

STATEMENT OF FINANCIAL CONDITION AND
SUPPLEMENTAL INFORMATION

SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)
Unaudited as of June 30, 2014

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

Statement of Financial Condition and Supplemental Information

Unaudited as of June 30, 2014

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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, 2014
(In Thousands, Except Share Amounts)

Assets	
Cash and cash equivalents	\$ 343
Securities segregated under Federal and other regulations	30,003
Deposits with clearing organizations	15,860
Receivables from brokers and dealers	64,997
Customer receivables	29,562
Due from related parties	4
Securities purchased under agreements to resell	634,122
Securities borrowed	334,112
Securities owned:	
U.S. government and agency obligations	723,820
Corporate debt and other securities	727,445
Commercial paper	140,761
State and municipal obligations	32,579
Total securities owned (including encumbered securities of \$853,349)	<u>1,624,605</u>
Secured demand note receivable from Parent	160,000
Goodwill	131,440
Accrued interest and other income receivable	50,329
Deferred taxes	24,423
Income tax receivable from Parent	5,268
Furniture, equipment, and leasehold improvements, less accumulated depreciation and amortization of \$61,339	20,238
Net receivables for unsettled securities transactions	1,537
Other assets	5,228
Total assets	<u><u>3,132,071</u></u>
Liabilities and shareholder's equity	
Liabilities	
Securities sold under agreements to repurchase	1,126,698
Securities sold but not yet purchased	730,915
Lines of credit payable to related parties	194,184
Subordinated demand note payable to Parent	160,000
Accrued interest payable and other liabilities	28,243
Accrued compensation and benefits	45,119
Payables to brokers and dealers	38,084
Customer payables	29,979
Due to related parties	134
Total liabilities	<u>2,353,356</u>
Shareholder's equity:	
Common stock, \$1 par value; 100,000 shares authorized, issued, and outstanding	100
Additional paid-in capital	436,370
Retained earnings	342,245
Total shareholder's equity	<u>778,715</u>
Total liabilities and shareholder's equity	<u>\$ 3,132,071</u>

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 Subordinated Borrowings

Unaudited as of June 30, 2014
(In Thousands)

Subordinated demand note payable to Parent, January 1, 2014	\$ 160,000
Repayment of subordinated demand note	–
Issuance of subordinated demand note	–
Subordinated demand note payable to Parent, June 30, 2014	<u>\$ 160,000</u>

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, 2014
(In Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, January 1, 2014	\$ 100	\$ 429,870	\$ 310,132	\$ 740,102
Net Income	-	-	32,113	32,113
Capital Contribution	-	6,500	-	6,500
Balance, June 30, 2014	<u>\$ 100</u>	<u>\$ 436,370</u>	<u>\$ 342,245</u>	<u>\$ 778,715</u>

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

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

Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

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 (FINRA).

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

On May 9, 2014, the Parent made a capital contribution to the Company in the form of ownership of Lantana Oil & Gas Partners, Inc. (Lantana), a leading acquisition and divestiture firm in the exploration and production sector, which is recorded as a capital contribution in the Statement of Changes in Shareholder's Equity and as goodwill in the Statement of Financial Condition.

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

Subsequent Events

The Company evaluated subsequent events through the date this financial statement was issued.

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)

Unaudited as of June 30, 2014

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 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 market 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. Interest accrued on securities sold under agreements to repurchase is included in accrued interest payable and other liabilities on the statement of financial condition.

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 included 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, 2014

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 as of June 30, 2014.

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. There were no such impairments during the six months ended June 30, 2014.

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.

3. Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The guidance in this update supersedes 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 the ASU is 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 ASU is effective for fiscal years and interim periods beginning after December 15, 2016 and early adoption is not permitted. The Company is evaluating the impact of the ASU; however, it is not expected to have a significant impact on the Company's financial position or results of operations.

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

In June 2014, the FASB issued ASU 2014-11, "Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." The amendments in this update change the accounting for repurchase-to-maturity transactions to secured borrowing accounting. Also, for repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. Additional disclosures are required for all types of repurchase agreements. The ASU is effective for fiscal years and interim periods beginning after December 15, 2014 and early adoption is not permitted. The Company is evaluating the impact of the ASU; however, it is not expected to have a significant impact on the Company's financial position or results of operations.

In June 2014, the FASB issued ASU 2014-12, "Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period." The amendments in this update require that a performance target that affects vesting and that could be achieved after the requisite service period shall be treated as a performance condition. Under existing guidance in Topic 718, a performance target that falls under the scope of this amendment should not be reflected in estimating the grant-date fair value of the award; but rather compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The ASU is effective for fiscal years and interim periods beginning after December 15, 2015. Early adoption is permitted. The Company is evaluating the impact of the ASU; however, it is not expected to have a significant impact on the Company's financial position or results of operations.

4. Securities Segregated Under Federal and Other Regulations

At June 30, 2014, U.S. Treasury securities with a fair value of \$30.0 million have 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 are primarily used to cover firm short positions or are subsequently sold under agreements to repurchase as a spread. Securities borrowed are primarily used to cover firm short positions. Securities sold under agreements to repurchase are primarily used to fund firm trading inventory. 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.

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

Securities purchased under agreement 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. The Company takes possession of all securities purchased 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 and borrowing agreements. Collateral under repurchase, borrowing, 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, 2014, the Company had accepted collateral with a fair value of \$968.4 million that the Company is permitted to sell or repledge and had repledged \$226.9 million of that collateral in matched book transactions. The Company has pledged \$811.8 million of certain trading instruments to secure \$816.6 million of repurchase agreements as of June 30, 2014. The following is a summary of repurchase agreements and the fair market value of related collateral pledged as of June 30, 2014 (in thousands):

	Contract	Accrued Interest	Total Contract	Fair Market Value	Average Rate
Overnight maturities:					
U.S. government and agency obligations	\$ 657,468	\$ 3	\$ 657,471	\$ 669,896	0.18%
Corporate debt and other securities	455,808	3	455,811	491,448	0.23%
Term < 15 days:					
U.S. government and agency obligations	5,013	-	5,013	5,015	0.05%
On demand maturities:					
U.S. government and agency obligations	8,409	-	8,409	8,364	0.09%
	<u>\$ 1,126,698</u>	<u>\$ 6</u>	<u>\$ 1,126,704</u>	<u>\$ 1,174,723</u>	

Securities borrowed or 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, reverse repurchase, or securities borrowing transactions met the right of setoff criteria at June 30, 2014.

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

The following table presents the Company's eligible securities borrowed or purchased under agreements to resell and securities sold under agreements to repurchase as of June 30, 2014 (in thousands):

	Gross Amounts Recognized Assets/Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition	Reportable Collateral	Aggregate Collateral Deficits by Counterparty
Assets						
Securities purchased under agreements to resell and securities borrowed	\$ 968,234	\$ -	\$ 968,234	\$ 968,234	\$ 955,762	\$ 12,472
Total Assets	\$ 968,234	\$ -	\$ 968,234	\$ 968,234	\$ 955,762	\$ 12,472
Liabilities						
Securities sold under	\$ 1,126,698	\$ -	\$ 1,126,698	\$ 1,126,698	\$ 1,126,516	\$ 182
Total Liabilities	\$ 1,126,698	\$ -	\$ 1,126,698	\$ 1,126,698	\$ 1,126,516	\$ 182

6. Fair Value of Financial Instruments

The Company carries certain assets and liabilities at fair value on a recurring basis and classifies them as level 1, 2, or 3 within the fair value hierarchy. The Company's recurring fair value measurements are based on a requirement to carry such assets and liabilities at fair value. Assets and liabilities that are required to be carried at fair value on a recurring basis include securities owned, securities segregated under federal and other regulations, and securities sold but not yet purchased.

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 the gathering of multiple sources of information, including broker quotes, values provided by pricing services, trading activity in other similar securities, market indices, 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 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.

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

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 Finance 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 securities 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 the assessment of 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 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.

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

The Company carries securities owned, securities segregated under federal and other regulations, 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 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.

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, 2014 Using			
	Assets/Liabilities	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities segregated under federal and other regulations:				
U.S. government and agency obligations	\$ 30,003	\$ 30,003	\$ -	\$ -
Securities owned:				
U.S. government and agency obligations	\$ 723,820	\$ 11,612	\$ 712,208	\$ -
State and municipal obligations	32,579	-	32,579	-
Corporate debt and other securities	727,445	690	726,755	-
Commercial paper	140,761	-	140,761	-
Total securities owned	\$ 1,624,605	\$ 12,302	\$ 1,612,303	\$ -
Securities sold but not yet purchased:				
U.S. government and agency obligations	\$ 420,824	\$ 420,824	\$ -	\$ -
Corporate debt and other securities	310,091	158	309,933	-
Total securities sold but not yet purchased	\$ 730,915	\$ 420,982	\$ 309,933	\$ -

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

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. Holdings are geographically dispersed with no significant concentrations in any one state or municipality. These obligations are classified as level 2 in the fair value hierarchy.

Commercial paper

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.

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

Corporate debt and other securities

The Company's level 1 instruments include exchange traded futures contracts for which pricing is readily available.

Corporate debt securities are predominantly debt obligations of domestic corporations and are classified as level 2. The company utilizes an independent pricing service to obtain fair values for estimating the fair value of privately held bonds.

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, 2014, 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, 2014:

Securities Owned

	<i>(In Thousands)</i>
Beginning balance January 1, 2014	\$ 10,850
Included in earnings in trading gains, net of losses	2,898
Sales	(13,748)
Ending balance June 30, 2014	\$ -

7. Premises and Equipment

Premises and equipment as of June 30, 2014, consisted of the following:

	Useful Life	At June 30, 2014
		<i>(In Thousands)</i>
Building and improvements	2–40 years	\$ 3
Leasehold improvements	1–30 years	22,446
Furniture and equipment	1–20 years	55,468
Construction-in-process		3,660
		81,577
Less accumulated depreciation		(61,339)
Total premises and equipment		\$ 20,238

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

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):

2015	\$ 7,844
2016	8,187
2017	8,508
2018	8,867
2019	9,217
Thereafter	43,190
Total minimum lease payments	<u>\$ 85,813</u>

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 quoted market prices at June 30, 2014 (in thousands):

U.S. government and agency obligations	\$ 420,824
Corporate debt and other securities	310,091
	<u>\$ 730,915</u>

9. 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

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Notes to Statement of Financial Condition (continued)

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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.

10. Transactions with Related Parties

During the six months ended June 30, 2014, the Company engaged in various transactions with the Parent and its affiliates. Balances with respect to related parties at June 30, 2014, are (in thousands):

Cash and cash equivalents	343
Due from related parties	4
Securities owned	54,047
Income tax receivable from Parent	5,268
Secured demand note receivable from Parent	160,000
Due to related parties	134
Lines of credit payable to related parties	194,184
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 0.26% at June 30, 2014, with interest due monthly. At June 30, 2014, the outstanding balance on this unsecured line of credit was \$150 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. 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 14), 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, 2014, no such notices had been presented to FINRA.

The Company also has a \$400 million committed unsecured line of credit with SunTrust Bank (STB). The line of credit has a stated interest rate equal to one month LIBOR plus 0.90% per annum. The interest rate at June 30, 2014, was 1.06%. Any advances and accrued interest are due

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Notes to Statement of Financial Condition (continued)

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the following business day. At June 30, 2014, the outstanding balance was \$44.2 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, 2014, there were no outstanding borrowings under the facility.

11. Commitments and Contingencies

Litigation and Regulatory Matters

In the ordinary course of business, the Company and its subsidiaries are parties 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 novel or 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. 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. However, on a case-by-case basis, 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. 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 as \$0 to approximately \$28 million in excess of the reserves, 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 at June 30, 2014. 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 reserved, if any, will not have a material impact on 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, an adverse

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

Unaudited as of June 30, 2014

outcome in one or more of these matters could be material to the Company's financial condition, 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 alleged violations of Sections 11 and 12 of the Securities Act of 1933 and/or state law for allegedly false and misleading disclosures in connection with various debt and preferred stock offerings of Lehman Brothers Holdings, Inc. ("Lehman Brothers") and sought unspecified damages. All cases were 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 claims against the Company and the other underwriter defendants in the class action. A settlement with the class plaintiffs was approved by the Court and the class settlement approval process was completed. A number of individual lawsuits and smaller putative class actions remained following the class settlement. The Company settled two such individual actions. The other individual lawsuits were dismissed. The appeal period for two of the individual actions will not expire until the plaintiffs' claims against a third party have been resolved.

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 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 ordered Plaintiffs to file an amended complaint. This amended complaint was filed and the defendants filed a motion to dismiss. In October 2013, the Court granted in part and denied in part this motion.

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Notes to Statement of Financial Condition (continued)

Unaudited as of June 30, 2014

12. 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 and futures contracts. 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, 2014, the Company had net TBA commitments to sell of \$155.8 million and futures contracts outstanding of \$296.5 million notional which are used to hedge government agency securities.

13. 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, 2014, the Company experienced de minimis net losses as a result of the indemnity. The clearing agreement expires May 2015.

14. 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, 2014, the Company had net capital, as defined, of \$430.2 million, which was \$429.2 million in excess of the required net capital.

Supplemental Information

SunTrust Robinson Humphrey, Inc.
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Schedule I
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission

Unaudited as of June 30, 2014
(In Thousands)

Computation of net capital

Total shareholder's equity	\$	778,715
Add:		
Subordinated borrowings allowable in computation of net capital		160,000
Total capital and allowable subordinated borrowings		938,715
Deductions and/or charges:		
Nonallowable assets:		
Goodwill	131,440	
Accrued interest and other income receivable	41,489	
Deposits with clearing organizations	15,878	
Deferred taxes	24,423	
Furniture, equipment, and leasehold improvements, net of accumulated depreciation	20,238	
Other assets, miscellaneous	9,453	
Total nonallowable assets	242,921	
Other deductions or charges	22,664	265,585
Net capital before haircuts on securities positions		673,130
Haircuts on securities:		
Open contractual commitments	52,085	
Corporate debt obligations	164,422	
U.S. government and agency obligations	24,960	
State and municipal obligations	1,421	
Stocks and warrants	14	
Other securities	13	242,915
Net capital	\$	430,215

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)	1,054
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Excess net capital	\$	429,161
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Net capital in excess of 5% of aggregate debit items or 120% of the net capital requirement if greater	\$	428,766
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There are no material differences between this computation and the Company's unaudited, Form X-17A-5 as of June 30, 2014.

SunTrust Robinson Humphrey, Inc.
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Schedule II
Computation of Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission

Unaudited as of June 30, 2014
(In Thousands)

Credit balances:	
Customer-related fails to receive	\$ 30,069
Market value of short securities and credits in all suspense accounts over 30 calendar days	<u>4,014</u>
Total credit balances	<u>\$ 34,083</u>
Debit balances:	
Customer-related fails to deliver	<u>\$ 28,991</u>
Gross debits	28,991
Less 3%	<u>(870)</u>
Total debit balances	<u>\$ 28,121</u>
Reserve computation:	
Excess of total credits over total debits required to be on deposit in the "Reserve Bank Account"	<u>5,962</u>
Amount on deposit in the "Reserve Bank Account" at June 30, 2014	<u>\$ 30,007</u>

There are no material differences between this computation and the Company's unaudited, Form X-17A-5 as of June 30, 2014.