total comprehensive income	$494	$228

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Balance Sheets

(Dollars in millions and shares in thousands) (Unaudited)	March 31 2014	December 31 2013
Assets		
Cash and due from banks	$6,978	$4,258
Federal funds sold and securities borrowed or purchased under agreements to resell	907	983
Interest-bearing deposits in other banks	22	22
Cash and cash equivalents	7,907	5,263
Trading assets and derivatives (includes encumbered securities pledged against repurchase agreements of $585 and $731 at March 31, 2014 and December 31, 2013, respectively)	4,848	5,040
Securities available for sale	23,302	22,542
Loans held for sale [1] ($1,233 and $1,378 at fair value at March 31, 2014 and December 31, 2013, respectively)	1,488	1,699
Loans [2] ($299 and $302 at fair value at March 31, 2014 and December 31, 2013, respectively)	129,196	127,877
Allowance for loan and lease losses	(2,040)	(2,044)
Net loans	127,156	125,833
Premises and equipment	1,550	1,565
Goodwill	6,377	6,369
Other intangible assets (MSRs at fair value: $1,251 and $1,300 at March 31, 2014 and December 31, 2013, respectively)	1,282	1,334
Other real estate owned	151	170
Other assets	5,481	5,520
Total assets	$179,542	$175,335
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits	$39,792	$38,800
Interest-bearing deposits (CDs at fair value: $759 and $764 at March 31, 2014 and December 31, 2013, respectively)	93,164	90,959
Total deposits	132,956	129,759
Funds purchased	1,269	1,192
Securities sold under agreements to repurchase	2,133	1,759
Other short-term borrowings	5,277	5,788
Long-term debt [3] ($1,545 and $1,556 at fair value at March 31, 2014 and December 31, 2013, respectively)	11,565	10,700
Trading liabilities and derivatives	1,041	1,181
Other liabilities	3,484	3,534
Total liabilities	157,725	153,913
Preferred stock, no par value	725	725
Common stock, $1.00 par value	550	550
Additional paid in capital	9,107	9,115
Retained earnings	12,278	11,936
Treasury stock, at cost, and other [4]	(643)	(615)
Accumulated other comprehensive loss, net of tax	(200)	(289)
Total shareholders' equity	21,817	21,422
Total liabilities and shareholders' equity	$179,542	$175,335
Common shares outstanding	534,780	536,097

Common shares authorized	750,000	750,000
Preferred shares outstanding	7	7
Preferred shares authorized	50,000	50,000
Treasury shares of common stock	15,141	13,824
[1] Includes loans held for sale, at fair value, of consolidated VIEs	$224	$261
[2] Includes loans of consolidated VIEs	318	327
[3] Includes debt of consolidated VIEs ($238 and $256 at fair value at March 31, 2014 and December 31, 2013, respectively)	570	597
[4] Includes noncontrolling interest	126	119

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Statements of Shareholders' Equity

(Dollars and shares in millions, except per share data) (Unaudited)	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock and Other [1]	Accumulated Other Comprehensive (Loss)/Income [2]	Total
Balance, January 1, 2013	$725	539	$550	$9,174	$10,817	($590)	$309	$20,985
Net income	—	—	—	—	352	—	—	352
Other comprehensive loss	—	—	—	—	—	—	(124)	(124)
Common stock dividends, $0.05 per share	—	—	—	—	(27)	—	—	(27)
Preferred stock dividends [3]	—	—	—	—	(9)	—	—	(9)
Exercise of stock options and stock compensation expense	—	—	—	(8)	—	13	—	5
Restricted stock activity	—	1	—	(33)	—	36	—	3
Amortization of restricted stock compensation	—	—	—	—	—	7	—	7
Issuance of stock for employee benefit plans and other	—	—	—	(1)	—	3	—	2
Balance, March 31, 2013	$725	540	$550	$9,132	$11,133	($531)	$185	$21,194
Balance, January 1, 2014	$725	536	$550	$9,115	$11,936	($615)	($289)	$21,422
Net income	—	—	—	—	405	—	—	405
Other comprehensive income	—	—	—	—	—	—	89	89
Change in noncontrolling interest	—	—	—	—	—	7	—	7
Common stock dividends, $0.10 per share	—	—	—	—	(54)	—	—	(54)
Preferred stock dividends [3]	—	—	—	—	(9)	—	—	(9)
Acquisition of treasury stock	—	(1)	—	—	—	(50)	—	(50)
Exercise of stock options and stock compensation expense	—	—	—	(9)	—	8	—	(1)
Restricted stock activity	—	—	—	7	—	(3)	—	4
Amortization of restricted stock compensation	—	—	—	—	—	8	—	8
Issuance of stock for employee benefit plans and other	—	—	—	(6)	—	2	—	(4)
Balance, March 31, 2014	$725	535	$550	$9,107	$12,278	($643)	($200)	$21,817

[1] At March 31, 2014, includes ($727) million for treasury stock, ($42) million for compensation element of restricted stock, and $126 million for noncontrolling interest.
At March 31, 2013, includes ($569) million for treasury stock, ($76) million for compensation element of restricted stock, and $114 million for noncontrolling interest.
[2] At March 31, 2014, includes $31 million in unrealized net gains on AFS securities, $229 million in unrealized net gains on derivative financial instruments, and ($460) million related to employee benefit plans.
At March 31, 2013, includes $447 million in unrealized net gains on AFS securities, $461 million in unrealized net gains on derivative financial instruments, and ($723) million related to employee benefit plans.
[3] For the three months ended March 31, 2014, dividends were $1,000 per share for both Perpetual Preferred Stock Series A and B and $1,469 per share for Perpetual Preferred Stock Series E.

For the three months ended March 31, 2013, dividends were $1,000 per share for both Perpetual Preferred Stock Series A and B and $1,387 per share for Perpetual Preferred Stock Series E.

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Statements of Cash Flows

	Three Months Ended March 31	
(Dollars in millions) (Unaudited)	2014	2013
Cash Flows from Operating Activities		
Net income including income attributable to noncontrolling interest	$411	$358
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	163	184
Origination of mortgage servicing rights	(32)	(110)
Provisions for credit losses and foreclosed property	104	228
Mortgage repurchase provision	5	14
Stock option compensation and amortization of restricted stock compensation	3	8
Excess tax benefits from stock-based compensation	(3)	—
Net securities losses/(gains)	1	(2)
Net gain on sale of loans held for sale, loans, and other assets	(70)	(198)
Net decrease in loans held for sale	353	404
Net decrease/(increase) in other assets	117	(437)
Net (decrease)/increase in other liabilities	(222)	172
Net cash provided by operating activities	830	621
Cash Flows from Investing Activities		
Proceeds from maturities, calls, and paydowns of securities available for sale	762	1,614
Proceeds from sales of securities available for sale	69	33
Purchases of securities available for sale	(1,436)	(3,678)
Proceeds from sales of trading securities	59	—
Net increase in loans, including purchases of loans	(1,667)	(167)
Proceeds from sales of loans	94	494
Capital expenditures	(34)	(28)
Payments related to acquisitions, including contingent consideration	(8)	—
Proceeds from the sale of other real estate owned and other assets	96	145
Net cash used in investing activities	(2,065)	(1,587)
Cash Flows from Financing Activities		
Net increase/(decrease) in total deposits	3,197	(2,401)
Net (decrease)/increase in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	(60)	1,134
Proceeds from the issuance of long-term debt	876	12
Repayment of long-term debt	(28)	(44)
Repurchase of common stock	(50)	—
Common and preferred dividends paid	(63)	(36)
Stock option activity	7	6
Net cash provided by/(used in) financing activities	3,879	(1,329)
Net increase/(decrease) in cash and cash equivalents	2,644	(2,295)
Cash and cash equivalents at beginning of period	5,263	8,257
Cash and cash equivalents at end of period	$7,907	$5,962
Supplemental Disclosures:		
Loans transferred from loans held for sale to loans	$17	$12
Loans transferred from loans to loans held for sale	115	57
Loans transferred from loans and loans held for sale to other real estate owned	42	66

See Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

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

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

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

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

Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In March 2013, the FASB issued ASU 2013-04, "Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force)." The ASU requires additional disclosures about joint and several liability arrangements and requires the Company to measure obligations resulting from joint and several liability arrangements as the sum of the amount the Company agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the Company expects to pay on behalf of its co-obligors. The ASU is effective for the fiscal years and interim periods beginning after December 15, 2013. The Company adopted the ASU at January 1, 2014 and the adoption did not have an impact on the Company's financial position, results of operations, or EPS.

In June 2013, the FASB issued ASU 2013-08, "Financial Services—Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements." The ASU clarifies the characteristics of an investment company and requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. The ASU is effective for fiscal years and interim periods beginning after December 15, 2013. The Company adopted the ASU at January 1, 2014 and the adoption did not have an impact on the Company's financial position, results of operations, or EPS.

In January 2014, the FASB issued ASU 2014-01, "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force)." The ASU allows for use of the proportional amortization method for investments in qualified affordable housing projects if certain conditions are met. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the tax credits and other tax benefits received and the net investment performance is recognized in the income statement as a component of income tax expense. The ASU provides for a practical expedient, which allows for amortization of the investment in proportion to only the tax credits if it produces a measurement that is substantially similar to the measurement that would result from using both tax credits and other tax benefits. The ASU is effective for fiscal years and interim periods beginning after December 15, 2014. As early adoption is permitted, the Company adopted this ASU effective January 1, 2014, utilizing the practical expedient method. During the three months ended March 31, 2014, $13 million of investment amortization expense has been recognized on a net basis with tax credits received as a component of income tax expense. The standard is required to be applied retrospectively; therefore prior period amounts included in noninterest expense prior to adoption have been reclassified. During the three months ended March 31, 2013, $10 million of investment amortization expense was included in other noninterest expense in the Consolidated Statements of Income which was reclassified to income tax expense upon adoption. No other impact is expected on the Company's financial position, results of operations, or EPS.

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

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." The update changes the requirements for reporting discontinued operations in Subtopic 205-20. The ASU is effective for fiscal years and interim periods beginning after December 15, 2014. Early adoption is permitted only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The Company adopted the ASU upon issuance for prospective transactions not previously reported. The adoption is not expected to have an impact on the Company's financial position, results of operations, or EPS.

NOTE 2 - FEDERAL FUNDS SOLD AND SECURITIES BORROWED OR PURCHASED UNDER AGREEMENTS TO RESELL AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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

(Dollars in millions)	March 31, 2014	December 31, 2013
Fed funds sold	$—	$75
Securities borrowed	308	184
Resell agreements	599	724
Total fed funds sold and securities borrowed or purchased under agreements to resell	$907	$983

Securities purchased under agreements to resell are primarily collateralized by U.S. government or agency securities and are carried at the amounts at which securities will be subsequently resold. Securities borrowed are primarily collateralized by corporate securities. The Company takes possession of all securities purchased under agreements to resell and securities borrowed and performs the appropriate margin evaluation on the acquisition date based on market volatility, as necessary. It is the Company's policy to obtain possession of collateral with a fair value between 95% to 110% of the principal amount loaned under resale and securities borrowing agreements. The total market value of the collateral held was $909 million and $913 million at March 31, 2014 and December 31, 2013, respectively, of which $251 million and $234 million was repledged, respectively.

The Company has pledged $585 million and $731 million of trading assets to secure $605 million and $717 million of repurchase agreements at March 31, 2014 and December 31, 2013, respectively.

Netting of Securities - Repurchase and Resell Agreements

The Company has various financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements. The Company's derivatives that are subject to enforceable master netting agreements or similar agreements are discussed in Note 11, "Derivative Financial Instruments." Securities purchased under agreements to resell and securities sold under agreements to repurchase are governed by a MRA. Under the terms of the MRA, all transactions between the Company and the counterparty constitute a single business relationship such that in the event of default, the nondefaulting party is entitled to set off claims and apply property held by that party in respect of any transaction against obligations owed. Any payments, deliveries, or other transfers may be applied against each other and netted. These amounts are limited to the contract asset/liability balance, and accordingly, do not include excess collateral received/pledged.

Notes to Consolidated Financial Statements (Unaudited), continued

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

(Dollars in millions)	Gross Amount	Amount Offset	Net Amount Presented in Consolidated Balance Sheets		Held/Pledged Financial Instruments	Net Amount
March 31, 2014						
Financial assets:						
Securities borrowed or purchased under agreements to resell	$907	$—	$907	1	$896	$11
Financial liabilities:						
Securities sold under agreements to repurchase	2,133	—	2,133	1	2,133	—
December 31, 2013						
Financial assets:						
Securities borrowed or purchased under agreements to resell	$908	$—	$908	1,2	$899	$9
Financial liabilities:						
Securities sold under agreements to repurchase	1,759	—	1,759	1	1,759	—

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

NOTE 3 – SECURITIES AVAILABLE FOR SALE

Securities Portfolio Composition

	March 31, 2014			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$1,582	$7	$32	$1,557
Federal agency securities	1,015	15	43	987
U.S. states and political subdivisions	281	6	—	287
MBS - agency	19,317	447	317	19,447
MBS - private	147	2	—	149
ABS	65	3	1	67
Corporate and other debt securities	39	3	—	42
Other equity securities [1]	765	1	—	766
Total securities AFS	$23,211	$484	$393	$23,302

	December 31, 2013			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$1,334	$6	$47	$1,293
Federal agency securities	1,028	13	57	984
U.S. states and political subdivisions	232	7	2	237
MBS - agency	18,915	421	425	18,911

MBS - private	155	1	2	154
ABS	78	2	1	79
Corporate and other debt securities	39	3	—	42
Other equity securities [1]	841	1	—	842
Total securities AFS	$22,622	$454	$534	$22,542

[1] At March 31, 2014, other equity securities was comprised of the following: $308 million in FHLB of Atlanta stock, $402 million in Federal Reserve Bank stock, $54 million in mutual fund investments, and $2 million of other. At December 31, 2013, other equity securities was comprised of the following: $336 million in FHLB of Atlanta stock, $402 million in Federal Reserve Bank stock, $103 million in mutual fund investments, and $1 million of other.

Notes to Consolidated Financial Statements (Unaudited), continued

The following table presents interest and dividends on securities AFS:

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Taxable interest	$141	$132
Tax-exempt interest	3	3
Dividends	9	8
Total interest and dividends	$153	$143

Securities AFS that were pledged to secure public deposits, repurchase agreements, trusts, and other funds had a fair value of $10.8 billion and $11.0 billion at March 31, 2014 and December 31, 2013, respectively. At March 31, 2014, there was $625 million of securities AFS pledged against repurchase arrangements under which the secured party has possession of the collateral and has the right to sell or repledge that collateral. At December 31, 2013, no securities AFS were pledged under such secured borrowing arrangements.

The amortized cost and fair value of investments in debt securities at March 31, 2014, by estimated average life, are shown below. Actual cash flows may differ from estimated average lives and contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Distribution of Maturities				
(Dollars in millions)	1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Total
Amortized Cost:					
U.S. Treasury securities	$1	$893	$688	$—	$1,582
Federal agency securities	71	253	544	147	1,015
U.S. states and political subdivisions	97	57	94	33	281
MBS - agency	1,722	6,093	7,415	4,087	19,317
MBS - private	—	147	—	—	147
ABS	44	19	2	—	65
Corporate and other debt securities	—	22	17	—	39
Total debt securities	$1,935	$7,484	$8,760	$4,267	$22,446
Fair Value:					
U.S. Treasury securities	$1	$896	$660	$—	$1,557
Federal agency securities	71	264	509	143	987
U.S. states and political subdivisions	98	60	95	34	287
MBS - agency	1,825	6,252	7,456	3,914	19,447
MBS - private	—	149	—	—	149
ABS	44	21	2	—	67
Corporate and other debt securities	—	25	17	—	42
Total debt securities	$2,039	$7,667	$8,739	$4,091	$22,536
Weighted average yield [1]	2.93 %	2.51 %	2.88 %	2.92 %	2.77 %

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

Securities in an Unrealized Loss Position

The Company held certain investment securities where amortized cost exceeded fair market value, resulting in unrealized loss positions. Market changes in interest rates and credit spreads may result in temporary unrealized losses as the market price of securities fluctuates. At March 31, 2014, the Company did not intend to sell these securities nor was it more-likely-than-not that the Company would be required to sell these securities before their anticipated recovery or maturity. The Company has reviewed its portfolio for OTTI in accordance with the accounting policies described in the Company's 2013 Annual Report on Form 10-K.

Notes to Consolidated Financial Statements (Unaudited), continued

(Dollars in millions)	March 31, 2014					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Temporarily impaired securities:						
U.S. Treasury securities	$1,252	$32	$—	$—	$1,252	$32
Federal agency securities	352	21	269	22	621	43
U.S. states and political subdivisions	11	—	—	—	11	—
MBS - agency	8,269	262	633	55	8,902	317
ABS	—	—	13	1	13	1
Total temporarily impaired securities	9,884	315	915	78	10,799	393
OTTI securities [1]:						
MBS - private	51	—	—	—	51	—
Total OTTI securities	51	—	—	—	51	—
Total impaired securities	$9,935	$315	$915	$78	$10,850	$393

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

[1]Includes OTTI securities for which credit losses have been recorded in earnings in current or prior periods.

Unrealized losses on securities that have been in a temporarily impaired position for longer than twelve months at March 31, 2014, included federal agency securities, agency MBS, and one ABS collateralized by 2004 vintage home equity loans. The fair value of federal agency and agency MBS securities has declined due to the increase in market interest rates. The ABS continues to receive timely principal and interest payments, and is evaluated quarterly for credit impairment. Cash flow analysis shows that the underlying collateral can withstand highly stressed loss assumptions without incurring a credit loss.

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

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

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Gross realized gains	$—	$3
Gross realized losses	(1)	—
OTTI	—	(1)
Net securities (losses)/gains	($1)	$2

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Notes to Consolidated Financial Statements (Unaudited), continued

Credit impairment that is determined through the use of models is estimated using cash flows on security specific collateral and the transaction structure. Future expected credit losses are determined by using various assumptions, the most significant of which include default rates, prepayment rates, and loss severities. If, based on this analysis, the security is in an unrealized loss position and the Company does not expect to recover the entire amortized cost basis of the security, the expected cash flows are then discounted at the security's initial effective interest rate to arrive at a present value amount. OTTI credit losses reflect the difference between the present value of cash flows expected to be collected and the amortized cost basis of these securities. During the three months ended March 31, 2013, all OTTI recognized in earnings related to private MBS that have underlying collateral of residential mortgage loans securitized in 2007 or ABS collateralized by 2004 vintage home equity loans.

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

The securities that gave rise to credit impairments recognized during the three months ended March 31, 2013, as shown in the table below, consisted of private MBS and ABS with a combined fair value of approximately $2 million at March 31, 2013.

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

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

The following is a rollforward of credit losses recognized in earnings for the three months ended March 31, 2014 and 2013, related to securities for which the Company does not intend to sell and it is not more-likely-than-not that the Company will be required to sell as of the end of each period presented. Subsequent credit losses may be recorded on securities without a corresponding further decline in fair value when there has been a decline in expected cash flows.

(Dollars in millions)	2014	2013
Balance, beginning of period	$25	$31
Additions:		
OTTI credit losses on previously impaired securities	—	1
Balance, end of period	$25	$32

The following table presents a summary of the significant inputs used in determining the measurement of credit losses recognized in earnings for private MBS and ABS for the three months ended March 31:

	2014 [1]	2013
Default rate	N/A	6 - 9%
Prepayment rate	N/A	7 - 8%
Loss severity	N/A	61 - 74%

[1] "N/A" - Not applicable

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

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Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 4 - LOANS

Composition of Loan Portfolio

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

(Dollars in millions)	March 31, 2014	December 31, 2013
Commercial loans:		
C&I	$58,828	$57,974
CRE	5,961	5,481
Commercial construction	920	855
Total commercial loans	65,709	64,310
Residential loans:		
Residential mortgages - guaranteed	3,295	3,416
Residential mortgages - nonguaranteed [1]	24,331	24,412
Home equity products	14,637	14,809
Residential construction	532	553
Total residential loans	42,795	43,190
Consumer loans:		
Guaranteed student loans	5,533	5,545
Other direct	3,109	2,829
Indirect	11,339	11,272
Credit cards	711	731
Total consumer loans	20,692	20,377
LHFI	$129,196	$127,877
LHFS	$1,488	$1,699

[1] Includes $299 million and $302 million of loans carried at fair value at March 31, 2014 and December 31, 2013, respectively.

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

During the three months ended March 31, 2014 and 2013, the Company transferred $115 million and $57 million in LHFI to LHFS, and $17 million and $12 million in LHFS to LHFI, respectively. Additionally, during the three months ended March 31, 2014 and 2013, the Company sold $85 million and $503 million in loans and leases for a gain of $9 million and a gain of $4 million, respectively.

Credit Quality Evaluation

The Company evaluates the credit quality of its loan portfolio by employing a dual internal risk rating system, which assigns both PD and LGD ratings to derive expected losses. Assignment of PD and LGD ratings are predicated upon numerous factors, including consumer credit risk scores, rating agency information, borrower/guarantor financial capacity, LTV ratios, collateral type, debt service coverage ratios, collection experience, other internal metrics/analysis, and qualitative assessments.

For the commercial portfolio, the Company believes that the most appropriate credit quality indicator is an individual loan’s risk assessment expressed according to the broad regulatory agency classifications of Pass or Criticized. The Company's risk rating system is granular, with multiple risk ratings in both the Pass and Criticized categories. Pass ratings reflect relatively low PDs; whereas, Criticized assets have a higher PD. The granularity in Pass ratings assists in the establishment of pricing, loan structures, approval requirements, reserves, and ongoing credit management requirements. The Company conforms to the following regulatory classifications for Criticized assets: Other Assets Especially Mentioned (or Special Mention), Adversely Classified, Doubtful, and Loss. However, for the purposes of disclosure, management believes the most meaningful distinction within the Criticized categories is between Accruing Criticized (which includes Special Mention and a portion of Adversely Classified) and Nonaccruing Criticized (which includes a portion of Adversely Classified and Doubtful and Loss). This distinction identifies those relatively higher risk loans for which there is a basis to believe that the Company will collect all amounts due from those where full collection is less certain.

Notes to Consolidated Financial Statements (Unaudited), continued

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

For consumer and residential loans, the Company monitors credit risk based on indicators such as delinquencies and FICO scores. The Company believes that consumer credit risk, as assessed by the industry-wide FICO scoring method, is a relevant credit quality indicator. Borrower-specific FICO scores are obtained at origination as part of the Company's formal underwriting process, and refreshed FICO scores are obtained by the Company at least quarterly.

For government-guaranteed loans, the Company monitors the credit quality based primarily on delinquency status, as it is a more relevant indicator of credit quality due to the government guarantee. At March 31, 2014 and December 31, 2013, 83% and 82%, respectively, of the guaranteed residential loan portfolio was current with respect to payments. At March 31, 2014 and December 31, 2013, 82% and 81%, respectively, of the guaranteed student loan portfolio was current with respect to payments. Loss exposure to the Company on these loans is mitigated by the government guarantee.

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

	Commercial Loans					
	C&I		CRE		Commercial construction	
(Dollars in millions)	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Credit rating:						
Pass	$57,182	$56,443	$5,742	$5,245	$879	$798
Criticized accruing	1,469	1,335	178	197	30	45
Criticized nonaccruing	177	196	41	39	11	12
Total	$58,828	$57,974	$5,961	$5,481	$920	$855

	Residential Loans [1]					
	Residential mortgages - nonguaranteed		Home equity products		Residential construction	
(Dollars in millions)	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Current FICO score range:						
700 and above	$18,983	$19,100	$11,537	$11,661	$413	$423
620 - 699	3,740	3,652	2,159	2,186	82	90
Below 620 [2]	1,608	1,660	941	962	37	40
Total	$24,331	$24,412	$14,637	$14,809	$532	$553

	Consumer Loans [3]					
	Other direct		Indirect		Credit cards	
(Dollars in millions)	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Current FICO score range:						
700 and above	$2,648	$2,370	$8,390	$8,420	$489	$512
620 - 699	401	397	2,286	2,228	178	176
Below 620 [2]	60	62	663	624	44	43
Total	$3,109	$2,829	$11,339	$11,272	$711	$731

[1] Excludes $3.3 billion and $3.4 billion at March 31, 2014 and December 31, 2013, respectively, of guaranteed residential loans. At March 31, 2014 and December 31, 2013, the majority of these loans had FICO scores of 700 and above.

[2] For substantially all loans with refreshed FICO scores below 620, the borrower's FICO score at the time of origination exceeded 620 but has since deteriorated as the loan has seasoned.

[3] Excludes $5.5 billion of guaranteed student loans at March 31, 2014 and December 31, 2013.

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

(Dollars in millions)	March 31, 2014 Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
C&I	$58,576	$56	$19	$177	$58,828
CRE	5,914	6	—	41	5,961
Commercial construction	907	2	—	11	920
Total commercial loans	65,397	64	19	229	65,709
Residential loans:					
Residential mortgages - guaranteed	2,731	38	526	—	3,295
Residential mortgages - nonguaranteed[1]	23,770	121	14	426	24,331
Home equity products	14,323	107	—	207	14,637
Residential construction	472	9	—	51	532
Total residential loans	41,296	275	540	684	42,795
Consumer loans:					
Guaranteed student loans	4,520	444	569	—	5,533
Other direct	3,086	15	2	6	3,109
Indirect	11,268	64	1	6	11,339
Credit cards	699	6	6	—	711
Total consumer loans	19,573	529	578	12	20,692
Total LHFI	$126,266	$868	$1,137	$925	$129,196

[1] Includes $299 million of loans carried at fair value, the majority of which were accruing current.

[2] Nonaccruing loans past due 90 days or more totaled $635 million. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs and performing second lien loans which are classified as nonaccrual when the first lien loan is nonperforming.

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

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

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

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Impaired Loans

A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. Commercial nonaccrual loans greater than $3 million and certain consumer, residential, and commercial loans whose terms have been modified in a TDR are individually evaluated for impairment. Smaller-balance homogeneous loans that are collectively evaluated for impairment are not included in the following tables. Additionally, the tables below exclude guaranteed student loans and guaranteed residential mortgages for which there was nominal risk of principal loss.

(Dollars in millions)	March 31, 2014 Unpaid Principal Balance	Amortized Cost[1]	Related Allowance	December 31, 2013 Unpaid Principal Balance	Amortized Cost[1]	Related Allowance
Impaired loans with no related allowance recorded:						
Commercial loans:						
C&I	$65	$52	$—	$81	$56	$—
CRE	12	11	—	61	60	—
Commercial construction	6	3	—	—	—	—
Total commercial loans	83	66	—	142	116	—
Impaired loans with an allowance recorded:						
Commercial loans:						
C&I	64	59	14	51	49	10
CRE	18	12	1	8	3	—
Commercial construction	6	4	—	6	3	—
Total commercial loans	88	75	15	65	55	10
Residential loans:						
Residential mortgages - nonguaranteed	2,328	2,031	242	2,357	2,051	226
Home equity products	706	631	92	710	638	96
Residential construction	225	181	23	241	189	23
Total residential loans	3,259	2,843	357	3,308	2,878	345
Consumer loans:						
Other direct	14	14	1	14	14	—
Indirect	91	91	5	83	83	5
Credit cards	11	11	2	13	13	3
Total consumer loans	116	116	8	110	110	8
Total impaired loans	$3,546	$3,100	$380	$3,625	$3,159	$363

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

Included in the impaired loan balances above were $2.7 billion of accruing TDRs at amortized cost, at both March 31, 2014 and December 31, 2013, of which 96% were current. See Note 1, "Significant Accounting Policies," to the Company's 2013 Annual Report on Form 10-K for further information regarding the Company's loan impairment policy.

(Dollars in millions)	Three Months Ended March 31			
	2014		2013	
	Average Amortized Cost	Interest Income Recognized [1]	Average Amortized Cost	Interest Income Recognized [1]
Impaired loans with no related allowance recorded:				
Commercial loans:				
C&I	$52	$1	$49	$—
CRE	11	—	9	—
Commercial construction	5	—	45	1
Total commercial loans	68	1	103	1
Impaired loans with an allowance recorded:				
Commercial loans:				
C&I	63	—	29	—
CRE	12	—	10	—
Commercial construction	4	—	5	—
Total commercial loans	79	—	44	—
Residential loans:				
Residential mortgages - nonguaranteed	2,031	25	2,020	22
Home equity products	637	7	629	5
Residential construction	182	2	206	2
Total residential loans	2,850	34	2,855	29
Consumer loans:				
Other direct	14	—	15	—
Indirect	93	1	60	1
Credit cards	12	—	20	—
Total consumer loans	119	1	95	1
Total impaired loans	$3,116	$36	$3,097	$31

[1] Of the interest income recognized during the three months ended March 31, 2014, and 2013, cash basis interest income was $1 million and $4 million, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

NPAs are shown in the following table:

(Dollars in millions)	March 31, 2014	December 31, 2013
Nonaccrual/NPLs:		
Commercial loans:		
C&I	$177	$196
CRE	41	39
Commercial construction	11	12
Residential loans:		
Residential mortgages - nonguaranteed	426	441
Home equity products	207	210
Residential construction	51	61
Consumer loans:		
Other direct	6	5
Indirect	6	7
Total nonaccrual/NPLs[1]	925	971
OREO[2]	151	170
Other repossessed assets	7	7
Nonperforming LHFS	12	17
Total NPAs	$1,095	$1,165

[1] Nonaccruing restructured loans are included in total nonaccrual/NPLs.
[2] Does not include foreclosed real estate related to loans insured by the FHA or the VA. Proceeds due from the FHA and the VA are recorded as a receivable in other assets in the Consolidated Balance Sheets until the funds are received and the property is conveyed. The receivable amount related to proceeds due from the FHA or the VA totaled $81 million and $88 million at March 31, 2014 and December 31, 2013, respectively.

Restructured Loans

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

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

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

	Three Months Ended March 31, 2014[1]			
(Dollars in millions)	Number of Loans Modified	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:				
C&I	16	$—	$2	$2
CRE	2	—	3	3
Residential loans:				
Residential mortgages - nonguaranteed	313	43	18	61

Home equity products	433	3	18	21
Residential construction	6	—	—	—
Consumer loans:				
Other direct	17	—	—	—
Indirect	839	—	16	16
Credit cards	97	1	—	1
Total TDRs	1,723	$47	$57	$104

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

[2] Restructured loans which had a modification of the loan's contractual interest rate may also have had an extension of the loan's contractual maturity date and/or other concessions. The financial effect of modifying the interest rate on the loans modified as a TDR was immaterial to the financial statements during the three months ended March 31, 2014.

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	Three Months Ended March 31, 2013[1]			
(Dollars in millions)	Number of Loans Modified	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:				
C&I	67	$2	$35	$37
CRE	4	3	—	3
Residential loans:				
Residential mortgages - nonguaranteed	276	25	17	42
Home equity products	683	19	18	37
Residential construction	113	12	1	13
Consumer loans:				
Other direct	48	—	1	1
Indirect	903	—	17	17
Credit cards	231	1	—	1
Total TDRs	2,325	$62	$89	$151

[1] Includes loans modified under the terms of a TDR that were charged-off during the period.
[2] Restructured loans which had a modification of the loan's contractual interest rate may also have had an extension of the loan's contractual maturity date and/or other concessions. The financial effect of modifying the interest rate on the loans modified as a TDR was immaterial to the financial statements during the three months ended March 31, 2013.

For the three months ended March 31, 2014, the table below represents defaults on loans that were first modified between the periods January 1, 2013 and March 31, 2014 that became 90 days or more delinquent or were charged-off during the period.

	Three Months Ended March 31, 2014	
(Dollars in millions)	Number of Loans	Amortized Cost
Commercial loans:		
C&I	25	$1
CRE	—	—
Commercial construction	—	—
Residential loans:		
Residential mortgages	49	4
Home equity products	23	1
Residential construction	4	—
Consumer loans:		
Other direct	5	—
Indirect	43	1
Credit cards	20	—
Total TDRs	169	$7

For the three months ended March 31, 2013, the table below represents defaults on loans that were first modified between the periods January 1, 2012 and March 31, 2013 that became 90 days or more delinquent or were charged-off during the period.

	Three Months Ended March 31, 2013	
(Dollars in millions)	Number of Loans	Amortized Cost
Commercial loans:		
C&I	23	$—
CRE	1	3
Commercial construction	1	—
Residential loans:		
Residential mortgages	76	4
Home equity products	49	3
Residential construction	6	1
Consumer loans:		
Other direct	7	—
Indirect	39	1
Credit cards	44	1
Total TDRs	246	$13

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

Concentrations of Credit Risk

The Company does not have a significant concentration of risk to any individual client except for the U.S. government and its agencies. However, a geographic concentration arises because the Company operates primarily in the Southeastern and Mid-Atlantic regions of the U.S. The Company engages in limited international banking activities. The Company’s total cross-border outstanding loans were $1.1 billion and $1.0 billion at March 31, 2014 and December 31, 2013, respectively.

The major concentrations of credit risk for the Company arise by collateral type in relation to loans and credit commitments. The only significant concentration that exists is in loans secured by residential real estate. At March 31, 2014, the Company owned $42.8 billion in residential loans, representing 33% of total LHFI, and had $11.1 billion in commitments to extend credit on home equity lines and $2.8 billion in mortgage loan commitments. At December 31, 2013, the Company owned $43.2 billion in residential loans, representing 34% of total LHFI, and had $11.2 billion in commitments to extend credit on home equity lines and $2.7 billion in mortgage loan commitments. Of the residential loans owned at March 31, 2014 and December 31, 2013, 8% were guaranteed by a federal agency or a GSE.

Included in the residential mortgage portfolio were $12.2 billion and $12.4 billion of mortgage loans at March 31, 2014 and December 31, 2013, respectively, that included terms such as an interest only feature, a high original LTV ratio, or a second lien position that may increase the Company’s exposure to credit risk and result in a concentration of credit risk. Of these mortgage loans, $5.2 billion and $5.5 billion, respectively, were interest only loans, primarily with a ten year interest only period. Approximately $1.1 billion of those interest only loans at March 31, 2014 and December 31, 2013, respectively, were loans with no MI and were either first liens with combined original LTV ratios in excess of 80% or were second liens. Additionally, the Company owned approximately $7.0 billion and $6.9 billion of amortizing loans with no MI at March 31, 2014 and December 31, 2013, respectively, comprised of first liens with combined original LTV ratios in excess of 80% and second liens. Despite changes in underwriting guidelines that have curtailed the origination of high LTV loans, the balances of such loans have increased due to lending to high credit quality clients.

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES

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

	Three Months Ended March 31	
(Dollars in millions)	2014	2013
Balance at beginning of period	$2,094	$2,219
Provision for loan losses	106	204
(Benefit)/provision for unfunded commitments	(4)	8
Loan charge-offs	(151)	(273)
Loan recoveries	41	47
Balance at end of period	$2,086	$2,205
Components:		
ALLL	$2,040	$2,152
Unfunded commitments reserve[1]	46	53
Allowance for credit losses	$2,086	$2,205

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

Activity in the ALLL by segment for the three months ended March 31, 2014 and 2013 is presented in the tables below:

	Three Months Ended March 31, 2014			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$946	$930	$168	$2,044
Provision for loan losses	39	48	19	106
Loan charge-offs	(33)	(85)	(33)	(151)
Loan recoveries	14	17	10	41
Balance at end of period	$966	$910	$164	$2,040

	Three Months Ended March 31, 2013			
(Dollars in millions)	Commercial	Residential	Consumer	Total
Balance at beginning of period	$902	$1,131	$141	$2,174
Provision for loan losses	64	112	28	204
Loan charge-offs	(60)	(178)	(35)	(273)
Loan recoveries	15	22	10	47
Balance at end of period	$921	$1,087	$144	$2,152

As discussed in Note 1, “Significant Accounting Policies,” to the Company's 2013 Annual Report on Form 10-K, the ALLL is composed of both specific allowances for certain nonaccrual loans and TDRs and general allowances grouped into loan pools based on similar characteristics. No allowance is required for loans carried at fair value. Additionally, the Company records an immaterial allowance for loan products that are guaranteed by government agencies, as there is nominal risk of principal loss.

Notes to Consolidated Financial Statements (Unaudited), continued

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

	March 31, 2014							
	Commercial		Residential		Consumer		Total	
(Dollars in millions)	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL	Carrying Value	Associated ALLL
Individually evaluated	$141	$15	$2,843	$357	$116	$8	$3,100	$380
Collectively evaluated	65,568	951	39,653	553	20,576	156	125,797	1,660
Total evaluated	65,709	966	42,496	910	20,692	164	128,897	2,040
LHFI at fair value	—	—	299	—	—	—	299	—
Total LHFI	$65,709	$966	$42,795	$910	$20,692	$164	$129,196	$2,040

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

NOTE 6 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill is required to be tested for impairment on an annual basis, which is performed by the Company during the third quarter, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount or indicate that it is more likely than not that a goodwill impairment exists when the carrying amount of a reporting unit is zero or negative. The Company monitored events and circumstances during the first quarter of 2014 and did not observe any factors that would more likely than not reduce the fair value of a reporting unit below its respective carrying value. Accordingly, goodwill was not tested for impairment during the first quarter of 2014.

There were no changes in the carrying amount of goodwill by reportable segment for the three months ended March 31, 2013. The changes in the carrying amount of goodwill by reportable segment for the three months ended March 31, 2014 are as follows:

(Dollars in millions)	Consumer Banking and Private Wealth Management	Wholesale Banking	Total
Balance, January 1, 2014	$4,262	$2,107	$6,369
Acquisition of Lantana Oil and Gas Partners, Inc. [1]	—	8	8
Balance, March 31, 2014	$4,262	$2,115	$6,377

[1] Assets and liabilities obtained through the acquisition were immaterial to the financial statements at March 31, 2014.

Notes to Consolidated Financial Statements (Unaudited), continued

Other Intangible Assets

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

(Dollars in millions)	Core Deposit Intangibles	MSRs - Fair Value	Other	Total
Balance, January 1, 2014	$4	$1,300	$30	$1,334
Amortization	(1)	—	(2)	(3)
MSRs originated	—	32	—	32
Changes in fair value:				
Due to changes in inputs and assumptions [1]	—	(46)	—	