SUNTRUST BANKS INC
Form 10-Q
August 01, 2012

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 June 30, 2012
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. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý
At July 25, 2012, 538,484,027 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.
ARS — Auction rate securities.
ASU — Accounting standards update.
ATE — Additional termination event.
ATM — Automated teller machine.
Bank — SunTrust Bank.
BCBS — Basel Committee on Banking Supervision.
Board — The Company’s Board of Directors.
CCAR — Comprehensive Capital Analysis and Review.
CDO — Collateralized debt obligation.
CD — Certificate of deposit.
CDS — Credit default swaps.
CIB — Corporate and Investment Banking.
Class A shares — Visa Inc. Class A common stock.
Class B shares —Visa Inc. Class B common stock.
CLO — Collateralized loan obligation.
Coke — The Coca-Cola Company.
Company — SunTrust Banks, Inc.
CP — Commercial paper.
CPP — Capital Purchase Program.
CSA — Credit support annex.
DBRS — Dun and Bradstreet, Inc.
DDA — Demand deposit account.
Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
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.
FFELP — Federal Family Education Loan Program.

FHA — Federal Housing Administration.
FHLB — Federal Home Loan Bank.
FICO — Fair Isaac Corporation.
FINRA — Financial Industry Regulatory Authority.
Fitch — Fitch Ratings Ltd.
FRB — Federal Reserve Board.
FTE — Fully taxable-equivalent.
FVO — Fair value option.
GSE — Government-sponsored enterprise.
HARP — Home Affordable Refinance Program.
HUD — U.S. Department of Housing and Urban Development.
IFRS — International Financial Reporting Standards.
IIS — Institutional Investment Solutions.
IPO — Initial public offering.
IRLC — Interest rate lock commitment.
IRS — Internal Revenue Service.
ISDA — International Swaps and Derivatives Association.
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.
MIP — Management Incentive Plan.
Moody's — Moody's Investors Service.
MSR — Mortgage servicing right.
MVE — Market value of equity.
NEO — Named executive officers.
NII — Net interest income.
NOW — Negotiable order of withdrawal account.
NPL — Nonperforming loan.
NPR — Notice of Proposed Rulemaking.
OCC — Office of the Comptroller of the Currency.
OCI — Other comprehensive income.
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.
PPG — Playbook for profitable growth.
QSPE — Qualifying special-purpose entity.
RidgeWorth — RidgeWorth Capital Management, Inc.
ROA — Return on average total assets.
ROE — Return on average common shareholders' equity.
RSU — Restricted stock unit.
RWA — Risk-weighted assets.
S&P — Standard and Poor's.
SBA — Small Business Administration.
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.
TARP — Troubled Asset Relief Program.
TDR — Troubled debt restructuring.
Three Pillars —Three Pillars Funding, LLC.
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.
UTB — Unrecognized tax benefits.
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.
W&IM — Wealth and Investment Management.

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 and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012.

Item 1. FINANCIAL STATEMENTS (UNAUDITED)
SunTrust Banks, Inc.
Consolidated Statements of Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(Dollars in millions and shares in thousands, except per share data) (Unaudited)	2012	2011	2012	2011
Interest Income				
Interest and fees on loans	$1,263	$1,299	$2,563	$2,613
Interest and fees on loans held for sale	31	22	55	50
Interest and dividends on securities available for sale:				
Taxable interest	153	177	322	342
Tax-exempt interest	4	6	8	11
Dividends[1]	23	21	45	41
Trading account interest and other	18	21	33	43
Total interest income	1,492	1,546	3,026	3,100
Interest Expense				
Interest on deposits	118	162	245	331
Interest on long-term debt	90	113	178	237
Interest on other borrowings	10	12	18	24
Total interest expense	218	287	441	592
Net interest income	1,274	1,259	2,585	2,508
Provision for credit losses	300	392	617	839
Net interest income after provision for credit losses	974	867	1,968	1,669
Noninterest Income				
Service charges on deposit accounts	167	170	332	333
Trust and investment management income	130	135	260	270
Other charges and fees	130	130	245	256
Mortgage production related income	103	4	166	3
Mortgage servicing related income	70	72	151	144
Investment banking income	75	95	147	162
Trading income	70	53	127	105
Card fees	66	105	127	205
Retail investment services	62	59	120	117
Net securities gains[2]	14	32	32	96
Other noninterest income	53	57	109	104
Total noninterest income	940	912	1,816	1,795
Noninterest Expense				
Employee compensation	654	638	1,306	1,256
Employee benefits	108	110	254	246
Outside processing and software	180	162	356	320
Net occupancy expense	88	89	176	178
Operating losses	69	62	129	89
Credit and collection services	61	60	116	111
Regulatory assessments	60	81	111	152
Other real estate expense	52	64	103	133
Equipment expense	46	44	91	88
Marketing and customer development	32	46	59	84
Net loss/(gain) on debt extinguishment	13	(1)	13	(2)
Amortization of intangible assets	11	12	22	23

Other noninterest expense	172	175	351	329
Total noninterest expense	1,546	1,542	3,087	3,007
Income before provision for income taxes	368	237	697	457
Provision for income taxes	91	58	160	91
Net income including income attributable to noncontrolling interest	277	179	537	366
Net income attributable to noncontrolling interest	2	1	12	8
Net income	$275	$178	$525	$358
Net income available to common shareholders	$270	$174	$515	$212
Net income per average common share:				
Diluted	$0.50	$0.33	$0.96	$0.41
Basic	0.51	0.33	0.97	0.41
Dividends declared per common share	0.05	0.01	0.10	0.02
Average common shares - diluted	537,495	535,416	536,951	519,548
Average common shares - basic	533,964	531,792	533,532	515,819

[1] Includes dividends on common stock of The Coca-Cola Company of $15 million and $14 million during the three months ended June 30, 2012 and 2011, and $31 million and $28 million during the six months ended June 30, 2012 and 2011, respectively.

[2] Includes credit-related OTTI losses of $2 million and $1 million for the three months ended June 30, 2012 and 2011, respectively, and $4 million and $2 million for the six months ended June 30, 2012 and 2011, respectively. There were no non-credit related unrealized OTTI losses recorded in OCI, before taxes, for the three and six months ended June 30, 2012 and 2011.

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Statements of Comprehensive Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(Dollars in millions) (Unaudited)	2012	2011	2012	2011
Net Income	$275	$178	$525	$358
Components of Other Comprehensive Income/(Loss):				
Change in unrealized gains on securities, net of tax of $80, $110, $107 and $70, respectively	142	190	192	121
Change in unrealized gains on derivatives, net of tax of ($38), $41, ($96), and ($31), respectively	(69)	72	(170)	(53)
Change related to employee benefit plans, net of tax of ($2), ($12), ($16) and ($10), respectively	(4)	(19)	(28)	(16)
Total Other Comprehensive Income/(Loss)	69	243	(6)	52
Total Comprehensive Income	$344	$421	$519	$410

See Notes to Consolidated Financial Statements (unaudited).

SunTrust Banks, Inc.
Consolidated Balance Sheets

(Dollars in millions and shares in thousands) (Unaudited)	As of June 30, 2012	December 31, 2011
Assets		
Cash and due from banks	$5,781	$3,696
Securities purchased under agreements to resell	937	792
Interest-bearing deposits in other banks	21	21
Cash and cash equivalents	6,739	4,509
Trading assets (including encumbered securities of $712 and $574 as of June 30, 2012 and December 31, 2011, respectively)	6,327	6,279
Securities available for sale	24,409	28,117
Loans held for sale[1] (loans at fair value: $2,940 and $2,141 as of June 30, 2012 and December 31, 2011, respectively)	3,123	2,353
Loans[2] (loans at fair value: $406 and $433 as of June 30, 2012 and December 31, 2011, respectively)	124,560	122,495
Allowance for loan and lease losses	(2,300)	(2,457)
Net loans	122,260	120,038
Premises and equipment	1,578	1,564
Goodwill	6,376	6,344
Other intangible assets (MSRs at fair value: $865 and $921 as of June 30, 2012 and December 31, 2011, respectively)	939	1,017
Other real estate owned	331	479
Other assets	6,175	6,159
Total assets	$178,257	$176,859
Liabilities and Shareholders’ Equity		
Noninterest-bearing consumer and commercial deposits	$37,394	$34,359
Interest-bearing consumer and commercial deposits	88,751	91,252
Total consumer and commercial deposits	126,145	125,611
Brokered time deposits (CDs at fair value: $914 and $1,018 as of June 30, 2012 and December 31, 2011, respectively)	2,208	2,281
Foreign deposits	50	30
Total deposits	128,403	127,922
Funds purchased	847	839
Securities sold under agreements to repurchase	1,583	1,644
Other short-term borrowings	7,098	8,983
Long-term debt [3] (debt at fair value: $2,010 and $1,997 as of June 30, 2012 and December 31, 2011, respectively)	13,076	10,908
Trading liabilities	1,782	1,806
Other liabilities	4,900	4,691
Total liabilities	157,689	156,793
Preferred stock, no par value	275	275
Common stock, $1.00 par value	550	550
Additional paid in capital	9,218	9,306
Retained earnings	9,443	8,978
Treasury stock, at cost, and other[4]	(661)	(792)
Accumulated other comprehensive income, net of tax	1,743	1,749
Total shareholders’ equity	20,568	20,066
Total liabilities and shareholders’ equity	$178,257	$176,859

Common shares outstanding	538,398	536,967
Common shares authorized	750,000	750,000
Preferred shares outstanding	3	3
Preferred shares authorized	50,000	50,000
Treasury shares of common stock	11,522	12,954
[1] Includes loans held for sale, at fair value, of consolidated VIEs	$322	$315
[2] Includes loans of consolidated VIEs	390	3,322
[3] Includes debt of consolidated VIEs ($288 and $289 at fair value as of June 30, 2012 and December 31, 2011, respectively)	700	722
[4] Includes noncontrolling interest held	111	107

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 Income [2]	Total
Balance, January 1, 2011	$4,942	500	$515	$8,403	$8,542	($888)	$1,616	$23,130
Net income	—	—	—	—	358	—	—	358
Other comprehensive income	—	—	—	—	—	—	52	52
Change in noncontrolling interest	—	—	—	—	—	1	—	1
Common stock dividends, $0.02 per share	—	—	—	—	(11)	—	—	(11)
Preferred stock dividends, $2,022 per share	—	—	—	—	(4)	—	—	(4)
U.S. Treasury preferred stock dividends, $1,236 per share	—	—	—	—	(60)	—	—	(60)
Accretion of discount for preferred stock issued to U.S. Treasury	6	—	—	—	(6)	—	—	—
Repurchase of preferred stock issued to U.S. Treasury	(4,776)	—	—	—	(74)	—	—	(4,850)
Issuance of common stock	—	35	35	982	—	—	—	1,017
Stock compensation expense	—	—	—	7	—	—	—	7
Restricted stock activity	—	2	—	(54)	—	46	—	(8)
Amortization of restricted stock compensation	—	—	—	—	—	17	—	17
Issuance of stock for employee benefit plans and other	—	—	—	(8)	—	19	—	11
Balance, June 30, 2011	$172	537	$550	$9,330	$8,745	($805)	$1,668	$19,660
Balance, January 1, 2012	$275	537	$550	$9,306	$8,978	($792)	$1,749	$20,066
Net income	—	—	—	—	525	—	—	525
Other comprehensive loss	—	—	—	—	—	—	(6)	(6)
Change in noncontrolling interest	—	—	—	—	—	4	—	4
Common stock dividends, $0.10 per share	—	—	—	—	(54)	—	—	(54)
Preferred stock dividends, $2,033 per share	—	—	—	—	(6)	—	—	(6)
Exercise of stock options and stock compensation expense	—	—	—	(17)	—	26	—	9
Restricted stock activity	—	1	—	(61)	—	65	—	4
Amortization of restricted stock compensation	—	—	—	—	—	15	—	15
Issuance of stock for employee benefit plans and other	—	—	—	(10)	—	21	—	11
Balance, June 30, 2012	$275	538	$550	$9,218	$9,443	($661)	$1,743	$20,568

[1] At June 30, 2012 includes ($707) million for treasury stock, ($65) million for compensation element of restricted stock, and $111 million for noncontrolling interest.

At June 30, 2011 includes ($869) million for treasury stock, ($67) million for compensation element of restricted stock, and $131 million for noncontrolling interest.
[2] Components of AOCI at June 30, 2012 included $2,055 million in unrealized net gains on AFS securities, $399 million in unrealized net gains on derivative financial instruments, and ($711) million related to employee benefit plans. At June 30, 2011 components included $1,647 million in unrealized net gains on AFS securities, $479 million in unrealized net gains on derivative financial instruments, and ($458) million related to employee benefit plans.

See Notes to Consolidated Financial Statements (unaudited).

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SunTrust Banks, Inc.
Consolidated Statements of Cash Flows

	Six Months Ended June 30	
(Dollars in millions) (Unaudited)	2012	2011
Cash Flows from Operating Activities		
Net income including income attributable to noncontrolling interest	$537	$366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	382	372
Origination of mortgage servicing rights	(161)	(136)
Provisions for credit losses and foreclosed property	706	930
Mortgage repurchase provision	330	170
Stock option compensation and amortization of restricted stock compensation	17	24
Net loss/(gain) on extinguishment of debt	13	(2)
Net securities gains	(32)	(96)
Net gain on sale of assets	(518)	(141)
Net decrease in loans held for sale	782	1,718
Net increase in other assets	(282)	(358)
Net increase in other liabilities	18	251
Net cash provided by operating activities	1,792	3,098
Cash Flows from Investing Activities		
Proceeds from maturities, calls, and paydowns of securities available for sale	3,179	2,414
Proceeds from sales of securities available for sale	2,210	10,763
Purchases of securities available for sale	(1,451)	(12,603)
Proceeds from maturities, calls, and paydowns of trading securities	—	124
Proceeds from sales of trading securities	—	102
Net increase in loans, including purchases of loans	(4,621)	(1,109)
Proceeds from sales of loans	477	287
Capital expenditures	(112)	(9)
Contingent consideration and other payments related to acquisitions	(9)	(18)
Proceeds from the sale of other assets	259	360
Net cash (used in)/provided by investing activities	(68)	311
Cash Flows from Financing Activities		
Net increase in total deposits	481	1,877
Net (decrease)/increase in funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	(1,938)	162
Proceeds from the issuance of long-term debt	4,000	1,039
Repayment of long-term debt	(1,991)	(1,170)
Proceeds from the exercise of stock options	5	—
Excess tax benefits from stock-based compensation	9	—
Proceeds from the issuance of common stock	—	1,017
Repurchase of preferred stock	—	(4,850)
Common and preferred dividends paid	(60)	(75)
Net cash provided by/(used in) financing activities	506	(2,000)
Net increase in cash and cash equivalents	2,230	1,409
Cash and cash equivalents at beginning of period	4,509	5,378
Cash and cash equivalents at end of period	$6,739	$6,787
Supplemental Disclosures:		
Loans transferred from loans held for sale to loans	$31	$46

Loans transferred from loans to loans held for sale	1,116	198
Loans transferred from loans to other real estate owned	200	367
Accretion of discount for preferred stock issued to the U.S. Treasury	—	80

See Notes to Consolidated Financial Statements (unaudited).

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES
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 Annual Report on Form 10-K for the year ended December 31, 2011. Except for accounting policies that have been recently adopted as described below, there have been no significant changes to the Company’s accounting policies as disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.
Accounting Policies Recently Adopted and Pending Accounting Pronouncements
In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” The primary purpose of the ASU was to conform the language in the fair value measurements guidance in U.S. GAAP and IFRS. The ASU also clarified how to apply existing fair value measurement and disclosure requirements. Further, the ASU required additional disclosures about transfers between level 1 and 2 of the fair value hierarchy, quantitative information for level 3 inputs, and the level of the fair value measurement hierarchy for items that are not measured at fair value in the statement of financial position but for which the fair value is required to be disclosed. The ASU was effective for the interim reporting period ending March 31, 2012. The Company adopted the standard as of January 1, 2012, and the required disclosures are included in Note 12, “Fair Value Election and Measurement.” The adoption did not impact the Company’s financial position, results of operations, or EPS.
In June 2011, the FASB issued ASU 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” The ASU requires presentation of the components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. The update does not change the items presented in OCI and does not affect the calculation or reporting of EPS. In December 2011, the FASB issued ASU 2011-12, “Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items out of Accumulated Other Comprehensive Income in ASU 2011-05,” which deferred the effective date for the amendments to the reclassification of items out of AOCI. In June 2012, the FASB decided that the presentation requirements deferred in ASU 2011-12 would not be reinstated. The guidance, with the exception of reclassification adjustments, was effective on January 1, 2012 and must be applied retrospectively for all periods presented. The Company adopted the standard as of January 1, 2012, and the required disclosures are included in the Consolidated Statements of Comprehensive Income. The adoption did not impact the Company’s financial position, results of operations, or EPS.
In September 2011, the FASB issued ASU 2011-08, “Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment.” The ASU amends interim and annual goodwill impairment testing requirements such that an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The guidance was effective for annual and interim goodwill impairment tests beginning on or after January 1, 2012. The Company adopted the standard as of January 1, 2012 and has applied the guidance to interim goodwill impairment testing. The adoption did not have an impact on the Company's financial position, results of operations, or EPS.

In July 2012, the FASB issued ASU 2012-02, "Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment." The ASU permits entities to perform an optional qualitative assessment for determining whether it is more likely than not that an indefinite-lived intangible asset is impaired. The guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company is evaluating the impact of the ASU; however, it is not expected to have a significant impact on the Company's financial position, results of operations, or EPS.

NOTE 2 – SECURITIES AVAILABLE FOR SALE

Securities Portfolio Composition

	June 30, 2012			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$214	$10	$—	$224
Federal agency securities	1,698	85	—	1,783
U.S. states and political subdivisions	359	19	6	372
MBS - agency	17,308	803	1	18,110
MBS - private	225	—	17	208
ABS	344	9	5	348
Corporate and other debt securities	42	3	—	45
Coke common stock	—	2,346	—	2,346
Other equity securities[1]	972	1	—	973
Total securities AFS	$21,162	$3,276	$29	$24,409

	December 31, 2011			
(Dollars in millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$671	$23	$—	$694
Federal agency securities	1,843	89	—	1,932
U.S. states and political subdivisions	437	21	4	454
MBS - agency	20,480	743	—	21,223
MBS - private	252	—	31	221
CDO/CLO securities	50	—	—	50
ABS	460	11	7	464
Corporate and other debt securities	49	2	—	51
Coke common stock	—	2,099	—	2,099
Other equity securities[1]	928	1	—	929
Total securities AFS	$25,170	$2,989	$42	$28,117

[1]At June 30, 2012, other equity securities included the following securities at cost: $455 million in FHLB of Atlanta stock, $401 million in Federal Reserve Bank stock, and $116 million in mutual fund investments. At December 31, 2011, other equity securities included the following securities at cost: $342 million in FHLB of Atlanta stock, $398 million in Federal Reserve Bank stock, and $187 million in mutual fund investments.

Securities AFS that were pledged to secure public deposits, repurchase agreements, trusts, and other funds had a fair value of $7.6 billion and $9.1 billion as of June 30, 2012 and December 31, 2011, respectively. Further, under the Agreements, the Company pledged its shares of Coke common stock, which is hedged with derivative instruments, as discussed in Note 10, "Derivative Financial Instruments." As of June 30, 2012 and December 31, 2011, there were no securities AFS pledged under which the transferee may repledge the collateral. The Company has also pledged $978 million and $770 million of certain marketable securities and cash equivalents to secure $930 million and $747 million of repurchase agreements as of June 30, 2012 and December 31, 2011, respectively.

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Notes to Consolidated Financial Statements (Unaudited), continued

The amortized cost and fair value of investments in debt securities at June 30, 2012 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	$12	$202	$—	$—	$214
Federal agency securities	117	1,372	95	114	1,698
U.S. states and political subdivisions	108	178	21	52	359
MBS - agency	901	14,304	1,827	276	17,308
MBS - private	—	136	89	—	225
ABS	123	152	2	67	344
Corporate and other debt securities	3	2	37	—	42
Total debt securities	$1,264	$16,346	$2,071	$509	$20,190
Fair Value:					
U.S. Treasury securities	$12	$212	$—	$—	$224
Federal agency securities	118	1,441	105	119	1,783
U.S. states and political subdivisions	111	191	21	49	372
MBS - agency	951	14,957	1,916	286	18,110
MBS - private	—	125	83	—	208
ABS	123	152	2	71	348
Corporate and other debt securities	3	2	40	—	45
Total debt securities	$1,318	$17,080	$2,167	$525	$21,090

Securities in an Unrealized Loss Position

The Company held certain investment securities having unrealized loss positions. Market changes in interest rates and credit spreads may result in temporary unrealized losses as the market price of securities fluctuates. As of June 30, 2012, 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 outlined in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Notes to Consolidated Financial Statements (Unaudited), continued

	June 30, 2012					
	Less than twelve months		Twelve months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Temporarily impaired securities:						
Federal agency securities	$19	$—	$—	$—	$19	$—
U.S. states and political subdivisions	1	—	24	6	25	6
MBS - agency	12	1	1	—	13	1
ABS	—	—	12	3	12	3
Total temporarily impaired securities	32	1	37	9	69	10
Other-than-temporarily impaired securities[1]:						
MBS - private	—	—	207	17	207	17
ABS	1	—	4	2	5	2
Total other-than-temporarily impaired securities	1	—	211	19	212	19
Total impaired securities	$33	$1	$248	$28	$281	$29

	December 31, 2011					
	Less than twelve months		Twelve months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Temporarily impaired securities:						
Federal agency securities	$10	$—	$—	$—	$10	$—
U.S. states and political subdivisions	1	—	28	4	29	4
MBS - agency	224	—	1	—	225	—
CDO/CLO securities	50	—	—	—	50	—
ABS	—	—	11	5	11	5
Total temporarily impaired securities	285	—	40	9	325	9
Other-than-temporarily impaired securities[1]:						
MBS - private	15	1	206	30	221	31
ABS	1	—	3	2	4	2
Total other-than-temporarily impaired securities	16	1	209	32	225	33
Total impaired securities	$301	$1	$249	$41	$550	$42

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

At June 30, 2012 and December 31, 2011, unrealized losses on securities that have been in a temporarily impaired position for longer than twelve months include municipal ARS and one ABS collateralized by 2004 vintage home equity loans. The municipal securities are backed by investment grade rated obligors; however, the fair value of these securities continues to be impacted by the lack of a functioning ARS market and the extension of time for expected refinance and repayment. No credit loss is expected on these securities. The ABS is also highly-rated, 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 other-than-temporarily impaired that relates to factors other than credit are recorded in AOCI. Losses related to credit impairment on these securities is determined through estimated cash flow analyses and have been recorded in earnings in current or prior periods. The unrealized OTTI loss relating to private MBS as of June 30, 2012 includes purchased and retained interests from 2007 vintage securitizations. The unrealized OTTI loss relating to ABS is related to four securities within the portfolio that are 2003 and 2004 vintage home equity issuances. The expectation of cash flows for the previously impaired ABS securities has improved since the credit-related impairment was recognized, and as a result, the amount of expected credit losses was reduced, and the expected increase in cash flows is being accreted into earnings as a yield adjustment over the remaining life of the securities.

Notes to Consolidated Financial Statements (Unaudited), continued

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

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Gross realized gains	$16	$33	$36	$176
Gross realized losses	—	—	—	(78)
OTTI	(2)	(1)	(4)	(2)
Net securities gains	$14	$32	$32	$96

The securities that gave rise to credit impairments recognized during the three and six months ended June 30, 2012 and 2011, as shown in the table below, consisted of private MBS with a fair value of $140 million and $193 million at June 30, 2012 and 2011, respectively. Credit impairment that is determined through the use of cash flow 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. For the majority of the securities that the Company has reviewed for credit-related OTTI, credit information is available and modeled for the collateral underlying each security. As part of that analysis, the model incorporates loan level information such as loan to collateral values, FICO scores, and home price appreciation/depreciation data specific to the geography of the loan. These inputs are updated on a regular basis to ensure the most current credit and other assumptions are utilized in the analysis. If, based on this analysis, 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 and six months ended June 30, 2012 and 2011, all OTTI recognized in earnings on private MBS have underlying collateral of residential mortgage loans securitized in 2007. The Company has not purchased new private MBS during the six months ended June 30, 2012, and continues to reduce existing exposure primarily through paydowns.

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
(Dollars in millions)	MBS - Private	MBS - Private	MBS - Private	MBS - Private
OTTI[1]	$2	$1	$4	$2
Portion of losses recognized in OCI (before taxes)	—	—	—	—
Net impairment losses recognized in earnings	$2	$1	$4	$2

[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 represents 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.

Notes to Consolidated Financial Statements (Unaudited), continued

The following is a rollforward of credit losses recognized in earnings for the three and six months ended June 30, 2012 and 2011, related to securities for which some portion of the OTTI loss remains in AOCI:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2012	2011	2012	2011
Balance, beginning of period	$27	$21	$25	$20
Additions:				
OTTI credit losses on previously impaired securities	2	1	4	2
Reductions:				
Increases in expected cash flows recognized over the remaining life of the securities	(1)	(1)	(1)	(1)
Balance, end of period	$28	$21	$28	$21

The following table presents a summary of the significant inputs used in determining the measurement of credit losses recognized in earnings for private MBS for the three and six months ended June 30:

	2012	2011
Default rate	2 - 6%	4 - 8%
Prepayment rate	7 - 21%	12 - 22%
Loss severity	47 - 56%	39 - 44%

Assumption ranges represent the lowest and highest lifetime average estimates of each security for which credit losses were recognized in earnings. During the first six months of 2012, there was improvement in the default estimates for certain credit impaired bonds; however, the slower prepayment speeds and higher severity rates resulted in the recognition of additional impairment.

Notes to Consolidated Financial Statements (Unaudited), continued

NOTE 3 - LOANS

Composition of Loan Portfolio

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

(Dollars in millions)	June 30, 2012	December 31, 2011
Commercial loans:		
Commercial & industrial	$52,030	$49,538
Commercial real estate	4,825	5,094
Commercial construction	959	1,240
Total commercial loans	57,814	55,872
Residential loans:		
Residential mortgages - guaranteed	5,663	6,672
Residential mortgages - nonguaranteed[1]	24,405	23,243
Home equity products	15,281	15,765
Residential construction	853	980
Total residential loans	46,202	46,660
Consumer loans:		
Guaranteed student loans	7,248	7,199
Other direct	2,225	2,059
Indirect	10,506	10,165
Credit cards	565	540
Total consumer loans	20,544	19,963
LHFI	$124,560	$122,495
LHFS	$3,123	$2,353

[1]Includes $405 million and $431 million of loans carried at fair value at June 30, 2012 and December 31, 2011, respectively.

During the six months ended June 30, 2012 and 2011, the Company transferred $1.1 billion and $198 million in LHFI to LHFS, and $31 million and $46 million in LHFS to LHFI, respectively. Additionally, during the six months ended June 30, 2012 and 2011, the Company sold $454 million and $277 million in loans and leases that had been held for investment at December 31, 2011 and December 31, 2010 for gains of $23 million and $10 million, respectively. There were no other material sales of LHFI during the period.

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 the individual loan’s risk assessment expressed according to regulatory agency classification, 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 expectations of default. The granularity in Pass ratings assists in the establishment of pricing, loan structures, approval requirements, reserves, and ongoing credit management requirements. Criticized assets have a higher PD. 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 Non-Performing (which includes a portion of Adversely Classified, 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. In response to updates in the industry-wide FICO scoring model and to enhance the Company's ability to manage risk, the Company updated its FICO scoring model to this updated version for the Home Equity, Indirect, and Other Direct portfolios in the first quarter of 2012. This change was the primary reason for the changes in the percentage of balances across the FICO score ranges noted below. There was no impact to the Company's financial position or results of operations as a result of updating the FICO scoring model.

For government guaranteed student 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 both June 30, 2012 and December 31, 2011, 79% of the guaranteed student loan portfolio was current with respect to payments; however, the loss exposure to the Company is mitigated by the government guarantee.

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

	Commercial & industrial		Commercial real estate		Commercial construction	
(Dollars in millions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Credit rating:						
Pass	$50,130	$47,683	$3,836	$3,845	$581	$581
Criticized accruing	1,569	1,507	756	961	247	369
Criticized nonaccruing	331	348	233	288	131	290
Total	$52,030	$49,538	$4,825	$5,094	$959	$1,240

	Residential mortgages - nonguaranteed [2]		Home equity products		Residential construction	
(Dollars in millions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Current FICO score range:						
700 and above	$17,567	$16,139	$11,583	$11,084	$613	$661
620 - 699	4,149	4,132	2,405	2,903	158	202
Below 620[1]	2,689	2,972	1,293	1,778	82	117
Total	$24,405	$23,243	$15,281	$15,765	$853	$980

	Consumer - other direct		Consumer - indirect		Consumer - credit cards	
(Dollars in millions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Current FICO score range:						
700 and above	$1,829	$1,614	$7,965	$7,397	$379	$347
620 - 699	325	359	1,886	1,990	142	142
Below 620[1]	71	86	655	778	44	51
Total	$2,225	$2,059	$10,506	$10,165	$565	$540

[1]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.

[2]Excludes $5.7 billion and $6.7 billion at June 30, 2012 and December 31, 2011, respectively, of guaranteed residential loans. At both June 30, 2012 and December 31, 2011, the majority of these loans had FICO scores of 700 and above.

Notes to Consolidated Financial Statements (Unaudited), continued

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

(Dollars in millions)	As of June 30, 2012 Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
Commercial & industrial	$51,600	$76	$23	$331	$52,030
Commercial real estate	4,582	8	2	233	4,825
Commercial construction	826	2	—	131	959
Total commercial loans	57,008	86	25	695	57,814
Residential loans:					
Residential mortgages - guaranteed	4,357	144	1,162	—	5,663
Residential mortgages - nonguaranteed[1]	22,834	255	30	1,286	24,405
Home equity products	14,828	151	—	302	15,281
Residential construction	691	7	1	154	853
Total residential loans	42,710	557	1,193	1,742	46,202
Consumer loans:					
Guaranteed student loans	5,746	583	919	—	7,248
Other direct	2,201	14	6	4	2,225
Indirect	10,443	45	1	17	10,506
Credit cards	553	6	6	—	565
Total consumer loans	18,943	648	932	21	20,544
Total LHFI	$118,661	$1,291	$2,150	$2,458	$124,560

[1]Includes $405 million of loans carried at fair value.
[2]Total nonaccruing loans past due 90 days or more totaled $2.0 billion. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs.

(Dollars in millions)	As of December 31, 2011 Accruing Current	Accruing 30-89 Days Past Due	Accruing 90+ Days Past Due	Nonaccruing [2]	Total
Commercial loans:					
Commercial & industrial	$49,098	$80	$12	$348	$49,538
Commercial real estate	4,797	9	—	288	5,094
Commercial construction	943	7	—	290	1,240
Total commercial loans	54,838	96	12	926	55,872
Residential loans:					
Residential mortgages - guaranteed	5,394	176	1,102	—	6,672
Residential mortgages - nonguaranteed[1]	21,501	324	26	1,392	23,243
Home equity products	15,223	204	—	338	15,765
Residential construction	737	22	1	220	980
Total residential loans	42,855	726	1,129	1,950	46,660
Consumer loans:					
Guaranteed student loans	5,690	640	869	—	7,199
Other direct	2,032	14	6	7	2,059
Indirect	10,074	66	5	20	10,165
Credit cards	526	7	7	—	540

Total consumer loans	18,322	727	887	27	19,963
Total LHFI	$116,015	$1,549	$2,028	$2,903	$122,495

[1]Includes $431 million of loans carried at fair value.
[2]Total nonaccruing loans past due 90 days or more totaled $2.3 billion. Nonaccruing loans past due fewer than 90 days include modified nonaccrual loans reported as TDRs.

Notes to Consolidated Financial Statements (Unaudited), continued

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.

	As of June 30, 2012			Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
(Dollars in millions)	Unpaid Principal Balance	Amortized Cost[1]	Related Allowance	Average Amortized Cost	Interest Income Recognized[2]	Average Amortized Cost	Interest Income Recognized[2]
Impaired loans with no related allowance recorded:							
Commercial loans:							
Commercial & industrial	$45	$37	$—	$37	$—	$38	$—
Commercial real estate	83	51	—	59	1	63	1
Commercial construction	28	17	—	28	—	32	—
Total commercial loans	156	105	—	124	1	133	1
Impaired loans with an allowance recorded:							
Commercial loans:							
Commercial & industrial	90	74	7	81	—	83	—
Commercial real estate	92	76	7	82	—	84	—
Commercial construction	68	63	4	66	—	67	1
Total commercial loans	250	213	18	229	—	234	1
Residential loans:							
Residential mortgages - nonguaranteed	2,659	2,255	238	2,255	20	2,260	42
Home equity products	577	534	92	535	7	539	13
Residential construction	274	227	25	232	3	237	5
Total residential loans	3,510	3,016	355	3,022	30	3,036	60
Consumer loans:							
Other direct	12	12	1	12	—	12	—
Indirect	14	14	—	14	1	15	1
Credit cards	25	25	7	25	—	26	1
Total consumer loans	51	51	8	51	1	53	2
Total impaired loans	$3,967	$3,385	$381	$3,426	$32	$3,456	$64

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

[2]Of the interest income recognized for the three and six months ended June 30, 2012, cash basis interest income was $4 million and $8 million, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

	As of December 31, 2011			Year Ended December 31, 2011	
(Dollars in millions)	Unpaid Principal Balance	Amortized Cost[1]	Related Allowance	Average Amortized Cost	Interest Income Recognized[2]
Impaired loans with no related allowance recorded:					
Commercial loans:					
Commercial & industrial	$93	$73	$—	$109	$3
Commercial real estate	58	50	—	56	1
Commercial construction	45	40	—	47	1
Total commercial loans	196	163	—	212	5
Impaired loans with an allowance recorded:					
Commercial loans:					
Commercial & industrial	76	67	9	68	1
Commercial real estate	111	82	15	103	2
Commercial construction	132	100	10	121	2
Total commercial loans	319	249	34	292	5
Residential loans:					
Residential mortgages - nonguaranteed	2,797	2,405	293	2,451	88
Home equity products	553	515	86	528	23
Residential construction	246	221	26	229	8
Total residential loans	3,596	3,141	405	3,208	119
Consumer loans:					
Other direct	12	12	1	13	1
Credit cards	27	27	8	26	2
Total consumer loans	39	39	9	39	3
Total impaired loans	$4,150	$3,592	$448	$3,751	$132

[1]Amortized cost reflects charge-offs that have been recognized plus other amounts that have been applied to reduce net book balance.
[2]Of the interest income recognized for the year ended December 31, 2011, cash basis interest income was $25 million.

Included in the impaired loan balances above were $2.6 billion of accruing TDRs at both June 30, 2012 and December 31, 2011, of which 94% and 93% were current, respectively. For further information regarding the Company’s loan impairment policy, see Note 1, “Significant Accounting Policies,” to the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Nonperforming assets are shown in the following table:

(Dollars in millions)	June 30, 2012	December 31, 2011
Nonaccrual/NPLs:		
Commercial loans:		
Commercial & industrial	$331	$348
Commercial real estate	233	288
Commercial construction	131	290
Residential loans:		
Residential mortgages - nonguaranteed	1,286	1,392
Home equity products	302	338
Residential construction	154	220
Consumer loans:		

Other direct	4	7
Indirect	17	20
Total nonaccrual/NPLs	2,458	2,903
OREO[1]	331	479
Other repossessed assets	11	10
Total nonperforming assets	$2,800	$3,392

[1]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 until the funds are received and the property is conveyed. The receivable amount related to proceeds due from the FHA or the VA totaled $124 million and $132 million at June 30, 2012 and December 31, 2011, respectively.

Notes to Consolidated Financial Statements (Unaudited), continued

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 it 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 limited situations, the Company may offer to restructure a loan in a manner that ultimately results in the forgiveness of contractually specified principal balances.

At June 30, 2012 and December 31, 2011, the Company had $4 million and $5 million, respectively, in commitments to lend additional funds to debtors owing receivables whose terms have been modified in a TDR.

The number and amortized cost of loans modified under the terms of a TDR during the three and six months ended June 30, 2012 and 2011, by type of modification, are shown in the following tables:

	Three Months Ended June 30, 2012				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [1]	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:					
Commercial & industrial	80	$—	$1	$3	$4
Commercial real estate	13	6	6	—	12
Commercial construction	5	1	—	10	11
Residential loans:					
Residential mortgages - nonguaranteed	199	—	21	—	21
Home equity products	457	—	33	2	35
Residential construction	140	—	1	20	21
Consumer loans:					
Other direct	27	—	—	1	1
Indirect	795	—	—	14	14
Credit cards	361	—	2	—	2
Total TDRs	2,077	$7	$64	$50	$121

	Six Months Ended June 30, 2012				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [1]	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:					
Commercial & industrial	183	$—	$2	$15	$17
Commercial real estate	23	12	7	2	21
Commercial construction	12	2	—	11	13
Residential loans:					
Residential mortgages - nonguaranteed	424	—	41	1	42
Home equity products	841	—	64	3	67
Residential construction	175	—	1	29	30
Consumer loans:					
Other direct	39	—	—	1	1
Indirect	795	—	—	14	14
Credit cards	863	—	5	—	5
Total TDRs	3,355	$14	$120	$76	$210

[1]Restructured loans which had forgiveness of amounts contractually due under the terms of the loan typically have had multiple concessions including rate modifications and/or term extensions. The total amount of charge-offs

associated with principal forgiveness was $1 million during both the three and six months ended June 30, 2012.
[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 and six months ended June 30, 2012.

Notes to Consolidated Financial Statements (Unaudited), continued

	Three Months Ended June 30, 2011				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [1]	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:					
Commercial & industrial	56	$19	$22	$3	$44
Commercial real estate	9	4	—	3	7
Commercial construction	8	3	—	31	34
Residential loans:					
Residential mortgages - nonguaranteed	258	—	61	5	66
Home equity products	398	—	31	—	31
Residential construction	27	—	5	1	6
Consumer loans:					
Other direct	11	—	—	1	1
Total TDRs	767	$26	$119	$44	$189

	Six Months Ended June 30, 2011				
(Dollars in millions)	Number of Loans Modified	Principal Forgiveness [1]	Rate Modification [2]	Term Extension and/or Other Concessions	Total
Commercial loans:					
Commercial & industrial	78	$27	$22	$8	$57
Commercial real estate	25	22	16	15	53
Commercial construction	82	27	2	41	70
Residential loans:					
Residential mortgages - nonguaranteed	528	—	142	8	150
Home equity products	743	—	62	—	62
Residential construction	50	—	10	1	11
Consumer loans:					
Other direct	51	—	—	2	2
Total TDRs	1,557	$76	$254	$75	$405

[1]Restructured loans which had forgiveness of amounts contractually due under the terms of the loan typically have had multiple concessions including rate modifications and/or term extensions. The total amount of charge-offs associated with principal forgiveness during the three and six months ended June 30, 2011 was $8 million and $9 million, respectively.

[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 and six months ended June 30, 2011.

Notes to Consolidated Financial Statements (Unaudited), continued

The preceding tables represent loans modified under the terms of a TDR during the three and six months ended June 30, 2012 and 2011, whereas the following tables represent loans modified as a TDR over longer time periods; as specified in the tables below, that became 90 days or more delinquent during the three and six months ended June 30, 2012 and 2011, respectively.

	Three Months Ended June 30, 2012 [1]		Six Months Ended June 30, 2012 [2]	
(Dollars in millions)	Number of Loans	Amortized Cost	Number of Loans	Amortized Cost
Commercial loans:				
Commercial & industrial	14	$1	25	$3
Commercial real estate	—	—	4	4
Commercial construction	4	4	7	6
Residential loans:				
Residential mortgages	28	9	56	14
Home equity products	38	3	81	6
Residential construction	6	—	17	2
Consumer loans:				
Other direct	—	—	2	—