

SunTrust Banks Inc. (STI)

Rating	OUTPERFORM* [V]
Price (21 Jul 10, US\$)	22.42
Target price (US\$)	31.00 ¹
52-week price range	31.85 - 15.18
Market cap. (US\$ m)	7,877.27

*Stock ratings are relative to the relevant country benchmark.

¹Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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EARNINGS

2Q10 Earnings - Conservative Credit Quality Guidance Prevents 2H10 Estimate Increase

- STI reported better than expected operating earnings and credit quality trends:** STI reported $-\$0.11$ of GAAP EPS. After adjusting for $\$0.11$ of net positive unusual items, operating EPS of $-\$0.22$ was 16 cents higher than our estimate and 12 cents higher than consensus. The beat was driven by both pre provision earnings (better than expected fee income and expenses), and continued decreases in provisions (charge-offs decreased and modest reserve releases began). Accordingly, we are increasing our 2010 EPS estimate to $-\$0.88$ from $-\$1.09$, while our normalized EPS estimate / target price remain $\$3.40 / \31 .
- Outperform Thesis:** We forecast $\$3.40$ of normalized EPS, which implies STI is trading at 6.6x our normalized EPS estimate. As we forecast a normalized PE multiple of 12x, we believe the stock has 83% upside over the next two years (35% annualized). Additionally, we believe STI will be one of the next large banks to repay TARP, while we estimate the company's common equity needs could be a lower percentage of TARP than peers due to excess capital in the asset management business, coke stock, and a higher Tier 1 Common starting point.
- Y9-C filing release is the next catalyst:** The release of the Y-9C filings (by August 15) is the next catalyst for STI. The filing will offer greater granularity on delinquency and loss trends by loan mix.
- Valuation:** STI is trading at 6.6x our normalized EPS estimate vs. 7.2x for peers. Our $\$31$ target price assumes a 9.1x PE multiple on normalized earnings.

Share price performance



On 07/21/10 the S&P 500 index closed at 1069.59

Quarterly EPS	Q1	Q2	Q3	Q4
2009A	-2.49	-0.41	-0.76	-0.64
2010E	-0.46	-0.11	-0.18	-0.13
2011E	0.19	0.29	0.43	0.49

Financial and valuation metrics

Year	12/09A	12/10E	12/11E	12/12E
EPS (CS adj.) (US\$)	-4.30	-0.88	1.42	2.51
Prev. EPS (US\$)	—	-1.09	1.81	2.38
P/E (x)	NM	NM	15.8	8.9
Relative P/E (%)	-34	-206	147	—
Revenue (US\$ m)	—	—	—	—
Preprovision Income (US\$ m)	—	—	—	—
Book Value (US\$)	35.58	35.87	37.35	—
Tangible book value (US\$)	20.61	20.39	22.71	—
ROE (%)	-4.12	-0.77	3.75	6.54
ROA (%)	-0.52	-0.10	0.44	—
Book Value (current, US\$)	46.03	Tangible BV (current, US\$)		26.89
P/BV (current, x)	0.49	P/TBV (current, x)		—
Dividend (current, US\$)	2.44	Shares Outstanding (m)		351
Dividend yield (%)	10.9			

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

2Q10 Details

The earnings beat was driven mostly by lower provisions, and unlike other US regionals that beat on provisions, STI's result was mostly driven by lower net charge-offs and not large reserve releases. Despite this positive trend, we have reduced our 4Q10 provision estimate due to our belief that net charge-offs under \$625M by 4Q may be difficult to achieve. Additionally, management guided to stable to slightly down net charge-offs, and also commented that reserves peaked in 1Q10 at 2.8% of loans (in-line with 2Q's level). The delta vs. our forecast was not in the reserve release, but in the level of charge-offs. Accordingly, we did not significantly change our 3Q estimate for provisions, but we did reduce our 4Q estimate. The revision on credit expenses also negatively impacted our 2011 EPS estimate. Our modestly more negative view of credit quality is partly due to the elevated growth rate of STI's TDRs.

The Positives

- **Credit quality trends continue to improve much better than expected:** STI's credit quality improvement can be summarized as (1) NPAs decreased 3% q/q while we were expecting them to remain flat, (2) 90 DPD delinquent loans continued to decrease (down 7% q/q vs. down 2% q/q in 1Q), and (3) NCOs decreased 12% q/q vs. our expectation for a 7% decrease. Additionally, while we had expected STI to keep reserves flat, the reserve release was a surprise. Specifically, STI released \$60M in reserves which lifted EPS by \$0.08.
- **Pre provision earnings increased modestly, and was \$24M higher than our estimate:** The increase in pre provision earnings and beat relative to our estimate was due to revenues, while expenses increased higher than our estimate. The primary drivers of improvement in revenues were (1) NIM expansion offset by earnings assets decline, and (2) broad based increase in fee income (though mortgage servicing income provided for the majority of the increase). Accordingly, we have increased our forecast for fee income to \$3.2B from \$2.9B previously.
- **Loan growth better than expected:** STI's loan portfolio decreased 5% q/q ann. in 2Q better than our expectation for a 7% decrease, but worse than the 2% decrease experienced in 1Q.

The Negatives

- **The growth in restructured loans accelerated this quarter:** While nonaccrual loans decreased 12% q/q and OREO balances remained flat, TDR's grew 19% q/q in 2Q accelerating from the 16% growth rate seen in 1Q.

What has changed?

- While STI positively surprised on 2Q10 credit quality, we have increased our 4Q10 - 4Q11 provision forecast. Additionally, while the 2Q10 reserve release came sooner than expected, we are not convinced that STI will reduce its reserve significantly over the near-term, especially due to the fact that its reserve coverage is below peers. While PPNR trends came in-line with our forecasts, stronger fee income was offset by higher non-interest expenses. We expect both sides of the P&L to somewhat normalize in 3Q10, as both contained items that we estimated were unusually high in 2Q which we stripped out.

What is our Stock Thesis?

- We forecast \$3.40 of normalized EPS, which implies STI is trading at 6.6x our normalized EPS estimate. As we forecast a normalized PE multiple of 12x, we believe the stock has 83% upside over the next two years (35% annualized). Additionally, we believe STI will be one of the next large banks to repay TARP, while we estimate the company's common equity needs could be a lower percentage of TARP than peers due to excess capital in the asset management business, coke stock, and a higher Tier 1 Common starting point.

What's the Next Catalyst?

- The release of the Y-9C filings (by August 15) is the next catalyst for STI. The filing will offer greater granularity on delinquency and loss trends by loan mix.

Valuation

- STI is trading at 6.6x our normalized EPS estimate vs. 7.2x for peers. Our \$31 target price assumes a 9.1x PE multiple on normalized earnings.

Exhibit 1: STI Income Statement Model
in millions, unless otherwise stated

	A	A	A	A	A	A	A	A	A	A	E	E	E	E	E	E
	FY 2006	FY 2007	FY 2008	1Q:09	2Q:09	3Q:09	4Q:09	FY 2009	1Q:10	2Q:10	3Q:10	4Q:10	FY 2010	FY 2011	FY 2012	FY 2013
Earning Assets	158,429	155,204	152,750	154,390	153,177	149,579	146,590	150,934	146,896	145,464	144,509	143,568	151,482	150,433	150,269	156,644
Net Interest Margin - FTE (As Reported)	3.00%	3.11%	3.10%	2.87%	2.94%	3.10%	3.27%	3.04%	3.32%	3.33%	3.32%	3.30%	3.18%	3.08%	3.29%	3.36%
LQ Change/YoY Change (bps)	-18bps	11bps	-01bps	-27bps	08bps	15bps	17bps	-06bps	05bps	01bps	-01bps	-02bps	14bps	-09bps	21bps	06bps
Net Interest Income (NII) - FTE	4,748	4,822	4,737	1,093	1,121	1,168	1,207	4,589	1,202	1,208	1,209	1,194	4,813	4,640	4,948	5,258
Noninterest Income:																
Service Charges on Deposit Accounts	764	822	904	206	210	219	213	849	196	208	197	187	788	744	762	801
Trust and Inv. Mgmt Income	687	685	592	116	117	119	134	486	122	127	127	128	505	527	562	608
Retail Investment Services	234	278	289	57	55	51	54	217	47	49	49	49	193	195	204	221
Other Charges and Fees	462	479	511	124	128	133	137	523	129	133	139	142	544	555	571	594
Investment Banking Income	231	215	237	60	77	75	60	272	56	58	58	58	230	237	253	274
Trading Account Profit/Losses & Comm.	113	(443)	314	(6)	66	44	(31)	74	29	47	30	30	135	120	120	120
Card Fees	248	281	308	76	81	82	85	324	87	94	92	95	369	327	283	298
Mortgage Production Related	217	135	171	250	165	28	(68)	376	(23)	(18)	(10)	0	(51)	100	100	100
Mortgage Servicing Related	122	195	(212)	83	140	60	47	330	71	88	40	40	238	160	160	160
Other Noninterest Income	329	327	240	38	41	46	38	164	28	46	46	46	166	184	189	201
Operating Fee Income	3,406	2,973	3,354	1,005	1,081	860	669	3,614	741	831	768	776	3,116	3,148	3,206	3,377
y/y	9%	-13%	13%	11%	15%	-29%	116%	8%	-26%	-23%	-11%	16%	-14%	1%	2%	5%
Securities Gains (Losses)	(50)	243	971	3	(121)	47	73	2	2	57	0	0	59	0	0	0
Other Nonrecurring Gains	113	212	149	138	112	(131)	0	119	(44)	64	0	0	20	0	0	0
Reported Fee Income	3,468	3,429	4,473	1,147	1,072	775	742	3,735	698	952	768	776	3,194	3,148	3,206	3,377
Total Operating Revenue	8,155	7,796	8,091	2,098	2,202	2,028	1,876	8,203	1,943	2,039	1,977	1,970	7,929	7,788	8,154	8,635
NII as a % of Op. Rev	58%	62%	59%	52%	51%	58%	64%	56%	62%	59%	61%	61%	61%	60%	61%	61%
Provision	263	665	2,474	994	962	1,134	974	4,064	862	662	635	588	2,747	1,323	1,028	679
y/y										5%						
Noninterest Expense:																
Employee Compensation and Benefits	2,725	2,725	2,761	736	704	666	694	2,800	692	682	646	659	2,680	2,680	2,706	2,788
Net Occupancy Expense	334	351	347	87	87	90	92	357	91	90	89	88	357	355	366	381
Outside Processing and Software	394	411	493	138	145	147	149	580	149	158	151	151	609	606	621	646
Equipment Expense	197	206	203	44	44	42	43	172	41	42	41	41	164	163	167	174
Marketing and Customer Development	173	195	189	35	30	38	48	151	34	44	42	52	172	175	184	202
Amortization/Impairment of Intangibles	103	97	76	16	14	14	12	56	13	13	13	13	53	53	53	53
Other Noninterest Expense	941	1,075	1,614	370	380	398	392	1,540	342	410	389	370	1,511	1,278	1,056	1,043
Operating Fee Expense	4,868	5,060	5,684	1,426	1,404	1,395	1,430	5,656	1,362	1,439	1,371	1,373	5,546	5,308	5,153	5,286
y/y	6%	4%	12%	11%	5%	-5%	0%	-11%	-5%	3%	-2%	-4%	-2%	-4%	-3%	3%
Non-Recurring Expenses	12	173	207	751	124	34	24	933	(1)	63	0	0	62	0	0	0
Reported Fee Expense	4,880	5,234	5,890	2,177	1,528	1,429	1,454	6,588	1,361	1,503	1,371	1,373	5,608	5,308	5,153	5,286
Total Operating Expense	5,131	5,725	8,158	2,420	2,366	2,529	2,404	9,720	2,224	2,101	2,007	1,961	8,293	6,632	6,181	5,965
Prov. as a % of Op. Fee Exp	5%	13%	44%	70%	69%	81%	68%	72%	63%	46%	46%	43%	50%	25%	20%	13%
Pre Provision Earnings	3,286	2,735	2,407	672	798	633	446	2,548	581	600	606	597	2,383	2,480	3,000	3,349
q/q	3%	-17%	-12%	891%	19%	-21%	-30%	6%	30%	3%	1%	-2%	-6%	4%	21%	12%
Operating Pre-Tax	3,024	2,070	(67)	(323)	(164)	(501)	(528)	(1,516)	(281)	(62)	(29)	9	(364)	1,157	1,973	2,670
Reported Pre-Tax	3,074	2,352	846	(932)	(297)	(620)	(479)	(2,328)	(322)	(5)	(29)	9	(347)	1,157	1,973	2,670
Tax Rate	31%	31%	6%	13%	38%	49%	48%	33%	51%	417%	35%	35%	55%	35%	35%	35%
Reported Net Income	2,117	1,634	796	(815)	(183)	(317)	(248)	(1,564)	(158)	15	(19)	6	(156)	752	1,282	1,736
Dividend and Undistributed Earnings	6	(11)	(89)	(11)	(89)	(60)	(68)	(100)	2	3	3	3	11	11	11	11
Preferred Dividend	8	30	49	71	70	60	68	270	68	67	67	67	269	0	0	0
Reported Net to Common	2,110	1,604	741	(875)	(164)	(377)	(316)	(1,733)	(229)	(55)	(89)	(64)	(436)	741	1,272	1,725
Operating Net to Common	2,074	1,435	(118)	(342)	(169)	(406)	(412)	(1,188)	(240)	(110)	(89)	(64)	(444)	741	1,272	1,725
Weighted Avg Shares (Dil)	363	353	350	352	399	494	494	403	495	495	500	500	497	523	507	505
EOP Shares	355	348	355	357	499	499	495	495	500	500	500	500	500	525	505	505
Reported EPS	5.82	4.55	2.12	(2.49)	(0.41)	(0.76)	(0.64)	(4.30)	(0.46)	(0.11)	(0.18)	(0.13)	(0.88)	1.42	2.51	3.42
Operating GAAP EPS	5.72	4.07	(0.34)	(0.97)	(0.42)	(0.82)	(0.83)	(3.05)	(0.48)	(0.22)	(0.18)	(0.13)	(1.01)	1.42	2.51	3.42
y/y	1%	-29%	-108%	-319%	-165%	-186%	52%	-809%	50%	47%	78%	85%	67%	240%	77%	36%
Common Dividend per Share	2.44	2.92	2.85	0.10	0.10	0.01	0.01	0.22	0.01	0.01	0.01	0.01	0.04	0.22	0.80	1.20
Dividend Payout Ratio	42%	64%	135%	-4%	-24%	-1%	-2%	-5%	-2%	-9%	-6%	-8%	-5%	16%	32%	35%
Profitability Ratios																
Operating ROA	1.2%	0.8%	0.0%	-0.6%	-0.2%	-0.8%	-0.8%	-0.5%	-0.4%	-0.1%	-0.1%	0.0%	-0.1%	0.4%	0.7%	1.0%
Operating ROE	11.9%	8.2%	-0.4%	-4.8%	-1.8%	-6.2%	-6.1%	-4.1%	-3.1%	-0.8%	-0.4%	0.1%	-0.8%	3.8%	6.5%	8.5%
Pre Provision ROA	1.8%	1.5%	1.4%	1.5%	1.8%	1.5%	1.0%	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%	1.5%	1.7%	1.8%
Operating Efficiency Ratio	60%	65%	70%	68%	64%	69%	76%	69%	70%	71%	69%	70%	70%	68%	63%	61%

Source: Company data, Credit Suisse Equity Research

Exhibit 2: STI Balance Sheet Model
in millions, unless otherwise stated

	A	A	A	A	A	A	A	A	A	A	E	E	E	E	E	E
	FY 2006	FY 2007	FY 2008	1Q:09	2Q:09	3Q:09	4Q:09	FY 2009	1Q:10	2Q:10	3Q:10	4Q:10	FY 2010	FY 2011	FY 2012	FY 2013
EOP Balance Sheet																
EOP Gross Loans	121,454	122,319	126,998	123,893	122,816	116,488	113,675	113,675	113,979	112,925	111,796	110,678	110,678	110,123	115,733	123,895
EOP Loans HFS	11,790	8,852	4,032	6,954	8,031	4,578	4,670	4,670	3,697	3,185	3,153	3,121	3,121	3,106	3,264	3,494
EOP Total Loans	133,244	131,171	131,031	130,847	130,847	121,065	118,345	118,345	117,676	116,110	114,949	113,800	113,800	113,228	118,997	127,389
q/q (ann.)	4%	-2%	0%	-1%	0%	-30%	-9%	-10%	-2%	-5%	-4%	-4%	-4%	-1%	5%	7%
Loans HFS as a % to EOP Loans	9%	7%	3%	5%	6%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%
EOP Securities	25,102	16,264	19,697	19,485	19,465	22,123	28,477	28,477	26,239	27,598	27,805	28,014	28,014	23,354	21,761	22,870
EOP Deposits in Other Banks	22	24	24	25	24	25	24	24	25	24	24	24	24	24	254	267
EOP Repo Instruments	1,050	1,347	991	1,210	799	829	517	517	1,614	933	928	923	923	716	738	775
EOP Trading Assets	2,778	10,518	10,396	7,397	7,739	6,674	6,456	6,456	6,038	6,166	6,135	6,104	6,104	6,196	6,384	6,709
EOP ST Investments	3,849	11,890	11,411	8,633	8,562	7,528	6,997	6,997	7,676	7,123	7,087	7,052	7,052	7,158	7,375	7,751
EOP Earnings Assets	162,196	159,325	162,138	158,965	158,875	150,716	153,819	153,819	151,591	150,832	149,842	148,865	148,865	143,740	148,134	158,011
Goodwill & Core Deposit Int. (ex. MSR)	7,261	7,235	7,268	6,826	7,151	7,279	7,410	7,410	8,123	7,766	7,753	7,740	7,740	7,687	7,635	7,582
EOP Total Assets	182,162	179,574	189,138	179,116	176,735	172,718	174,165	174,165	171,796	170,668	169,815	168,966	168,966	171,510	176,714	185,716
q/q (ann.)	1%	-1%	5%	-21%	-5%	-9%	3%	-8%	-5%	-3%	-2%	-2%	-3%	2%	3%	5%
EOP Total Tangible Assets	174,900	172,339	181,870	172,290	169,583	165,439	166,755	166,755	163,673	162,902	162,062	161,226	161,226	163,823	169,079	178,134
EOP Preferred Equity	500	500	5,222	5,227	4,919	4,911	4,917	4,917	4,923	4,929	4,929	4,929	4,929	0	0	0
EOP Common Equity	17,314	17,553	17,166	16,418	18,034	17,997	17,614	17,614	17,697	18,095	18,001	17,932	17,932	19,607	19,815	20,934
EOP Total Equity	17,814	18,053	22,388	21,646	22,953	22,908	22,531	22,531	22,620	23,024	22,930	22,861	22,861	19,607	19,815	20,934
EOP Tangible Common Equity	10,052	10,317	9,898	9,592	10,883	10,718	10,204	10,204	9,574	10,328	10,248	10,192	10,192	11,920	12,181	13,352
Total Equity/Total Assets	9.78%	10.05%	11.84%	12.08%	12.99%	13.26%	12.94%	12.94%	13.17%	13.49%	13.50%	13.53%	13.53%	11.43%	11.21%	11.27%
Tng Common Equity/Tng Assets	5.75%	5.99%	5.44%	5.57%	6.42%	6.48%	6.12%	6.12%	5.85%	6.34%	6.32%	6.32%	6.32%	7.28%	7.20%	7.50%
Tier 1 Ratio	7.72%	6.93%	10.85%	11.00%	12.23%	12.58%	12.96%	12.96%	13.13%	13.40%	13.41%	13.44%	13.44%	11.34%	11.12%	11.18%
TRUPS as a % of RWA									1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
Tier 1 Ratio (Ex. TRUPS)									11.43%	11.70%	11.71%	11.74%	11.74%	9.64%	9.42%	9.48%
Tier 1 Common Ratio					7.34%	7.49%	7.67%	7.67%	7.70%	7.85%	7.83%	7.83%	7.83%	8.79%	8.71%	9.01%
Book Value	48.78	50.38	48.42	46.03	36.16	36.06	35.58	35.58	35.40	36.19	36.01	35.87	35.87	37.35	39.24	41.46
Tangible Book Value	28.32	29.61	27.92	26.89	21.82	21.47	20.61	20.61	19.15	20.66	20.50	20.39	20.39	22.71	24.12	26.44
Average Balance Sheet																
Commercial	33,836	34,194	38,132	39,199	38,599	35,410	32,707	36,479	33,094	32,503	32,521	32,478	32,649	32,801	34,872	38,219
Construction	12,334	13,519	10,829	7,377	6,449	5,421	4,753	6,000	4,078	3,274	4,856	4,567	4,194	3,978	3,323	2,863
Commercial Real Estate	12,804	12,803	13,969	15,339	15,775	15,820	15,357	15,573	15,105	15,091	15,058	14,908	15,040	14,740	15,131	16,015
Total Commercial	58,974	60,517	62,929	61,914	60,823	56,651	52,817	58,051	52,277	50,868	52,435	51,952	51,883	51,520	53,326	57,097
Residential Mortgage	33,524	31,951	31,759	29,945	29,388	28,398	27,383	28,778	26,970	26,783	30,970	30,660	28,846	30,316	31,120	32,937
Home Equity Lines	13,565	14,031	15,205	15,907	15,809	15,611	15,420	15,687	15,157	14,973	15,366	15,212	15,177	15,041	15,440	16,341
Credit Card	315	496	863	972	978	990	996	984	1,067	1,064	1,026	1,016	1,043	1,004	1,031	1,091
Direct	4,461	4,221	4,542	5,165	5,128	5,042	5,072	5,102	5,254	5,544	5,683	5,626	5,527	5,563	5,711	6,044
Indirect	8,377	8,018	7,263	6,624	6,499	6,617	6,636	6,594	6,697	6,946	6,918	6,849	6,853	6,772	6,952	7,358
Total Consumer	60,241	58,716	59,631	58,613	57,801	56,658	55,507	57,145	55,145	55,310	59,963	59,363	57,445	58,696	60,254	63,771
Nonaccrual and restructured	430	847	2,873	4,807	5,500	6,488	6,714	5,877	7,013	6,838	6,964	6,799	6,904	5,422	3,689	2,533
Average Gross Loans	130,728	120,081	125,433	125,334	124,123	119,796	115,038	121,073	114,435	113,016	119,362	118,114	116,232	115,638	117,270	123,401
Average Loans HFS		10,787	5,106	5,349	6,547	5,101	3,934	5,233	3,248	3,342	3,169	3,137	3,224	3,102	3,184	3,370
Average Total Loans	130,728	130,867	130,538	130,682	130,671	124,897	118,972	126,306	117,683	116,358	122,531	121,252	119,456	118,740	120,454	126,771
q/q (ann.)	12%	0%	0%	-3%	0%	-18%	-19%	-3%	-4%	-5%	21%	-4%	-5%	-1%	1%	5%
Average Securities	24,385	11,318	13,257	17,443	17,490	20,547	24,291	19,943	25,689	24,843	27,702	27,910	26,536	24,615	22,549	22,312
Average ST Investments	3,315	13,019	8,955	6,265	5,017	4,135	3,327	4,686	3,524	4,263	7,105	7,070	5,490	7,078	7,266	7,562
Average Earning Assets	158,429	155,204	152,750	154,390	153,177	149,579	146,590	150,934	146,896	145,464	144,509	143,568	151,482	150,433	150,269	156,644
Average Total Assets	180,315	177,796	175,850	178,871	176,481	172,463	174,041	175,464	171,429	171,273	170,242	169,391	170,584	169,601	174,100	181,180
Loans/Earning Assets	83%	84%	85%	85%	85%	83%	81%	84%	80%	80%	85%	84%	79%	79%	80%	81%
Earning Assets/Total Assets	88%	87%	87%	86%	87%	87%	84%	86%	86%	85%	85%	85%	89%	89%	86%	86%
Average Total Equity	17,547	17,808	18,566	22,368	21,926	22,468	22,381	22,286	22,338	22,313	22,977	22,896	22,631	19,734	19,443	20,330

Source: Company data, Credit Suisse Equity Research

Exhibit 3: STI Credit Quality Model
in millions, unless otherwise stated

	A	A	A	A	A	A	A	A	A	A	E	E	E	E	E	E
	FY 2006	FY 2007	FY 2008	1Q:09	2Q:09	3Q:09	4Q:09	FY 2009	1Q:10	2Q:10	3Q:10	4Q:10	FY 2010	FY 2011	FY 2012	FY 2013
Credit Quality Metrics:																
Non-Accrual Loans	504	1,430	3,940	4,641	5,504	5,444	5,403	5,403	5,345	4,699	4,464	4,018	4,018	2,636	1,729	1,135
q/q	85%	184%	175%	18%	19%	-1%	-1%	37%	-1%	-12%	-5%	-10%	-26%	-34%	-34%	-34%
Impaired/Restructured Loans	28	30	463	651	925	1,344	1,641	1,641	1,908	2,269	2,496	2,621	2,621	1,719	1,253	914
OREO	55	184	500	594	589	572	620	620	628	700	735	772	772	506	369	269
Other Repossessed Assets	7	12	16	12	72	79	79	79	70	64	64	64	64	26	19	14
Total Nonperforming Assets	594	1,656	4,919	5,897	7,090	7,438	7,743	7,743	7,951	7,732	7,759	7,474	7,474	4,888	3,371	2,332
q/q	78%	179%	197%	20%	20%	5%	4%	57%	3%	-3%	0%	-4%	-3%	-35%	-31%	-31%
NPAs/Total Loans & OREO(incl. Rest)	0.49%	1.35%	3.87%	4.76%	5.77%	6.38%	6.81%	6.81%	6.97%	6.84%	6.94%	6.75%	6.75%	4.44%	2.91%	1.88%
NPAs/Total Loans & OREO(excl. Rest)	0.47%	1.33%	3.49%	4.21%	4.99%	5.20%	5.33%	5.33%	5.27%	4.81%	4.67%	4.35%	4.35%	2.86%	1.82%	1.14%
Problem Loan Formation	0.39%	1.24%	3.85%	2.73%	3.54%	3.65%	3.12%	5.01%	3.05%	2.36%	2.39%	1.97%	2.27%	-0.71%	-0.29%	-0.29%
Reserve	1,045	1,283	2,351	2,735	2,896	3,024	3,120	3,177	3,176	3,156	3,085	3,020	3,022	2,581	2,436	2,436
Reserve/Loans	0.86%	1.05%	1.85%	2.21%	2.36%	2.60%	2.74%	2.79%	2.79%	2.79%	2.76%	2.73%	2.73%	2.34%	2.10%	1.97%
Reserve/Non Performing Loans	196%	88%	53%	52%	45%	45%	44%	45%	44%	45%	44%	45%	46%	59%	82%	119%
Reserve/Ann. NCO	4.2x	3.0x	1.5x	1.1x	0.9x	0.8x	1.0x	1.0x	1.0x	1.1x	1.1x	1.2x	1.0x	1.5x	2.1x	3.6x
Net Charge-Offs:																
Commercial	154	116	207	132	150	196	96	573	96	87	80	70	333	0		
Ann % of Avg Total Loans	0.45%	0.34%	0.54%	1.34%	1.55%	2.21%	1.17%	1.57%	1.16%	1.07%	1.00%	1.00%	1.02%	0.00%		
Construction	0	11	192	81	83	157	179	499	91	150	140	120	501	0		
Ann % of Avg Total Loans	0.00%	0.08%	1.77%	4.40%	5.12%	11.56%	15.06%	8.32%	8.93%	18.33%	11.53%	10.51%	11.95%	0.00%		
Commercial Real Estate	2	0	24	2	3	21	3	29	3	13	15	15	46	0		
Ann % of Avg Total Loans	0.01%	0.00%	0.17%	0.05%	0.07%	0.53%	0.08%	0.18%	0.08%	0.34%	0.40%	0.40%	0.31%	0.00%		
Total Commercial	156	128	423	215	235	373	278	1,101	190	250	235	205	880	0		
Ann % of Avg Total Loans	0.26%	0.21%	0.67%	1.39%	1.54%	2.63%	2.11%	1.90%	1.45%	1.97%	1.79%	1.58%	1.70%	0.00%		
Residential mortgage	22	108	517	182	320	386	330	1,218	414	293	290	280	1,277	0		
Ann % of Avg Total Loans	0.06%	0.34%	1.63%	2.43%	4.36%	5.43%	4.82%	4.23%	6.14%	4.38%	3.75%	3.65%	4.43%	0.00%		
Home Equity lines	22	108	433	157	192	181	155	685	160	137	130	120	547	0		
Ann % of Avg Total Loans	0.16%	0.77%	2.85%	3.95%	4.86%	4.63%	4.02%	4.36%	4.22%	3.66%	3.38%	3.16%	3.60%	0.00%		
Credit card	0	0	19	17	22	23	20	82	28	21	22	22	93	0		
Ann % of Avg Total Loans	0.00%	0.06%	2.17%	6.85%	9.01%	9.47%	8.03%	8.34%	10.50%	7.89%	8.58%	8.66%	8.91%	0.00%		
Direct	10	14	34	7	12	18	13	50	12	12	11	10	45	0		
Ann % of Avg Total Loans	0.22%	0.33%	0.74%	0.54%	0.91%	1.42%	1.03%	0.97%	0.91%	0.87%	0.77%	0.71%	0.81%	0.00%		
Indirect	37	65	139	33	20	25	25	103	17	9	18	16	60	0		
Ann % of Avg Total Loans	0.44%	0.81%	1.91%	1.98%	1.24%	1.53%	1.51%	1.56%	1.02%	0.52%	1.04%	0.93%	0.88%	0.00%		
Total Consumer	91	295	1,142	395	566	633	543	2,137	631	472	471	448	2,022	0		
Ann % of Avg Total Loans	0.15%	0.50%	1.91%	2.70%	3.92%	4.47%	3.91%	3.74%	4.58%	3.41%	3.14%	3.02%	3.52%	0.00%		
Net Charge Offs	246	423	1,564	610	801	1,006	821	3,238	821	722	706	653	2,902	1,765	1,173	679
Net Charge Offs/Avg Loans	0.19%	0.35%	1.25%	1.95%	2.58%	3.36%	2.85%	2.67%	2.87%	2.56%	2.37%	2.21%	2.50%	1.53%	1.00%	0.55%
Provision	263	665	2,474	994	962	1,134	974	4,064	862	662	635	588	2,747	1,323	1,028	679
Special Provision	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Provision	263	665	2,474	994	962	1,134	974	4,064	862	662	635	588	2,747	1,323	1,028	679
Provision/Avg Loans	0.20%	0.55%	1.97%	3.17%	3.10%	3.79%	3.39%	3.36%	3.01%	2.34%	2.13%	1.99%	2.36%	1.14%	0.88%	0.55%
Provision/NCOs	1.1x	1.6x	1.6x	1.6x	1.2x	1.1x	1.2x	1.3x	1.0x	0.9x	0.9x	0.9x	0.9x	0.8x	0.9x	1.0x

Source: Company data, Credit Suisse Equity Research

Disclosures

Companies Mentioned (Price as of 21 Jul 10)

Bank of Hawaii (BOH, \$47.63, NEUTRAL, TP \$56.00)
 BB&T Corp. (BBT, \$25.91, NEUTRAL [V], TP \$35.00)
 Comerica (CMA, \$36.22, NEUTRAL [V], TP \$41.00)
 Fifth Third Bancorp (FITB, \$11.28, OUTPERFORM [V], TP \$19.00)
 First Horizon National Corp (FHN, \$10.92, OUTPERFORM [V], TP \$17.00)
 Fulton Financial Corp (FULT, \$8.78, NEUTRAL [V], TP \$12.00)
 KeyCorp (KEY, \$7.54, OUTPERFORM [V], TP \$11.00)
 M&T Bank Corporation (MTB, \$83.50, NEUTRAL [V], TP \$83.00)
 Marshall & Ilsley Corporation (MI, \$6.64, NEUTRAL [V], TP \$9.00)
 Regions Financial Corporation (RF, \$6.20, NEUTRAL [V], TP \$10.00)
 SunTrust Banks Inc. (STI, \$22.42, OUTPERFORM [V], TP \$31.00)
 Synovus Financial (SNV, \$2.27, NEUTRAL [V], TP \$3.50)
 TCF Financial (TCB, \$15.24, NEUTRAL [V], TP \$18.00)
 Valley National Bancorp (VLY, \$13.74, NEUTRAL [V], TP \$17.00)
 Zions Bancorporation (ZION, \$19.42, UNDERPERFORM [V], TP \$21.00)

Disclosure Appendix

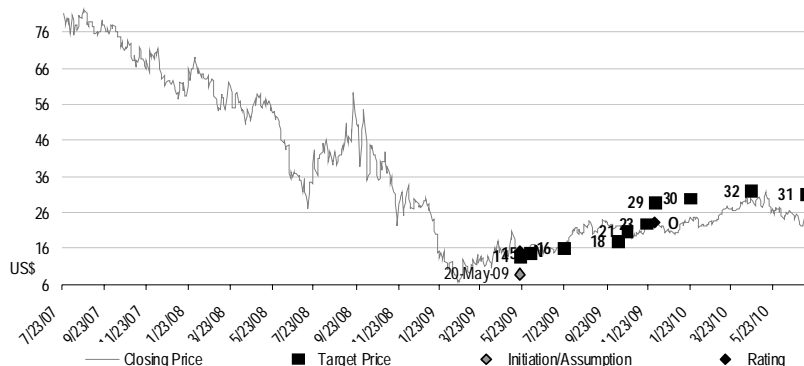
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3-Year Price, Target Price and Rating Change History Chart for STI

STI	Closing Price	Target Price	Initiation/
Date	(US\$)	(US\$)	Rating Assumption
5/20/09	15.12	14	N X
6/2/09	15.94	15	
7/22/09	16.19	16	
10/8/09	22.33	18	
10/22/09	21.85	21	
11/19/09	21.86	23	
12/2/09	23.29	29	O
1/22/10	24.55	30	
4/21/10	29.72	32	
7/9/10	25.46	31	



O=Outperform; N=Neutral; U=Underperform; R=Restricted; NR=Not Rated; NC=Not Covered

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Underperform (U): The stock's total return is expected to underperform the relevant benchmark* by 10-15% or more over the next 12 months.

*Relevant benchmark by region: As of 29th May 2009, Australia, New Zealand, U.S. and Canadian ratings are based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe**, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry factors. For Latin American, Japanese, and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; for European stocks, ratings are based on a stock's total return relative to the analyst's coverage universe**. For Australian and New Zealand stocks a 22% and a 12% threshold replace the 10-15% level in the Outperform and Underperform stock

rating definitions, respectively, subject to analysts' perceived risk. The 22% and 12% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively, subject to analysts' perceived risk.

***An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

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Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

**An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

***The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

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Neutral/Hold*	40%	(59% banking clients)
Underperform/Sell*	12%	(52% banking clients)
Restricted	2%	

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Price Target: (12 months) for (STI)

Method: Our \$31 target price for SUNTRUST BANKS INC (STI) is 9.2x our normalized EPS estimate, which is a premium to the group. Given the economic uncertainty, the volatility in near term earnings caused by the loan and securities losses, and mark-to-market accounting, we believe that a multiple on normalized earnings is the most appropriate valuation methodology. For STI, the premium multiple is warranted because of its early loss cycle footprint, and loan categories(overweight consumer vs. commercial).

Risks: Risks to our \$31 target price for STI are (1) lack of investor appetite for common equity issuance, pressuring the company to raise capital through the Capital Assistance Program; (2) inability to pay back Troubled Asset Relief Program preferred stock, making conversion to mandatory convertible notes likely, and diluting equity more than expectations; and (3) a more protracted period of weakness in the company's southeastern footprint and real estate related portfolio.

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