SunTrust Banks, Inc.
Dodd-Frank Act 2016 Mid-Cycle Stress Test Results Disclosure

October 5, 2016

Overview

SunTrust Banks, Inc. ("SunTrust" or the "Company") regularly evaluates financial and capital forecasts under various economic scenarios as a part of its enterprise-wide stress testing and capital planning processes. These tests include assessing the hypothetical performance of the Company and / or specific portfolios under potential stressed economic conditions.

As a component of its overall stress testing program, SunTrust and certain other banks are required to conduct semi-annual stress tests pursuant to the *Supervisory and Company-Run Stress Test Requirements for Covered Companies* Final rule. SunTrust completed its Dodd-Frank Act Stress Test ("DFAST") process and submitted these results to the FRB, as required, prior to October 5, 2016. This document outlines the approach SunTrust utilized in this mid-cycle DFAST process, as well as certain summary results.

For the recent mid-cycle DFAST, SunTrust developed three hypothetical economic scenarios - Baseline, Adverse, and Severely Adverse. The Company then estimated the impact to its financial performance and capital position under the economic conditions prescribed in the three scenarios. The forecast time horizon of the stress tests covered the nine-quarter period beginning in the third quarter of 2016 (July 1, 2016) and continuing through the end of the third quarter of 2018 (September 30, 2018). In accordance with regulatory guidance, this document presents a summary of results of SunTrust's company-run mid-cycle stress test conducted under the Severely Adverse scenario.

The results of SunTrust's mid-year Dodd-Frank Act Stress Test indicate that the Company will have sufficient financial resources at its disposal to successfully navigate a severe and protracted economic downturn and will maintain capital levels that well exceed regulatory minimums throughout the course of the hypothetical scenario.

SunTrust, as a bank holding company, is required to publish this summary of the results of its company-run mid-cycle stress test conducted under its Severely Adverse scenario. SunTrust's disclosures of projected results, risks, and assumption are hypothetical and made pursuant to the requirements of the Federal Reserve's DFAST and related instructions, which require, among other things, hypothetical and adverse economic scenarios and assumptions tailored specifically to an institution's particular business mix and geographical concentrations. The stress scenarios, risks, and financial results which SunTrust discloses, do not necessarily reflect SunTrust's future expectations.

Summary of Methodology and Review of Risks

To support the assessments used to create the DFAST projections, SunTrust utilized multiple forms of quantitative and qualitative analysis. SunTrust developed hypothetical macroeconomic scenario variables that serve as key inputs in SunTrust's financial forecasts of specific balance sheet, income statement, and loan loss categories. The financial forecasts employed multiple modeling techniques including driver-based models, historical trend analysis, regression analysis, and simulation. Overall, the methodologies employed were used to produce projections for revenues, expenses, provision for loan and lease losses, risk-weighted assets and changes in capital and liquidity under the each of the scenarios. Details of the methodologies are described in subsequent sections of this disclosure.

To mitigate any limitations in quantitative estimations, these forecasts were supplemented, as appropriate, with management judgment to ensure appropriate consideration of SunTrust-specific factors. To promote robust scenario and forecast development, SunTrust has established thorough and heavily governed processes, including challenge processes. Challenge processes are designed to foster candid, informed, and effective discussion regarding forecast methodologies and results. They occur throughout the forecast development process and at multiple levels of the organization, including the Risk Committee of the Board of Directors. The challenge process may result in adjustments to modeled output. As a result, certain adjustments have been made to the forecasts, including modifications to the growth rates of certain asset categories, as well as adjustments to particular income categories.

In conducting the DFAST 2016 mid-cycle stress test, SunTrust assumed capital actions in accordance with the Supervisory and Company-Run Stress Test Requirements for bank holding companies or savings and loans holding companies, Final Rule under §§ 252.144 and 252.145 (Amended November 26, 2014), as follows:

(1) For the first quarter of the planning horizon, the bank holding company must take into account its actual capital actions as of the end of that quarter; and

(2) For each of the second through ninth quarters of the planning horizon, the bank holding company must include in the projections of capital:

i. Common stock dividends equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year (that is, the first quarter of the planning horizon and the preceding three calendar quarters);

ii. Payments on any other instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument during the quarter;

iii. An assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and

iv. An assumption of no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation.

SunTrust also assessed various types of risks in its stress testing activities. As part of its ongoing capital management program, SunTrust utilizes a comprehensive risk identification process to help ensure that capital adequacy is evaluated based upon the Company's material risks, its associated risk profile, and the business operating environment. The Company carefully reviews the identified risks and determines the extent to which their impacts are captured in the capital measures utilized by SunTrust. This risk assessment was conducted for DFAST 2016 mid-cycle and included the following broad categories:

- **Interest Rate** - exposure of net interest income and market value of equity to adverse movements in interest rates is a primary risk, and mainly arises from the structure of the balance sheet, which includes all loans;
- **Market** - exposure to changes in asset and liability values due to changes in interest rates, foreign exchange rates, equity prices, commodity prices, and other relevant market rates or prices;
- **Credit** - exposure to borrowers' failure to meet the terms of their contracts with SunTrust, including counterparty credit exposure arising from hedging activities and client needs. A number of SunTrust products expose the Company to credit risk, including loans, leases and lending commitments, derivatives, trading assets, insurance arrangements with respect to such products, and assets held for sale;
- **Legal & Regulatory** - violations of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards; litigation and/or legal risks stemming from either real or perceived wrongdoing in a line of business or functional area. Furthermore, changes to statutes, regulations, or regulatory policies, including interpretation or implementation of statutes, regulations, or policies, could affect SunTrust adversely, including limiting the types of financial services and products offered and/or increasing the ability of nonbanks to offer competing financial services and products. Also, noncompliance with laws, regulations, or policies, could subject the Company to regulatory sanctions and damage to its reputation;
- **Operational -** inadequacy or failure of internal processes, people and/or systems, or from external events that negatively impact internal processes, people and/or systems;
- **Liquidity** - the risk of being unable to meet financial obligations as they come due under normal or stressed conditions. A persistent lack of liquidity could limit the Company's ability to fund and thus originate new loans;
- **Model** - unexpected model variance or invalid assumptions within decision-making tools; misuse of models or tools; or misinterpretation of model-derived results;

- **Strategic** - the inability to execute on the Company's strategic plan. The business strategy may suffer if the Company is unable to recruit or retain a sufficient number of qualified employees or if the costs of employee compensation or benefits increase substantially, resulting in uncompetitive product and service offerings. Business strategy, product offerings, and profitability may also be affected by regulatory rules and guidance and may change as these and other rules are developed, become effective, and are interpreted by the regulators and courts; and
- **Reputational -** Negative public opinion could result from actual or alleged conduct in any number of activities, including lending practices, the failure of any product or service sold to meet clients' expectations or applicable regulatory requirements, corporate governance and acquisitions, or from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect the Company's ability to keep and attract and/or retain clients and personnel and can expose it to litigation and regulatory action. Negative public opinion could also affect SunTrust's credit ratings, which are important to accessing unsecured wholesale borrowings.

SunTrust reviewed its pro-forma capital levels and confirmed they remained above acceptable regulatory and Company-defined limits upon assessing various risks, SunTrust forecasted credit losses, the allowance for loan and lease losses ("ALLL"), pre-provision net revenue ("PPNR"), and quarterly net income. As part of this determination, the Risk Committee of SunTrust's Board of Directors and other senior management members reviewed, challenged, and approved the risk assessment process and the financial forecasts.

The following sections describe the general background and framework of the Severely Adverse scenario, quantitative financial results, and qualitative information related to methodologies and risks.

Severely Adverse Scenario Background

The Severely Adverse scenario is a hypothetical economic scenario that is meant to represent a deteriorating macroeconomic environment and to expose certain potential vulnerabilities in SunTrust's business profile. This scenario, which was developed by SunTrust in conjunction with third parties, assumes a deep economic recession, which extends into another severe housing downturn. Key hypothetical assumptions in the stress test include:

- Deflationary scenario that develops as a result of a global economic stress. China experiences significant economic decline and the Eurozone experiences a banking crisis that threatens the existence of the single-currency area;
- Financial market volatility spikes and the U.S. stock market declines sharply as a result. Consumers shift assets from the stock market into U.S Treasury securities, keeping fixed income yields low over the course of the scenario;
- Real GDP declines a cumulative 4.9% from the second quarter of 2016 through the third quarter of 2018;
- The unemployment rate increases from 4.9% in the second quarter of 2016 to 10.2% in the third quarter of 2018, peaking at 10.5% in the first quarter of 2018;
- Foreclosures increase, and federal support to the housing market is limited compared to the 2008-2009 recession. As a result, housing prices decline, with an overall decline from second quarter of 2016 through the third quarter of 2018 of approximately 28%. Housing starts also decline;
- To prevent the economy from sliding further, the Federal Reserve maintains an accommodative monetary policy by keeping short-term interest rates near zero through the forecast horizon;
- Corporate bond spreads increase significantly above baseline levels, causing business investment to decline;
- Reduced household wealth and high unemployment cause consumers to further reduce spending;
- SunTrust also incorporates several additional idiosyncratic factors into the scenario. These factors, such as operational or market events, are generally not incorporated through the projection of a macroeconomic variable, but are rather simply assumed to occur at a given point in the scenario.

While the effects of this scenario are applied nationally across each of SunTrust's lines-of-business and corporate functions, this scenario, which incorporates a stress on home prices, was specifically designed to incorporate additional increased stresses to SunTrust's geographic footprint. The scenario was used to assess SunTrust's ability to withstand the impact a national economic deterioration that had its epicenter in the Company's geographic footprint.

As additional context, the table below describes the general economic and interest rate environments that underlie the hypothetical Severely Adverse scenario. While this set of variables provides a high-level overview of the key assumptions, the full scenario consisted of a more detailed suite of variables, including certain data at the national, state, and Metropolitan Statistical Areas ("MSA") levels.

Paths of Indicative Variables for the Severely Adverse Scenario

	2016		2017				2018		
Projected Variable	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP ($B)	16,390	16,200	16,039	15,906	15,816	15,768	15,774	15,788	15,811
Unemployment (%)	5.7	7.2	8.5	9.3	10.0	10.4	10.5	10.4	10.2
Dow Jones Industrial Average	18,620	15,281	12,957	11,622	11,034	10,831	10,712	10,697	10,691
10 Yr. Treasury (%)	1.93	1.90	1.87	1.85	1.83	1.81	1.80	1.81	1.86
30 Yr. Mortgage Rate (%)	3.63	3.73	3.72	3.68	3.58	3.41	3.29	3.24	3.24
BBB Yield (%)	5.60	6.60	7.40	7.90	8.20	8.35	8.31	8.21	8.07
Home Prices (20 Metro)	181	171	159	149	143	140	138	137	136
Oil Prices - WTI ($/bbl)	37	33	29	27	25	25	26	27	29
Mannheim Index	118	112	105	101	99	98	99	99	100
Consumer Confidence	66	47	38	36	30	30	29	29	30

Quantitative Results

The following tables provide quantitative information for the DFAST 2016 mid-cycle SunTrust stress test under the Severely Adverse scenario. Included are SunTrust's estimated cumulative loan losses, pre-provision net revenue, provision for loan and lease losses, and capital metrics based on the economic conditions assumed under the Severely Adverse scenario.

Projected loan losses, by type of loan, Q3 2016 – Q3 2018

	Billions of dollars	Portfolio 9-quarter loss rate (%)[1]
Total Loan losses	**$5.8**	**4.2**
First-lien mortgages, domestic	0.3	1.2
Junior liens and HELOCs, domestic	0.5	4.1
Commercial and industrial[2]	2.7	5.6
Commercial real estate, domestic	1.4	8.0
Credit cards	0.1	5.8
Other consumer[3]	0.7	2.9
Other loans[4]	0.2	1.7

**Numbers may not foot due to rounding*

[1] Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine-quarters.
[2] Commercial and industrial loans include small- and medium- enterprise loans and corporate cards.
[3] Other consumer loans include student loans and automobile loans.
[4] Other loans include international real estate loans.

Loan losses during the nine-quarter Severely Adverse scenario are estimated to be $5.8 billion. This represents a significant increase from the levels of losses that the Company is currently experiencing, with the primary increase driven by commercial and industrial ("C&I") loans. First and junior lien residential real estate loan losses are primarily driven by increases in unemployment and lower home price values resulting in increased loan loss severities. Commercial Real Estate ("CRE") and C&I losses are projected to increase due to the overall decline in business activity associated with the economic downturn.

Projected losses, revenue, and net income before taxes through Q3 2018

	Billions of dollars	Percent of average assets[5]
Pre-provision net revenue[6]	$4.3	2.2
Other revenue[7]	-	-
Less		
Provisions	6.8	3.5
Realized losses/gains on securities (AFS/HTM)	0.0	0.0
Trading and counterparty losses[8]	0.0	0.0
Other losses/gains[9]	(0.0)	0.0
Equals		
Net income before taxes	(2.5)	(1.3)

**Numbers may not foot due to rounding*

SunTrust's nine-quarter pre-tax profitability during the Severely Adverse scenario is estimated to be negative $2.5 billion. The primary driver of the loss is the elevated level of provision for loan and lease losses. Pre-provision net revenue is also projected to decline substantially from current levels. The primary drivers of lower PPNR include reductions in noninterest income (principally in mortgage production, investment banking, and investment management revenue), and increased noninterest expense (primarily due to increased operational losses).

Projected stressed capital ratios through Q3 2018[10]

	Actual Q2 2016	Stressed capital ratios[11]	
		Ending	Minimum
Common Equity Tier 1 ratio (%) (Basel III)	9.8	8.5	8.5
Tier 1 risk-based capital ratio (%) (Basel III)	10.6	9.2	9.2
Total risk-based capital ratio (%) (Basel III)	12.7	11.4	11.4
Tier 1 leverage ratio (%) (Basel III)	9.4	8.1	8.1

[5] Average assets are the nine-quarter average of total assets.
[6] Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses, and other real estate owned costs.
[7] Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.
[8] Trading and counterparty losses include mark-to-market and credit valuation adjustments losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.
[9] Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option, and goodwill impairment losses.
[10] SunTrust does not include accumulated other comprehensive income (AOCI) in its calculations of regulatory capital, as only advanced approaches BHCs are required to include AOCI in calculations of regulatory capital. Other comprehensive income includes incremental unrealized losses/gains on AFS securities and on any HTM securities that have experienced other than temporary impairment.
[11] The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period 2016:Q3 to 2018:Q3.

Actual Q2 2016 and Projected Q3 2018 Risk-Weighted Assets		
	Basel III Standardized	
	Q2 2016	Q3 2018
Risk-weighted assets (billions of dollars)	$170.1	$164.9

Due to the net loss, SunTrust's capital ratios are projected to decline in the Severely Adverse scenario as SunTrust's Risk Weighted Assets ("RWA") decreases approximately 3% over the forecast horizon. Although larger declines in RWA have been observed in prior recessions, SunTrust assumed higher utilization rates in certain credit products that mitigated the decline in loan balances and subsequently RWA, to ensure that the Company would be able to maintain sufficient capital while remaining a credit intermediary during a period of severe stress. **Despite the capital ratio decline, the Company remains well-capitalized throughout the forecast horizon, with all ratios well above regulatory and internal limits.**

Qualitative Results - Key Risks Included in the Severely Adverse Scenario

The Severely Adverse scenario disclosed herein is one of three scenarios that were tested as part of the mid-cycle DFAST exercise. While the scenario results represent a forecast of the performance of the Company over a given economic scenario, the specific details of the individual scenarios dictate the impact of each of certain risks on SunTrust's income statement, balance sheet, and capital ratios.

The Severely Adverse scenario that underlies SunTrust's DFAST submission is designed to enable a full simulation of the performance of the entire enterprise. To explain the evaluation of risks inherent in SunTrust's Severely Adverse scenario, the following sections provide a brief description of certain risks and how they are addressed within the scenario.

I. Credit Risk

The credit performance of SunTrust's loan portfolio can have a significant impact on earnings. SunTrust estimates and establishes reserves for credit risks and credit losses inherent in its credit exposure (including unfunded credit commitments). This process, which is critical to SunTrust's financial results and condition, requires subjective and complex judgments.

SunTrust projects the effect of credit risk under the three scenarios based on the credit product being evaluated. Broadly speaking, the projected economic environment presents a significant stress on SunTrust's loan and lease portfolio, with asset quality deteriorating and net charge-offs and credit-related noninterest expenses increasing significantly from current levels. It should be noted that the methodologies listed are applied at a more granular level for loss forecasting and aggregated for DFAST disclosure purposes. The types of methodologies employed by product are listed below:

a. First Lien Mortgages

First Lien Mortgage losses are projected using econometrically driven roll-rate models that use variables at various levels of geographic granularity to condition delinquency transition matrices. The matrices define the velocity at which credits "roll" through the various stages of delinquency. These delinquency roll-rates are applied to the portfolio to predict delinquency and default volumes utilizing a Monte Carlo simulation engine. Timing curves are then derived to account for geographic differences in foreclosure timelines, lag and severity of home price deterioration, etc. The forecasting models allow for macroeconomic inputs to be stressed. An example of a stress on the Mortgage portfolio is to estimate the impact on future losses assuming a) home price deterioration, and b) increasing unemployment. Stressing both the incentive and the ability to repay loans results in higher default frequency and loss severity, thereby adversely impacting future losses.

b. Junior Lien Mortgages and HELOCs

Junior Lien Mortgage losses are projected using a similar method to that of First Lien Mortgages. Junior Lien Home Equity Loans and HELOCs also utilize an econometrically driven model that develops loss curves based on vintage seasoning, vintage credit quality and macroeconomic variables, but there are additional idiosyncratic risks that must be taken into consideration for these portfolios. For example, Junior Lien Mortgages and HELOCs typically experience higher loss severity due to subordinated lien positions. The models have the capability to account for these risks and to stress the default frequency and loss severity of loans in these portfolios.

c. C&I and CRE

Credit loss forecasts for C&I and CRE portfolios are both composed of two separate processes: Credit losses on existing Nonperforming Loans ("NPL") and credit losses stemming from loans not currently categorized as NPL.

Existing NPLs are loans already in default; however, the loss severity, and ultimate resolution timing have yet to be determined. NPLs are resolved in the existing framework in one of four ways: charge-off, payoff, transfer to Other Real Estate ("ORE"), or return to accrual. In the interest of conservatism, no projection of loans returning to accruing status is considered in the scenario. Existing NPLs are modeled using a combination of bottom-up loan level forecasts and quantitatively applied assumptions.

Future inflows to NPLs come from defaults in the performing loan portfolio and must transition, migrate, or otherwise move to NPL status before the resolution process begins. Loan level characteristics form the basis of this quantitative approach. Movement to default within the model is a product of selected input parameters such as a default rate, or a transition matrix, in combination with loan probability of default ("PD") risk ratings. Econometric models condition these migration matrices. Determination of the defaults and subsequent charge-offs is driven by loan level information, including structure, line of business, and collateral type. The timing of resolution is driven by empirically-derived estimates based on internal historical experience.

Both C&I and CRE losses are expected to increase under the hypothetical environment, though driven by different factors. C&I lending will be impacted by the general level of business activity, noted in the deterioration of retail sales, rising unemployment, market volatility, and several quarters of negative changes in GDP. Commercial Real Estate lending is also impacted by the general business environment, though the ability of the underlying collateral to create rental income also has an impact on the ability of the borrower to repay. As property values decrease in this scenario, it has a compounding effect on the asset quality, as both loss frequency and severity increase.

d. Credit Cards

SunTrust incorporates an econometrically driven model that develops loss curves based on vintage seasoning, vintage credit quality, and macroeconomic variables. As the economic environment deteriorates, higher loss rates are generated by the Credit Card portfolio.

e. Other Consumer

The Other Consumer category includes Auto Loans, Student Lending, and Consumer Direct Loans. Several techniques are used to estimate losses on these portfolios. The primary methodology is an econometrically driven model that develops loss curves based on vintage seasoning, vintage credit quality and macroeconomic variables. This is functionally similar to the methodology employed for HELOCs, though the granularity (national, regional, state, MSA) at which the forecasts are developed, as well as the variables (GDP, unemployment, home prices, etc.) used to develop the loss curves vary on a per-product basis. In general, losses on these portfolios increase as a result of the projected adverse economic scenario, but they do so in different ways. For example, the vast majority of the Student Loan portfolio is supported by government guarantees that limit the loss content on those loans. Auto Loan performance has shown some measure of resilience over past recessionary periods, with loss rates being less volatile relative to other asset classes, though its loss severities are susceptible to declines in collateral values. Lastly, Consumer Direct is sensitive to changes in unemployment rates.

II. Market Risk/Interest Rate Risk

SunTrust has exposure to market risk in the following areas of the Company: Corporate Treasury, SunTrust Mortgage, Private Wealth Management, and Corporate & Investment Banking ("CIB"). The largest market risk is structural interest rate risk that results from SunTrust's balance sheet positioning. However, the stress scenarios considered do not materially affect the structural interest rate risk profile. Given the deep and liquid two-way markets in interest rates, the Asset & Liability Committee ("ALCO") and Corporate Treasury have significant flexibility, market stresses notwithstanding, to effectively position and adjust SunTrust's interest rate risk profile.

Provided below is a brief description of the methodologies and processes that represent how the hypothetical scenario manifests itself in Market and Interest Rate Risks to SunTrust.

a. Structural Interest Rate Risk

Structural interest rate risk is defined as the exposure from adverse movements in interest rates on the Company's (i) net interest income, which represents the majority of SunTrust's revenue, or its (ii) market value of equity, which reflects the net present value of the cash flows from all on- and off-balance sheet items.

b. Market Risk

SunTrust is exposed to Market Risk in its Corporate & Investment Banking segment, with the impacts manifesting primarily through capital markets activity performed in support of client activity. Losses within these segments derive from negative changes in valuations of trading portfolios along with reduced client activity. Macroeconomic factors including equity indices (e.g. Dow Jones Industrial Average, S&P 500), Treasury & Interest Rate Swap yield curves, Corporate Bond Spreads, Volatility Index (VIX), GDP projections, and CPI indicators are incorporated into estimates of stressed performance under the prescribed scenarios.

In addition, SunTrust Mortgage's income is impacted by Market Risk and Interest Rate Risk. Fluctuations in the value of SunTrust's Mortgage Servicing Rights are driven by changes in the interest rate environment, as the rate environment will influence the refinance volume of the mortgage servicing portfolio, which impacts the future cash flows generated by the aggregate of Mortgage Servicing Rights. SunTrust hedges for these valuation changes; however, the performance of that hedge, as well as the costs associated with the maintenance of the hedge, fluctuates with the changes in the interest rate environment. The interest rate environment also exposes SunTrust to changes in mortgage production income, as refinance and home purchase activity, and consequently fee income, will increase or decrease given movement in mortgage rates.

c. Liquidity Risk

Liquidity risk is related to (i) SunTrust's ability to meet its obligations when they become due and (ii) the liquidity available to sufficiently meet the Company's needs, under either normal or stressed market conditions.

SunTrust employs a governance process for liquidity management to ensure that both the Bank and the Parent Company retain sufficient normal and contingency liquidity to meet projected obligations under a wide range of market conditions. SunTrust assesses the potential for contingency liquidity risk through its monitoring of specified idiosyncratic and systemic risk factors.

SunTrust expects to maintain a robust liquidity position throughout the forecast horizon and to keep sufficient cash and liquid securities positions to fund the Company and meet all of its obligations. This expectation extends to the Severely Adverse scenario, which incorporates the interest environment to determine the cost of funding SunTrust's balance sheet on an ongoing basis, as well as the scheduled payments on all its liabilities.

III. Operational Risk Losses

The Operational loss forecast, in the Severely Adverse scenario, is composed of an aggregation of four primary components: (i) a quantitative operational risk model projection, (ii) stressed legal losses, (iii) litigation expenses, and, (iv) events derived by scenario analysis and augmenting the operational risk loss model projection. SunTrust's estimate of Operational Risk losses takes into account the potential for unforeseen Operational Risk issues that could manifest themselves over the course of the hypothetical scenario.

Qualitative Results – Impacts of Scenarios to Revenue and Expenses

The preceding sections focused on providing insight into the impacts of risks SunTrust faces in its daily operations and how the behavior of those risks is projected over an adverse economic environment. However, not all of the impacts of a given economic scenario manifest themselves through commonly used risk archetypes. The following section provides a discussion of how certain income and expense items would be expected to react in a Severely Adverse scenario, even though changes in behavior of those items is not easily categorized into one of the aforementioned risk categories. Experience has shown that other areas of the Company are impacted by degradation in the economic environment and will suffer changes in performance based on the hypothetical stress scenario. The section that follows provides an overview of how SunTrust leverages that experience, creating models, processes, and techniques that are used to derive the results for income and expense.

I. Net Interest Income

Changes in the underlying interest rate environment, the competitive environment, or the amount of assets or liabilities held affect net interest income and the Company's earnings. The hypothetical interest rate environment of the Severely Adverse scenario is used to estimate the behavior of SunTrust's assets and liabilities, calculating forward net interest income.

a. Loans and Other Interest Earning Assets

SunTrust uses a cash flow modeling engine to derive net interest income. This engine contains the underlying rate indices, including rates for Fed Funds, Prime, LIBOR, U.S. Treasuries, and Mortgages, along with product-specific drivers such as pricing indices, prepayment assumptions and maturity. The Severely Adverse scenario incorporates a low interest rate environment, which results in low loan yields. Loan balances are projected to decline slightly over the course of this scenario given the deteriorating economic climate, as businesses forego expansion plans and consumers deleverage.

b. Deposits & Other Interest Bearing Liabilities

SunTrust forecasts the quarterly growth rates in deposit balances using a series of quantitative models. The suite of models used to forecast deposit balances incorporates key macroeconomic drivers, including the S&P 500, CPI growth, LIBOR/swap rates and spreads, and U.S. Treasury yields and spreads. Deposit balances by product are combined with forecast interest rates paid to determine total interest expense. Moreover, the forecast deposit balances inform projections for a number of other forecasts, including non-interest income items. Deposit balance growth is constrained throughout the scenario due to deteriorating economic conditions. The low interest rate environment projected in the Severely Adverse scenario results in continued low deposit rates. Notably, the significant noninterest bearing deposit inflow experienced in the last economic recession is not assumed to repeat.

II. Primary Noninterest Income Items

a. Retail and Small Business Deposits

Noninterest income from Retail and Small Business Deposits is comprised of non-sufficient funds ("NSF") / overdraft fees, debit interchange, and other deposit related fees (e.g. Automated Teller Machine fees). The primary macroeconomic drivers affecting retail and small business noninterest income are unemployment rates, house prices, CCI, and GDP. Company specific income drivers include the number of consumer and small business checking accounts, average account balances, the number of NSF incidents (incident rate), and the number of debit card transactions. The reduction in business and consumer transaction volume that is projected under the Severely Adverse scenario decreases the incidence of fee-based activity, reducing noninterest income for service charges and fees.

b. Mortgage Production & Servicing Income

Noninterest Income for Mortgage consists primarily of three areas: Production, Servicing, and Provisions to Repurchase Reserves/Liabilities for Residential Mortgage Representations and Warranties.

With respect to production income, there are two primary components to Mortgage Production Income: (i) the gain or loss on the sale of mortgage loans; and (ii) other production-related income, including origination fee income. Both of these components decline from the levels of income preceding the forecast period.

Servicing income for residential mortgages is comprised of several components including: Servicing fees, hedge value changes, decay, and the total value change of Mortgage Servicing Rights. Servicing income is negatively impacted by the deteriorating economic environment, and in particular, home prices and unemployment.

As a final component of Mortgage Production Income, albeit on a contra basis, there is a projected increase in Repurchase Provision arising from representations and warranties made in connection with the sale of mortgage loans to investors. SunTrust is required to record a liability for loss contingencies related to sold loans.

c. Investment Banking and Sales & Trading

Included within Investment Banking are Advisory Services, Equity Capital Markets, Debt Capital Markets, and Syndicated/Corporate Lending. Sales & Trading noninterest income is comprised of Equities, Fixed Income (including the sub-categories of Credit, Rates, and Other), Commodities, and Prime Brokerage. Projected results under the Severely Adverse scenario are driven by a combination of the projected size of the market and macroeconomic factors including Equity Indices (Dow Jones Industrial Average and/or S&P 500), Equity Volatility, Treasury & Interest Rate Swap yield curves, Corporate Bond Spreads, the Volatility Index (“VIX”), GDP projections, Unemployment Rate projections, and CPI indicators. Both Investment Banking and Sales & Trading income are negatively impacted in the stressed scenarios, primarily driven by lower levels of client activity.

d. Investment Management

Historically, noninterest income from this segment has closely followed the performance of the broader economy, and more specifically, the performance of fixed income and equity indices. In determining Investment Management income, Assets Under Management are the primary driver, since income is primarily generated from asset management fee schedules instead of transaction-based or performance-sharing programs. Given the relationship between this business segment and the performance of fixed income and equity markets, there is a decline in investment management income in the Severely Adverse scenario.

III. Primary Non Interest Expense Items

a. Compensation

Compensation expense is forecast using several driver-based techniques that incorporate historical relationships between the segments of compensation expense, income statement items, as well as Full Time Employee (“FTE”) projections under each of the scenarios. Changes to FTE counts are expected to vary by business function depending on the role of the function, internal strategic initiatives, and the macroeconomic environment via changes in labor force participation rates, unemployment, and GDP.

b. Operational Risk Expense

Incorporated into the Operational Risk Expense category are Operational Risk Losses, Legal Losses, and Litigation Expense. The methodology used for Operational Risk Losses is described earlier in this document, in Section III of the Qualitative Results - Key Risks Included in the Severely Adverse scenario. Operational Risk Expense increases materially over the course of the scenario, owing to the deteriorated operating environment, but also in part to the occurrence of hypothetical large operational risk losses that are included as part of the Operational Risk Expense projection.

IV. Provision Expense

SunTrust estimates the Allowance for Loan and Lease Losses ("ALLL") through the use of analytics and management judgment. The nine-quarter forecasted provision expense covers forecasted net charge-offs plus the change in forecasted ALLL over the nine-quarter forecast horizon. Note that forecasted ALLL levels do not incorporate perfect foresight in respect to incurred portfolio losses, consistent with current GAAP and SR 06-17.

Discussion of Overlays and Judgment

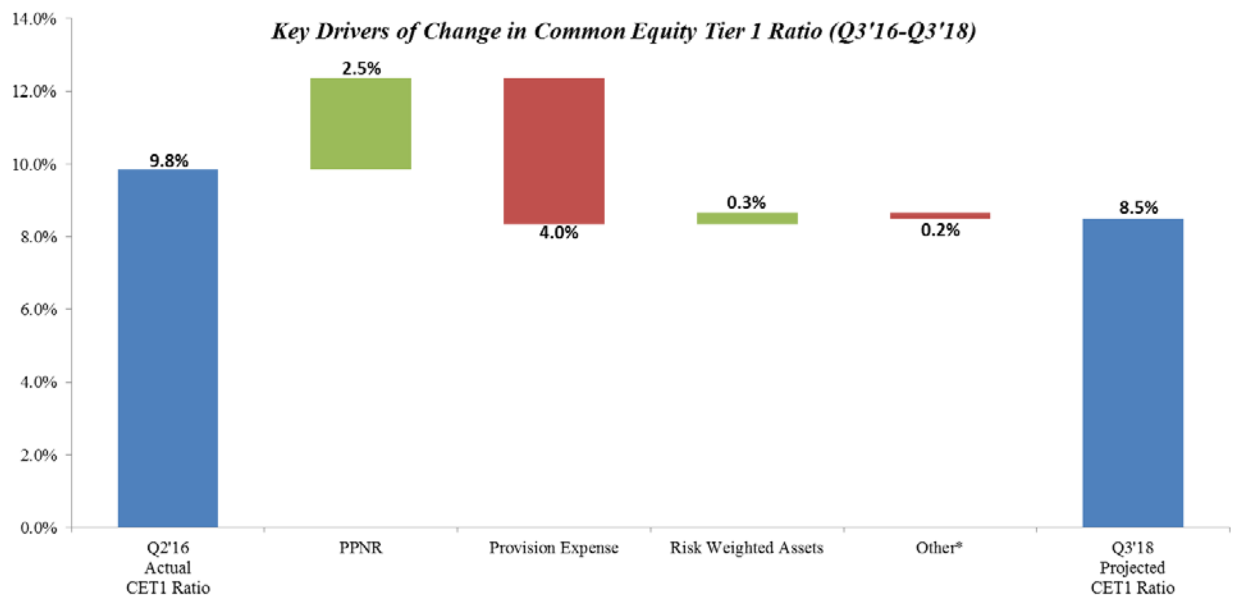
While SunTrust's DFAST submission relies heavily on quantitative models, the value of management input and judgment cannot be discounted. This is particularly true with respect to the impact of strategic initiatives and qualitative overlays.

To ensure consistency within the scenarios, SunTrust has a thorough and heavily governed challenge process to incorporate overlays and adjustments to modeled outputs. This process is designed to foster candid, informed, and effective challenge to forecast results at several levels of review. The execution of the challenge process may result in overlays and adjustments to modeled output at several points in the process.

Changes in Capital and Capital Ratios

Throughout the nine-quarter horizon of the Severely Adverse scenario, SunTrust's capital levels are projected to well exceed regulatory and internal limits. For each quarter within the stress test horizon, equity capital estimates are generated by incorporating the after-tax net income and the prescriptive standardized capital actions over the course of that quarter into the equity capital position of the preceding quarter. Items excluded for regulatory capital purposes, most notably Goodwill and AOCI, are then deducted from the equity capital balance. The projected risk-weighted assets are then used to generate the pro-forma capital ratios used to determine SunTrust's capital adequacy.

Shown below, under the hypothetical Severely Adverse scenario, SunTrust's Common Equity Tier 1 Ratio would be projected to decline approximately 130 basis points from June 30, 2016 through September 30, 2018. The primary driver for this reduction in capital levels is provision expense of $6.8 billion exceeding $4.3 billion of PPNR.



**Other includes impact of Taxes and DFAST Standardized Capital Actions*
Totals may not foot due to rounding

Summary

Results of SunTrust's Mid-Year Dodd-Frank Act Stress Test indicate that the Company has sufficient financial resources at its disposal to successfully navigate a severe and protracted economic downturn and will maintain capital levels that exceed regulatory and internal minimums throughout the course of the Severely Adverse scenario. SunTrust considers the possible emergence of the Severely Adverse scenario to be remote, and expects the economic scenario that does materialize over the course of the forecast horizon to be materially more positive.

Further, the results of the scenario simulation reflect certain assumptions prescribed by rules or instructions issued by the Federal Reserve Board that may not be consistent with SunTrust's practices over the normal course of business, even under adverse economic scenarios. For instance, the standardized capital actions prescribed by the Dodd-Frank Act hypothetically supersede the execution of SunTrust's current capital plan. Importantly, given the emergence of a severe economic downturn and potential capital erosion, the Company would likely take certain capital conservation actions consistent with its internal policies, including a submission of a revised capital plan with an amended set of more conservative actions.

Important Cautionary Note

As noted above, SunTrust's disclosures of projected results, risks, and assumptions are hypothetical and made pursuant to the requirements of the Federal Reserve's DFAST and related instructions. These scenarios and assumptions do not necessarily reflect SunTrust's future expectations. These statements including statements regarding projected capital levels, likely risks, and projected macroeconomic conditions under specific, hypothetical scenarios are forward-looking statements. Also any statement that does not describe historical or current facts is a forward-looking statement. These statements often include the words "believes," "expects," "anticipates," "estimates," "intends," "plans," "goals," "targets," "initiatives," "potential" or "potentially," "probably," "projects," "outlook" or similar expressions or future conditional verbs such as "may," "will," "should," "would," and "could." Such statements are either based upon the current beliefs and expectations of management and on information currently available to management, or upon hypothetical assumptions required under DFAST. Such statements speak as of the date hereof, and we do not assume any obligation to update these statements or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events. Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward-looking statements. We list some of the factors that could cause actual results to differ materially from those described in the forward-looking statements in Item 1A of Part I of our 10-K and in other periodic reports that we file with the SEC.