

STATEMENT OF FINANCIAL CONDITION AND
SUPPLEMENTAL INFORMATION

SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)
Unaudited as of June 30, 2018

SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Financial Statements and Supplemental Information

Unaudited as of June 30, 2018

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SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Statement of Financial Condition

Unaudited as of June 30, 2018
(In Thousands, Except Share Amounts)

Assets	
Cash and cash equivalents	\$ 7,413
Securities segregated under Federal and other regulations	29,815
Deposits with clearing organizations	35,997
Receivables from brokers and dealers	13,691
Customer receivables	10,500
Due from related parties	56
Securities purchased under agreements to resell	785,006
Securities borrowed	544,584
Securities owned:	
U.S. government and agency obligations	988,946
Corporate debt and other securities	886,214
Commercial paper	114,313
State and municipal obligations	27,242
Total securities owned (including encumbered securities of \$1,097,608)	<u>2,016,715</u>
Goodwill	131,440
Accrued interest and other income receivable	66,592
Net deferred tax assets	19,019
Income tax receivable from Parent	23,891
Furniture, equipment, and leasehold improvements, less accumulated depreciation and amortization of \$66,803	13,377
Net receivables for unsettled securities transactions	260,603
Other assets	6,248
Total assets	<u><u>3,964,947</u></u>
Liabilities and shareholder's equity	
Liabilities	
Securities sold under agreements to repurchase	1,375,449
Securities sold but not yet purchased	1,275,904
Lines of credit payable to related parties	143,853
Accrued interest payable and other liabilities	28,247
Accrued compensation and benefits	55,531
Payables to brokers and dealers	8,753
Customer payables	4,555
Due to related parties	8,894
Total liabilities	<u>2,901,186</u>
Shareholder's equity	
Common stock, \$1 par value; 100,000 shares authorized, issued, and outstanding	100
Additional paid-in capital	596,370
Retained earnings	467,291
Total shareholder's equity	<u>1,063,761</u>
Total liabilities and shareholder's equity	<u>\$ 3,964,947</u>

The accompanying notes are an integral part of this financial statement.

SunTrust Robinson Humphrey, Inc.
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Statement of Changes in Shareholder's Equity

Unaudited as of June 30, 2018

(In Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, January 1, 2018	\$ 100	\$ 596,370	\$ 492,510	\$ 1,088,980
Cummulative effect adjustment related to ASU adoption ¹	-	-	(710)	(710)
Net Income	-	-	25,491	25,491
Cash dividend paid to Parent	-	-	(50,000)	(50,000)
Balance, June 30, 2018	<u>\$ 100</u>	<u>\$ 596,370</u>	<u>\$ 467,291</u>	<u>\$ 1,063,761</u>

¹ Related to the Company's adoption of ASU 2014-09 on January 1, 2018. See Note 3, "Accounting Policies Recently Adopted and Pending Accounting Pronouncements," for additional information.

The accompanying notes are an integral part of this financial statement.

SunTrust Robinson Humphrey, Inc.
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Notes to Statement of Financial Condition

Unaudited as of June 30, 2018

1. Organization and Nature of Business

SunTrust Robinson Humphrey, Inc. (the Company) is a wholly owned subsidiary of SunTrust Banks, Inc. (the Parent). The Company's operations consist of buying and selling securities for its customers and its own account and certain underwriting and other brokerage activities. The corporate finance function arranges public and private debt and equity placement services and other products for its customers. In addition, the Company is an active underwriter of debt for municipalities and not-for-profit institutions. The Company is registered with the Securities and Exchange Commission (SEC) as a broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA).

The Company self-clears fixed-income transactions. The Company introduces equity transactions on a fully disclosed basis through a third-party clearing broker.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Subsequent Events

The Company evaluated subsequent events through the date its financial statements were issued. Based upon this evaluation, it was determined, except as disclosed, that no additional material events or transactions occurred that require recognition or disclosure in these financial statements.

Cash and Cash Equivalents

The Company has defined cash and cash equivalents as highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business. The carrying amounts of cash and cash equivalents approximate their fair values.

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Notes to Statement of Financial Condition (continued)

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Collateralized Securities Transactions

Securities purchased under agreements to resell and securities sold under agreements to repurchase are carried at the contractual amounts at which the securities will be subsequently resold or repurchased. It is the Company's policy to take possession of or control of securities purchased under agreements to resell at the time these agreements are entered into. The counterparties to these agreements typically are primary dealers of U.S. government securities and financial institutions. Collateral is valued daily, and additional collateral is obtained from or refunded to counterparties when appropriate.

Securities borrowed result from transactions with other broker-dealers or financial institutions and are recorded at the amount of cash collateral advanced. These amounts are included in securities borrowed in the statement of financial condition. Securities borrowed transactions require the Company to deposit cash with the lender. The Company monitors the fair value of securities borrowed on a daily basis, with additional collateral obtained or refunded as necessary.

Interest accrued on securities purchased under agreements to resell and securities borrowed transactions is included in accrued interest and other income receivable in the statement of financial condition and interest income in the statement of comprehensive income. Interest accrued on securities sold under agreements to repurchase is included in accrued interest payable and other liabilities on the statement of financial condition and interest expense in the statement of comprehensive income. The carrying amount of collateralized securities transactions is deemed to be a reasonable estimate of their fair value.

Securities Owned and Securities Sold But Not Yet Purchased

Securities transactions and related gains and losses are recorded on a trade date basis. Unless otherwise indicated, trading assets are priced by the trading desk and independently validated against pricing received from third party pricing sources. Equity securities owned are valued at the last reported price on the exchange that they trade. Securities not readily marketable are valued at their estimated fair value based on quoted bid prices or pricing models, as determined by management; except for short positions for which the last quoted ask price is used. Amounts receivable and payable for securities transactions that have not reached their contractual final settlement date are recorded net in net receivables for unsettled securities transactions on the statement of financial condition.

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2018

Deposits with Clearing Organizations

Participants in clearing organizations are required to maintain a minimum cash deposit as part of their daily clearing fund requirement. The calculation of the amount required to be on deposit is based on the outstanding trades through the clearing organization.

Furniture, Equipment, and Leasehold Improvements

Furniture and equipment are recorded at historical cost. Depreciation is computed predominantly using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are recorded at historical cost. Amortization is computed using the straight-line method over the lesser of the economic useful life of the improvement or the term of the lease. The Company reviews its long-lived assets, primarily leasehold improvements and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. There were no such impairments for the six months ended June 30, 2018.

Goodwill

The Company reviews goodwill on an annual basis for impairment and as events occur or circumstances change that would more-likely-than-not reduce the fair value below its carrying amount. There were no such impairments for the six months ended June 30, 2018.

Income Taxes

The Company is included in the consolidated federal income tax return and various consolidated or combined state income tax returns filed by the Parent. In accordance with the Tax Allocation Agreement applicable to the Parent and each of its subsidiaries, the Company's income taxes are calculated as if the Company filed separate income tax returns with appropriate adjustments to properly reflect the impact of a consolidated filing. Payments to tax authorities are made by the Parent.

Related Party Transactions

The Company engages in various transactions with SunTrust Bank (STB), which provides certain management services and staff support functions for all of its affiliates, and the Company pays a fee based on the corporate service agreement. The Company pays negotiated referral fees to STB for sales involving customers of such entities and the Company earns revenue from the

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Notes to Statement of Financial Condition (continued)

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Parent and affiliates for providing certain corporate finance, underwriting, and trading services based on the terms within the agency services agreement.

3. Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”, which was amended in December 2016 with ASU 2016-20, “Technical Corrections and Improvements to Topic 606, *Revenue from Contracts with Customers*.” These ASUs supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the Codification. The core principle of these ASUs are that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted these ASUs on a modified retrospective basis beginning January 1, 2018. Upon adoption the cumulative effect of applying these ASUs was recognized as a \$710 thousand adjustment to the January 1, 2018 balance of retained earnings.

In February 2016, the FASB issued ASU 2016-02, “Leases.” This ASU creates ASC Topic 842, and supersedes Topic 840. The ASU requires lessees to recognize right-of-use assets and associated liabilities that arise from leases and associated liabilities that arise from leases, with the exception of short-term leases. The ASU does not make significant changes to lessor accounting; however, there were certain improvements made to align lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*. There are several new qualitative and quantitative disclosures required. Upon transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective transition approach or to apply the modified retrospective approach with an additional, optional transition method that initially applies this ASU as of the adoption date and recognizes a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The standard will become effective for annual periods beginning after December 15, 2018. The adoption of this ASU will result in an increase to the statement of financial condition for right-of-use assets and associated lease liabilities arising from operating leases in which the Company is the lessee. The amount of the right-of-use assets and associated lease liabilities recorded upon adoption will be based primarily on the present value of unpaid future minimum lease payments, the amount of which will depend on the population of leases in effect at the date of adoption. At June 30, 2018, the Company’s estimate of its right-of use asset and lease liability would be \$27 million and \$37 million respectively on the statement of financial condition upon adoption.

In January 2017, the FASB issued ASU 2017-04, “Intangibles-Goodwill and Other.” This ASU amends ASC Topic 350, *Intangibles-Goodwill and Other*, to simplify the subsequent

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measurement of goodwill, by eliminating Step 2 from the goodwill impairment test. The amendments require an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The Company is a single reporting unit where all the assets and liabilities have been assigned to the single reporting unit. Entities should recognize an impairment charge for the amount by which the reporting unit's carrying amount exceeds its fair value, but the loss recognized should not exceed the total amount of goodwill allocable to that reporting unit. This ASU must be applied on a prospective basis. The standard will become effective for annual periods beginning after December 15, 2019. Based on the Company's most recent annual goodwill impairment test performed as of October 1, 2017, there was no impairment noted, as the fair value of the reporting unit exceeded its carrying amount; therefore, this ASU would not currently have an impact on the Company's financial statements. However, if upon adoption, the carrying amount of the reporting unit exceeds its fair value, the Company would be required to recognize an impairment charge for the amount that the carrying value exceeds the fair value.

4. Securities Segregated Under Federal and Other Regulations

At June 30, 2018, a U.S. Treasury security with a fair value of \$29.8 million has been segregated in a special reserve account for the exclusive benefit of customers of the Company under SEC Rule 15c3-3.

5. Securities Purchased Under Agreements to Resell, Securities Borrowed, and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell and securities sold under agreements to repurchase are collateralized primarily by U.S. government or agency securities. Securities borrowed are collateralized primarily by corporate securities. These securities purchased under agreements to resell, securities borrowed, and securities sold under agreements to repurchase are carried at the amounts at which the securities will be subsequently resold or repurchased. Securities borrowed are primarily used to cover firm short positions. Securities purchased under agreements to resell are used to cover firm short positions or are subsequently sold under agreements to repurchase to earn a spread. Securities sold under agreements to repurchase are primarily used to fund firm trading inventory. The Company takes possession of all securities purchased under agreements to resell and securities borrowed and performs appropriate margin evaluation on the acquisition date based on market volatility, as necessary. On the acquisition date of these securities, the Company and the related counterparty agree on the amount of collateral required to secure the principal amount loaned under these arrangements. The Company monitors collateral values daily and calls for additional collateral to be provided as warranted under the aforementioned agreement. The Company has policies and procedures to manage market risk associated with client trading and assumes a limited degree of market risk by

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Notes to Statement of Financial Condition (continued)

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managing the size and nature of its exposure. At June 30, 2018, the Company had accepted collateral with a fair value of \$1.3 billion that the Company is permitted to sell or repledge and had repledged \$138 million of that collateral. The Company has pledged \$1.1 billion of certain securities owned to secure \$1.0 billion of repurchase agreements as of June 30, 2018.

The following is a summary of repurchase agreements and the fair market value of related collateral pledged as of June 30, 2018 (in thousands):

	Contract	Accrued Interest	Total Contract	Fair Market Value of Collateral	Average Rate
Overnight maturities:					
U.S. government and agency obligations	\$ 712,283	\$ 284	\$ 712,567	\$ 723,147	1.66%
Corporate debt and other securities	359,926	182	360,108	384,132	2.11%
Term ≤ 30 days:					
U.S. government and agency obligations	116,771	\$ 58	116,829	120,494	2.06%
Corporate debt and other securities	146,469	\$ 82	146,551	156,644	2.35%
Term > 30 days:					
Corporate debt and other securities	40,000	\$ 28	40,028	46,156	2.90%
	<u>\$ 1,375,449</u>	<u>\$ 634</u>	<u>\$ 1,376,083</u>	<u>\$ 1,430,573</u>	

Securities purchased under agreements to resell and securities sold under agreements to repurchase are governed by a master repurchase agreement. Under the terms of the master repurchase agreement, all transactions between the Company and the counterparty constitute a single business relationship such that in the event of default, the nondefaulting party is entitled to set off claims and apply property held by that party in respect of any transaction against obligations owed. Any payments, deliveries, or other transfers may be applied against each other and netted. These amounts are limited to the contract asset/liability balance, and accordingly, do not include excess collateral received/pledged. None of the Company's repurchase and reverse repurchase transactions met the right of setoff criteria at June 30, 2018.

The following table includes the amount of collateral pledged or received related to exposures subject to enforceable Master Repurchase Agreements as of June 30, 2018. While these agreements are typically over-collateralized, U.S. GAAP requires disclosure in this table to limit the amount of such collateral to the amount of the related recognized asset or liability for each counterparty.

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2018

<i>(In thousands)</i>	Gross Amount	Amount Offset	Net Amount Presented in the Statement of Financial Condition	Held/Pledged Financial Instruments	Net Amount
Assets					
Securities purchased under agreements to resell	\$ 785,006	\$ -	\$ 785,006	\$ 782,990	\$ 2,016
Securities borrowed	544,584	-	544,584	527,600	16,984
Total Assets	\$ 1,329,590	\$ -	\$ 1,329,590	\$ 1,310,590	\$ 19,000
Liabilities					
Securities sold under agreements to repurchase	\$ 1,375,449	\$ -	\$ 1,375,449	\$ 1,374,630	\$ 819
Total Liabilities	\$ 1,375,449	\$ -	\$ 1,375,449	\$ 1,374,630	\$ 819

6. Fair Value of Financial Instruments

The Company's recurring fair value measurements are based on a requirement to carry certain assets and liabilities at fair value. The carrying value of financial instruments presented on the statement of financial condition that are not measured at fair value approximates fair value. Assets and liabilities that are required to be measured at fair value on a recurring basis include securities owned, securities segregated under Federal and other regulations, and securities sold but not yet purchased, and are classified as level 1, 2, or 3 within the fair value hierarchy as follows:

Level 1 – Assets or liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date, such as publicly-traded instruments or futures contracts.

Level 2 – Assets and liabilities valued based on observable market data for similar instruments.

Level 3 – Assets and liabilities for which significant valuation assumptions are not readily observable in the market. Instruments are valued based on the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. The assumptions used to estimate the value of an instrument have varying degrees of impact to the overall fair value of the asset or liability. This process involves gathering multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other similar securities, market indices, and pricing matrices, along with employing various modeling techniques such as discounted cash flow analyses, in arriving at the best estimate of fair value. Any model used to produce material

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financial reporting information is required to have a satisfactory independent review performed on an annual basis, or more frequently, when significant modifications to the functionality of the model are made. This review is performed by an internal group that separately reports to the Corporate Risk Function of the Parent.

The Company has formal processes and controls in place to ensure the appropriateness of all fair value estimates. For fair values obtained from a third party, there is an internal independent price validation function within the organization that provides oversight for fair value estimates. For level 2 instruments and certain level 3 instruments, the validation generally involves evaluating pricing received from two or more other third party pricing sources that are widely used by market participants. The Company reviews pricing validation information from both a qualitative and quantitative perspective and determines whether pricing differences exceed acceptable thresholds. If the pricing differences exceed acceptable thresholds, then the Company reviews differences in valuation approaches used at each pricing service, which may include contacting that pricing service to gain further information on the valuation of a particular security or class of securities, to determine the ultimate resolution of the pricing variance, which could include an adjustment to the price used for financial reporting purposes. The Company classifies instruments as level 2 in the fair value hierarchy when it is able to determine that external pricing sources are using similar instruments trading in the markets as the basis for estimating fair value. One way the Company determines this is by the number of pricing services that will provide a quote on the instrument along with the range of values provided by those pricing services. A wide range of quoted values may indicate that significant adjustments to the trades in the market are being made by the pricing services. The Company maintains a cross-functional approach when the fair value estimates for level 3 trading assets and liabilities are internally developed, since the selection of unobservable inputs is subjective. This cross-functional approach includes input on assumptions not only from the related line of business, but also from risk management and finance. A consensus of the estimate of the instrument's fair value is reached after evaluating all available information pertaining to fair value. Inputs, assumptions and overall conclusions on internally priced level 3 valuations are formally documented on a quarterly basis.

The classification of an instrument as level 3 involves judgment and is based on a variety of subjective factors. These factors are used in assessing whether a market is inactive, resulting in the application of significant unobservable assumptions in the valuation of a financial instrument. A market is considered inactive if significant decreases in the volume and level of activity for the asset or liability have been observed. In determining whether a market is inactive, the Company evaluates such factors as the number of recent transactions in either the primary or secondary markets, whether price quotations are current, the nature of the market participants, the variability of price quotations, the significance of bid/ask spreads, declines in (or the absence of) new issuances, and the availability of public information. Inactive markets necessitate the use of additional judgment when valuing financial instruments, such as pricing matrices, cash flow

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Notes to Statement of Financial Condition (continued)

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modeling, and the selection of an appropriate discount rate. The assumptions used to estimate the value of an instrument where the market was inactive are based on the Company's assessment of the assumptions a market participant would use to value the instrument in an orderly transaction and includes consideration of illiquidity in the current market environment.

The following table presents securities segregated under Federal and other regulations, securities owned, and securities sold but not yet purchased measured at fair value on a recurring basis:

<i>(In Thousands)</i>	Fair Value Measurement at June 30, 2018 Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets / Liabilities
Securities segregated under Federal and other regulations:				
U.S. government and agency obligations	\$ 29,815	\$ -	\$ -	\$ 29,815
Securities owned:				
U.S. government and agency obligations	\$ 53,278	\$ 935,668	\$ -	\$ 988,946
State and municipal obligations	-	27,242	-	27,242
Corporate debt and other securities	13,973	872,241	-	886,214
Commercial paper	-	114,313	-	114,313
Total securities owned	\$ 67,251	\$ 1,949,464	\$ -	\$ 2,016,715
Securities sold but not yet purchased:				
U.S. government and agency obligations	\$ 726,920	\$ 1,540	\$ -	\$ 728,460
Corporate debt and other securities	13,711	533,733	-	547,444
Total securities sold but not yet purchased	\$ 740,631	\$ 535,273	\$ -	\$ 1,275,904

The Company's policy for recording transfers into and out of the fair value hierarchy levels is that they are assumed to occur at the end of the period in which the transfers occurred. For the six months ended June 30, 2018, there were no transfers between levels.

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Notes to Statement of Financial Condition (continued)

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U.S. government and agency obligations

U.S Treasury Securities and agency obligations

The Company classifies U.S. Treasury securities as level 1. Securities issued by federal agencies consist of debt obligations issued directly by Fannie Mae, Freddie Mac, FHLB, and FFCB in addition to debt obligations collateralized by loans that are guaranteed by the Small Business Administration (SBA) and are, therefore, backed by the full faith and credit of the U.S. government. These debt obligations are classified as level 2 in the fair value hierarchy. For SBA instruments, the Company estimated fair value based on pricing from observable trading activity for similar securities or obtained fair values from a third party pricing service; accordingly, the Company has classified these instruments as level 2.

Securities issued by GSEs such as Fannie Mae and Freddie Mac are not explicitly guaranteed by the U.S. government; however, the GSEs carry an implied rating commensurate with that of U.S. government obligations and may be required to maintain such rating through its agency agreement. In certain instances, the U.S. Treasury owns the senior preferred stock of these enterprises and has made a commitment under that stock purchase agreement to provide these GSEs with funds to maintain a positive net worth.

Pass-through securities and collateralized mortgage obligations issued by GSEs and U.S. government agencies, such as Fannie Mae, Freddie Mac, and Ginnie Mae each contain a guarantee by the issuing GSE or agency. For agency mortgage-backed securities, the Company estimated fair value based on pricing from observable trading activity for similar securities or obtained fair values from a third party pricing service; accordingly, the Company has classified these as level 2.

To-Be-Announced (TBA) Securities

Securities transactions that are scheduled to settle beyond the normal settlement date are considered forward contracts and, therefore, are not reflected in securities owned or securities sold but not yet purchased in the statement of financial condition. The Company enters into various off-balance sheet financial instruments of this nature involving agency mortgage-backed, to-be-announced (TBA) securities. These instruments are used to meet the needs of customers and manage market risks. The net unrealized gains and losses on these transactions are classified as level 2 in the fair value hierarchy and are reflected in securities owned and securities sold but not yet purchased on the statement of financial position, and are subject to varying degrees of market and counterparty credit risk. The Company estimates fair value on these securities based on pricing from observable trading activity of similar securities or from a third party pricing service. At June 30, 2018, the Company had net TBA commitments to sell of \$295.7 million,

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resulting in net unrealized gains of \$136 thousand which are recorded in securities owned as well as net unrealized losses of \$1.5 million which are recorded in securities sold but not yet purchased on the statement of financial condition.

State and municipal obligations

The Company's investments in U.S. state and municipal obligations include obligations of county and municipal authorities and agency bonds, which are general obligations of the municipality or are supported by a specified revenue source and are predominantly highly rated. Holdings are geographically dispersed with no significant concentrations in any one state or municipality. The Company derives value for these obligations based on trading activity in secondary markets and new issue pricings in the primary market. These obligations are classified as level 2 in the fair value hierarchy.

Corporate debt and other securities

Corporate debt securities are predominantly debt obligations of domestic corporations and are classified as level 2. The Company estimates the fair value of corporate debt securities based on observable pricing from executed trades of similar instruments.

Commercial paper

The Company trades commercial paper (CP) that is generally short-term in nature (less than 30 days) and highly rated. The Company estimates the fair value of the CP based on observable pricing from executed trades of similar instruments and it is, therefore, classified as level 2 in the fair value hierarchy.

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Notes to Statement of Financial Condition (continued)

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7. Premises and Equipment

Premises and equipment consisted of the following (in thousands):

	Useful Life	As of June, 30 2018
Leasehold improvements	1-30 years	\$ 20,601
Furniture and equipment	1-20 years	59,042
Construction-in-process		537
		80,180
Less: Accumulated depreciation		(66,803)
Total premises and equipment		\$ 13,377

The Company leases certain office facilities and equipment under noncancelable leases that expire through 2025, some of which have stated rate increases. In addition, the Company has various obligations, mostly monthly commitments of less than one year, under other equipment leases. Minimum rental commitments on noncancelable leases for each of the following years ending June 30 are as follows (in thousands):

2019	\$ 8,289
2020	8,405
2021	9,760
2022	9,919
2023	5,975
Thereafter	2,222
Total minimum lease payments	\$ 44,570

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Notes to Statement of Financial Condition (continued)

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8. Securities Sold But Not Yet Purchased

Sales of securities not yet purchased represent an obligation of the Company to deliver specified securities at a predetermined date and price. The Company will be obligated to acquire the required securities at prevailing market prices in the future to satisfy this obligation. Securities sold but not yet purchased consisted of the following at June 30, 2018 (in thousands):

U.S. government and agency obligations	\$ 728,460
Corporate debt and other securities	547,444
	<u>\$ 1,275,904</u>

9. Employee Benefits

The Company participates in employee benefit plans of the Parent for the benefit of substantially all employees of the Company, which includes participation in the stock-based awards of the Parent through the SunTrust Banks, Inc. 2009 Stock Plan (as amended and restated effective January 1, 2014), under which the Parent's Compensation Committee of the Board of Directors has the authority to grant stock options, stock appreciation rights, restricted stock, phantom stock units, and restricted stock units, of which some may have performance or other conditions, such as vesting tied to the Parent's total shareholder return relative to a peer group, or vesting tied to the achievement of an absolute financial performance target. All incentive awards are subject to clawback provisions.

In prior years, stock options were granted at an exercise price which was no less than the fair value of a share of SunTrust Banks, Inc. common stock on the grant date and were either tax-qualified incentive stock options or nonqualified stock options. Stock options typically vested pro-rata over three years and generally had a maximum contractual life of 10 years. Upon option exercise, shares are issued to employees from the Parent's treasury stock.

Shares or units of restricted stock may be granted to employees and directors. Generally, grants to employees either cliff vest after three years or vest pro-rata annually over three years. Restricted stock and restricted stock units grants may be subject to one or more criteria, including employment, performance, or other conditions as established by the Parent's Compensation Committee at the time of grant. An employee or director has the right to vote the shares of restricted stock after grant unless, and until, they are forfeited. Compensation cost for restricted stock and restricted stock units is generally equal to the fair value of the shares on the grant date of the award and is amortized to compensation expense over the vesting period.

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Dividends are paid on awarded but unvested restricted stock. The Parent allocates restricted stock expense to the Company.

10. Transactions with Related Parties

During the six months ended June 30, 2018, the Company engaged in various transactions with STB, which provides certain management services and staff support functions for its affiliates. The total costs for these services are allocated among the affiliates in accordance with a corporate services agreement. In addition, the Company pays various negotiated referral fees to STB for sales involving customers of STB.

Balances with respect to related parties at June 30, 2018, are (in thousands):

Cash and cash equivalents	\$	7,413
Due from related parties		56
Income tax receivable from Parent		23,891
Securities owned		64,676
Due to related parties		8,894
Lines of credit payable to related parties		143,853

As of June 30, 2018, the Company had a \$300 million unsecured demand revolving line of credit with the Parent. The line of credit has a stated interest rate at the Parent's monthly average cost of funds, which was 2.97% at June 30, 2018, with interest due monthly. At June 30, 2018, the outstanding balance on this unsecured line of credit was \$125 million and is included in lines of credit payable to related parties in the statement of financial condition.

The Company also has a \$400 million committed unsecured line of credit with STB. The line of credit has a stated interest rate equal to one month LIBOR plus 1.75% per annum. The interest rate at June 30, 2018 was 3.84%, with interest due monthly. At June 30, 2018, the outstanding balance was \$13.9 million and is included in lines of credit payable to related parties in the statement of financial condition.

The Company also has a \$5 million overdraft facility note with STB. The overdraft facility has a stated interest rate equal to STB's overnight cost of funds at the date of advance plus ten basis points. Advances and accrued interest under the facility are due the following business day. At June 30, 2018, there was \$5 million of outstanding borrowings under the facility.

SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2018

11. Commitments and Contingencies

Litigation and Regulatory Matters

In the ordinary course of business, the Company is party to numerous civil claims and lawsuits and subject to regulatory examinations, investigations, and requests for information. Some of these matters involve claims for substantial amounts. The Company's experience has shown that the damages alleged by plaintiffs or claimants are often overstated, based on unsubstantiated legal theories, unsupported by facts, and/or bear no relation to the ultimate award that a court might grant. Additionally, the outcome of litigation and regulatory matters and the timing of ultimate resolution are inherently difficult to predict. These factors make it difficult for the Company to provide a meaningful estimate of the range of reasonably possible outcomes of claims in the aggregate or by individual claim. However, on a case-by-case basis, an accrual is established for those legal claims in which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. The actual costs of resolving these claims may be substantially higher or lower than the amounts accrued. This does not represent the Company's maximum loss exposure. For these, and other matters, where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated.

Based on current knowledge, it is the opinion of management that liabilities arising from legal claims in excess of the amounts currently accrued, if any, will not, individually or in the aggregate, have a material impact on the Company's financial condition, comprehensive income, or cash flows. However, in light of the significant uncertainties involved in these matters and the large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's financial condition, comprehensive income, or cash flows for any given reporting period.

The following is a description of certain litigation and regulatory matters:

Millennium Lender Claim Trust

In August 2017, the Trustee of the Millennium Lender Claim Trust filed a suit in the New York State Court against the Company, SunTrust Bank, and other lenders of the \$1.775 B Millennium Health LLC f/k/a Millennium Laboratories LLC ("Millennium") syndicated loan. The Trustee alleges that the loan was actually a security and that defendants misrepresented or omitted to state material facts in the offering materials and communications provided concerning the legality of Millennium's sales, marketing, and billing practices and the known risks posed by a pending government investigation into the illegality of such practices. The Trustee brings claims for violation of the California Corporate Securities Law, the Massachusetts Uniform Securities

SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2018

Act, the Colorado Securities Act, and the Illinois Securities Law, as well as negligent misrepresentation and seeks rescission of sales of securities as well as unspecified rescissory damages, compensatory damages, punitive damages, interest, and attorneys' fees and costs. The defendants have removed the case to the U.S. District Court for the Southern District of New York and the Trustee has moved to remand the case back to state court.

12. Guarantees to Third Parties

The Company uses a third-party clearing broker to clear and execute customers' equity securities transactions and to hold customer accounts. Under the agreement, the Company will indemnify the broker for amounts paid to purchase the security. The maximum potential liability could be equal to the aggregate trading volume of the customers' transactions during the settlement period; however, this amount cannot be estimated due to the volatility in daily trading volumes. The liability is minimized by the fact that, in the event of nonperformance by the customer, the underlying security would be transferred to the Company who would, in turn, immediately liquidate the position, limiting the loss exposure to the market fluctuation in the underlying price of the security. Additionally, the Company may seek recourse from the customer by reimbursing itself from any cash or securities in the defaulting customers' account. The Company believes that it is unlikely it will have to make material payments under this arrangement and has not recorded any contingent liability in the financial statements for this indemnification. For the six months ended June 30, 2018, the Company experienced *de minimis* net losses as a result of the indemnity. The clearing agreement expires May 2020.

13. Net Capital Requirements

The Company is subject to SEC Rule 15c3-1, which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by SEC Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, equal to the greater of the minimum dollar net capital requirement or 2% of aggregate debit balances arising from customer transactions, as defined. At June 30, 2018, the Company had net capital, as defined, of \$515.3 million, which was \$514.2 million in excess of the required net capital.

Supplemental Information

SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Schedule I
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission

Unaudited as of June 30, 2018

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER SUNTRUST ROBINSON HUMPHREY, INC.	as of <u>06/30/18</u>
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COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition - Item 1800)	\$	1,063,761,034	3480
2. Deduct: Ownership equity not allowable for Net Capital	(0	3490
3. Total ownership equity qualified for Net Capital		1,063,761,034	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		0	3520
B. Other (deductions) or allowable credits (List)		0	3525
5. Total capital and allowable subordinated liabilities	\$	1,063,761,034	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C)	\$	253,270,962	3540
1. Additional charges for customers' and non-customers' security accounts		99,934	3550
2. Additional charges for customers' and non-customers' commodity accounts		0	3560
B. Aged fail-to-deliver:		715,996	3570
1. number of items	1	3450	
C. Aged short security differences-less reserve of	\$	0	3580
number of items	0	3470	
D. Secured demand note deficiency		0	3590
E. Commodity futures contracts and spot commodities - proprietary capital charges		0	3600
F. Other deductions and/or charges		31,911,326	3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)		0	3615
H. Total deductions and/or charges	(285,998,218	3620
7. Other additions and/or allowable credits (List)		0	3630
8. Net Capital before haircuts on securities positions	\$	777,762,816	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$	12,386,529	3660
B. Subordinated securities borrowings		0	3670
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper		7,003,146	3680
2. U.S. and Canadian government obligations		31,131,002	3690
3. State and municipal government obligations		715,117	3700
4. Corporate obligations		207,614,351	3710
5. Stocks and warrants		3,628,606	3720
6. Options		0	3730
7. Arbitrage		0	3732
8. Other securities		0	3734
D. Undue concentration		0	3650
E. Other (List)		0	3736
10. Net Capital	\$	515,284,065	3750

There are no material differences between this computation and the Company's unaudited Form X-17A-5 as of June 30, 2018.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II

BROKER OR DEALER

SUNTRUST ROBINSON HUMPHREY, INC.

as of 06/30/18

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimal net capital required (6-2/3% of line 19)	\$	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	3758
13. Net capital requirement (greater of line 11 or 12)	\$	3760
14. Excess net capital (line 10 less 13)	\$	3770
15. Net capital less greater of 10% of line 19 or 120% of line 12	\$	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	3790
17. Add:		
A. Drafts for immediate credit	\$	3800
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810
C. Other unrecorded amounts (List)	\$	3820
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts(15c3-1(c)(1)(vii))	\$	3838
19. Total aggregate indebtedness	\$	3840
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	%	3850
21. Percentage of aggregate indebtedness to net capital after anticipated capital withdrawals (line 19 divided by line 10 less item 4880 page 12)	%	3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	195,681	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note(A)	\$	1,063,364	3880
24. Net capital requirement (greater of line 22 or 23)	\$	1,063,364	3760
25. Excess net capital (line 10 less 24)	\$	514,220,701	3910
26. Percentage of Net Capital to Aggregate Debits (line 10 divided by line 18 page 8)	%	5266.58	3851
27. Percentage of Net Capital, after anticipated capital withdrawals, to Aggregate Debits item 10 less Item 4880 page 12 divided by line 17 page 8)	%	5266.58	3854
28. Net capital in excess of the greater of: 5% of combined aggregate debit items or 120% of minimum net capital requirement	\$	514,008,028	3920

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	0.00	3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) divided by Net Capital	%		3852

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternate method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

There are no material differences between this computation and the Company's unaudited Form X-17A-5 as of June 30, 2018.

SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Schedule II
Computation of Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission

Unaudited as of June 30, 2018

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II

BROKER OR DEALER

SUNTRUST ROBINSON HUMPHREY, INC.

as of 06/30/18

FORMULA FOR DETERMINATION OF CUSTOMER ACCOUNT RESERVE REQUIREMENTS
OF BROKERS AND DEALERS UNDER RULE 15c3-3
(See Rule 15c3-3, Exhibit A and Related Notes)

CREDIT BALANCES

1. Free credit balances and other credit balances in customers' security accounts (See Note A)	\$		0	4340
2. Monies borrowed collateralized by securities carried for the accounts of customers (See Note B)			0	4350
3. Monies payable against customers' securities loaned (See Note C)			0	4360
4. Customers' securities failed to receive (See Note D)		6,119,622		4370
5. Credit balances in firm accounts which are attributable to principal sales to customers			0	4380
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days			0	4390
7. ** Market value of short security count differences over 30 calendar days old			0	4400
8. ** Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days		3,290,278		4410
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days			0	4420
10. Other (List)			0	4425
11. TOTAL CREDITS			\$	9,409,900 4430

DEBIT BALANCES

12. ** Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection (See Note E)	\$		0	4440
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver			0	4450
14. Failed to deliver of customers' securities not older than 30 calendar days		9,784,034		4460
15. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts (See Note F)			0	4465
16. Margin required and on deposit with a clearing agency registered with the Commission under section 17A of the Act (15 U.S.C. 78q-1) or a derivatives clearing organization registered with the Commodity Futures Trading Commission under section 5b of the Commodity Exchange Act (7 U.S.C. 7a-1) related to the following types of positions written, purchased or sold in customer accounts: (1) security futures products and (2) futures contracts (and options thereon) carried in a securities account pursuant to an SRO portfolio margining rule (See Note G)				4467
17. Other (List)			0	4469
18. ** Aggregate debit items			\$	9,784,034 4470
19. ** Less 3% (for alternative method only, - see Rule 15c3-1(a)(1)(ii))			(293,521) 4471
20. ** TOTAL 15c3-3 DEBITS				9,490,513 4472

RESERVE COMPUTATION

21. Excess of total debits over total credits (line 20 less line 11)	\$		80,613	4480
22. Excess of total credits over total debits (line 11 less line 20)			0	4490
23. If computation is made monthly as permitted, enter 105% of excess of total credits over total debits				4500
24. Amount held on deposit in "Reserve Bank Account(s)", including \$ 29,814,900 4505 value of qualified securities, at end of reporting period			29,814,900	4510
25. Amount of deposit (or withdrawal) including \$ 0 4515 value of qualified securities			0	4520
26. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ 29,814,900 4525 value of qualified securities			\$	29,814,900 4530
27. Date of deposit (MMDDYY)				10/10/17 4540

FREQUENCY OF COMPUTATION

OMIT PENNIES

28. Daily 4332 Weekly x 4333 Monthly 4334

** In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (a)(1)(ii) of Rule 15c3-1.

There are no material differences between this computation and the Company's unaudited Form X-17A-5²⁴ as of June 30, 2018.