Statement of Financial Condition and Supplemental Information

SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)
Unaudited as of June 30, 2012

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Contents

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

Statement of Financial Condition

Unaudited as of June 30, 2012
(In Thousands, Except Share Amounts)

Assets		
Cash and cash equivalents	$	398
Cash and securities segregated under Federal and other regulations		14,519
Deposits with clearing organizations		24,949
Receivables from brokers and dealers		17,664
Customer receivables		85,624
Due from related parties		829
Securities purchased under agreements to resell		840,056
Securities owned:		
U.S. government and agency obligations		676,233
Corporate debt and other securities		603,221
Commercial paper and certificates of deposit		113,581
State and municipal obligations		58,114
Other		4,261
Total securities owned (including encumbered securities of $693,953)		1,455,410
Secured demand note receivable from Parent		160,000
Goodwill		123,340
Accrued interest and other income receivable		40,718
Deferred taxes		16,731
Income tax receivable from Parent		15,679
Furniture, equipment, and leasehold improvements, less accumulated depreciation and amortization of $52,302		13,521
Other assets		5,081
Total assets		2,814,519
Liabilities and shareholder's equity		
Liabilities		
Securities sold under agreements to repurchase		911,950
Securities sold but not yet purchased		584,759
Lines of credit payable to related parties		296,709
Subordinated demand note payable to Parent		160,000
Accrued interest payable and other liabilities		109,314
Net payable for unsettled securities transactions		61,460
Accrued compensation and benefits		37,040
Payables to brokers and dealers		29,200
Customer payables		116
Due to related parties		34
Total liabilities		2,190,582
Shareholder’s equity:		
Common stock, $1 par value; 100,000 shares authorized, issued, and outstanding		100
Additional paid-in capital		429,870
Retained earnings		193,967
Total shareholder’s equity		623,937
Total liabilities and shareholder’s equity	$	2,814,519

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

SunTrust Robinson Humphrey, Inc.
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Statement of Changes in Subordinated Borrowings

Unaudited as of June 30, 2012
(In Thousands)

Subordinated demand note payable to Parent, beginning of year	$	160,000
Repayment of subordinated demand note		–
Issuance of subordinated demand note		–
Subordinated demand note payable to Parent, as of June 30, 2012	$	160,000

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

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

Statement of Changes in Shareholder's Equity

Unaudited as of June 30, 2012
(In Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, January 1, 2012	$ 100	$ 429,870	$ 173,027	$ 602,997
Net Income	–	–	20,940	20,940
Balance, June 30, 2012	$ 100	$ 429,870	$ 193,967	$ 623,937

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

1. Summary of Significant Accounting Policies

Organization

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 (FINRA).

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

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 at the date of the financial statements. Actual results could vary from those estimates.

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.

Securities Owned

Securities transactions 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 on the statement of financial condition.

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.

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. No impairment of goodwill was recorded during 2011.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows will be less than the carrying amount of the assets.

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 sharing policy 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.

2. Cash and Securities Segregated Under Federal and Other Regulations

At June 30, 2012, a U.S. Treasury note with a fair value of $10.0 million and cash of $4.5 million have been segregated in a special reserve account for the exclusive benefit of customers of the Company under SEC Rule 15c3-3.

3. Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreement to resell and securities sold under agreements to repurchase are collateralized primarily by U.S. government or agency securities and are carried at the amounts at which the securities will be subsequently resold or repurchased. Securities purchased under agreements to resell are primarily used to cover firm short positions. The Company takes possession of all securities under agreements to resell and performs appropriate margin evaluation on the acquisition date based on market volatility, as necessary. It is the policy of the Company to obtain possession of collateral with a fair value between 95% and 110% of the principal amount loaned under resale agreements. Collateral under repurchase and resale agreements is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. The Company has policies and procedures to manage market risk associated with these activities and will assume a limited degree of market risk by managing the size of the exposure. At June 30, 2012, the Company had accepted collateral with a fair value of $836.0 million that the Company is permitted to sell or repledge and had repledged $266.2 million of that collateral. The following is a summary of repurchase agreements and the fair market value of related collateral pledged as of June 30, 2012 (in thousands):

	Contract	Accrued Interest	Total Contract	Fair Market Value	Average Rate
Overnight maturities:					
U.S. government and agency obligations	$364,856	$8	$364,864	$374,114	0.25%
Corporate debt and other securities	354,304	10	354,314	373,207	0.34%
Commercial paper and certificates of deposit	45,696	1	45,697	49,353	0.30%
On demand maturities:					
U.S government and agency obligations	89,393	16	89,409	92,672	0.36%
Term <15 days:					
U.S. government and agency obligations	57,701	8	57,709	66,036	0.35%
	$911,950	$43	$911,993	$955,382	

4. Fair Value of Financial Instruments

Securities owned and securities sold but not yet purchased are measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. To determine the fair value measurement for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. If available, the Company looks to active and observable markets to price identical assets or liabilities. If identical assets and liabilities are not traded in active markets, the Company looks to market observable data for similar assets and liabilities. The Company uses alternative valuation techniques to derive a fair value measurement for those assets and liabilities that are either not actively traded in observable markets or for which market observable inputs are not available.

The Company carries securities owned and securities sold but not yet purchased at fair value on a recurring basis and classifies them as level 1, 2, or 3 within the fair value hierarchy as follows:

> Level 1 – Assets and liabilities for which the identical item is traded on an active exchange, 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.

The classification of an instrument as level 3 versus 2 involves judgment and is based on a variety of subjective factors in order to assess whether a market is inactive, resulting in the application of significant unobservable assumptions to value 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 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 include considerations of illiquidity in the current market environment.

The following table presents securities owned and securities sold but not yet purchased measured at fair value on a recurring basis:

	Fair Value Measurement at June 30, 2012 Using			
	Assets/Liabilities	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)			
Securities owned:				
U.S. government and agency obligations	$ 676,233	$ 11,311	$ 664,922	$ -
State and municipal obligations	58,114	-	58,114	-
Corporate debt and other securities	607,482	4,261	590,897	12,324
Commercial paper and certificates of deposit	113,581	-	113,581	-
Total securities owned	$ 1,455,410	$ 15,572	$ 1,427,514	$ 12,324
Securities sold but not yet purchased:				
U.S. government and agency obligations	$ 284,367	$ 284,010	$ 357	$ -
Corporate debt and other securities	300,392	-	300,392	-
Total securities sold but not yet purchased	$ 584,759	$ 284,010	$ 300,749	$ -

The following is a discussion of the valuation techniques and inputs used in developing fair value measurements for securities owned and securities sold but not yet purchased that are measured at fair value on a recurring basis, based on the class of financial instrument as determined by the nature and risks of the instrument. Unless otherwise indicated below, trading assets are priced by the trading desk and independently validated against pricing received from third party pricing sources, all of which are sources that are widely used by market participants. 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.

U.S. government and agency obligations

The Company includes in this classification U.S. Treasury securities which are classified as level 1 as well as securities issued by federal agencies and government sponsored entities (GSEs) in addition to pass through securities and collateralized mortgage obligations issued by GSEs and U.S. government agencies, such as Fannie Mae, Freddie Mac and Ginnie Mae.

Securities issued by federal agencies consist primarily of debt obligations collateralized by loans that are guaranteed by the Small Business Association (SBA) and are, therefore, backed by the full faith and credit of the U.S. government. 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.

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. The majority of these obligations prices are verified by an independent pricing service using pricing observed on trades of similar bonds and, therefore, are classified as level 2 in the fair value hierarchy.

Commercial paper and certificates of deposit

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

Corporate debt and other securities

Corporate debt securities are predominantly comprised of senior subordinate debt obligations of domestic corporations and are classified as level 2. Also classified as level 2 and included in this category are asset backed securities that are either publicly traded or are 144A privately placed bonds. The company utilizes an independent pricing service to obtain fair values for publicly traded securities and securities for estimating the fair value of privately held bonds.

Student loan ABS held by the Company of $31.2 million are generally collateralized by Federal Family Education Loan Program (FFELP) student loans, the majority of which benefit from a 97% (or higher) government guarantee of principal and interest and are classified as level 2.

The Company's investments in level 3 collateralized debt obligations of $12.3 million consisted of senior ARS interests in Company-sponsored securitizations of trust preferred collateral. Although market conditions have improved, the auctions continue to fail and the Company continues to make significant adjustments to valuation assumptions available from observable secondary market trading of similar term securities; therefore, the Company continued to classify these as level 3 investments.

The Company's policy for recording transfers into and out of the fair value hierarchy levels are assumed to be at the end of the period in which the transfers occurred. For the six months ending June 30, 2012, there were no transfers between levels.

The following table presents a reconciliation of the beginning and ending balances of instruments measured at fair value on a recurring basis using significant unobservable inputs (level 3) during the six months ended June 30, 2012:

Securities Owned	*(In Thousands)*
Beginning balance January 1, 2012	$ 11,707
Included in earnings in trading gains, net of losses	617
Purchases	-
Ending balance June 30, 2012	$ 12,324

5. Premises and Equipment

Premises and equipment as of June 30, 2012, consisted of the following:

	Useful Life	**At June 30, 2012**
	(In Thousands)	
Building and improvements	2–40 years	$ 3
Leasehold improvements	1–30 years	12,547
Furniture and equipment	1–20 years	48,623
Construction-in-process		4,650
		65,823
Less accumulated depreciation		(52,302)
Total premises and equipment		$ 13,521

The Company leases certain office facilities and equipment under noncancelable leases that expire through 2023, 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):

2013	$	6,392
2014		6,987
2015		5,282
2016		4,912
2017		5,149
Thereafter		36,950
Total minimum lease payments	$	65,672

6. 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 quoted market prices at June 30, 2012 (in thousands):

U.S. government and agency obligations	$	284,367
Corporate debt and other securities		300,392
	$	584,759

7. Employee Benefits

The Company participates in the pension and other employee benefit plans of the Parent for the benefit of substantially all employees of the Company. Costs of the pension plan are computed under the projected unit credit method, and the plan is funded using the entry age actuarial cost method. Benefit information is not available from the actuary for individual subsidiaries of the Parent.

The Company also participates in the stock option plan of the Parent. The Parent provides stock-based awards through the SunTrust Banks, Inc. 2009 Stock Plan (as amended and restated effective January 1, 2011), under which the Parent's Compensation Committee of the Board of Directors has the authority to grant stock options, restricted stock, and restricted stock units, of which some may have performance features to key employees of the Company. Stock options are granted at a price that is no less than the fair market value of a share of SunTrust Banks, Inc. common stock on the grant date and may be either tax-qualified incentive stock options or nonqualified stock options. Stock options typically vest after three years and generally have a maximum contractual life of 10 years. Upon option exercise, shares are issued to employees from treasury stock.

8. Transactions with Related Parties

During the six months ended June 30, 2012, the Company engaged in various transactions with the Parent and its affiliates. Balances with respect to related parties at June 30, 2012, are (in thousands):

Cash and cash equivalents	398
Cash segregated under Federal and other regulations	4,501
Due from related parties	829
Securities owned	136,953
Secured demand note receivable from Parent	160,000
Due to related parties	34
Income tax receivable from Parent	15,679
Lines of credit payable to related parties	296,709
Subordinated demand note payable to Parent	160,000

The Company has a $385 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 0.35% at June 30, 2012, with interest due monthly. At June 30, 2012, the outstanding balance on this unsecured line of credit was $210 million and is included in lines of credit payable to related parties in the statement of financial condition.

The Company has a $160 million subordinated collateralized noninterest-bearing note payable with the Parent that matures on December 15, 2012. Under the terms of the note payable, the Parent provided the Company with a noninterest-bearing note receivable, collateralized by marketable securities owned by the Parent. The subordinated note payable is covered by agreements approved by FINRA, and thus, the amount is available in computing net capital under the SEC's Uniform Net Capital Rule 15c3-1 (SEC Rule 15c3-1). To the extent that such borrowing is required for the Company's continued compliance with the net capital requirements (Note 12), it may not be repaid. Furthermore, the Company must notify FINRA within six months of the Company's intent to make payments. As of June 30, 2012, no such notices had been presented to FINRA.

The Company also has a $400 million unsecured line of credit with SunTrust Bank (STB). The line of credit has a stated interest rate equal to STB's overnight cost of funds at the date of the advance plus ten basis points. The interest rate at June 30, 2012, was 0.20%. Any advances and accrued interest are due the following business day. At June 30, 2012, the outstanding balance was $86.7 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, 2012, there were no outstanding borrowings under the facility.

9. Commitments and Contingencies

Litigation and Regulatory Matters

In the ordinary course of business, the Company and its subsidiaries are subject to regulatory examinations, investigations, and requests for information, and are also parties to numerous civil claims and lawsuits. 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 novel or unsubstantiated legal theories, unsupported by the 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. Because of these factors, the Company typically cannot provide a meaningful estimate of the range of reasonably possible outcomes of claims in the aggregate or by individual claim. On a case-by-case basis, however, reserves are 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. In no cases are those accrual amounts material to the financial condition of the Company. The actual costs of resolving these claims may be substantially higher or lower than the amounts reserved.

For a limited number of legal matters in which the Company is involved, the Company is able to estimate a range of reasonably possible losses. For other matters for which a loss is probable or reasonably possible, such an estimate is not possible. For those matters where a loss is both estimable and reasonably possible, management currently estimates the aggregate range of reasonably possible losses from $0 to $105 million in excess of the accrued liability, if any, related to those matters. This estimated range of reasonably possible losses represents the estimated possible losses over the life of such legal matters, which may span a currently indeterminable number of years, and is based on information currently available as of June 30, 2012. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those matters for which an estimate is not possible are not included within this estimated range; therefore, this estimated range does not represent the Company's maximum loss exposure. 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 have a material impact to the Company's financial condition, results of operations, 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, there is a remote possibility that an adverse outcome in one or more of these matters could be material to the Company's results or cash flows for any given reporting period.

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

Lehman Brothers Holdings, Inc. Litigation

Beginning in October 2008, the Company, along with other underwriters and individuals, were named as defendants in several individual and putative class action complaints filed in the U.S. District Court for the Southern District of New York and state and federal courts in Arkansas, California, Texas and Washington. Plaintiffs allege violations of Sections 11 and 12 of the Securities Act of 1933 for allegedly false and misleading disclosures in connection with various debt and preferred stock offerings of Lehman Brothers Holdings, Inc. and seek unspecified damages. All cases have now been transferred for coordination to the multi-district litigation captioned *In re Lehman Brothers Equity/Debt Securities Litigation* pending in the U.S. District Court for the Southern District of New York. Defendants filed a motion to dismiss all claims asserted in the class action. On July 27, 2011, the District Court granted in part and denied in part the motion to dismiss the class claims against the Company and the other underwriter defendants. A settlement with the class plaintiffs was approved by the Court on December 15, 2011. The class notice and opt-out process is complete and the class settlement approval process has been completed. A number of individual lawsuits and smaller putative class actions remain pending and will move forward, each on its own schedule. Motions to dismiss are either pending in each of these cases.

SunTrust Securities Class Action Litigation

Beginning in May 2009, the Company and others were named in three putative class actions arising out of the offer and sale of approximately $690 million of SunTrust Capital IX 7.875% Trust Preferred Securities ("TRUPs") of SunTrust Banks, Inc. The complaints alleged, among other things, that the relevant registration statement and accompanying prospectus misrepresented or omitted material facts regarding the Company's allowance for loan and lease loss reserves, the Company's capital position, and its internal risk controls. Plaintiffs seek to recover alleged losses in connection with their investment in the TRUPs or to rescind their purchases of the TRUPs. These cases were consolidated under the caption *Belmont Holdings Corp., et al., v. SunTrust Banks, Inc., et al.*, in the U.S. District Court for the Northern District of Georgia, Atlanta Division, and on November 30, 2009, a consolidated amended complaint was filed. On January 29, 2010, Defendants filed a motion to dismiss the consolidated amended complaint. This motion was granted, with leave to amend, on September 10, 2010. On October 8, 2010, the lead plaintiff filed an amended complaint in an attempt to address the pleading deficiencies identified in the Court’s dismissal decision. The Company filed a motion to dismiss the amended complaint on March 21, 2011. The District Court denied the motion to dismiss as to Plaintiff's claims that the Company misrepresented the adequacy of its loan loss reserves for 2007 but dismissed all other claims against the Company and limited discovery in the initial stages of the case to the question of the Company’s subjective belief as to the adequacy of those reserves at the time of the offering. The Company subsequently filed a motion for reconsideration of this decision and a motion to stay discovery pending resolution of that motion. The Court granted the motion to stay and the parties are awaiting a decision on the motion for reconsideration.

Colonial BancGroup Securities Litigation

Beginning in July 2009, the Company, certain other underwriters, The Colonial BancGroup, Inc. (“Colonial BancGroup”) and certain officers and directors of Colonial BancGroup were named as defendants in a putative class action filed in the U.S. District Court for the Middle District of Alabama, Northern District entitled *In re Colonial BancGroup, Inc. Securities Litigation.* The complaint was brought by purchasers of certain debt and equity securities of Colonial BancGroup and seeks unspecified damages. Plaintiffs allege violations of Sections 11 and 12 of the Securities Act of 1933 due to allegedly false and misleading disclosures in the relevant registration statement and prospectus relating to Colonial BancGroup’s goodwill impairment, mortgage underwriting standards, and credit quality. On August 28, 2009, The Colonial BancGroup filed for bankruptcy. The Defendants’ motion to dismiss was denied in May 2010, but the Court subsequently has ordered Plaintiffs to file an amended complaint. This amended complaint has been filed and the defendants have filed a motion to dismiss.

Metropolitan Bank Group, Inc. v. SunTrust Robinson Humphrey, Inc.

On March 8, 2011, the Company was served with a notice of claim initiating a FINRA arbitration against the Company and one employee by Metropolitan Bank Group, Inc. In this case, the plaintiff alleges that it purchased approximately $80 million in preferred securities through the Company on which it suffered significant losses. The plaintiff alleges that it subsequently was informed by its primary regulator that it was not permitted to own certain of these securities and that the Company was or should have been aware of that fact. The plaintiff also alleges that certain of the securities in question were not suitable for it because they were too risky. The plaintiff has asserted causes of action for negligence, breach of fiduciary duty, and violation of FINRA rules. The arbitration hearing in this case is scheduled for August 2012.

10. Financial Instruments with Off-Balance Sheet Risk

Securities transactions that are scheduled to settle beyond the normal settlement date are considered forward contracts and, therefore, are not reflected in trading assets or liabilities. The Company enters into various off-balance sheet financial instruments of this nature regarding mortgage-backed, to-be-announced (TBA) securities. These instruments are used to meet the needs of customers, conduct trading activities, and manage market risks and are subject to varying degrees of market and credit risk. The net unrealized gains and losses on these transactions are reflected in securities owned and securities sold but not yet purchased and in current period earnings. At June 30, 2012, the Company had net TBA commitments totaling $5.2 million, resulting in net unrealized gains of $2.1 million.

11. 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. For the six months ended June 30, 2012, the Company experienced de minimis net losses as a result of the indemnity. The clearing agreement expires May 2015.

12. 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, 2012, the Company had net capital, as defined, of $398.7 million, which was $397.2 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, 2012
(In Thousands)

Computation of net capital		
Total shareholder's equity		$ 623,937
Add:		
Subordinated borrowings allowable in computation of net capital		160,000
Total capital and allowable subordinated borrowings		783,937
Deductions and/or charges:		
Nonallowable assets:		
Goodwill	123,340	
Accrued interest and other income receivable	31,113	
Deposits with clearing organizations	24,949	
Deferred taxes	16,731	
Furniture, equipment, and leasehold improvements, net of accumulated depreciation	13,521	
Due from related parties	829	
Other assets, miscellaneous	19,294	
Total nonallowable assets	229,777	
Other deductions or charges	25,621	255,398
Net capital before haircuts on securities positions		528,539
Haircuts on securities:		
Corporate debt obligations	101,686	
U.S. government and agency obligations	26,088	
State and municipal obligations	1,414	
Commercial paper and certificates of deposit	7	
Stocks and warrants	5	
Other securities	85	
Undue concentration	564	129,849
Net capital		$ 398,690
Computation of alternative net capital requirement		
2% of aggregate debit items as shown in formula for reserve requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation or minimum net capital requirement (if greater)		1,508
Excess net capital		$ 397,182
Net capital in excess of 5% of aggregate debit items or 120% of the net capital requirement if greater		$ 394,920

There are no material differences between this computation and the Company's unaudited Form X-17A-5.

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, 2012
(In Thousands)

Credit balances:		
Free credit balances and other credit balances in customers' security accounts	$	116
Customer-related fails to receive		10,240
Market value of short securities and credits in all suspense accounts over 30 calendar days		39,865
Total credit balances	$	50,221
Debit balances:		
Customer debit balances	$	75,414
Customer-related fails to deliver		-
Gross debits		75,414
Less 3%		(2,262)
Total debit balances	$	73,152
Reserve computation:		
Excess of total credits over total debits required to be on deposit in the “Reserve Bank Account”		-
Amount on deposit in the “Reserve Bank Account” at June 30, 2012	$	14,519

There are no material differences between this computation and the Company's unaudited Form X-17A-5.