



15047459

AP  
3/7



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: March 31, 2016  
Estimated average burden  
hours per response....12.00

SEC FILE NUMBER  
8-35355

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/14 AND ENDING 12/31/14  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

SunTrust Investment Services, Inc.

OFFICIAL USE ONLY  
FIRM ID NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P. O. Box No.)

303 Peachtree Center Avenue  
(No. and Street)

Atlanta GA 30303  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Sarah Rich 404-813-5604

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in the Report\*

Ernst & Young LLP  
(Name-if individual, state last, first, middle name)

55 Ivan Allen Blvd, Suite 1000 Atlanta GA 30308  
(Address) (City) (State) (Zip Code)

Check One:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

AP  
3/10/15

OATH OR AFFIRMATION

I, Sarah Rich, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SunTrust Investment Services, Inc., as of December 31, 2014, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Sarah Rich*

Signature

Chief Financial Officer

Title

*Nathaniel Austin III*  
**NATHANIEL AUSTIN III**  
**NOTARY PUBLIC**  
**Cobb County**  
**State of Georgia**  
**My Comm. Expires Nov. 12, 2016**

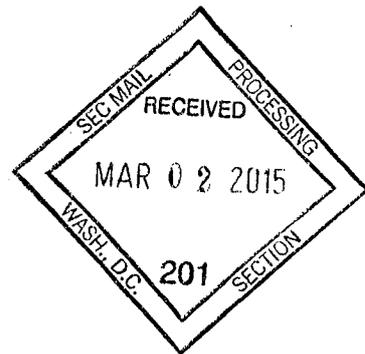
This report \*\* contains (check all applicable boxes):

- ( X ) (a) Facing Page.
- ( X ) (b) Statement of Financial Condition.
- ( X ) (c) Statement of Income (Loss).
- ( X ) (d) Statement of Changes in Financial Condition.
- ( X ) (e) Statement of Changes in Stockholders' Equity or Partners or Sole Proprietor's Capital.
- ( ) (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ( X ) (g) Computation of Net Capital.
- ( X ) (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ( X ) (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ( ) (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3.
- ( ) (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ( X ) (l) An Oath or Affirmation.
- ( ) (m) A copy of the SIPC Supplemental Report.
- ( ) (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\* For conditions of confidential treatment of certain portions of the filing see section 240.17a-5(e)(3).

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)  
Year Ended December 31, 2014  
With Report of Independent  
Registered Public Accounting Firm



SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Financial Statements and Supplemental Information

Year Ended December 31, 2014

**Contents**

Report of Independent Registered Public Accounting Firm.....	1
Financial Statements	
Statement of Financial Condition .....	2
Statement of Comprehensive Income .....	3
Statement of Changes in Shareholder's Equity .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements.....	6
Supplemental Information	
Schedule I – Computation of Net Capital and Aggregate Indebtedness Pursuant to Rule 15c3-1 of the Securities and Exchange Commission.....	17
Schedule II – Computation of Determination of Reserve Requirements Pursuant to Rule 15c3-3 of the Securities and Exchange Commission.....	21
Schedule III – Information Relating to Possession or Control Requirements Pursuant to Rule 15c3-3 of the Securities and Exchange Commission.....	22



Building a better  
working world

Ernst & Young LLP  
Suite 1000  
55 Ivan Allen Jr. Boulevard  
Atlanta, GA 30308

Tel: +1 404 874 8300  
Fax: +1 404 817 5589  
ey.com

## Report of Independent Registered Public Accounting Firm

To the Shareholder and Board of Directors of  
SunTrust Investment Services, Inc.

We have audited the accompanying statement of financial condition of SunTrust Investment Services, Inc., (the Company) as of December 31, 2014, and the related statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SunTrust Investment Services, Inc. at December 31, 2014, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the financial statements, the 2013 financial statements have been restated to correct a misstatement related to expenses from affiliates. Our opinion is not modified with respect to this matter.

The accompanying information contained in Schedules I, II, and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Ernst & Young LLP*

February 27, 2015

1502-1409403

1

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Statement of Financial Condition

December 31, 2014

**Assets**

Cash and cash equivalents	\$ 59,238,886
Securities segregated under Federal and other regulations	4,524,810
Securities owned	7,463
Commissions receivable	3,207,269
Furniture, equipment, and leasehold improvements, less accumulated depreciation and amortization of \$6,686,508	1,366,596
Goodwill	42,706,365
Prepaid assets	34,356,903
Current income tax receivable from Parent	15,650,729
Other assets	2,398,383
Total assets	<u>\$ 163,457,404</u>

**Liabilities and shareholder's equity**

**Liabilities:**

Accrued compensation and benefits	\$ 21,065,449
Deferred income tax payable to Parent	4,160,995
Payable to Parent	96,756
Accrued other expenses	2,506,468
Total liabilities	<u>27,829,668</u>

**Shareholder's equity:**

Common stock, \$1 par value; 52,125 shares authorized 52,125 shares issued and outstanding	52,125
Additional paid-in capital	93,944,723
Retained earnings	41,630,888
Total shareholder's equity	<u>135,627,736</u>
Total liabilities and shareholder's equity	<u>\$ 163,457,404</u>

*The accompanying notes are an integral part of these financial statements.*

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Statement of Comprehensive Income

Year Ended December 31, 2014

**Revenues**

Commissions	\$ 186,247,399
Investment management income	99,056,194
Trading gains	24,968,130
Other income	8,781,308
Total revenue	<u>319,053,031</u>

**Expenses**

Compensation and benefits	183,933,670
Expense from affiliate	60,587,857
Clearing expense	30,082,068
Legal, consulting, and examination fees	3,489,262
Computer services	2,837,881
Office expense	1,034,873
Other expenses	2,484,010
Occupancy and equipment	867,092
Total expenses	<u>285,316,713</u>

**Income before taxes**

Income before taxes	33,736,318
Income tax expense	(12,862,977)
Net income	<u>\$ 20,873,341</u>
Total other comprehensive income	-
Total Comprehensive income	<u><u>\$ 20,873,341</u></u>

*The accompanying notes are an integral part of these financial statements.*

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Statement of Changes in Shareholder's Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2013	\$ 52,125	\$ 76,115,636	\$ 54,821,901	\$ 130,989,662
Prior period adjustment	-	-	(13,564,354)	(13,564,354)
Balance, December 31, 2013 (as restated)	\$ 52,125	\$ 76,115,636	\$ 41,257,547	\$ 117,425,308
Distribution to Parent	-	-	(20,500,000)	(20,500,000)
Contribution from Parent	-	17,829,087	-	17,829,087
Net income	-	-	20,873,341	20,873,341
Balance, December 31, 2014	<u>\$ 52,125</u>	<u>\$ 93,944,723</u>	<u>\$ 41,630,888</u>	<u>\$ 135,627,736</u>

*The accompanying notes are an integral part of these financial statements.*

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Statement of Cash Flows

Year Ended December 31, 2014

**Cash flows provided by operating activities**

Net income	\$ 20,873,341
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	458,982
Deferred tax provision	(1,236,245)
(Increase) decrease in operating assets:	
Securities segregated under Federal and other regulations	(2,354)
Securities owned	(6,756)
Commissions receivable	395,043
Prepaid assets	(8,570,389)
Other assets	(1,477,173)
Increase (decrease) in operating liabilities:	
Accrued compensation and benefits	5,269,569
Income tax payable to Parent	(5,915,621)
Payable to Parent	(63,299,816)
Accrued other expenses	1,154,487
Net cash used in operating activities	<u>(52,356,932)</u>

**Cash flows used in investing activities**

Purchases of furniture and equipment	<u>(779,995)</u>
Net cash used in investing activities	(779,995)

**Cash flows used in financing activities**

Contribution from Parent	17,829,087
Distribution to Parent	<u>(20,500,000)</u>
Net cash used in financing activities	<u>(2,670,913)</u>

Net decrease in cash and cash equivalents	(55,807,840)
Cash and cash equivalents, beginning of year	<u>115,046,726</u>
Cash and cash equivalents, end of year	<u><u>\$ 59,238,886</u></u>

**Supplemental cash flow information**

Cash paid for income taxes to Parent	<u><u>\$ 20,089,025</u></u>
--------------------------------------	-----------------------------

*The accompanying notes are an integral part of these financial statements.*

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

**1. Organization**

SunTrust Investment Services, Inc. (the Company or STIS) is a broker-dealer registered with the Securities and Exchange Commission (the SEC) and the Financial Industry Regulatory Authority (FINRA). The Company is a wholly owned subsidiary of SunTrust Bank Holding Company, which is a wholly owned subsidiary of SunTrust Banks, Inc. (the Parent or STI). The Company acts as an introducing broker-dealer offering full-service and discount brokerage services in various equity and debt securities, mutual funds, unit investment trusts, insurance and annuity products, and individual retirement accounts primarily to retail customers of SunTrust Bank. SunTrust Bank is a subsidiary of SunTrust Bank Holding Company that provides deposit, credit, trust, and investment services.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at 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.

**Cash and Cash Equivalents**

The Company has defined cash and cash equivalents as highly liquid investments with original maturities of less than three months that are not held for sale in the ordinary course of business. Included in cash and cash equivalents at December 31, 2014, is cash of \$14,570,491 and \$44,668,395 of money market funds.

**Securities Segregated Under Federal and Other Regulations**

At December 31, 2014, total securities of \$4,524,810 have been segregated in a special reserve account for the exclusive benefit of customers of the Company under SEC Rule 15c3-3.

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

**Furniture, Equipment, and Leasehold Improvements**

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Maintenance and repairs are charged to expense as incurred and included in the statement of operations in occupancy and equipment expense. Leasehold improvements are capitalized and amortized over the lesser of the economic useful life of the improvement or the term of the lease.

	<u>Useful Life</u>
Leasehold improvements	1-30 years
Furniture and equipment	1-20 years

**Revenue Recognition**

The Company places all trades through an unaffiliated clearing broker. The clearing broker collects the gross brokerage commissions from customers and remits the net brokerage commissions to the Company based on agreed-upon terms. Revenues are recorded on a trade-date basis and included in commissions in the accompanying statement of comprehensive income.

The Company recognizes fee income earned from investment advisory services which is calculated per contracted percentage fees based on current market value of assets under management. This revenue is recorded as investment management income in the accompanying statement of comprehensive income.

Secondary trading transactions, which consist primarily of riskless principal fixed income and unit investment trust trades, and related gains, primarily mark-ups on the trades, and losses are recorded on a trade-date basis in trading gains in the accompanying statement of comprehensive income.

The Company recognizes fee income earned from the trading activity associated with various mutual fund groups. This fee income consists of administrative services fees; which include recordkeeping, reporting, and processing services. The fees are included in other income in the accompanying statement of comprehensive income.

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

**Customer Accounts**

The clearing broker maintains all customers' accounts, receives cash on purchases, and distributes cash on sales. The Company records commissions receivable for its share of commissions charged to customers.

**Prepaid Assets**

The Company records prepaid assets at the transaction date which are amortized on a straight line basis over the remaining useful life of the asset. Prepaid assets relating to advances are amortized over the period of expected future revenue generation.

**Expense to Affiliates**

Affiliates of the Company provide services to STIS in accordance with various agreements. These services include finance, human resources, facilities management, etc. The Company pays these affiliates for the services it receives.

**Income Taxes**

The provision for income taxes is based on income and expense reported for financial statement purposes after adjustment for permanent differences. Deferred income tax assets and liabilities result from differences between the timing of the recognition of assets and liabilities for financial reporting purposes and for income tax return purposes. These assets and liabilities are measured using the enacted tax rates and laws that are currently in effect. Subsequent changes in the tax laws require adjustment to these assets and liabilities with the cumulative effect included in the provision for income taxes for the period in which the change is enacted. A valuation allowance is recognized for a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. In computing the income tax provision, the Company evaluates the technical merits of its income tax positions based on current legislative, judicial and regulatory guidance. Interest and penalties related to the Company's tax positions are recognized as a component of the income tax provision. For additional information on the Company's activities related to income taxes, see Note 9, "Income Taxes."

The Company is included in the consolidated federal income tax return and various consolidated or combined state income tax returns filed by SunTrust Banks, Inc. In accordance with the tax sharing policy applicable to SunTrust Banks, Inc. and each of its subsidiaries, the Company's

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

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 SunTrust Banks, Inc.

**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 in 2014.

**3. Restatement of Financial Statements**

The Company has restated its shareholder's equity balances at December 31, 2013 included within the Statement of Changes in Shareholder's Equity to correct an error in the balances previously reported. The error of approximately \$5.2 million pre-tax resulted from services provided to the Company by affiliates that were not appropriately billed in accordance with an intercompany agreement. An additional error resulted from the Company not recognizing certain expenses which were not previously billed to the Company related to services provided by SunTrust Bank and resulted in a pre-tax adjustment of approximately \$16.7 million. As a result, for the year ended December 31, 2013, net income would have decreased by a total of \$21.9 million pre-tax and \$13.6 million after-tax, which is recorded as an adjustment to retained earnings.

A summary of the effects of the restatement for the correction of the error on the Statement of Changes in Shareholder's Equity at December 31, 2013 is as follows:

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

	<b>December 31, 2013</b>		<b>December 31, 2013</b>
	<u>Previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Retained earnings	\$ 54,821,901	(13,564,354)	\$ 41,257,547
Total equity	\$ 130,989,662	(13,564,354)	\$ 117,425,308

#### 4. Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In March 2013, the FASB issued ASU 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force)*. The ASU requires additional disclosures about joint and several liability arrangements and requires the Company to measure obligations resulting from joint and several liability arrangements as the sum of the amount the Company agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the Company expects to pay on behalf of its co-obligors. The ASU is effective for the fiscal years and interim periods beginning after December 15, 2013. The Company adopted the ASU as of January 1, 2014 and the adoption did not have an impact on the Company's financial position or results of operations.

In June 2013, the FASB issued ASU 2013-08, *Financial Services—Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements*. The ASU clarifies the characteristics of an investment company and requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. The ASU is effective for the fiscal years and interim periods beginning after December 15, 2013. The Company adopted the ASU as of January 1, 2014 and the adoption did not have an impact on the Company's financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The ASU supersedes the revenue recognition requirements in ASC 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 beginning January 1, 2017. The Company is continuing to evaluate the impact of the ASU.

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

In August 2014, the FASB issued ASU 2014-15, "Preparation of Financial Statements – Going Concern." This standard provides guidance about management's responsibility to evaluate whether there is a substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The standard will become effective for annual periods ending after December 15, 2016. The Company is continuing to evaluate the impact of this ASU.

### 5. Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements* (ASC Topic 820), defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, income or cost approach, as specified by ASC Topic 820, are used to measure fair value.

The fair value hierarchy priorities the inputs to valuation techniques used to measure fair value into three broad levels:

- 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 or liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

The Company's financial instruments, which are included in the accompanying statement of financial condition, are either measured at quoted market prices or are short-term in nature. As a result, the carrying amounts reported approximate their estimated fair values at December 31, 2014. Money market funds of \$44,668,395, included in cash and cash equivalents, are valued using quoted prices in active markets and are classified as Level 1 assets in accordance with ASC Topic 820. The other securities owned includes \$4,524,810 of marketable securities primarily in

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

U.S. Treasuries and of \$7,463 of marketable and non-marketable securities which are valued based on the best available data provided by an unrelated third party in order to approximate fair value. The marketable other securities are Level 1 instruments and the non-marketable securities are considered Level 3 assets. The total amount of gains relating to the securities owned for the period included in trading gains and net losses in the statement of comprehensive income is not significant. There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 during the year ended December 31, 2014.

**6. Related-Party Transactions**

During the period ended December 31, 2014, the Company engaged in various transactions with the Parent and its affiliates. Balances with respect to related parties reflected in the December 31, 2014, financial statements, are as follows:

Cash and cash equivalents	\$14,570,491
Securities segregated under Federal and other regulations	4,524,810
Current income taxes receivable from Parent	15,650,729
Deferred income taxes payable to Parent	4,160,995
Payable to Parent	96,756
Commissions	248,810
Expense to affiliates	60,587,857
Other income	6,972,537

Commissions represent Capital Markets (CM) income from the sale of various SunTrust Robinson Humphrey CM products. Expense to affiliates arises from the use of STI's internal services and corporate real estate based on an agreed expense sharing agreements. Allocation methodologies vary for these services but are generally based on revenue, headcount or utilization. See Note 3, Restatement of Financial Statements, where the Company discloses a prior period adjustment related to Expense to affiliates. Other income primarily represents referral fees from the SunTrust Private Wealth and Mortgage lines of business.

**7. Commitments and Contingencies**

In the ordinary course of business, the Company is subject to regulatory examinations, investigations, and requests for information, and is 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,

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

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.

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.

#### **8. Guarantees to Third Parties**

The Company uses a third-party clearing broker to clear and execute customers' securities transactions and maintain customer accounts. Under the agreement with the clearing broker, the Company agrees to indemnify the clearing broker for losses that result from a customer's failure to fulfill its contractual obligations. As the clearing broker's rights to charge the Company have no maximum amount, the Company believes that the maximum potential obligation cannot be estimated. However, to mitigate exposure, the Company may seek recourse from the customer through cash or securities held in the defaulting customer's account. The Company believes 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 indemnity. For the year ended December 31, 2014, the Company experienced no material net losses as a result of the indemnity. The clearing agreement expires in May 2020.

#### **9. Employee Benefits**

The Company participates in the pension plan and other employee benefit plans of STI for the benefit of substantially all employees of the Company. Costs of the pension plan are allocated to the Company based on its estimated pro rata share. Benefit information is not available from the

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

actuary for individual subsidiaries of STI. The Company's expense allocated to the pension and other employee benefit plans was \$12,651,754 which is included in compensation and benefits expense in the accompanying statement of comprehensive income. The Company incurred \$122,420,904 in incentive-based compensation expense, which is included in compensation and benefits expense in the accompanying statement of comprehensive income.

The Parent provides stock-based awards through the SunTrust Banks Inc. 2010 Stock Plan (as amended and restated effective January 1, 2012) under which the Compensation Committee of the Board of Directors (the Committee) 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.

The Parent allocates stock option and restricted stock option expense to the Company. The Company's restricted stock expense for 2014 was \$1,027,494 which is also included in compensation and benefits expense in the accompanying statement of comprehensive income. At December 31, 2014, there was \$299,978 of unrecognized stock-based compensation expense related to restricted stock and stock options.

**10. Income Taxes**

The Company is included in the consolidated federal income tax return and various consolidated or combined state income tax returns filed by SunTrust Banks, Inc. In accordance with the tax sharing policy applicable to SunTrust Banks, Inc. 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. Additionally the Company files its own separate state income tax returns in certain jurisdictions. The current and deferred portions of the income tax expense/(benefit) included in the statement of comprehensive income as determined in accordance with ASC 740, "Accounting for Income Taxes," are as follows:

	<u>2014</u>		
	Current	Deferred	Total
Federal	\$ 9,785,008	\$1,403,971	\$11,188,979
State	1,841,724	(167,726)	1,673,998
	<u>\$ 11,626,732</u>	<u>\$1,236,245</u>	<u>\$12,862,977</u>

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

A reconciliation of the expected income tax expense/(benefit) computed at the federal statutory income tax rate to the Company's actual income tax expense is as follows:

	2014
Income tax at federal statutory rate of 35%	\$ 11,807,711
State income taxes, net of federal benefit	1,088,099
Other	(32,833)
Total provision for income taxes	\$ 12,862,977

Deferred income tax assets and liabilities result from differences between the timing of the recognition of assets and liabilities for financial reporting purposes and for income tax return purposes. These assets and liabilities are measured using the enacted federal and state tax rates expected to apply in the periods in which the deferred tax assets or liabilities are expected to be realized. The significant components of the deferred tax assets and deferred tax liabilities, net of the federal impact for state taxes, as of December 31, 2014 were as follows:

	2014
Deferred Tax Assets:	
Employee benefits	\$ 8,863,885
State tax credit	261,697
Other	11,985
Total Deferred Tax Assets	\$ 9,137,567
Deferred Tax Liabilities:	
Prepaid expenses	\$ (13,091,699)
Fixed assets	(206,863)
Total Deferred Tax Liabilities	\$ (13,298,562)
Net Deferred Tax Liabilities	\$ (4,160,995)

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Notes to Financial Statements

The deferred tax assets include state tax credit carryforwards of \$261,697 as of December 31, 2014, that will expire, if not utilized, in 2018. The Company determined that a valuation allowance is not required for the federal and state deferred tax assets because it is more likely than not these assets will be realized.

No unrecognized tax benefits have been recorded under ASC 740-10 and no corresponding interest or penalties have been accrued. The Company continually evaluates the unrecognized tax benefits associated with its uncertain tax positions. The Company does not expect a significant change in its unrecognized tax benefits within 12 months of this reporting date.

The Company is included in the consolidated federal income tax return and various consolidated or combined state income tax returns filed by SunTrust Banks, Inc. Additionally, the Company files its own separate state income tax returns and local tax returns in certain jurisdictions. SunTrust Banks, Inc.'s federal income tax returns are no longer subject to examination by the Internal Revenue Service for taxable years prior to 2010. With limited exceptions, SunTrust Banks, Inc. and the Company are no longer subject to examination by state and local taxing authorities for taxable years prior to 2006.

### **11. Net Capital Requirements**

Rule 15c3-1 of the Securities Exchange Act of 1934 (the Rule) requires the Company to maintain minimum net capital, as defined. At December 31, 2014, the Company was in compliance with the net capital requirements of the Rule. At December 31, 2014, the Company had net capital, as defined, of \$35,242,188, which was \$33,388,244 in excess of the required net capital of \$1,853,944. The Company's ratio of aggregate indebtedness to net capital was 0.79:1 at December 31, 2014, which is below the 15:1 maximum allowed.

### **12. Subsequent Events**

The Company evaluated subsequent events through the date its financial statements were issued. There are anticipated distributions to Parent which are a routine part of our process that will likely occur over the next six months.

## Supplemental Information

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Schedule I – Computation of Net Capital and Aggregate Indebtedness Pursuant to  
Rule 15c3-1 of the Securities and Exchange Commission

PART II

BROKER OR DEALER

SUNTRUST INVESTMENT SERVICES, INC.

as of 12/31/14

COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition - Item 1800)	\$	135,627,736	3480
2. Deduct: Ownership equity not allowable for Net Capital	(		3490
3. Total ownership equity qualified for Net Capital		135,627,736	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	135,627,736	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C)	\$	99,453,031	3540
1. Additional charges for customers' and non-customers' security accounts			3550
2. Additional charges for customers' and non-customers' commodity accounts			3560
B. Aged fail-to-deliver:			3570
1. number of items		3450	
C. Aged short security differences-less reserve of	\$	3460	3580
number of items		3470	
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities - proprietary capital charges			3600
F. Other deductions and/or charges		94	3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)			3615
H. Total deductions and/or charges	(	99,453,125	3620
7. Other additions and/or allowable credits (List)			3630
8. Net Capital before haircuts on securities positions	\$	36,174,611	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper			3680
2. U.S. and Canadian government obligations		33,936	3690
3. State and municipal government obligations			3700
4. Corporate obligations			3710
5. Stocks and warrants			3720
6. Options			3730
7. Arbitrage			3732
8. Other securities		898,487	3734
D. Undue concentration			3650
E. Other (List)		0	3736
Total haircuts	(	932,423	3740
10. Net Capital	\$	35,242,188	3750

OMIT PENNIES

There are no material differences between this computation and the Company's amended, unaudited Form X-17A-5 as of December 31, 2014, filed on February 24, 2015.

BROKER OR DEALER SUNTRUST INVESTMENT SERVICES, INC.	as of <u>12/31/14</u>
--	-----------------------

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimal net capital required (6-2/3% of line 19)	\$	1,853,944	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)	\$	250,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	1,853,944	3760
14. Excess net capital (line 10 less 13)	\$	33,388,244	3770
15. Net capital less greater of 10% of line 19 or 120% of line 12	\$	32,461,273	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition	\$	27,809,148	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	3830
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts(15c3-1(c)(1)(vii))	\$		3838
19. Total aggregate indebtedness	\$	27,809,148	3840
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	%	78.91	3850
21. Percentage of aggregate indebtedness to net capital after anticipated capital withdrawals (line 19 divided by line 10 less item 4880 page 12)	%	78.91	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	\$	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)	\$	3880	
24. Net capital requirement (greater of line 22 or 23)	\$		
25. Excess net capital (line 10 less 24)	\$	3910	
26. Percentage of Net Capital to Aggregate Debits (line 10 divided by line 17 page 8)	%	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)	%	3854	
28. Net capital in excess of the greater of: 5% of combined aggregate debit items or 120% of minimum net capital requirement	\$	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 amended, unaudited Form X-17A-5 as of December 31, 2014, filed on February 24, 2015.

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Schedule I – Computation of Net Capital and Aggregate Indebtedness  
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission  
Schedule of Non Allowable Assets

December 31, 2014

Non-marketable securities	\$ 1,989
Furniture, equipment, and leasehold improvements	1,366,596
Commissions receivable	2,972,066
Goodwill	42,706,365
Prepays and other assets	<u>52,406,015</u>
Total nonallowable assets	\$ 99,453,031

*There are no material differences between this computation and the Company's amended, unaudited Form X-17A-5 as of December 31, 2014, filed on February 24, 2015.*

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

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

December 31, 2014

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission as it relates to the computation of reserve requirements under paragraph (k)(2)(ii) of that rule.

SunTrust Investment Services, Inc.  
(A Wholly Owned Subsidiary of SunTrust Banks, Inc.)

Schedule III – Information Relating to Possession or Control Requirements  
Pursuant to Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2014

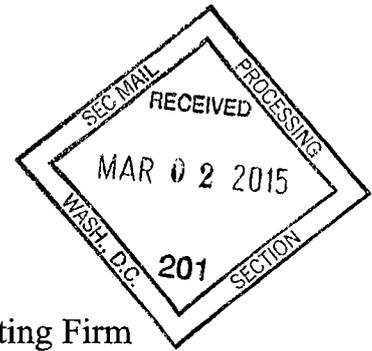
The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission as it relates to possession and control under paragraph (k)(2)(ii) of that rule.



Building a better  
working world

Ernst & Young LLP  
Suite 1000  
55 Ivan Allen Jr. Boulevard  
Atlanta, GA 30308

Tel: +1 404 874 8300  
Fax: +1 404 817 5589  
ey.com



## Report of Independent Registered Public Accounting Firm

To the Shareholder and Board of Directors of  
SunTrust Investment Services, Inc.

We have reviewed management's statements, included in the accompanying SunTrust Investment Services, Inc. Exemption Report, in which (1) SunTrust Investment Services, Inc. (the Company) identified the following provisions of 17 C.F.R. § 15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3(2)(ii) (the "exemption provision") and (2) the Company stated that it met the identified exemption provision for the period from June 1, 2014 through December 31, 2014 except as described in its exemption report. Management of the Company is responsible for compliance with the exemption provision and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934

This report is intended solely for the information and use of the Board of Directors, management, the SEC, FINRA, other regulatory agencies that rely on Rule 17a-5 under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and other recipients specified by Rule 17a-5(d)(6) and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

February 27, 2015

## SunTrust Investment Services, Inc.'s Exemption Report

SunTrust Investment Services, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17.C.F.R §240.15c3-3 under the following provisions of 17 C.F.R §240.15c3-3(k)(2)(ii), (the "exemption provision").
- (2) The Company met the identified exemption provisions in 17 C.F.R §240.15c3-3(k) throughout the most recent fiscal year from June 1, 2014 to December 31, 2014 except as described on the attached.

SunTrust Investment Services, Inc.

I, Sarah Rich, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.



\_\_\_\_\_  
Chief Financial Officer

February 27, 2015































