

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2021

Commission File Number: 1-10853

TRUIST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

North Carolina  
(State or other jurisdiction of incorporation or organization)

56-0939887  
(I.R.S. Employer Identification No.)

214 North Tryon Street  
Charlotte, North Carolina  
(Address of principal executive offices)

28202  
(Zip Code)

Registrant's telephone number, including area code:

(336) 733-2000

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class  | Trading Symbol | Name of each exchange on which registered |
|--|----------------|---|
| Common Stock, \$5 par value  | TFC            | New York Stock Exchange                   |
| Depository Shares each representing 1/4,000th interest in a share of Series I Perpetual Preferred Stock  | TFC.PI         | New York Stock Exchange                   |
| 5.853% Fixed-to-Floating Rate Normal Preferred Purchase Securities each representing 1/100th interest in a share of Series J Perpetual Preferred Stock | TFC.PJ         | New York Stock Exchange                   |
| Depository Shares each representing 1/1,000th interest in a share of Series O Non-Cumulative Perpetual Preferred Stock                                 | TFC.PO         | New York Stock Exchange                   |
| Depository Shares each representing 1/1,000th interest in a share of Series R Non-Cumulative Perpetual Preferred Stock                                 | TFC.PR         | New York Stock Exchange                   |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

At January 31, 2022, the Company had 1,328,120,453 shares of its common stock, \$5 par value, outstanding. As of June 30, 2021, the aggregate market value of voting stock held by nonaffiliates of the Company was approximately \$73.9 billion. Documents incorporated by reference: Portions of the definitive proxy statement relating to the registrant's 2022 annual meeting of stockholders are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III.

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\* For information regarding executive officers, refer to "Executive Officers" in Part I. The other information required by Item 10 is incorporated herein by reference to the information that appears under the headings "Nominees for Election as Directors for a One-Year Term Expiring in 2023," "Nominating and Governance Committee Director Nominations," "Ethics at Truist," "Corporate Governance Guidelines," "Audit Committee Report" and "Audit Committee" in the Registrant's Proxy Statement for the 2022 Annual Meeting of Shareholders.

The information required by Item 11 is incorporated herein by reference to the information that appears under the headings "Compensation Discussion and Analysis," "Compensation of Executive Officers," "Compensation and Human Capital Committee Report on Executive Compensation," "Compensation and Human Capital Committee Interlocks and Insider Participation" and "Compensation of Directors" in the Registrant's Proxy Statement for the 2022 Annual Meeting of Shareholders.

For information regarding the registrant's securities authorized for issuance under equity compensation plans, refer to "Equity Compensation Plan Information" in Part II herein. The other information required by Item 12 is incorporated herein by reference to the information that appears under the heading "Stock Ownership Information" in the Registrant's Proxy Statement for the 2022 Annual Meeting of Shareholders.

The information required by Item 13 is incorporated herein by reference to the information that appears under the headings "Director Independence" and "Related Person Transactions" in the Registrant's Proxy Statement for the 2022 Annual Meeting of Shareholders.

The information required by Item 14 is incorporated herein by reference to the information that appears under the headings "Fees to Independent Registered Public Accounting Firm" and "Audit Committee Pre-Approval Policy" in the Registrant's Proxy Statement for the 2022 Annual Meeting of Shareholders.

## Glossary of Defined Terms

The following terms may be used throughout this report, including the consolidated financial statements and related notes.

| Term            | Definition  |
|-----------------|---|
| ACL             | Allowance for credit losses   |
| AFS             | Available-for-sale  |
| Agency MBS      | Mortgage-backed securities issued by a U.S. government agency or GSE  |
| ALLL            | Allowance for loan and lease losses   |
| ALM             | Asset/Liability management  |
| ARRC            | Alternative Reference Rates Committee of the FRB and the Federal Reserve Bank of New York                                   |
| AOCI            | Accumulated other comprehensive income (loss)   |
| Basel III Rules | Rules issued by the FRB, OCC, and FDIC on capital adequacy and liquidity requirements in the U.S for banking organizations. |
| BB&T            | BB&T Corporation and subsidiaries (changed to "Truist Financial Corporation" effective with the Merger)                     |
| BCBS            | Basel Committee on Banking Supervision  |
| BHC             | Bank holding company  |
| BHCA            | Bank Holding Company Act of 1956, as amended  |
| BSA/AML         | Bank Secrecy Act/Anti-Money Laundering  |
| Board           | Truist's Board of Directors   |
| C&CB            | Corporate and Commercial Banking, an operating segment  |
| CARES Act       | The Coronavirus Aid, Relief, and Economic Security Act  |
| CB&W            | Consumer Banking and Wealth, an operating segment   |
| CCAR            | Comprehensive Capital Analysis and Review   |
| CD              | Certificate of deposit  |
| CDI             | Core deposit intangible   |
| CECL            | Current expected credit loss model  |
| CEO             | Chief Executive Officer   |
| CFTC            | Commodity Futures Trading Commission  |
| CFO             | Chief Financial Officer   |
| CET1            | Common equity tier 1  |
| CIB             | Corporate and Investment Banking  |
| CFPB            | Consumer Financial Protection Bureau  |
| CMO             | Collateralized mortgage obligation  |
| Company         | Truist Financial Corporation and its subsidiaries (interchangeable with "Truist" below), formerly BB&T Corporation          |
| COVID-19        | Coronavirus disease 2019  |
| CRA             | Community Reinvestment Act of 1977  |
| CRE             | Commercial real estate  |
| CRO             | Chief Risk Officer  |
| CVA             | Credit valuation adjustment   |
| DC              | Disclosure Committee  |
| DEI             | Diversity, Equity & Inclusion   |
| DIF             | Deposit Insurance Fund administered by the FDIC   |
| Dodd-Frank Act  | Dodd-Frank Wall Street Reform and Consumer Protection Act   |
| DTA             | Deferred tax asset  |
| DTL             | Deferred tax liability  |
| EBPCC           | Ethics, Business Practices, and Conduct Committee   |
| ECRC            | Enterprise Credit Risk Committee  |
| EGRRCPPA        | Economic Growth, Regulatory Relief, and Consumer Protection Act   |
| ERC             | Enterprise Risk Committee   |
| ERISA           | Employee Retirement Income Security Act of 1974   |
| EPS             | Earnings per common share   |
| ESG             | Environmental, Social, and Governance   |
| ETF             | Exchange traded fund  |
| EVE             | Economic value of equity  |
| Exchange Act    | Securities Exchange Act of 1934, as amended   |
| FASB            | Financial Accounting Standards Board  |
| FDIC            | Federal Deposit Insurance Corporation   |
| FHA             | Federal Housing Administration  |
| FHC             | Financial holding company   |
| FHLB            | Federal Home Loan Bank  |
| FHLMC           | Federal Home Loan Mortgage Corporation  |
| FINRA           | Financial Industry Regulatory Authority   |
| FNMA            | Federal National Mortgage Association   |
| FRB             | Board of Governors of the Federal Reserve System  |
| FTE             | Full-time equivalent employee   |
| GAAP            | Accounting principles generally accepted in the United States of America  |
| GDP             | Gross Domestic Product  |
| GLBA            | Gramm-Leach-Bliley Act  |
| GNMA            | Government National Mortgage Association  |
| Grandbridge     | Grandbridge Real Estate Capital, LLC  |
| GSE             | U.S. government-sponsored enterprise  |
| HFI             | Held for investment   |

| <b>Term</b>      | <b>Definition</b>  |
|------------------|--|
| HMDA             | Home Mortgage Disclosure Act   |
| HQLA             | High-quality liquid assets   |
| HTM              | Held-to-maturity   |
| IDI              | Insured depository institution   |
| IH               | Insurance Holdings, an operating segment   |
| IPV              | Independent price verification   |
| IRC              | Internal Revenue Code  |
| IRS              | Internal Revenue Service   |
| ISDA             | International Swaps and Derivatives Association, Inc.  |
| LCR              | Liquidity Coverage Ratio   |
| LHFS             | Loans held for sale  |
| LIBOR            | London Interbank Offered Rate  |
| LOCOM            | Lower of cost or market  |
| Market Risk Rule | Market risk capital requirements issued jointly by the OCC, U.S. Treasury, FRB, and FDIC   |
| MBS              | Mortgage-backed securities   |
| MD&A             | Management's Discussion and Analysis of Financial Condition and Results of Operations  |
| Merger           | Merger of BB&T and SunTrust effective December 6, 2019   |
| MRLCC            | Market Risk, Liquidity and Capital Committee   |
| MRM              | Model Risk Management  |
| MSR              | Mortgage servicing right   |
| MSRB             | Municipal Securities Rulemaking Board  |
| NA               | Not applicable   |
| NCCOB            | North Carolina Office of the Commissioner of Banks   |
| NFA              | National Futures Association   |
| NIM              | Net interest margin, computed on a TE basis  |
| NM               | Not meaningful   |
| NPA              | Nonperforming asset  |
| NPL              | Nonperforming loan   |
| NSFR             | Net stable funding ratio   |
| NYSE             | New York Stock Exchange  |
| OAS              | Option adjusted spread   |
| OCC              | Office of the Comptroller of the Currency  |
| OCI              | Other comprehensive income (loss)  |
| OFAC             | U.S. Department of the Treasury's Office of Foreign Assets Control   |
| OPEB             | Other post-employment benefit  |
| OREO             | Other real estate owned  |
| OT&C             | Other, Treasury and Corporate  |
| OTC              | Over-the-counter   |
| OTTI             | Other than temporary impairment  |
| Parent Company   | Truist Financial Corporation, the parent company of Truist Bank and other subsidiaries   |
| Patriot Act      | Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001  |
| PCD              | Purchased credit deteriorated loans  |
| PCI              | Purchased credit impaired loans  |
| PPP              | Paycheck Protection Program, established by the CARES Act  |
| PSU              | Performance share units  |
| Re-REMICs        | Re-securitizations of Real Estate Mortgage Investment Conduits   |
| RMO              | Risk Management Organization   |
| ROU assets       | Right-of-use assets  |
| RSA              | Restricted stock award   |
| RSU              | Restricted stock unit  |
| RUFC             | Reserve for unfunded lending commitments   |
| S&P              | Standard & Poor's  |
| SBIC             | Small Business Investment Company  |
| SCB              | Stress Capital Buffer  |
| SEC              | Securities and Exchange Commission   |
| SOFR             | Secured Overnight Financing Rate   |
| SunTrust         | SunTrust Banks, Inc.   |
| Tailoring Rules  | The final rules changing the applicability thresholds for regulatory capital and liquidity requirements, issued by the OCC, FRB, and FDIC, together with the final rules changing the applicability thresholds for enhanced prudential standards issued by the FRB |
| TDR              | Troubled debt restructuring  |
| TE               | Taxable-equivalent   |
| TMC              | Technology Management Committee  |
| TRS              | Total Return Swap  |
| Truist           | Truist Financial Corporation and its subsidiaries (interchangeable with the "Company" above), formerly BB&T Corporation  |
| Truist Bank      | Truist Bank, formerly Branch Banking and Trust Company   |
| U.S.             | United States of America   |
| U.S. Treasury    | United States Department of the Treasury   |
| UPB              | Unpaid principal balance   |
| UTB              | Unrecognized tax benefit   |
| VaR              | Value-at-risk  |
| VIE              | Variable interest entity   |

## Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the financial condition, results of operations, business plans and the future performance of Truist. Words such as “anticipates,” “believes,” “estimates,” “expects,” “forecasts,” “intends,” “plans,” “projects,” “may,” “will,” “should,” “would,” “could,” and other similar expressions are intended to identify these forward-looking statements.

Forward-looking statements are not based on historical facts but instead represent management’s expectations and assumptions regarding Truist’s business, the economy, and other future conditions. Such statements involve inherent uncertainties, risks, and changes in circumstances that are difficult to predict. As such, Truist’s actual results may differ materially from those contemplated by forward-looking statements. While there can be no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those contemplated by forward-looking statements include the following, without limitation, as well as the risks and uncertainties more fully discussed in Item 1A-Risk Factors:

- risks and uncertainties relating to the Merger of heritage BB&T and heritage SunTrust, including the ability to successfully integrate the companies or to realize the anticipated benefits of the Merger;
- expenses relating to the Merger and integration of heritage BB&T and heritage SunTrust;
- deposit attrition, client loss or revenue loss following completed mergers or acquisitions may be greater than anticipated;
- the COVID-19 pandemic disrupted the global economy and adversely impacted Truist’s financial condition and results of operations, including through increased expenses, reduced fee income and net interest margin, decreased demand for certain types of loans, and increases in the allowance for credit losses; a resurgence of the pandemic, whether due to new variants of the coronavirus or other factors, could reintroduce or prolong these negative impacts and also adversely affect Truist’s capital and liquidity position or cost of capital, impair the ability of borrowers to repay outstanding loans, cause an outflow of deposits, and impair goodwill or other assets;
- Truist is subject to credit risk by lending or committing to lend money, and may have more credit risk and higher credit losses to the extent that loans are concentrated by loan type, industry segment, borrower type or location of the borrower or collateral;
- changes in the interest rate environment, including the replacement of LIBOR as an interest rate benchmark, which could adversely affect Truist’s revenue and expenses, the value of assets and obligations, and the availability and cost of capital, cash flows, and liquidity;
- inability to access short-term funding or liquidity, loss of client deposits or changes in Truist’s credit ratings, which could increase the cost of funding or limit access to capital markets;
- risk management oversight functions may not identify or address risks adequately, and management may not be able to effectively manage credit risk;
- risks resulting from the extensive use of models in Truist’s business, which may impact decisions made by management and regulators;
- failure to execute on strategic or operational plans, including the ability to successfully complete or integrate mergers and acquisitions;
- increased competition, including from (i) new or existing competitors that could have greater financial resources or be subject to different regulatory standards, and (ii) products and services offered by non-bank financial technology companies, may reduce Truist’s client base, cause Truist to lower prices for its products and services in order to maintain market share or otherwise adversely impact Truist’s businesses or results of operations;
- failure to maintain or enhance Truist’s competitive position with respect to new products, services and technology, whether it fails to anticipate client expectations or because its technological developments fail to perform as desired or do not achieve market acceptance or regulatory approval or for other reasons, may cause Truist to lose market share or incur additional expense;
- negative public opinion, which could damage Truist’s reputation;
- increased scrutiny regarding Truist’s consumer sales practices, training practices, incentive compensation design, and governance;
- regulatory matters, litigation or other legal actions, which may result in, among other things, costs, fines, penalties, restrictions on Truist’s business activities, reputational harm, negative publicity, or other adverse consequences;
- evolving legislative, accounting and regulatory standards, including with respect to capital and liquidity requirements, and results of regulatory examinations may adversely affect Truist’s financial condition and results of operations;
- the monetary and fiscal policies of the federal government and its agencies could have a material adverse effect on profitability;
- accounting policies and processes require management to make estimates about matters that are uncertain, including the potential write down to goodwill if there is an elongated period of decline in market value for Truist’s stock and adverse economic conditions are sustained over a period of time;
- general economic or business conditions, either globally, nationally or regionally, may be less favorable than expected, and instability in global geopolitical matters or volatility in financial markets could result in, among other things, slower deposit or asset growth, a deterioration in credit quality, or a reduced demand for credit, insurance, or other services;
- risks related to originating and selling mortgages, including repurchase and indemnity demands from purchasers related to representations and warranties on loans sold, which could result in an increase in the amount of losses for loan repurchases;
- risks relating to Truist’s role as a loan servicer, including an increase in the scope or costs of the services Truist is required to perform, without any corresponding increase in servicing fees or a breach of Truist’s obligations as servicer;
- Truist’s success depends on hiring and retaining key teammates, and if these individuals leave or change roles without effective replacements, Truist’s operations and integration activities could be adversely impacted, which could be exacerbated in the increased work-from-home environment caused by the COVID-19 pandemic as job markets may be less constrained by physical geography;
- fraud or misconduct by internal or external parties, which Truist may not be able to prevent, detect, or mitigate;
- security risks, including denial of service attacks, hacking, social engineering attacks targeting Truist’s teammates and clients, malware intrusion, data corruption attempts, system breaches, cyber-attacks, identity theft, ransomware attacks, and physical security risks, such as natural disasters, environmental conditions, and intentional acts of destruction, could result in the disclosure of confidential information, adversely affect Truist’s business or reputation or create significant legal or financial exposure; and
- widespread outages of operational, communication, or other systems, whether internal or provided by third parties, natural or other disasters (including acts of terrorism and pandemics), and the effects of climate change, including physical risks, such as more frequent and intense weather events, and risks related to the transition to a lower carbon economy, such as regulatory or technological changes or shifts in market dynamics or consumer preferences, could have an adverse effect on Truist’s financial condition and results of operations, lead to material disruption of Truist’s operations or the ability or willingness of clients to access Truist’s products and services.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by applicable law or regulation, Truist undertakes no obligation to revise or update any forward-looking statements.

## ITEM 1. BUSINESS

Truist Financial Corporation is a purpose-driven financial services company committed to inspiring and building better lives and communities. Formed by the historic merger of equals of BB&T and SunTrust, Truist has leading market share in many high-growth markets in the country. The Company offers a wide range of services. Headquartered in Charlotte, North Carolina, Truist is a top 10 U.S. commercial bank.

Truist Bank, Truist's largest subsidiary, was chartered in 1872 and is the oldest bank headquartered in North Carolina. Truist Bank provides a wide range of banking and trust services for clients through 2,517 offices as of December 31, 2021 and its digital platform.

### Services

Truist's subsidiaries offer commercial and consumer clients a full array of products and services to meet their financial needs. The following table reflects examples of services provided by Truist:

**Table 1: Services**

| Consumer Services:                | Commercial Services:                            |
|-----------------------------------|---|
| Asset management                  | Asset based lending                             |
| Automobile lending                | Asset management                                |
| Credit card lending               | Commercial deposit and treasury services        |
| Consumer finance                  | Commercial finance                              |
| Home equity lending               | Commercial lending                              |
| Home mortgage lending             | Floor plan lending                              |
| Insurance                         | Debt and equity derivative services             |
| Investment brokerage services     | Institutional trust services                    |
| Mobile/online banking             | Insurance                                       |
| Payment solutions                 | Insurance premium finance                       |
| Point-of-sale lending             | International banking                           |
| Retail deposit products           | Investment banking and capital markets services |
| Small business lending            | Leasing   |
| Student lending                   | Merchant services                               |
| Wealth management/private banking | Mortgage warehouse lending                      |
|                                   | Payment solutions                               |
|                                   | Real estate lending                             |
|                                   | Supply chain financing                          |

### Market Area

The following table reflects Truist's deposit market share and branch locations by state:

**Table 2: Deposit Market Share and Branch Locations by State**

|                    | % of Truist's Deposits (2) | Deposit Market Share Rank (2) | Number of Branches (3) |
|--------------------|----------------------------|-------------------------------|------------------------|
| Florida            | 22 %                       | 3rd                           | 572                    |
| Georgia            | 19                         | 1st                           | 288                    |
| Virginia           | 15                         | 2nd                           | 365                    |
| North Carolina (1) | 14                         | 1st                           | 348                    |
| Maryland           | 6                          | 3rd                           | 208                    |
| Tennessee          | 5                          | 5th                           | 130                    |
| Pennsylvania       | 5                          | 9th                           | 157                    |
| South Carolina     | 4                          | 3rd                           | 112                    |
| Texas              | 2                          | 18th                          | 102                    |
| West Virginia      | 2                          | 1st                           | 48                     |
| Kentucky           | 2                          | 4th                           | 62                     |
| Washington, D.C.   | 2                          | 5th                           | 27                     |
| Alabama            | 1                          | 6th                           | 67                     |
| New Jersey         | 1                          | 19th                          | 23                     |
| Other states       | NA                         | NA                            | 8                      |

(1) Deposit market share rank excludes home office deposits.

(2) Source: FDIC.gov data as of June 30, 2021.

(3) As of December 31, 2021.

## **Competition**

The financial services industry is intensely competitive and constantly evolving. Management believes that Truist's community bank approach to providing client service is a competitive advantage that strengthens the Company's ability to effectively provide financial products and services to businesses and individuals in its markets. In addition, management has made significant investments in recent years to develop its digital platform and believes that its mobile and online applications are highly competitive in meeting clients' expectations. Legislative, regulatory, economic, and technological changes, as well as continued consolidation within the industry, could result in increased competition from new and existing market participants. Truist's subsidiaries compete actively with national, regional, and local financial services providers, including banks, thrifts, securities dealers, mortgage bankers, finance companies, financial technology companies, and insurance companies. The ability of non-banking entities, including financial technology companies, to provide services previously limited to commercial banks has increased competition. Non-banking entities are not subject to the same regulatory framework as banks and BHCs, and therefore, can often operate with greater flexibility and lower costs. In addition, the ability to access and use technology is an increasingly significant competitive factor in the financial services industry. Having the right technology is a critically important component to client satisfaction because it affects the Company's ability to deliver the products and services that clients desire in a manner that they find convenient and attractive. Management believes that the Company is well positioned to compete and that its continued focus on touch and technology will engender trust among its current and future clients.

## **General Business Development**

Truist seeks to satisfy all of its clients' financial needs, enabling the Company to grow and diversify its sources of revenue and profitability. Truist's long-term strategy encompasses both organic and inorganic growth, including mergers or acquisitions of complementary financial institutions or other businesses.

## **Merger and Acquisition Strategy**

Truist's merger and acquisition strategy focuses on meeting the following criteria:

- the organization must be a good fit with Truist's culture;
- the merger or acquisition must be strategically attractive;
- associated risks must be identified and mitigation plans put in place, such that any residual risks fall within Truist's risk appetite; and
- the transaction must meet Truist's financial criteria.

Truist's growth in business, profitability, and market share has historically been enhanced by strategic mergers and acquisitions. Truist will assess future opportunities, based on geography and market conditions, and may, among other possibilities, pursue economically advantageous acquisitions of banks, insurance agencies, certain lending businesses, and fee income generating financial services businesses.

## **Regulatory Considerations**

The regulatory framework applicable to banking organizations is intended primarily for the protection of depositors and the stability of the U.S. financial system, rather than for the protection of shareholders and creditors. In addition to banking laws and regulations, Truist is subject to various other laws and regulations, all of which directly or indirectly affect the operations and management of Truist and its ability to make distributions to shareholders. Truist and its subsidiaries are also subject to supervision and examination by multiple regulators.

Banking and other financial services statutes, regulations, and policies are continually under review by Congress, state legislatures, and federal and state regulatory agencies. In addition to laws and regulations, state and federal bank regulatory agencies may issue policy statements, interpretive letters, and similar written guidance applicable to Truist and its subsidiaries. Any change in the statutes, regulations, or regulatory policies applicable to Truist, including changes in their interpretation or implementation, could have a material effect on its business or organization.

The scope of the laws and regulations, and the intensity of the supervision to which Truist is subject have increased in recent years, initially in response to the financial crisis, and more recently in light of other factors, including technological factors, market changes, climate, as well as increased scrutiny and possible denials of bank mergers and acquisitions by federal bank regulators. Regulatory enforcement and fines have also increased across the banking and financial services sector. Truist expects that its business will remain subject to extensive regulation and supervision.

The descriptions below summarize certain significant federal and state laws to which Truist is subject. These descriptions do not summarize all possible or proposed changes in laws or regulations and are not intended to be a substitute for the related statutes or regulatory provisions.



## **General**

As a BHC, Truist is subject to regulation under the BHCA and to regulation, examination, and supervision by the FRB. Truist Bank, a North Carolina state-chartered commercial bank that is not a member of the Federal Reserve System, is subject to regulation, supervision, and examination by the NCCOB and the FDIC. Truist Bank and its affiliates are also subject to examination by the CFPB for compliance with most federal consumer financial protection laws.

Truist and certain of its subsidiaries and affiliates, including those that engage in derivatives transactions, securities underwriting, market making, brokerage, investment advisory, and insurance activities, are subject to other federal and state laws and regulations, as well as supervision and examination by other federal and state regulatory agencies and other regulatory authorities, including the SEC, CFTC, FINRA, and the NYSE. Truist Bank is also subject to additional state and federal laws, as well as various compliance regulations, that govern its activities, the investments it makes, and the aggregate amount of loans that may be granted to one borrower.

Examinations by Truist's regulators consider not only compliance with applicable laws, regulations, and supervisory policies of the agency, but also capital levels, asset quality, risk management effectiveness, the ability and performance of management, and the board of directors, the effectiveness of internal controls, earnings, liquidity, and various other factors. Following those examinations, Truist and Truist Bank are assigned supervisory ratings. This supervisory framework, including the examination reports and supervisory ratings, which are considered confidential supervisory information, could materially impact the conduct, growth, and profitability of Truist's operations.

Under the FRB's Large Financial Institution Rating System, component ratings are assigned for capital planning, liquidity risk management, and governance and controls. To be considered "well managed" under this rating system, a firm must be rated "broadly meets expectations" or "conditionally meets expectations" for each of its three component ratings.

The results of examinations by any of Truist's federal bank regulators potentially can result in the imposition of significant limitations on Truist's activities and growth. These regulatory agencies generally have broad enforcement authority and discretion to impose restrictions and limitations on the operations of a regulated entity, including the imposition of substantial monetary penalties and nonmonetary requirements against a regulated entity where the relevant agency determines that the operations of the regulated entity or any of its subsidiaries fail to comply with applicable laws or regulations, are conducted in an unsafe or unsound manner, or represent an unfair or deceptive act or practice.

## **FHC Regulation**

Truist has elected to be treated as a FHC, which allows it to engage in a broader range of activities than would otherwise be permissible for a BHC, including activities that are financial in nature or incidental thereto, such as securities underwriting or merchant banking. While FHCs may engage in certain acquisitions without prior approval of the FRB, any acquisition over \$10 billion in assets would require prior approval by the FRB. In order to maintain its status as a FHC, Truist and its affiliated IDI must be well-capitalized and well-managed and Truist Bank must have at least a satisfactory CRA rating. If the FRB determines that a FHC is not well-capitalized or well-managed, the FRB may impose corrective capital and managerial requirements on the FHC, and may place limitations on its ability to conduct certain business activities that FHCs are generally permitted to conduct and its ability to make certain acquisitions. If the failure to meet these standards persists, a FHC may be required to divest its IDI subsidiaries, or cease all activities other than those activities that may be conducted by BHCs that are not FHCs. Furthermore, if an IDI subsidiary of a FHC has not maintained a satisfactory CRA rating, the FHC would not be able to commence any new financial activities or acquire a company that engages in such activities, although the FHC would still be allowed to engage in activities closely related to banking and make investments in the ordinary course of conducting banking activities. Longstanding federal regulations require a FHC to act as a source of financial and managerial strength for its subsidiary banks. In times of severe financial stress, the obligation to serve as a source of strength could cause Truist to commit significant resources to supporting Truist Bank that otherwise would be available to Truist's creditors and shareholders.

## **Enhanced Prudential Standards and Regulatory Tailoring Rules**

Certain U.S. BHCs, including Truist, are subject to enhanced prudential standards. As such, Truist is subject to more stringent liquidity and capital requirements, leverage limits, stress testing, resolution planning and risk management standards than those applicable to smaller institutions. Certain larger banking organizations are subject to additional enhanced prudential standards. Truist became subject to the FRB's single-counterparty credit limit rule as of July 1, 2020, and is subject to a limit of 25% of Tier 1 capital for aggregate net credit exposures, including exposure resulting from, among other transactions, extensions of credit, repurchase and reverse repurchase transactions, investments in securities and derivative transactions, to any other unaffiliated counterparty.

Under the Tailoring Rules, Truist is subject to the standards applicable to Category III banking organizations, which generally include bank holding companies with greater than \$250 billion, but less than \$700 billion, in total consolidated assets and less than \$75 billion in certain risk-related exposures.

### **Resolution Planning**

As a Category III banking organization, Truist is required to submit a resolution plan every three years. Later resolution plans under this rule will alternate between full resolution plans and targeted resolution plans. The FRB and the FDIC must review and evaluate Truist's resolution plan. The FRB and FDIC are authorized to impose restrictions on growth and activities or operations if the agencies determine that a resolution plan is not credible or would not facilitate a rapid and orderly resolution of the company under the U.S. Bankruptcy Code, and could require the banking organization to divest assets or take other actions if it did not submit an acceptable resolution plan within two years after any such restrictions were imposed. Truist submitted its inaugural resolution plan to the FRB and FDIC in September 2021, which is currently under review.

In addition, Truist Bank is required by an FDIC regulation to file a separate bank level resolution plan although that requirement has been paused since 2018. The FDIC issued a policy statement in June 2021 announcing that it will resume requiring bank level resolution plans for large banks, including Truist Bank, and that such bank-level resolution plans will have more streamlined content requirements than previous requirements. Truist Bank will be required to submit a bank-level resolution plan every three years. During 2021, Truist Bank was informed by the FDIC that its next resolution plan will be due on or before December 1, 2022. The FDIC also clarified the content requirements of the next resolution plan that Truist Bank is required to submit.

### **Capital Requirements**

Truist and Truist Bank are subject to certain risk-based capital and leverage ratio requirements established by the FRB, for Truist, and by the FDIC, for Truist Bank. These requirements are based on the capital framework developed by the BCBS for strengthening the regulation, supervision, and risk management of banks under Basel III rules, as well as certain provisions of the Dodd-Frank Act. These quantitative calculations are minimums, and the FRB and FDIC may determine that a banking organization, based on its size, complexity, or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner. Failure to be well capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on Truist's operations or financial condition. These actions could include requiring Truist commit capital to Truist Bank in abnormal operating conditions which would otherwise be available to Truist's creditors and shareholders. Failure to be well capitalized or to meet minimum capital requirements could also result in restrictions on Truist's or Truist Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval for acquisitions.

In October 2019, the federal banking regulators adopted rules that revised the criteria for determining the applicability of regulatory capital and liquidity requirements for large U.S. banking organizations, including Truist and Truist Bank, and that tailored the application of the FRB's enhanced prudential standards to large banking organizations. Under these rules, Truist and Truist Bank are subject to the standards applicable to "Category III" banking organizations.

Under the regulatory capital rules, Truist's and Truist Bank's assets, exposures, and certain off-balance sheet items are subject to risk weights used to determine the institutions' risk-weighted assets. These risk-weighted assets are used to calculate the following minimum capital ratios for Truist and Truist Bank:

- CET1 Risk-Based Capital Ratio, equal to the ratio of CET1 capital to risk-weighted assets. CET1 capital primarily includes common shareholders' equity subject to certain regulatory adjustments and deductions, including with respect to goodwill, intangible assets, certain deferred tax assets, and AOCI.
- Tier 1 Risk-Based Capital Ratio, equal to the ratio of Tier 1 capital to risk-weighted assets. Tier 1 capital is primarily comprised of CET1 capital, perpetual preferred stock and certain qualifying capital instruments.
- Total Risk-Based Capital Ratio, equal to the ratio of total capital, including CET1 capital, Tier 1 capital, and Tier 2 capital, to risk-weighted assets. Tier 2 capital primarily includes qualifying subordinated debt and qualifying ALLL. Tier 2 capital also includes, among other things, certain trust preferred securities.

In March 2020, the FRB adopted a final rule that integrates its annual capital planning and stress testing requirements with existing regulatory capital requirements. For risk-based capital requirements for certain large BHCs, including Truist, the SCB replaced the capital conservation buffer, which was required to be met in order to avoid limitations on capital distributions, including dividends and repurchases of any Tier 1 capital instrument, such as common and qualifying preferred stock, and certain discretionary incentive compensation payments. The SCB is equal to the greater of (i) the difference between Truist's starting and minimum projected CET1 capital ratios under the severely adverse scenario in the supervisory stress test, plus the sum of the dollar amount of its planned common stock dividends for each of the fourth through seventh quarters of the planning horizon as a percentage of risk-weighted assets, or (ii) 2.5%. The FRB assigned Truist an SCB of 2.5%, which is effective from October 1, 2021 to September 30, 2022, at which point a revised SCB will be calculated and provided to Truist. Although the final rule continues to require that the firm describe its planned capital distributions in its CCAR capital plan, Truist is no longer required to seek prior approval if it makes capital distributions in excess of those included in its CCAR capital plan. Instead, Truist is subject to automatic distribution limitations if its capital ratios fall below its buffer requirements, which include the SCB.

For certain large banking organizations, the SCB could be supplemented by a countercyclical capital buffer of up to an additional 2.5% of risk-weighted assets. This buffer is currently set at zero. An FRB policy statement establishes the framework and factors the FRB would use in setting and adjusting the amount of the countercyclical capital buffer. Covered banking organizations would generally have 12 months after the announcement of any increase in the countercyclical capital buffer to meet the increased buffer requirement, unless the FRB determines to establish an earlier effective date. If the full countercyclical buffer amount is implemented, Truist and Truist Bank would be required to maintain a CET1 capital ratio of at least 9.5%, a Tier 1 capital ratio of at least 11.0%, and a Total capital ratio of at least 13.0% to avoid limitations on capital distributions and certain discretionary incentive compensation payments.

Certain large banking organizations with trading assets and liabilities above certain thresholds, including Truist, are subject to the Market Risk Rule and must adjust their risk-based capital ratios to reflect the market risk of their trading activities. Refer to the "Market Risk" section of the MD&A for additional disclosures related to market risk management.

In addition, Truist and Truist Bank are subject to a Tier 1 leverage ratio, equal to the ratio of Tier 1 capital to quarterly average assets, net of goodwill, certain other intangible assets, and certain other deductions. Category III banking organizations are also subject to a minimum 3.0% supplementary leverage ratio. The supplementary leverage ratio is calculated by dividing Tier 1 capital by total leverage exposure, which takes into account on-balance sheet assets as well as certain off-balance sheet items, including loan commitments and potential future exposure of derivative contracts.

In response to the COVID-19 pandemic, the FRB adopted a rule that temporarily changed the supplementary leverage ratio to exclude U.S. Treasury securities and deposits at Federal Reserve Banks from the calculation of a firm's leverage exposure, which expired March 31, 2021 and previously benefited Truist's supplementary leverage ratio by approximately 20 basis points. The FRB announced plans to invite public comment on several potential supplementary leverage ratio modifications to ensure that the supplementary leverage ratio remains effective in an environment of higher reserves, though such proposal has not been published as of the date of this report.

The FRB has not yet revised the well-capitalized standard for BHCs to reflect the higher capital requirements imposed under the Basel III Rules. For purposes of certain FRB rules, including determining whether a BHC meets the requirements to be a FHC, BHCs, such as Truist, must maintain a Tier 1 Risk-Based Capital Ratio of 6.0% or greater and a Total Risk-Based Capital Ratio of 10.0% or greater to meet the well-capitalized minimum. The FRB may require BHCs, including Truist, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a BHC's particular condition, risk profile, and growth plans. Refer to the "Capital" section in MD&A for disclosures containing the minimum regulatory capital ratios and well-capitalized minimum ratios applicable to Category III banking organizations.

In 2020, the U.S. banking agencies adopted a final rule that permits banking organizations that implement CECL before the end of 2020 to elect to follow the three-year transition available under the prior rule or a new five-year transition to phase in the effects of CECL on regulatory capital. Under the five-year transition, the banking organization would defer for two years 100% of the day-one effect of adopting CECL and 25% of the cumulative increase or decrease in the allowance for credit losses since adoption of CECL. Following the first two years, the electing organization will phase out the aggregate capital effects over the next three years consistent with the transition in the original three-year transition rule. Truist has elected to use the five-year transition to phase in the impacts of CECL on regulatory capital.

The U.S. banking agencies have adopted a final rule altering the definition of eligible retained income. Under the final rule, eligible retained income is the greater of a firm's (i) net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (ii) average net income over the preceding four quarters. This definition applies with respect to all of Truist's capital requirements.

### **Capital Planning and Stress Testing Requirements**

In addition to the regulatory capital requirements, under the FRB's CCAR process, Truist must submit an annual capital plan to the FRB that reflects its projected financial performance under hypothetical macro-economic scenarios, including a supervisory severely adverse scenario provided by the FRB.

The FRB's CCAR framework and the Dodd-Frank Act stress testing framework also require BHCs subject to Category III standards, such as Truist, to conduct company-run stress tests and submit to supervisory stress tests conducted by the FRB. The company-run stress tests employ stress scenarios provided by the FRB and incorporate the Dodd-Frank Act capital actions, which are intended to normalize capital distribution assumptions across large U.S. BHCs. In addition, Truist is required to conduct annual stress tests using internally-developed scenarios intended to stress the unique risk profile of the institution. The FRB also conducts CCAR and Dodd-Frank Act supervisory stress tests employing internal supervisory models on the supervisory stress scenarios. As a Category III banking organization, Truist is subject to supervisory stress testing on an annual basis and company-run stress testing on a biennial basis.

Truist is required to submit its next capital plan and the results of its own stress tests to the FRB by April 5, 2022. The FRB is required to announce the results of its supervisory stress tests by June 30, 2022.

In addition to the CCAR stress testing for Truist, Truist Bank conducts annual company-run stress tests.

### **Liquidity Requirements**

Certain BHCs and their bank subsidiaries, including Truist and Truist Bank, are subject to a minimum LCR. The LCR is designed to ensure that BHCs have sufficient high-quality liquid assets to survive a significant liquidity stress event lasting for 30 calendar days.

Truist also is subject to FRB rules that require certain large BHCs to conduct internal liquidity stress tests over a range of time horizons, maintain a buffer of highly liquid assets sufficient to meet projected net outflows under the BHC's 30-day liquidity stress test, and maintain a contingency funding plan that meets certain requirements.

Effective July 2021, Truist became subject to final rules implementing the NSFR, which are designed to ensure that banking organizations maintain a stable, long-term funding profile in relation to their asset composition and off-balance sheet activities. The NSFR, calculated as the ratio of available stable funding to required stable funding, must exceed 1.0x. Available stable funding represents a weighted measure of a company's funding sources over a one-year time horizon, calculated by applying standardized weightings to the company's equity and liabilities based on their expected stability. Required Stable Funding is calculated by applying standardized weightings to assets, derivatives exposures and certain other items based on their liquidity characteristics. As a Category III banking organization, Truist and Truist Bank are subject to an NSFR requirement equal to 85% of the full requirement.

### **Payment of Dividends**

The Parent Company is a legal entity separate and distinct from its subsidiaries, and it depends in part upon dividends received from its direct and indirect subsidiaries, including Truist Bank, to fund its activities, including its ability to make capital distributions, such as paying dividends or repurchasing shares. Under federal law, there are various limitations on the extent to which Truist Bank can declare and pay dividends to the Parent Company, including those related to regulatory capital requirements, general regulatory oversight to prevent unsafe or unsound practices, and federal banking law requirements concerning the payment of dividends out of net profits, surplus, and available earnings. Certain contractual restrictions also may limit the ability of Truist Bank to pay dividends to the Parent Company. No assurances can be given that Truist Bank will, in any circumstances, pay dividends to the Parent Company.

The Parent Company's ability to declare and pay dividends is similarly limited by federal banking law and FRB regulations and policy. The FRB has authority to prohibit BHCs from making capital distributions if they would be deemed to be an unsafe or unsound practice. The FRB has indicated generally that it may be an unsafe or unsound practice for BHCs to pay dividends unless a BHC's net income is sufficient to fund the dividends and the expected rate of earnings retention is consistent with the organization's capital needs, asset quality, and overall financial condition. In addition, the Parent Company's ability to make capital distributions, including paying dividends and repurchasing capital securities, is subject to the FRB's automatic restrictions on capital distributions under the FRB's capital rules. Truist's risk-based capital and leverage ratio requirements are discussed below in the "Capital Requirements" section.

North Carolina law provides that, as long as a bank does not make distributions that reduce its capital below its applicable required capital, the board of directors of a bank chartered under the laws of North Carolina may declare such distributions as the directors deem proper.

### **Prompt Corrective Action**

The federal banking agencies are required to take "prompt corrective action" with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. The law establishes five categories for this purpose: "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." To be considered "well-capitalized," an IDI must maintain minimum capital ratios and must not be subject to any order or written directive to meet and maintain a specific capital level for any capital measure. An institution that fails to remain well-capitalized becomes subject to a series of restrictions that increase in severity as its capital condition weakens. Such restrictions may include a prohibition on capital distributions, restrictions on asset growth, or restrictions on the ability to receive regulatory approval of applications. The regulations apply only to banks and not to BHCs. However, the FRB is authorized to take appropriate action at the holding company level, based on the undercapitalized status of the holding company's subsidiary banking institutions. In certain instances relating to an undercapitalized banking institution, the BHC, in its capacity as a source of strength would be required to guarantee the performance of the undercapitalized subsidiary's capital restoration plan and could be liable for civil money damages for failure to fulfill those guarantee commitments.

In addition, failure to meet capital requirements may cause an institution to be directed to raise additional capital. Federal law further mandates that the agencies adopt safety and soundness standards generally relating to operations and management, asset quality and executive compensation, and authorizes administrative action against an institution that fails to meet such standards. Failure to meet capital guidelines may subject a banking organization to a variety of other enforcement remedies, including additional substantial restrictions on its operations and activities, termination of deposit insurance by the FDIC and, under certain conditions, the appointment of a conservator or receiver.

### **Transactions with Affiliates**

There are various legal restrictions on the extent to which Truist and its non-bank subsidiaries may borrow or otherwise engage in certain types of transactions with Truist Bank. Under the Federal Reserve Act and FRB regulations, Truist Bank and its subsidiaries are subject to quantitative and qualitative limits on extensions of credit, purchases of assets, and certain other transactions involving its non-bank affiliates. In addition, transactions between Truist Bank and its non-bank affiliates are required to be on arm's length terms and must be consistent with standards of safety and soundness.

### **Acquisitions**

Truist is subject to numerous laws that may require regulatory approval for acquisitions. For example, under the BHCA, a BHC may not directly or indirectly acquire ownership or control of more than 5% of the voting shares or substantially all of the assets of any BHC or bank or merge or consolidate with another BHC without the prior approval of the FRB. The BHCA and other federal laws enumerate the factors the FRB must consider when reviewing the merger of BHCs, the acquisition of banks or the acquisition of voting securities of a bank or BHC. These factors include the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the transaction; the effect of the transaction on the financial stability of the United States; the organizations' compliance with anti-money laundering laws and regulations; the convenience and needs of the communities to be served; and the records of performance under the CRA of the IDIs involved in the transaction.

Federal law authorizes interstate acquisitions of banks and BHCs without geographic limitation, and a bank headquartered in one state is authorized to merge with a bank headquartered in another state, subject to market share limitations, regulatory approvals and any state requirement that the target bank shall have been in existence and operating for a minimum period of time. The market share limitations impose conditions that the acquiring BHC, after and as a result of the acquisition, control no more than 10% of the total amount of deposits of IDIs in the U.S. and no more than 30%, subject to variation by state law, of such deposits in applicable states. FRB rules also prohibit a FHC from combining with another company if the ratio of the resulting company's liabilities exceeds 10% of the aggregate consolidated liabilities of all financial companies.

After a bank has established branches in a state through an interstate merger transaction, the bank may establish and acquire additional branches at any location in the state where a bank headquartered in that state could have established or acquired branches under applicable federal or state law. These regulatory considerations are applicable to privately negotiated acquisition transactions.

The standards by which bank and financial institution acquisitions are evaluated are under review. Among other things, in July 2021, an executive order was issued on competition that requires the banking agencies to review the standards for bank mergers, and the Department of Justice has announced that it is reviewing its bank merger guidelines. Additionally, some members of Congressional leadership are closely tracking the standards for bank mergers and can be expected to engage in hearings and public statements in connection with any pending or future merger activity. These reviews and engagements could change the standards for bank mergers.

### **Other Safety and Soundness Regulations**

The FRB has supervisory and enforcement powers over BHCs and their nonbanking subsidiaries. The FRB has authority to prohibit activities that represent unsafe or unsound practices or constitute violations of law, rule, regulation, administrative order, or written agreement with a federal regulator. These powers may be exercised through the issuance of confidential supervisory actions, cease and desist orders, civil monetary penalties, or other actions.

There also are a number of obligations and restrictions imposed on BHCs and their IDI subsidiaries by federal law and regulatory policy that are designed to reduce potential loss exposure to depositors and the DIF in the event the IDI is insolvent or is in danger of becoming insolvent. For example, the FRB requires a BHC to serve as a source of financial strength to its subsidiary IDIs and to commit financial resources to support such institutions in circumstances where it might not do so otherwise.

Banking regulators also have broad supervisory and enforcement powers over Truist Bank, including the power to impose confidential supervisory actions, fines and other civil and criminal penalties, and to appoint a receiver in order to conserve the assets of Truist Bank for the benefit of depositors and other creditors. The NCCOB also has the authority to take possession of a North Carolina state bank in certain circumstances, including when it appears that such bank has violated its charter or any applicable laws, is conducting its business in an unauthorized or unsafe manner, is in an unsafe or unsound condition to transact its business or has an impairment of its capital stock.

### **DIF Assessments**

Truist Bank's deposits are insured by the FDIC up to the applicable limits, which is currently \$250,000 per account ownership type. The FDIC imposes a risk-based deposit premium assessment system that determines assessment rates for an IDI based on an assessment rate calculator, which is based on a number of elements to measure the risk each IDI poses to the DIF. The assessment rate is applied to total average assets less tangible equity, as defined under the Dodd-Frank Act. The assessment rate schedule can change from time to time at the discretion of the FDIC, subject to certain limits. Under the current system, premiums are assessed quarterly.

As of September 30, 2021, the DIF reserve ratio was 1.27%. The FDIC, as required under the Federal Deposit Insurance Act, established a plan on September 15, 2020, to restore the DIF reserve ratio to meet or exceed 1.35% within eight years. The FDIC's restoration plan projects the reserve ratio to exceed 1.35% without increasing the deposit insurance assessment rate, subject to ongoing monitoring over the next eight years. The FDIC could increase the deposit insurance assessments for certain insured depository institutions, including Truist Bank, if the DIF reserve ratio is not restored as projected.

### **Consumer Protection Laws and Regulations**

In connection with its lending and leasing activities, Truist Bank is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. The CFPB examines Truist and Truist Bank for compliance with a broad range of federal consumer financial laws and regulations, including the laws and regulations that relate to deposit products, credit card, mortgage, automobile, student, and other consumer loans, and other consumer financial products and services offered. The federal consumer financial protection laws that are subject to the CFPB's supervision and enforcement powers include, among others, the Truth in Lending Act, Truth in Savings Act, HMDA, Fair Credit Reporting Act, Electronic Funds Transfer Act, Real Estate Settlement Procedures Act, Fair Debt Collection Practices Act, Equal Credit Opportunity Act, and Fair Housing Act. The CFPB also has authority to take enforcement actions to prevent and remedy acts and practices relating to consumer financial products and services that it deems to be unfair, deceptive, or abusive, and to impose new disclosure requirements for any consumer financial product or service.

The CFPB may issue regulations that impact products and services offered by Truist or Truist Bank. The regulations could reduce the fees that Truist receives, alter the way Truist provides its products and services, or expose Truist to greater risk of private litigation or regulatory enforcement action.

During November 2019, SunTrust Bank entered into a consent order with the FRB, relating to certain identified legacy compliance issues, and requiring certain remediation actions and the verification of such actions regarding the identified issues. In June 2021, the FDIC terminated this consent order.

### **Patriot Act**

The Patriot Act is intended to strengthen the ability of U.S. law enforcement agencies and intelligence communities to cooperate in the prevention, detection, and prosecution of international money laundering and the financing of terrorism. The Patriot Act contains anti-money laundering measures affecting IDIs, broker-dealers and certain other financial institutions. The Patriot Act includes the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, which requires such financial institutions to implement policies and procedures to combat money laundering and the financing of terrorism and grants the Secretary of the U.S. Treasury broad authority to establish regulations and to impose requirements and restrictions on financial institutions' operations. The Patriot Act imposes substantial obligations on financial institutions to maintain appropriate policies, procedures and processes to detect, prevent, and report money laundering, terrorist financing, and other financial crimes. Failure to comply with these regulations may result in fines, penalties, lawsuits, regulatory sanctions, reputation damage, or restrictions on business. In addition, the Patriot Act requires the federal bank regulatory agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing bank mergers and BHC acquisitions.

### **BSA/AML and Sanctions**

Truist continues to be subject to examinations and ongoing monitoring to assess compliance with BSA/AML laws and regulations. These laws and regulations are designed to protect the financial system by requiring financial institutions to develop and implement BSA/AML programs designed to detect, deter, and prevent the use of the financial system to facilitate the funding of illicit and criminal activities. In addition, Truist is also subject to prohibitions with respect to engaging in financial transactions with certain individuals, entities, and countries as prohibited by the OFAC regulator of the U.S. Treasury.

Federal law grants substantial enforcement powers to federal financial institution regulators, OFAC and law enforcement agencies with respect to AML laws and regulations. This enforcement authority includes, among other things, the ability to assess significant civil or criminal monetary penalties, fines, or restitution; to issue cease and desist or removal orders; and to initiate injunctive actions against financial institutions and institution-affiliated parties. These enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices.

### **Privacy, Data Protection, and Cyber Security**

Various federal and state laws and regulations contain extensive data privacy and cybersecurity provisions, and the regulatory framework for data privacy and cybersecurity is rapidly evolving. The FRB, FDIC, and other bank regulatory agencies have adopted guidelines for safeguarding confidential, personal customer information. These guidelines require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to create, implement, and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. In addition, various U.S. regulators, including the FRB and the SEC, have increased their focus on cyber security through guidance, examinations, and regulations.

At the federal level, the GLBA requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to non-affiliated third parties. In general, the statute requires explanations to consumers on policies and procedures regarding the disclosure of such nonpublic personal information and, except as otherwise required by law, prohibits disclosing such personal information except as provided in the banking subsidiary's policies and procedures.

In addition, in November 2021, the FRB, OCC, and FDIC adopted a new regulation that, among other things, requires a banking organization to notify its primary federal regulators within 36 hours after identifying a "computer-security incident" that the banking organization believes in good faith could materially disrupt or degrade its business or operations in a manner that would, among other things, jeopardize the viability of its operations, result in customers being unable to access their deposit and other accounts, result in a material loss of revenue, profit or franchise value, or pose a threat to the financial stability of the U.S.

States are also increasingly proposing or enacting legislation that relates to data privacy and data protection such as the California Consumer Privacy Act which went into effect on January 1, 2020. Truist has undertaken significant efforts to comply with these laws and continues to assess their requirements and applicability to Truist. These laws and proposed legislation are still subject to revision or formal guidance and they may be interpreted or applied in a manner inconsistent with the Company's understanding. California voters also recently passed the California Privacy Rights Act, which will take effect on January 1, 2023, and significantly modifies the California Consumer Privacy Act, including by imposing additional obligations on covered companies and expanding California consumers' rights with respect to certain sensitive personal information, potentially resulting in further uncertainty and requiring Truist to incur additional costs to comply. Truist may be subject to similar laws in other states where Truist does business or in states where Truist may collect personal information of residents.

In addition, the promulgation in 2017 of the New York Department of Financial Services Cybersecurity Regulation and the National Association of Insurance Commissioners Insurance Data Security Model Law are driving significant cybersecurity compliance activities for Truist. Both of these regulations include phased compliance periods as well as attestation of compliance by Truist.

Like other lenders, Truist Bank uses credit bureau data in its underwriting activities. The Fair Credit Reporting Act regulates reporting information to credit bureaus, prescreening individuals for credit offers, sharing of information between affiliates, and using affiliate data for marketing purposes. Similar state laws may impose additional requirements on Truist Bank. Truist is also subject to rules and regulations issued by the Federal Trade Commission, which regulates unfair or deceptive acts or practices, including with respect to data privacy and cybersecurity. Moreover, the U.S. Congress has recently considered, and is currently considering various proposals for more comprehensive data privacy and cybersecurity legislation, to which we may be subject if passed.

### **CRA**

The CRA requires Truist Bank's primary federal bank regulatory agency, the FDIC, to assess the bank's record in meeting the credit needs of the communities served by the bank, including low- and moderate-income neighborhoods and persons. Institutions are assigned one of four ratings: "Outstanding," "Satisfactory," "Needs to Improve," or "Substantial Noncompliance." This assessment is considered for any bank that applies to merge or consolidate with or acquire the assets or assume the liabilities of an IDI, or to open or relocate a branch office. The CRA record of each subsidiary bank of a FHC also is assessed by the FRB in connection with reviewing any proposed acquisition or merger application. In 2021, Truist received the highest possible overall rating of "Outstanding" from the FDIC for its most recent CRA examination period.

### **Automated Overdraft Payment Regulation**

There are federal consumer protection laws related to automated overdraft payment programs offered by financial institutions. The CFPB prohibits financial institutions from charging consumers fees for paying overdrafts on automated teller machine and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service. Financial institutions must also provide consumers with a notice that explains the financial institution's overdraft services, including the associated fees and the consumer's choices. In addition, FDIC-supervised institutions must monitor overdraft payment programs for "excessive or chronic" client use and undertake "meaningful and effective" follow-up action with clients that overdraw their accounts more than six times during a rolling 12-month period. Financial institutions must also impose daily limits on overdraft charges, review and modify check-clearing procedures, prominently distinguish account balances from available overdraft coverage amounts, and ensure board and management oversight regarding overdraft payment programs. In 2022, Truist announced a first-of-its-kind approach to the checking account experience, designed to address clients' direct feedback, which includes no overdraft fees. Refer to the "Executive Overview" section in MD&A for additional information on the new program.

### **Volcker Rule**

Truist is prohibited under the Volcker Rule from (i) engaging in proprietary trading activities, and (ii) having certain ownership interests in and relationships with covered private funds. The fundamental prohibitions of the Volcker Rule apply to banking entities of any size, including Truist and its affiliates. The Volcker Rule regulations contain exemptions or exclusions for market-making, hedging, underwriting, trading in U.S. government and agency obligations and also permit certain ownership interests in certain types of funds to be retained. They also permit the offering and sponsoring of funds under certain conditions. The Volcker Rule regulations impose significant compliance obligations on banking entities. Truist has put in place the compliance programs required by the Volcker Rule and has either divested or received extensions for any holdings in illiquid funds.

In June 2020, the regulatory agencies charged with implementing the Volcker Rule finalized amendments to the Volcker Rule's restrictions on ownership interests in and relationships with covered funds. Among other things, these amendments permit banking entities to have relationships with and offer additional financial services to additional types of funds and investment vehicles. These requirements are not expected to have a material impact on Truist's consolidated financial position, results of operations, or cash flows.

### **Regulatory Regime for Swaps**

The Dodd-Frank Act established a comprehensive regulatory regime for the OTC swaps market, aimed at increasing transparency, and reducing systemic risk in the derivatives markets, including requirements for central clearing, exchange trading, capital adequacy, margin, reporting, and recordkeeping. The Dodd-Frank Act requires that certain swap dealers and security-based swap dealers register with one or both of the SEC and CFTC, depending on the nature of the swaps business. Truist Bank provisionally registered with the CFTC as a swap dealer, subjecting Truist Bank to requirements under the CFTC's regulatory regime, including trade reporting and record keeping requirements, business conduct requirements (including daily valuations, disclosure of material risks associated with swaps and disclosure of material incentives and conflicts of interest), and mandatory clearing and exchange trading requirements for certain standardized swaps designated by the CFTC.



In November 2021, Truist Bank conditionally registered with the SEC as a security-based swap dealer. As a result, Truist Bank's security-based swaps business is now subject to requirements that are similar to the CFTC rules applicable to swap dealers, including trade reporting, business conduct standards, recordkeeping, and potentially clearing and exchange trading requirements.

Truist Bank's uncleared swaps and security-based swaps are subject to variation margin and initial margin requirements. The variation margin requirements are currently in effect and the initial margin requirements are phasing in over a period of six years and will be fully phased-in on September 1, 2022, depending on the level of derivatives activity of the swap dealer and the relevant counterparty.

#### **Broker-Dealer and Investment Adviser Regulation**

Truist's broker-dealer and investment adviser subsidiaries are subject to regulation by the SEC. FINRA is the primary self-regulatory organization for Truist's registered broker-dealer and investment adviser subsidiaries. Truist's broker-dealer and investment adviser subsidiaries also are subject to additional regulation by states or local jurisdictions. The SEC and FINRA have active enforcement functions that oversee broker-dealers and investment advisers and can bring actions that result in fines, restitution, a limitation on permitted activities, disqualification to continue to conduct certain activities and an inability to rely on certain favorable exemptions. Certain types of infractions and violations also can affect Truist's ability to issue new securities expeditiously. In addition, certain changes in the activities of a broker-dealer require approval from FINRA, and FINRA takes into account a variety of considerations in acting upon applications for such approval, including internal controls, capital levels, management experience and quality, prior enforcement and disciplinary history, and supervisory concerns.

In June 2019, the SEC finalized Regulation Best Interest, which imposes a new standard of conduct on SEC-registered broker-dealers when making recommendations to retail customers. In addition, the SEC finalized a new summary disclosure form that broker-dealers and investment advisers must provide to retail customers. Truist's broker-dealer and investment adviser subsidiaries were required to comply with these requirements, as applicable, as of June 2020.

#### **FDIC Recordkeeping Requirements**

To facilitate prompt payment of FDIC-insured deposits when large IDIs fail, FDIC rules require IDIs with two million or more deposit accounts to maintain complete and accurate data on each depositor's ownership interest by right and capacity and to develop the capability to calculate the insured and uninsured amounts for each deposit owner by ownership right and capacity. Compliance with the rule was originally required by April 1, 2020. Truist became subject to the rules related to recordkeeping requirements and timely deposit insurance as of April 1, 2021, under the optional one-year extension.

#### **Other Regulatory Matters**

Truist is subject to examinations by federal and state banking regulators, as well as the SEC, CFTC, FINRA, NYSE, various taxing authorities, and various state insurance and securities regulators. Truist periodically receives requests for information on business and accounting practices from regulatory authorities in various states, including state insurance commissions and state attorneys general, securities regulators, and other regulatory authorities. Such requests are considered incidental to the normal conduct of business.

#### **COVID-19 Developments**

In response to disruptions in economic conditions caused by the COVID-19 pandemic, federal and state governments and agencies and government-sponsored enterprises have taken a variety of actions to support people and entities affected by the pandemic, including the passage of the CARES Act in March 2020, the Consolidated Appropriations Act, 2021 in December 2020, and the American Rescue Plan Act of 2021 in March 2021, among others. For example, the CARES Act established several programs with the Small Business Administration, including the PPP, to provide loans to small businesses.

The CARES Act also provided financial institutions with the option to suspend certain GAAP requirements for coronavirus-related loan modifications that would otherwise constitute a TDR and further required the federal banking agencies to defer to financial institutions' determinations in making such suspensions, which was extended by the Consolidated Appropriations Act, 2021 until January 1, 2022. Subsequent to January 1, 2022, all modifications to loan agreements will be evaluated in accordance with all applicable GAAP requirements.

## Human Capital

Truist recognizes that attracting the best talent, making investments in teammates, caring to better understand their backgrounds and experiences, and helping to bolster their career trajectory ultimately leads to more engaged and productive teammates, which can contribute to better business outcomes for Truist overall. Truist aims to provide teammates an inclusive and energizing environment that empowers teammates to learn, grow, and have meaningful careers.

Truist's Compensation and Human Capital Committee oversees Truist's compensation and benefit programs consistent with its compensation philosophy. The Committee provides guidance on Truist's human capital strategy (including DEI, teammate engagement, talent development, and succession management) to assist in attracting, developing, and retaining qualified teammates.

Truist's Enterprise Ethics Risk Office partners with a broad group of internal stakeholders to set standards for teammate conduct and facilitate the timely intake and routing of teammate concerns for review. As part of that effort, the team seeks to identify trends reflecting on organizational culture and/or operational challenges and to develop solutions. The results of these efforts are regularly shared with Truist's Executive-Level Ethics, Business Practices, and Conduct Committee and its Board of Directors.

The following table presents a summary of teammates as of December 31, 2021:

**Table 3: Teammate Summary**

|           | # of Teammates | % of Population |
|-----------|----------------|-----------------|
| Full-Time | 50,283         | 95.5 %          |
| Part-Time | 2,358          | 4.5             |
| Total     | 52,641         | 100.0 %         |

Leveraging a skilled contingent workforce is an important part of Truist's overall workforce strategy. It has enabled Truist the ability to drive process and system integrations during the Merger period while continuing to deliver on Truist's core purpose.

### Diversity, Equity & Inclusion

Truist is committed to continuing to build a culture where teammates feel a sense of belonging and where they can bring their best selves to work. Truist champions DEI and is dedicated to increasing access to opportunities for all. To deliver on Truist's DEI objectives, Truist's dedicated DEI Office focuses on attracting, developing and advancing diverse representation at key levels of the Company, embedding DEI in all of Truist's business strategies, and investing in diverse communities. The DEI Office partners with groups across Truist to develop tools, resources, and programs to positively influence the societal impact of clients, teammates, communities, and stakeholders. Truist established a diversity recruiting team focused on increasing the diversity of teammates and leaders in key positions across the Company. Ensuring Truist attracts, develops, and retains diverse, talented, and caring people is critical to the Company's overall success.

Truist recognizes that ethnically diverse talent have historically been underrepresented in leadership positions at financial services companies. The Company committed to increasing its racially and ethnically diverse teammates among senior leadership positions to 15% and achieved this goal one year early with racially and ethnically diverse teammates holding 15.1% of senior leadership positions as of December 31, 2021.

The following table presents a summary of diversity statistics as of December 31, 2020 using the category classifications on the U.S. Equal Employment Opportunity Commission's EEO-1 report, which differ from those recognized internally by Truist. Truist's leadership diversity commitment was based on Truist's internal senior leader category. The Truist senior leader category is made up of a broader population than the EEO-1 Executive/Senior-Level Manager category.

**Table 4: Teammate Diversity (1)**

|                                       | Gender |        | Race      |                               |                       |       |                                     |  |                         |
|---------------------------------------|--------|--------|-----------|-------------------------------|-----------------------|-------|-------------------------------------|--|-------------------------|
|                                       | Female | Male   | Caucasian | Black/<br>African<br>American | Hispanic<br>or Latino | Asian | American<br>Indian/Alaska<br>Native | Native<br>Hawaiian/Other<br>Pacific Islander | Two or<br>More<br>Races |
| Executive Leadership & senior leaders | 26.8 % | 73.2 % | 84.4 %    | 5.9 %                         | 4.5 %                 | 3.7 % | 0.4 %                               | — %  | 1.1 %                   |
| First / mid-level managers            | 54.3   | 45.7   | 75.2      | 12.0                          | 6.7                   | 4.2   | 0.4                                 | 0.2  | 1.3                     |
| Professionals                         | 50.8   | 49.2   | 65.4      | 16.7                          | 6.8                   | 8.7   | 0.3                                 | 0.3  | 1.8                     |
| All others                            | 76.7   | 23.3   | 59.2      | 21.4                          | 12.3                  | 3.8   | 0.8                                 | 0.3  | 2.2                     |
| All teammates                         | 64.3   | 35.7   | 64.1      | 18.2                          | 9.5                   | 5.4   | 0.6                                 | 0.3  | 1.9                     |

(1) Source: EEO-1 data as of December 31, 2020. All others includes sales workers and administrative support EEO-1 job categories.

### **Talent Development**

Truist teammates have access to extensive programs and benefits for career advancement. Teammates can partner with a certified coach to help them focus, create clear goals, and stay accountable to achieving those goals. Truist also provides tuition assistance so teammates can continue formal education by seeking degrees that align with career goals.

In addition to career development opportunities, Truist provides a differentiated learning experience to new and existing teammates, including formal onboarding training to prepare new teammates through learning content libraries for individual development needs. Truist provides a wide range of forums for learning that include relevant current trends and emerging skills in the marketplace.

Truist also has a Leadership Institute, a uniquely qualified leadership development center that creates dynamic leaders and increases teammate retention. Truist strives to succeed in maximizing the potential in every individual and instilling values and behaviors that create a strong culture of leadership. The Truist Leadership Institute combines expert psychological insight with lessons learned throughout its 60-year history of leadership development.

### **Compensation and Total Rewards**

Truist's Compensation and Total Rewards enable its Purpose, Mission, and Values, specifically Truist's mission to create an inclusive and energizing environment that empowers teammates. Truist places special emphasis on providing compensation and benefits that foster an environment of economic security and social mobility for its teammates.

- Truist's total rewards build better lives for teammates today and in the future
- As teammates grow and develop meaningful careers, their compensation and long term earning potential grows
- Truist's total rewards promote the value of Caring and help teammates find happiness in their lives
- Truist's pay for performance approach ensures that when clients win, teammates win

Truist's benefits program includes a company-funded pension plan, a 401(k) Plan, Truist Momentum financial well-being education, healthcare and insurance benefits, Lifeforce lifestyle program, wellness and mental well-being support, paid time off, teammate and family resources such as child-care centers and family care resources, tuition assistance and on-site services such as health centers and fitness centers. A detailed overview on all of the benefits Truist offers can be found on Truist's Benefits website, [Benefits.Truist.com](https://www.truist.com/benefits).

Truist provides market competitive and transparent total rewards that attract and retain talent while enabling Truist's short- and long-term performance. Truist provides compensation and rewards that achieve positive business results, are based on market and internal assessment, and are aligned with risk management principles. In 2021 Truist conducted its first pay equity study. Factoring teammates' roles, levels of experience, and geography, the average salary of female teammates is 99% of male teammates, and the average salary of racially diverse teammates is 100% of non-racially diverse teammates.

### **Health, Safety, and Wellness and COVID-19**

The health and safety of teammates are paramount and they have guided Truist's responses to the COVID-19 crisis. Following a shift of operations where Truist enabled the majority of its workforce to work remotely, a Together Safely Committee created an approach that focused first on safety, followed by defining new working models in a post-pandemic era that could bring teammates back together. Three work styles were formalized – Onsite, Hybrid, and Remote. Truist anticipates that the majority of teammates will operate in the hybrid work style. For teammates who continued to work in branches and offices, Truist automated the COVID-19 case management process to optimize support of teammates that tested positive, and to limit business disruption. As COVID-19 vaccines rolled out in 2021, Truist took a direct approach to educate teammates through a Myth Busters campaign and quickly moved forward with encouraging all teammates to seek vaccination. Truist continued to rely on the guidance and recommendations put forth by CDC, OSHA, and local governments. In 2021, Truist continued to provide all teammates with resources to support their physical and mental well-being during this time.

### ***Website Access to Truist's Filings with the SEC***

Truist's electronic filings with the SEC, including the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act, as amended, are made available at no cost on the Company's Investor Relations website, [IR.Truist.com](http://IR.Truist.com), as soon as reasonably practicable after Truist files such material with, or furnishes it to, the SEC. Truist's SEC filings are also available through the SEC's website at [sec.gov](http://sec.gov).

### ***Corporate Governance***

Information with respect to Truist's Board of Directors, Executive Officers and corporate governance policies and principles is presented on Truist's Investor Relations website, [IR.Truist.com](http://IR.Truist.com). Specifically, the Company makes available on its Investor Relations website, under the heading "Governance & Responsibility" (i) its codes of ethics for the Board, senior financial officers, and teammates, (ii) its Corporate Governance Guidelines, and (iii) the charters of the Company's Board committees. If the Company makes changes in, or provides waivers from, the provisions of any of its codes of ethics that the SEC requires it to disclose, the Company intends to disclose these events in the "Governance & Responsibility" section of its Investor Relations website.

**Executive Officers (as of December 31, 2021)**

| <b>Executive Officer</b>   | <b>Recent Work Experience</b>   | <b>Years of Service</b> | <b>Age</b> |
|--|---|-------------------------|------------|
| William H. Rogers, Jr.<br><i>President and Chief Executive Officer</i>   | President and Chief Executive Officer since September 2021. President and Chief Operating Officer from December 2019 to September 2021. Previously SunTrust Chairman and Chief Executive Officer since January 2012. SunTrust CEO from June 2011 to January 2012.   | 41*                     | 64         |
| Daryl N. Bible<br><i>Senior Executive Vice President and Chief Financial Officer</i>   | Chief Financial Officer since January 2009.   | 14                      | 60         |
| Scott Case<br><i>Senior Executive Vice President and Chief Information Officer</i>   | Chief Information Officer since December 2019. Previously SunTrust Chief Information Officer since February 2018. Chief Information Officer at Ciox Health from 2017 to 2018. Chief Technology Officer of SunTrust Consumer Segment from 2015 to 2017.  | 6*                      | 51         |
| Hugh S. (Beau) Cummins, III<br><i>Vice Chair</i>   | Vice Chair since September 2021. Head of the Corporate and Institutional Group from December 2019 to August 2021. Previously SunTrust Co-Chief Operating Officer and Wholesale Segment Executive since February 2018. SunTrust Corporate Executive Vice President and Wholesale Segment Executive from 2017 to February 2018. SunTrust Commercial and Business Banking Executive from 2013 to 2017. | 16*                     | 59         |
| Ellen M. Fitzsimmons<br><i>Senior Executive Vice President, Chief Legal Officer, and Head of Public Affairs</i>                | Chief Legal Officer and Head of Public Affairs since September 2021. Chief Legal Officer and Head of Enterprise Diversity from December 2019 to August 2021. Previously SunTrust General Counsel and Corporate Secretary since January 2018. General Counsel and Head of Public Affairs of CSX Corporation from 2003 to 2017.   | 4*                      | 61         |
| John M. Howard<br><i>Senior Executive Vice President and Chief Insurance Officer</i>   | Chief Insurance Officer since September 2021. President and Chief Executive Officer of Truist Insurance Holdings from January 2016 to August 2021.  | 9                       | 55         |
| Michael B. Maguire<br><i>Senior Executive Vice President and Chief National Consumer Finance Services and Payments Officer</i> | Chief National Consumer Finance Services and Payments Officer since September 2021. Head of National Consumer Finance and Payments from December 2019 to August 2021. Previously SunTrust Enterprise Partnerships and Investments Executive.  | 19*                     | 43         |
| Kimberly Moore-Wright,<br><i>Senior Executive Vice President and Chief Teammate Officer and Head of Enterprise Diversity</i>   | Chief Teammate Officer and Head of Enterprise Diversity since September 2021. Chief Human Resources Officer from December 2019 to August 2021. Director of Marketing and Digital Sales from January 2016 to November 2019. Director of Retail and Commercial Marketing Strategy from January 2012 to December 2015.   | 26                      | 48         |
| Brant J. Standridge<br><i>Senior Executive Vice President and Chief Retail Community Banking Officer</i>                       | Chief Retail Community Banking Officer since September 2021. Head of Retail Community Banking from December 2019 to August 2021. President, Retail Banking from January 2018 to December 2019. Lending Group Manager from August 2016 to December 2017. Regional President in Texas from January 2015 to August 2016.   | 23                      | 46         |
| Clarke R. Starnes III<br><i>Senior Executive Vice President and Chief Risk Officer</i>   | Chief Risk Officer since July 2009.   | 39                      | 62         |
| Joseph M. Thompson<br><i>Senior Executive Vice President and Chief Wealth Officer</i>  | Chief Wealth Officer since September 2021. Head of Truist Wealth from December 2019 to August 2021. Previously SunTrust Head of Private Wealth Management since August 2014.  | 28*                     | 55         |
| David H. Weaver<br><i>Senior Executive Vice President and Chief Commercial Community Banking Officer</i>                       | Chief Commercial Community Banking Officer since September 2021. Head of Commercial Community Banking from December 2019 to August 2021. President, Community Banking from December 2016 to December 2019. Community Banking Group Executive from 2010 to December 2016.  | 26                      | 55         |
| Dontá L. Wilson<br><i>Senior Executive Vice President and Chief Digital and Client Experience Officer</i>                      | Chief Digital and Client Experience Officer since November 2018. Chief Client Experience Officer from August 2016 to November 2018. Regional President in Georgia from December 2014 to July 2016.  | 23                      | 45         |

\* Reflects combined years of service at Truist and SunTrust.

## ITEM 1A. RISK FACTORS

### Summary of Risk Factors

#### ***Merger-Related Risks***

- Truist may not be able to successfully integrate the companies or to realize the anticipated benefits of the Merger.
- Truist will continue to incur substantial expenses related to the Merger and the integration.

#### ***COVID-19 Risks***

- The effects of COVID-19 have adversely impacted the Company's operations; the duration and impact of these effects is still unknown.

#### ***Climate Risks***

- Physical, transition, or other risks associated with climate change have the potential to negatively impact operations, business results, and clients.

#### ***Market Risks***

- Changes in interest rates could adversely affect revenue and expenses, the value of assets and liabilities, as well as the availability and cost of capital, and liquidity.
- The monetary and fiscal policies of the U.S. federal government could have a material adverse effect on profitability.
- Financial results, lending or other business activities could be materially affected by a deterioration of economic conditions.
- Instability in global economic conditions and geopolitical matters, as well as volatility in financial markets, could have a material adverse effect on the Company's results of operations and financial condition.
- The replacement of LIBOR could adversely affect Truist's profitability and financial condition.

#### ***Credit Risks***

- The Company is subject to credit risk by lending or committing to lend money, or entering into a letter of credit or other types of contracts with counterparties.
- The Company may have more credit risk and higher credit losses to the extent that loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral.

#### ***Liquidity Risks***

- Loss of deposits or a change in deposit mix could increase Truist's funding costs.
- Truist's liquidity could be impaired by an inability to access short-term funding, an unforeseen outflow of cash, or the inability to monetize liquid assets.
- Truist relies on the mortgage secondary market and GSEs for some of the Company's liquidity.
- Any reduction in the Company's credit ratings could increase the Company's cost of funding or reduce its access to the capital markets.
- The Parent Company could have less access to funding sources and its liquidity could be constrained if the Bank becomes unable to pay dividends during a time of stress.

#### ***Compliance Risks***

- Truist is subject to extensive and evolving government regulation and supervision, which could increase the cost of doing business, limit Truist's ability to make investments and generate revenue, and lead to costly enforcement actions.
- Truist is subject to regulatory capital and liquidity standards that affect the Company's business, operations, and ability to pay dividends, or otherwise return capital to shareholders.
- Truist is subject to certain risks related to originating and selling mortgages and may be required to repurchase mortgage loans or indemnify mortgage loan purchasers.
- Truist faces risks as a servicer of loans.

#### ***Strategic Risks***

- Truist may face the risk of financial loss or negative impact resulting from ineffective strategy setting and execution, adverse business decisions, or lack of responsiveness to changes in the external environment.
- Competition may reduce Truist's client base or cause Truist to modify pricing for products and services.
- Truist may not be able to complete future mergers or acquisitions.
- Truist has businesses other than banking that are subject to a variety of risks.

### **Reputational Risks**

- Negative public opinion could damage the Company's reputation and adversely impact business and revenues.
- Scrutiny of the Company's sales, training, and incentive compensation practices could damage the Company's reputation and adversely impact business and revenues.

### **Operational Risks**

- Litigation may adversely affect the Company's results.
- The Company may incur fines, penalties and other negative consequences from regulatory violations, including inadvertent or unintentional violations.
- Truist relies on other companies to provide key components of the Company's business infrastructure.
- Truist depends on the expertise of key teammates. If these individuals leave or change their roles without effective replacements, operations may suffer.
- The Company may not be able to hire or retain additional qualified teammates and recruiting and compensation costs may increase as a result of changes in the marketplace, which may increase costs and adversely impact the Company's ability to implement business strategies.
- The Company's framework for managing risks may not be effective.
- There are risks resulting from the extensive use of models in Truist's business, which may impact decisions made by Management and regulators.
- The Company is at risk of increased losses from fraud.
- The Company's operational or security systems or infrastructure or those of third parties, could fail or be breached, which could disrupt the Company's business and adversely impact the Company's results of operations, liquidity and financial condition, as well as cause legal or reputational harm.
- Natural disasters and other catastrophic events, which may increase in frequency and intensity due to climate change, could have a material adverse impact on the Company's operations or the Company's financial condition and results.
- Truist may be impacted by the soundness of other financial institutions.
- Truist depends on the accuracy and completeness of information about clients and counterparties.
- The Company's accounting policies and processes are critical to how the Company reports its financial condition and results of operations and require management to make estimates about matters that are uncertain.
- Depressed market values for the Company's stock and adverse economic conditions sustained over a period of time may require the Company to write down all or some portion of the Company's goodwill.
- Certain banking laws and certain provisions of the Company's articles of incorporation may have an anti-takeover effect.

### **Technology Risks**

- The Company faces cybersecurity risks, including denial of service, hacking, and malware or ransomware attacks, which could result in the disclosure of confidential information, adversely affect the Company's operations or reputation, and create significant legal and financial exposure.
- Truist will continually encounter technological change and must effectively anticipate, develop, and implement new technology.
- The Company faces risks associated with quality, availability and retention of key data for operational, strategic, and compliance purposes.

The following discussion sets forth some of the more important risk factors that could materially affect Truist's financial condition and operations. When a risk factor spans several risk categories, the risks have been listed by their primary risk category. The risks described are not all inclusive. Additional risks that are not presently known or risks deemed immaterial may have a material adverse effect on Truist's financial condition, results of operations, business, and prospects.

### **Merger-Related Risks**

*Truist may not be able to successfully integrate the companies or to realize the anticipated benefits of the Merger.*

The Company was formed by the Merger of BB&T and SunTrust on December 6, 2019. Since the closing of the Merger, Truist has expended significant time and resources, and incurred substantial expenses, in the integration of systems, operations, and teammates of BB&T and SunTrust. Although many integration milestones have been achieved, important integration steps remain to be completed. In addition, the core bank conversion of heritage SunTrust clients occurred in February 2022. Conversion activities remain subject to validation, and issues related to this and other conversions may not be discovered until a later date. Additionally, systems that are no longer being used may still need to be retained for a period of time.

Truist may encounter difficulties as it completes integration activities, such as:

- the loss of key teammates and clients;
- the disruption of operations and businesses;
- loan, deposit, and revenue attrition;
- inconsistencies in standards, control procedures and policies;
- unexpected issues with planned branch and other facilities closures;
- unexpected issues with costs, operations, teammates, technology; and
- problems with the assimilation of new operations, sites, or teammates.

Integration activities have and will continue to divert resources from regular operations. In addition, general market and economic conditions or governmental actions affecting the financial industry may inhibit the Company's continued integration of the heritage entities.

BB&T and SunTrust merged with the expectation that the Merger would result in various synergies, including benefits relating to enhanced revenues, a strengthened and expanded market position for the combined organization, technology efficiencies, cost savings, and operating efficiencies. Achieving the anticipated benefits of the Merger is subject to a number of uncertainties, including whether the Company continues the integration of the institutions in an efficient and effective manner, as well as general competitive factors in the marketplace. Failure to achieve or delays in achieving these anticipated benefits could result in a share price reduction as well as increased costs, decreases in the amount of expected revenues, and diversion of management's time and energy and could materially and adversely affect the Company's financial condition, results of operations, business and prospects.

*Truist will continue to incur substantial expenses related to the Merger and the integration.*

There continue to be processes, policies, procedures, operations, technologies, and systems that must be integrated or decommissioned. In addition, the Merger may increase the Company's compliance and legal risks, including increased litigation or regulatory actions such as fines or restrictions related to the business practices or operations of the combined business.

While the Company has assumed that a certain level of expenses would be incurred, there are many factors beyond the Company's control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. The amount and timing of future charges to earnings as a result of Merger or integration expenses remain uncertain.

### **COVID-19 Risks**

*The effects of COVID-19 have adversely impacted the Company's operations; the duration and impact of these effects is still unknown.*

Although the global economy has begun to recover from the COVID-19 pandemic, as many health and safety restrictions have been lifted and vaccine distribution has increased, certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist, including labor shortages and disruptions of global supply chains. The growth in economic activity and demand for goods and services, alongside labor shortages and supply chain complications, has also contributed to rising inflationary pressures.

Since the onset of the pandemic, the majority of the Company's workforce has been working remotely, which may increase cybersecurity risks to the Company. Commercial clients are experiencing varying levels of disruptions or restrictions on their business activity and supply chains, closures of facilities or decreases in demand for their products and services. Consumer clients are experiencing interrupted income or unemployment. Certain industries have been particularly susceptible to the effects of the pandemic, including industries where Truist has outstanding loans to clients. The duration of this severe economic disruption and its related financial impact cannot be reasonably estimated at this time.

The effects of the pandemic initially resulted in an increase in the allowance for credit losses, a reduction of fee income, a reduction of net interest margin, a decrease in demand for certain types of loans, and an increase in expenses. A resurgence of the pandemic could reintroduce or continue to worsen these impacts and also affect the Company's capital and liquidity position, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause an outflow of deposits, influence the recognition of credit losses on loans and securities and further increase the allowance for credit losses, result in additional lost revenue, cause additional increases in expenses, result in goodwill impairment charges, result in the impairment of other financial and nonfinancial assets, and increase the Company's cost of capital.



Since the inception of the COVID-19 pandemic governmental authorities enacted regulations, and protocols, including governmental programs to provide economic relief to businesses and individuals. The application of forbearance and payment deferral policies beyond any statutory requirements may impact Truist's interest income. Truist participated in the SBA's PPP as an eligible lender with the benefit of a government guaranty of loans to small business clients, many of whom may face difficulties even after being granted such a loan. The Company faces increased risks, in terms of credit, fraud risk, and litigation, in light of participation in this program.

The extent to which the consequences of the COVID-19 pandemic affect the Company's financial condition, results of operation, and liquidity and capital position will depend on future developments, which are highly uncertain and cannot be predicted, including the rate of distribution and administration of vaccines globally, the severity and duration of any resurgence of COVID-19 variants, future actions taken by governmental authorities, central banks and other third parties in response to the pandemic, and the effects on customers, counterparties, employees and third-party service providers. Moreover, the effects of the COVID-19 pandemic will heighten the other risks described in this Annual Report on Form 10-K.

### **Climate Risks**

*Physical, transition, or other risks associated with climate change have the potential to negatively impact operations, business results, and clients.*

There is an increasing concern over the risks of climate change and related environmental sustainability matters. Climate change presents (i) physical risks from the direct impacts of changing climate patterns and acute weather events, such as damage to physical assets and service disruptions, and (ii) transition risks from changes in regulations, disruptive technologies, and shifting market dynamics towards a lower carbon economy. The physical risks of climate change include discrete events, such as flooding, hurricanes, tornadoes, and wildfires, and longer-term shifts in climate patterns, such as extreme heat, sea level rise, and more frequent and prolonged drought. Physical risks may alter the Company's strategic direction in order to mitigate certain financial risks. Such events could also disrupt the Company's operations or those of its clients or third parties the Company relies on, not only through direct damage to assets, but also from indirect impacts due to supply chain disruption and market volatility. While material impact from climate change is expected to occur over a longer time horizon, the acceleration of a transition to a low-carbon economy could present idiosyncratic risks for individual companies. Additionally, transitioning to a low-carbon economy will entail extensive policy, legal, technology, and market initiatives.

Transition risks, including changes in consumer preferences, additional regulatory requirements or taxes and additional counterparty or customer requirements, could have a material adverse impact on asset values and the financial performance of Truist's businesses, and those of its clients. Climate change could also present incremental risks to the execution of the Company's long-term strategy.

Additionally, the Company faces potential reputational risks as a result of its practices related to climate change, including as a result of the Company's direct or indirect involvement in certain industries, as well as any decisions management makes in response to managing climate risk. As climate risk is interconnected with all key risk types, Truist continues to embed climate risk considerations into risk management strategies. Due to the level of uncertainty around the future path of climate change, the Company's risk management strategies may not be effective in fully mitigating climate risk exposures.

### **Market Risks**

*Changes in interest rates could adversely affect revenue and expenses, the value of assets and liabilities, as well as the availability and cost of capital, and liquidity.*

Truist's balance sheet can be sensitive to movements in market interest rates and spreads. In addition to the impact of the general economy, changes in interest rates or in valuations in the debt or equity markets could directly impact the Company in one or more of the following ways:

- The yield on earning assets and rates paid on interest-bearing liabilities may change in disproportionate ways; or
- The value of financial instruments held could change adversely.

Regional and local economic conditions, competitive pressures and the policies of regulatory authorities affect interest income and interest expense. When interest rates rise, funding costs may rise faster than the yield the Company earns on assets, causing interest margin to contract. Higher interest rates may also result in lower mortgage production income and elevated charge-offs in certain categories of the loan portfolio. Conversely, when interest rates fall, the yield the Company earns on assets may fall faster than the Company's ability to lower rates paid on deposits or borrowings.

Certain investment securities, notably MBS, are very sensitive to changes in rates. Generally, when rates rise, prepayments will decrease and the duration of MBS will increase. Conversely, when rates fall, prepayments of principal and interest will increase and the duration of MBS will decrease.

*The monetary and fiscal policies of the U.S. federal government could have a material adverse effect on profitability.*

Changes in monetary and fiscal policies, including FRB policies, can adversely affect profitability and cannot be controlled or predicted by the Company. FRB policies can:

- significantly impact the cost of funds, as well as the return on assets, both of which can have an impact on interest income;
- materially affect the value of financial assets and liabilities;
- adversely affect borrowers through higher debt servicing costs and potentially increase the risk that they may fail to repay their loan obligations; and
- artificially inflate asset values during prolonged periods of accommodative policy, which could in turn cause volatile markets and rapidly declining collateral values during times of restrictive monetary and fiscal policies.

While interest rates remain low, the FRB is expected to begin raising interest rates during 2022. Truist cannot predict the nature or timing of future changes in monetary policies or the precise effects that they may have on the Company's activities and financial results.

Elevated inflation and expectations for elevated future inflation can adversely impact economic growth, consumer and business confidence, and the Company's financial condition and results. In addition, elevated inflation may cause unexpected changes in monetary policies and actions which may adversely affect confidence, the economy, and the Company's financial condition and results.

*Financial results, lending or other business activities could be materially affected by a deterioration of economic conditions.*

A prolonged period of slow growth in the U.S. economy as a whole or in any regional markets that Truist serves, or any deterioration in economic conditions or the financial markets may disrupt or dampen the economy, which could materially adversely affect the Company's financial condition and results.

If economic conditions deteriorate, the Company may see lower demand for loans by creditworthy clients, reducing the Company's interest income. In addition, if unemployment levels increase or if real estate prices decrease, the Company would expect to incur higher charge-offs and may incur higher expenses in connection with adjustments to the reasonable and supportable forecasts used to estimate the allowance for credit losses in accordance with CECL requirements. These conditions may adversely affect not only consumer loan performance but also commercial and industrial and commercial real estate loans, especially for those businesses that rely on the health of industries or properties that may suffer from deteriorating economic conditions. The ability of these borrowers to repay their loans may be reduced, causing the Company to incur higher credit losses.

The deterioration of economic conditions also could adversely affect financial results for the Company's fee-based businesses. Truist earns fee income from, among other activities, managing assets for clients, and providing brokerage and other investment advisory and wealth management services. Investment management fees are often based on the value of assets under management and a decrease in the market prices of those assets could reduce the Company's fee income. Changes in stock or fixed income market prices or client preferences could affect the trading activity of investors, reducing commissions and other fees earned from the Company's brokerage business. Poor economic conditions and volatile or unstable financial markets would likely adversely affect the Company's capital markets-related businesses.

*Instability in global economic conditions and geopolitical matters, as well as volatility in financial markets, could have a material adverse effect on the Company's results of operations and financial condition.*

Instability in global economic conditions and geopolitical matters, as well as volatility in financial markets, could have a material adverse effect on the Company's results of operations and financial condition. The macroeconomic environment in the United States is susceptible to global events and volatility in financial markets. For example, trade negotiations between the U.S. and other nations remains uncertain and could adversely impact economic and market conditions for the Company and its clients and counterparties. In addition, global demand for products may exceed supply during the economic recovery from the COVID-19 pandemic, and such shortages may cause inflation, adversely impact consumer and business confidence, and adversely affect the economy as well as the Company's financial condition and results.

*The replacement of LIBOR could adversely affect Truist's profitability and financial condition.*

LIBOR and certain other interest rate benchmarks are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms have caused and may continue to cause such benchmarks to perform differently than in the past, disappear entirely, or have other consequences which cannot be predicted.

A transition away from the widespread use of LIBOR to alternative rates and other potential interest rate benchmark reforms will continue over the course of the next few years. The publication of the one-week and two-month U.S. dollar LIBOR settings ceased as of December 31, 2021, while certain U.S. dollar LIBOR tenors are expected to continue to be published until June 30, 2023. The U.S. federal banking agencies have encouraged banks to cease entering into new contracts that use U.S. dollar LIBOR by December 31, 2021.

A group of market participants convened by the FRB, the ARRC, has selected SOFR as its recommended alternative to U.S. dollar LIBOR. Truist offers SOFR-based lending solutions to wholesale and consumer clients, and enters into SOFR-based derivative contracts. Truist will also support "credit sensitive" alternatives, such as Bloomberg Short Term Bank Yield and other alternatives as they develop in the market. At this time, it is impossible to predict whether SOFR will become an accepted alternative to LIBOR.

SOFR or other alternative reference rates may perform differently than LIBOR in response to changing market conditions. For example, SOFR could experience greater decreases during times of economic stress, which could require the Company to lend at lower rates at times when the Company's borrowing costs are increasing.

The market transition away from LIBOR to alternative reference rates is complex and could have a range of adverse effects on the Company's business, financial condition, and results of operations. In particular, any such transition could:

- adversely affect the interest rates received or paid on the revenue and expenses associated with or the value of the Company's LIBOR-based assets and liabilities;
- adversely affect the interest rates received or paid on the revenue and expenses associated with or the value of other securities or financial arrangements, given LIBOR's role in determining market interest rates globally;
- prompt inquiries or other actions from regulators in respect of the Company's preparation and readiness for the replacement of LIBOR with an alternative reference rate; and
- result in disputes, litigation, or other actions with borrowers or counterparties about the interpretation and enforceability of certain fallback language in LIBOR-based contracts and securities.

The transition away from LIBOR to an alternative reference rate or rates will require the transition to or development of appropriate systems, models, and analytics to effectively transition the Company's risk management and other processes from LIBOR-based products to those based on the applicable alternative reference rate, such as SOFR. Truist has developed a LIBOR transition team and project plan that outlines timelines and priorities to prepare its processes, systems, and people to support this transition. There can be no guarantee that these efforts will successfully mitigate the operational risks associated with the transition away from LIBOR to an alternative reference rate.

The manner and impact of the transition from LIBOR to an alternative reference rate, as well as the effect of these developments on the Company's funding costs, loan, investment and trading securities portfolios, and ALM, is uncertain.

### **Credit Risks**

*The Company is subject to credit risk by lending or committing to lend money, or entering into a letter of credit or other types of contracts with counterparties.*

Truist incurs credit risk, which is the risk of loss if the Company's borrowers or counterparties fail to perform according to the terms of their contracts. A number of products expose the Company to credit risk, including loans and leases, lending commitments, derivatives, trading assets and investment securities. Changes in credit quality can have a significant impact on the Company's earnings and capital position. The Company estimates and establishes contractual lifetime reserves for credit risks and credit losses inherent in its determination of credit exposure. This process, which is critical to the Company's financial results and condition, requires complex calculations and extensive use of judgment, considering both external and borrower-specific factors that might impair the ability of borrowers to repay their loans. As is the case with any such assessments, there is always the chance that the Company will fail to identify all pertinent factors or that the Company will fail to accurately estimate the impacts of factors identified.

Credit losses may exceed the amount of the Company's reserves as a result of changing economic conditions, including falling real estate or commodity prices and higher unemployment or other factors such as changes in borrower behavior. There is no assurance that reserves will be sufficient to cover all credit losses. In the event of significant deterioration in current or projected future economic conditions, the Company may be required to increase reserves in future periods, which would reduce the Company's earnings and potentially impact its capital.

*The Company may have more credit risk and higher credit losses to the extent that loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral.*

The Company's credit risk and credit losses can increase if the Company's loans are concentrated in borrowers engaged in the same or similar activities or in borrowers who as a group may be uniquely or disproportionately affected by economic, market conditions, or climate change.

Deterioration in economic conditions, housing conditions, or real estate values, including as a result of climate change or natural disasters, in the markets in which the Company operates could result in materially higher credit losses. The Company is also subject to physical risks of climate change, which could manifest in the form of asset quality deterioration and could be exacerbated by specific portfolio concentrations, and transition risks of climate change, which could manifest through longer-term shifts in market dynamics and consumer preferences and could be exacerbated in specific industries that may be more sensitive or vulnerable to a transition to a low carbon economy.

### **Liquidity Risks**

*Loss of deposits or a change in deposit mix could increase Truist's funding costs.*

Deposits are a low cost and stable source of funding. Truist competes with banks and other financial institutions for deposits and as a result, could lose deposits in the future or see an increase in costs associated with maintaining deposits. Clients may shift their deposits into higher cost products or the Company may need to raise interest rates to avoid deposit attrition. Funding costs may also increase if deposits lost are replaced with wholesale funding. Higher funding costs reduce Truist's net interest margin, net interest income, and net income.

*Truist's liquidity could be impaired by an inability to access short-term funding, an unforeseen outflow of cash, or the inability to monetize liquid assets.*

Liquidity is essential to Truist's businesses. When volatility or disruptions occur in the wholesale funding markets, the Company's ability to access short-term liquidity could be materially impaired. In addition, idiosyncratic factors, as well as other factors outside of the Company's control, such as a general market disruption or an operational problem that affects third parties, could impair the Company's ability to access short-term funding or create an unforeseen outflow of cash due to, among other factors, draws on unfunded commitments or deposit attrition. The Company's inability to monetize liquid assets or to access short-term funding or capital markets could constrain the Company's ability to make new loans or meet existing lending commitments and could ultimately jeopardize the Company's overall liquidity and capitalization.

*Truist relies on the mortgage secondary market and GSEs for some of the Company's liquidity.*

Truist sells a portion of the mortgage loans that it originates to reduce the Company's retained credit risk and to provide funding capacity for originating additional loans. GSEs could limit their purchases of conforming loans due to capital constraints or other changes in their criteria for conforming loans (e.g., maximum loan amount or borrower eligibility). This potential reduction in purchases could limit the Company's ability to fund new loans.

Proposals have been presented to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The extent and timing of any such regulatory reform of the housing finance market and the GSEs, as well as any effect on the Company's business and financial results, are uncertain.

*Any reduction in the Company's credit ratings could increase the Company's cost of funding or reduce its access to the capital markets.*

Credit ratings are influenced by many factors, including the Company's profitability, asset quality, capital levels, liquidity, business mix, operations, and risk management practices. Credit ratings may also be influenced by other factors, some of which are outside the Company's control, such as recent and anticipated economic trends, geopolitical risk, legislative and regulatory developments, including implied levels of government support during a crisis, environmental, social, and governance considerations, and litigation, as well as changes to the rating agencies' methodologies, among others. Truist's failure to maintain credit ratings could adversely affect funding costs and increase the Company's cost of capital. A downgrade to Truist's credit ratings might also adversely impact the Company's ability to conduct derivatives business with certain clients and counterparties and could trigger obligations to make cash or collateral payments to certain clients and counterparties. Additionally, a ratings downgrade could affect the Company's ability to attract or retain funding, including deposits from commercial and corporate clients.

*The Parent Company could have less access to funding sources and its liquidity could be constrained if the Bank becomes unable to pay dividends during a time of stress.*

The Parent Company relies upon capital markets access and dividends from affiliates for funding and has less access to contingent funding sources than the Bank. If the Bank were subject to a financial stress, its dividends to the Parent Company could be reduced or eliminated in order to support Bank capital ratios or other regulatory requirements. This would increase the Parent Company's reliance on capital markets at a time when spreads and funding costs are likely elevated due the stress impacting the Bank.

### **Compliance Risks**

*Truist is subject to extensive and evolving government regulation and supervision, which could increase the cost of doing business, limit Truist's ability to make investments and generate revenue, and lead to costly enforcement actions.*

The banking and financial services industries are highly regulated. Truist is subject to supervision, regulation, and examination by regulators, including the FRB, FDIC, NCCOB, SEC, CFTC, CFPB, FINRA, NFA, and various state regulatory agencies. The statutory and regulatory framework governing Truist is generally intended to protect depositors, the DIF, clients, and the U.S. financial system as a whole, and not Truist's debt holders or shareholders. Reform of the financial services industry resulting from the Dodd-Frank Act, including the EGRRCPA and other legislative, regulatory, and technological changes, affect the Company's operations.

These laws and regulations and Truist's inability to act in certain instances without receiving prior regulatory approval affect Truist's lending practices, capital structure, investment practices, dividend policy, ability to repurchase common stock and ability to pursue strategic acquisitions, among other activities. Changes to statutes, regulations or regulatory policies or their interpretation or implementation and the continued heightening of regulatory requirements could affect Truist in substantial and unpredictable ways. Federal and state banking regulators also possess broad powers to take supervisory actions as they deem appropriate. These supervisory actions may result in higher capital requirements, higher deposit insurance premiums, and limitations on the Company's activities that could have a material adverse effect on operations or profitability.

In recent years, both Congress and the federal banking regulators have engaged in a rebalancing of the post financial crisis legal and regulatory framework, particularly by tailoring enhanced prudential standards to the size, risk profile, and complexity of the banking organization. Under the current presidential administration and Congress, the Company and other large financial institutions are becoming subject to increased scrutiny, more intense supervision and regulation, and a higher risk of enforcement action. Truist expects that its businesses will remain subject to extensive regulation and supervision. Any potential new regulations or modifications to existing regulations would likely necessitate changes to Truist's existing regulatory compliance and risk management infrastructure. Compliance with new regulations and supervisory initiatives may increase costs. In addition, concerns over climate change may prompt changes in regulations that, in turn, could have a material adverse impact on asset values and the financial performance of Truist's businesses and its clients.

Truist is subject to heightened requirements under the enhanced prudential standards and expects increased supervisory scrutiny, including, for example, single counterparty credit limits, heightened expectations with respect to governance, risk management and internal controls and additional capital and liquidity requirements.

Financial regulators' prudential and supervisory authority gives them broad power and discretion to direct Truist's actions, and they have assumed an active oversight, examination, and enforcement role across the financial services industry on both the federal and state levels. Areas of focus in the recent past have been with respect to mortgage-related practices, student lending practices, auto lending practices, sales practices and related incentive compensation programs, consumer privacy, fair banking, overdraft fees, and other consumer compliance matters. During November 2019, SunTrust Bank entered into a consent order with the FRB, relating to certain identified legacy compliance issues, and requiring certain remediation actions and the verification of such actions regarding the identified issues. In June 2021, the FDIC terminated this consent order. Truist continues to be subject to examinations and ongoing monitoring to assess compliance with BSA/AML laws and regulations, as well as sanctions compliance administered by the OFAC. Additionally, misconduct by teammates, including unethical, fraudulent, improper, or illegal conduct, or other unfair, deceptive, abusive, or discriminatory practices, can result in litigation, or government investigations and enforcement actions, and cause significant reputational harm. See additional disclosures in the "Regulatory Considerations" section.

The Company is subject to laws, rules, and regulations regarding compliance with privacy policies and the disclosure, collection, use, sharing and safeguarding of personal identifiable information of certain parties. There has recently been an increase in legislative and regulatory efforts to protect the privacy of consumer data. Truist will likely be subject to new and evolving data privacy laws in the U.S. and abroad, which could result in additional costs of compliance, litigation, regulatory fines, and enforcement actions. These laws may limit how companies can use customer data and may increase compliance complexity and related costs, result in significant financial penalties for compliance failures, and limit the Company's ability to develop new products or respond to technological changes. Truist also relies upon third parties who may expose the Company to compliance and legal risk. New or existing legal requirements also could heighten the reputational impact of perceived misuses of customer data by the Company and third parties.

Heightened regulatory scrutiny or the results of an investigation or examination may lead to additional regulatory investigations or enforcement actions. There is no assurance that those actions will not result in regulatory settlements or other enforcement actions against Truist. Furthermore, a single event involving a potential violation of law or regulation may give rise to numerous and overlapping investigations and proceedings, either by multiple federal and state agencies and officials in the United States or, in some instances, regulators and other governmental officials in foreign jurisdictions. In addition, if another financial institution is found to have violated a law or regulation relating to certain business activities, this could lead to investigations by regulators or other governmental agencies of the same or similar activities by other financial institution, including Truist. Responding to inquiries, investigations, lawsuits, and proceedings is time-consuming and expensive and can divert senior management attention from Truist's business. The outcome of such proceedings, which may last a number of years, may be difficult to predict or estimate.

Federal law grants substantial enforcement powers to federal banking regulators and law enforcement agencies. This enforcement authority includes, among other things, the ability to assess significant civil or criminal monetary penalties, fines, or restitution; to issue cease and desist or removal orders; and to initiate injunctive actions against banking organizations and institution-affiliated parties. These enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices.

A failure to comply with regulatory requirements and expectations could expose the Company to fines, regulatory penalties, other costs, reputational damage and regulatory or enforcement actions, such as limitations on engaging in new activities or expanding geographically. In some cases, governmental authorities have required criminal pleas or other extraordinary terms as part of such settlements, which could have significant consequences for a financial institution, including loss of clients, restrictions on the ability to access the capital markets and the inability to operate certain businesses or offer certain products for a period of time. Violations of laws and regulations or deemed deficiencies in risk management practices also may be incorporated into Truist's confidential supervisory ratings. A downgrade in these ratings or these or other regulatory actions and settlements, could limit Truist's ability to conduct expansionary activities for a period of time and require new or additional regulatory approvals before engaging in certain other business activities. Any future enforcement action could have a material adverse impact.

Truist could become subject to future legislation and regulatory requirements beyond those currently proposed, adopted, or contemplated, including policies and rulemaking related to Dodd-Frank Act, limits on acquisitions, the COVID-19 pandemic, and climate change. The cumulative effect of such legislation and regulations on Truist's business, operations, and profitability remains uncertain. Such regulatory changes may reduce Truist's revenues, limit the types of financial services and products it may offer, alter the investments it makes, affect the manner in which it operates its businesses, increase its litigation and regulatory costs should it fail to appropriately comply with new or modified laws and regulatory requirements and increase the ability of non-banks to offer competing financial services and products.

*Truist is subject to regulatory capital and liquidity standards that affect the Company's business, operations, and ability to pay dividends, or otherwise return capital to shareholders.*

Truist is subject to regulatory capital and liquidity requirements established by the FRB and the FDIC. These regulatory capital and liquidity requirements are typically developed at an international level by the BCBS and then applied, with adjustments, in each country by the appropriate domestic regulatory bodies. Domestic regulatory agencies have the ability to apply stricter capital and liquidity standards than those developed by the BCBS. In several instances, the U.S. banking agencies have done so with respect to U.S. banking organizations.

Requirements to maintain specified levels of capital and liquidity and regulatory expectations as to the quality of the Company's capital and liquidity may prevent the Company from taking advantage of opportunities in the best interest of shareholders or force the Company to take actions contrary to their interests. For example, Truist may be limited in its ability to pay or increase dividends or otherwise return capital to shareholders. In addition, these requirements may impact the amount and type of loans the Company is able to make. Truist may be constrained in its ability to expand, either organically or through mergers and acquisitions. These requirements may cause the Company to sell or refrain from acquiring assets where the capital requirements appear inconsistent with the assets' underlying risks. In addition, liquidity standards require the Company to maintain holdings of highly liquid investments, thereby reducing the Company's ability to invest in less liquid assets, even if more desirable from a balance sheet or interest rate risk management perspective. As a Category III banking organization, Truist is subject to additional capital and liquidity requirements.

The liquidity standards applicable to large U.S. banking organizations have been supplemented in recent years. The NSFR rule, which is designed to ensure that banking organizations maintain a stable funding profile in relation to their asset composition and off-balance sheet activities, became effective on July 1, 2021. Public disclosure of the NSFR will begin in 2023.

In addition to the regulatory capital and liquidity requirements applicable to Truist and Truist Bank, the Company's broker-dealer subsidiaries are subject to capital requirements established by the SEC.

Regulatory capital and liquidity requirements receive periodic review and revision by the BCBS and the U.S. banking agencies. Changes to capital and liquidity requirements may require Truist or Truist Bank to maintain more or higher quality capital or greater liquidity and could increase some of the potential adverse effects described above.

*Truist is subject to certain risks related to originating and selling mortgages and may be required to repurchase mortgage loans or indemnify mortgage loan purchasers.*

Truist is required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated when selling mortgage loans or loan securitizations. An increase in the number of repurchase and indemnity demands from purchasers related to representations and warranties on loans sold could result in an increase in the amount of losses for loan repurchases. Truist also bears a risk of loss from borrower defaults for multi-family commercial mortgage loans sold to FNMA.

In addition to repurchase claims from GSEs, Truist could be subject to indemnification claims from non-GSE purchasers of the Company's loans. Claims could be made if Truist fails to conform to statements about the quality of the mortgage loans sold, the manner in which the loans were originated and underwritten or their compliance with state and federal law.

*Truist faces risks as a servicer of loans.*

The Company acts as servicer and master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans, the Company has certain contractual obligations to the securitization trusts, investors, or other third parties. As a servicer, Truist's obligations include foreclosing on defaulted mortgage loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales. In the Company's capacity as a master servicer, obligations include overseeing the servicing of mortgage loans by the servicer. Generally, the Company's servicing obligations are set by contract, for which the Company receives a contractual fee. However, GSEs can amend their servicing guidelines, which can increase the scope or costs of the services required without any corresponding increase in the Company's servicing fee. Further, the CFPB has implemented national servicing standards which have increased the scope and costs of services which the Company is required to perform. In addition, there has been a significant increase in state laws that impose additional servicing requirements that increase the scope and cost of the Company's servicing obligations. As a servicer, the Company also advances expenses on behalf of investors which it may be unable to collect.

A material breach of the Company's obligations as servicer or master servicer may result in contract termination if the breach is not cured within a specified period of time following notice, which can generally be given by the securitization trustee or a specified percentage of security holders, causing the Company to lose servicing income. In addition, the Company may be required to indemnify the securitization trustee against losses from any failure by the Company, as a servicer or master servicer, to perform the Company's servicing obligations or any act or omission on the Company's part that involves willful misfeasance, bad faith, or gross negligence. For certain investors and certain transactions, Truist may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. The Company may be subject to increased repurchase obligations as a result of claims made that the Company did not satisfy its obligations as a servicer or master servicer. The Company may also experience increased loss severity on repurchases, which may require a material increase to the Company's repurchase reserve.

The Company has and may continue to receive indemnification requests related to the Company's servicing of loans owned or insured by other parties, primarily GSEs. Typically, such a claim seeks to impose a compensatory fee on the Company for departures from GSE service levels. In most cases, this is related to delays in the foreclosure process. Additionally, the Company has received indemnification requests where an investor or insurer has suffered a loss due to a breach of the servicing agreement. While the number of such claims has been small, these could increase in the future.

## **Strategic Risks**

*Truist may face the risk of financial loss or negative impact resulting from ineffective strategy setting and execution, adverse business decisions, or lack of responsiveness to changes in the external environment.*

Embedded within strategic risks are risks associated with:

- maintaining a level of earnings appropriate to support growth objectives and the ability to maintain dividends in various economic cycles,
- successful delivery of innovation and technology strategies that transform the client experience as well as the way Truist conducts business,
- changes and events within the external environment, including geopolitical, macroeconomic, social, cultural, competitive, and regulatory factors, and
- implementation and execution of climate risk management related programs.

Any of the foregoing may impact the successful execution of Truist's strategy.

*Competition may reduce Truist's client base or cause Truist to modify pricing for products and services.*

Truist operates in a highly competitive industry that could become even more competitive with growth in areas such as neo-banks, fintechs, and other non-bank platforms. Increased competition could arise from technological advancements, legislative and regulatory changes, as well as competition from other financial services companies, some of which may be subject to less extensive regulation than Truist. The Company's success depends, in part, on the Company's ability to adapt its offering of products and services to evolving industry standards and client expectations. The widespread adoption of new technologies has required and will continue to require substantial investments to modify existing products and services or to develop new products and services. In addition, there is increasing pressure to provide products and services at lower prices further reducing contribution margins. The Company may not be successful in introducing new products and services in response to industry trends or developments in technology or those new products may not achieve market acceptance.

Truist also competes with nonbank companies inside and outside of the Company's market area and, in some cases, with companies other than those traditionally considered financial sector participants. In particular, technology companies are increasingly focusing on the financial sector, either in partnership with competitor banking organizations or on their own. These companies generally are not subject to the same regulatory oversight as main street financial institutions and may accordingly realize certain cost strategies and offer products and services at more favorable rates and with greater convenience to the client. This competition could result in the loss of clients and revenue in areas where fintechs are operating. As the pace of technology and change advance, continuous innovation is expected to exert long-term pressure on the financial services industry.

The adoption of new technologies by competitors, including internet banking services, mobile applications, advanced ATM functionality and cryptocurrencies could require the Company to make substantial investments to modify or adapt the Company's existing products and services or even radically alter the way Truist conducts business. These and other capital investments in the Company's business may not produce expected growth in earnings anticipated at the time of the expenditure.

*Truist may not be able to complete future mergers or acquisitions.*

The Company must generally satisfy a number of meaningful conditions before completing an acquisition of another bank or BHC, including federal and state regulatory approvals. In determining whether to approve a proposed bank or BHC acquisition, bank regulators will consider, among other factors, the effect of the acquisition on competition; financial condition and future prospects, including current and projected capital ratios and levels; the competence, experience and integrity of management; record of compliance with laws and regulations; the convenience and needs of the communities to be served, including the acquiring institution's record of compliance under the CRA; the effectiveness of the acquiring institution in combating money laundering activities; and protests from various stakeholders. In addition, U.S. regulators must take systemic risk to the U.S. financial system into account when evaluating whether to approve a potential acquisition transaction involving a large financial institution like Truist. There is no certainty as to when or if or on what terms and conditions, any required regulatory approvals will be granted for any potential acquisition. In specific cases, Truist may be required to sell banks or branches or take other actions as a condition to receiving regulatory approval. An inability to satisfy other conditions necessary to consummate an acquisition transaction, such as third party litigation, a judicial order blocking the transaction or lack of shareholder approval, could also prevent the Company from completing an announced acquisition. There has been increased scrutiny of bank and financial institution acquisitions from regulators and government entities in recent years. Refer to the "Acquisitions" section within Item 1 "Business" for additional discussion.



*Truist has businesses other than banking that are subject to a variety of risks.*

Truist is a diversified financial services company and this diversity subjects the Company's earnings to a broader variety of risks and uncertainties. Other businesses in addition to banking that the Company operates include insurance, investment banking, securities underwriting and market making, loan syndications, investment management and advice and retail and wholesale brokerage services offered through the Company's subsidiaries. These businesses entail significant market, operational, credit, compliance, technology, legal and other risks that could materially adversely impact the Company's results of operations.

### **Reputational Risks**

*Negative public opinion could damage the Company's reputation and adversely impact business and revenues.*

Truist's earnings and capital are subject to risks associated with negative public opinion. Negative public opinion could result from the Company's actual or alleged conduct in any number of activities, including lending, sales and other operating practices, corporate governance, acquisitions, a breach of client or teammate information, the failure of any product or service sold to meet clients' expectations or applicable regulatory requirements. Negative public opinion could also result from an increase in the level of social and environmental activism surrounding Truist or other financial services companies. Negative public opinion could adversely affect the Company's ability to attract and retain clients and teammates and can result in litigation and regulatory actions. Actual or alleged conduct by one of the Company's businesses can result in negative public opinion about the Company's other businesses. Actual or alleged conduct by another financial services company can result in negative public opinion about the financial services industry in general and, as a result, adversely affect Truist.

*Scrutiny of the Company's sales, training, and incentive compensation practices could damage the Company's reputation and adversely impact business and revenues.*

The Company may face increased scrutiny of the Company's sales and other business practices, training practices, incentive compensation design and governance, and quality assurance and client complaint resolution practices. There can be no assurance that the Company's processes and actions will meet regulatory standards or expectations. Findings from self-identified or regulatory reviews may require responsive actions, including increased investments in compliance systems and teammates or the payment of fines, penalties, increased regulatory assessments or client redress and may increase legal or reputational risk exposures.

### **Operational Risks**

*Litigation may adversely affect the Company's results.*

The Company is subject to litigation in the ordinary course of business. Claims and legal actions, including class action lawsuits and enforcement actions by the Company's regulators, which are becoming more common in the current regulatory environment, could involve large monetary amounts, significant defense costs, and result in settlements, judgments, penalties, fines, injunctions, or other forms of relief that are adverse to the Company. The outcome of litigation and regulatory matters as well as the timing of ultimate resolution are inherently difficult to predict.

Actual legal and other costs arising from claims and legal actions may be greater than the Company's legal reserves. The ultimate resolution of a pending legal proceeding could materially adversely affect the Company's results of operations and financial condition.

In addition, governmental authorities have, at times, sought criminal penalties against companies in the financial services sector for violations, and, at times, have required an admission of wrongdoing from financial institutions in connection with resolving such matters. Criminal convictions or admissions of wrongdoing in a settlement with the government can lead to greater exposure in civil litigation and reputational harm.

Substantial legal liability or significant regulatory or government action against the Company could have material adverse financial effects or cause significant reputational harm, which adversely impact the Company's business prospects. Further, the Company may be exposed to substantial uninsured liabilities, which could adversely affect the Company's results of operations and financial condition.

*The Company may incur fines, penalties and other negative consequences from regulatory violations, including inadvertent or unintentional violations.*

Truist maintains systems and procedures designed to ensure that it complies with applicable laws and regulations, but there can be no assurance that these will be effective. In addition to fines and penalties, the Company may suffer other negative consequences from regulatory violations including restrictions on certain activities, such as the Company's mortgage business, which may affect the Company's relationship with the GSEs and may also damage the Company's reputation and this in turn might materially affect the Company's business and results of operations.

Further, some legal frameworks provide for the imposition of fines or penalties for noncompliance even when the noncompliance was inadvertent or unintentional and even when there were systems and procedures in place designed to ensure compliance. For example, Truist is subject to regulations issued by OFAC that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain foreign countries and designated nationals of those countries. OFAC may impose penalties for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. Courts may uphold significant additional penalties on financial institutions, even where the financial institution had already reimbursed the government or other counterparties for actual losses.

*Truist relies on other companies to provide key components of the Company's business infrastructure.*

Third parties provide key components of the Company's business infrastructure, such as banking services, data processing, business processes, internet connections, and network access. Any disruption in such services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect the Company's ability to deliver products and services to clients, to support teammates and otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect the Company's business to the extent those difficulties result in the interruption or discontinuation of services provided by that party. Further, in some instances, the Company may be responsible for failures of such third parties to comply with government regulations. The Company is not insured against all types of losses as a result of third party failures, and the insurance coverage that does exist may be inadequate to protect the Company from all losses resulting from system failures or other disruptions. Failures in the Company's business infrastructure could interrupt the operations or increase the costs of doing business.

*Truist depends on the expertise of key teammates. If these individuals leave or change their roles without effective replacements, operations may suffer.*

The Company's success depends, to a large degree, on the continued services of executive officers and other key teammates who have extensive experience in the industry. The Company's business could be adversely impacted from the loss of key persons or failure to manage a smooth transition to new teammates. These risks may be exacerbated as the Company continues to integrate processes and systems subsequent to the Merger.

*The Company may not be able to hire or retain additional qualified teammates and recruiting and compensation costs may increase as a result of changes in the marketplace, which may increase costs and adversely impact the Company's ability to implement business strategies.*

The Company's success depends upon the ability to attract and retain high performing, diverse and well-qualified teammates. The Company faces significant competition in the recruitment of highly motivated teammates who can deliver Truist's purpose, mission, and values, which has recently intensified as a result of changes in the labor market caused by COVID-19. The Company's ability to execute its business strategy and provide high quality service may suffer if the Company is unable to recruit or retain a sufficient number of qualified teammates or if the costs of employee compensation or benefits increase substantially. The U.S. banking agencies have jointly issued comprehensive guidance designed to ensure that incentive compensation policies do not undermine the safety and soundness of banking organizations by encouraging teammates to take imprudent risks. This guidance significantly affects the amount, form, and context of incentive compensation to teammates. The FRB, FDIC, SEC, and other federal regulatory agencies have jointly proposed rules, which would affect incentive compensation. These rules were included on the SEC's regulatory agenda in 2021 for proposed rulemaking. If finalized, these rules may result in additional costs and restrictions on the form of the Company's incentive compensation. These risks may be intensified in the increased work-from-home environment caused by the COVID-19 pandemic as job opportunities may be less constrained by physical geography.

*The Company's framework for managing risks may not be effective.*

The Company's risk management framework seeks to mitigate risk and loss. Truist has established policies, processes, and procedures intended to identify, measure, monitor, report, and analyze the types of risk to which the Company is subject, including liquidity, credit, market, operational, technology, reputational, legal, model, and compliance risk, among others. However, the Company's risk management measures may not be fully effective in identifying and mitigating the Company's risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated, even if the models for assessing risk are properly designed and implemented. Some of the Company's methods of managing risk are based upon the Company's use of observed historical market behavior and management's judgment. These methods may not accurately predict future exposures, which could be significantly greater than historical measures indicate. If the Company's risk management framework proves ineffective, it could suffer unexpected losses and could be materially adversely affected.

*There are risks resulting from the extensive use of models in Truist's business, which may impact decisions made by Management and regulators.*

Truist relies on quantitative models to measure risks and to estimate certain financial values. Models may be used in such processes as determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, predicting or estimating losses, assessing capital adequacy and calculating economic and regulatory capital levels, as well as estimating the value of financial instruments and balance sheet items.

Poorly designed or implemented models present the risk that Truist's business decisions based on information incorporating model output would be adversely affected due to the inadequacy of that information. Also, information Truist provides to the public or to its regulators based on poorly designed or implemented models could be inaccurate or misleading. Some of the decisions that the regulators make, including those related to capital distributions to Truist's shareholders, could be adversely affected due to the perception that the quality of the models used to generate the relevant information is insufficient.

*The Company is at risk of increased losses from fraud.*

Criminals committing fraud increasingly are using more sophisticated techniques and in some cases, are a part of larger criminal organizations, which allow them to be more effective. Fraudulent activity has taken many forms and escalates as more tools for accessing financial services emerge, such as real-time payments. Fraud schemes are broad and continuously evolving and include such things as debit card/credit card fraud, check fraud, mechanical devices attached to ATM machines, social engineering, and phishing attacks to obtain personal information or impersonation of the Company's clients through the use of falsified or stolen credentials.

In addition, individuals or business entities may properly identify themselves, yet seek to establish a business relationship for the purpose of perpetrating fraud. Increased deployment of technologies, such as chip card technology, defray and reduce aspects of fraud; however, criminals are turning to other sources to steal personally identifiable information, such as unaffiliated healthcare providers and government entities, in order to impersonate the consumer to commit fraud. Further, as a result of the increased sophistication of fraud activity, the Company has increased spending on systems, resources and controls to detect and prevent fraud, as well as increased spending to provide certain credit monitoring and identity theft protection services to the Company's consumer clients. This will result in continued ongoing investments in the future.

*The Company's operational or security systems or infrastructure or those of third parties, could fail or be breached, which could disrupt the Company's business and adversely impact the Company's results of operations, liquidity and financial condition, as well as cause legal or reputational harm.*

The potential for operational risk exposure exists throughout the Company's business and, as a result of the Company's interactions with and reliance on third parties, is not limited to the Company's own internal operational functions. The Company's operational and security systems and infrastructure, including computer systems, data management and internal processes, as well as those of third parties, are integral to the Company's performance. Truist teammates and third parties may expose the Company to risk as a result of human error, misconduct, malfeasance, or a failure or breach of systems and infrastructure. For example, the Company's ability to conduct business may be adversely affected by any significant disruptions, including to third parties with whom the Company interacts or relies upon.

*Natural disasters and other catastrophic events, which may increase in frequency and intensity due to climate change, could have a material adverse impact on the Company's operations or the Company's financial condition and results.*

The occurrence of catastrophic weather events or pandemics could adversely affect the Company's financial condition or results of operations. Truist has significant operations and clients along the Gulf and Atlantic coasts as well as other regions of the U.S., which could be adversely impacted by hurricanes, tornadoes and other severe weather in those areas. Truist and its clients could also be disrupted by the physical effects of climate change, which may become more frequent and severe. Natural and other types of disasters, including as a result of climate change, could have an adverse impact on Truist's businesses in that such events could materially disrupt the Company's operations or the ability or willingness of the Company's clients to access the financial services offered by Truist, including adverse impacts on the Company's borrowers to timely repay their loans and the value of any collateral held. These events could reduce the Company's earnings and cause volatility in the Company's financial results for any fiscal quarter or year and have a material adverse effect on the Company's financial condition and results of operations.

Although Truist has business continuity plans and other safeguards in place, the Company's operations and communications may be adversely affected by natural disasters or other catastrophic events, and there can be no assurance that such business continuity plans will be effective.

*Truist may be impacted by the soundness of other financial institutions.*

The Company's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. Truist has exposure to many different industries and counterparties and routinely executes transactions with counterparties in the financial industry, including brokers and dealers, central counterparties, commercial banks, investment banks, mutual and hedge funds and other institutional investors and clients. As a result, defaults by, or even rumors or questions about, one or more financial services institutions or the financial services industry generally, in the past have led to market-wide liquidity problems and could lead to losses or defaults by Truist or by other institutions. Many of these transactions expose the Company to credit risk in the event of default of the Company's counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by Truist cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the Company's exposure. Any such losses could materially and adversely affect the Company's results of operations and financial condition.

*Truist depends on the accuracy and completeness of information about clients and counterparties.*

In deciding whether to extend credit or enter into other transactions with clients and counterparties, Truist relies on the completeness and accuracy of representations made by and information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. If the information provided is not accurate or complete, the Company's decisions about extending credit or entering into other transactions with clients or counterparties could be adversely affected and the Company could suffer defaults, credit losses or other negative consequences as a result.

*The Company's accounting policies and processes are critical to how the Company reports its financial condition and results of operations and require management to make estimates about matters that are uncertain.*

Accounting policies and processes are fundamental to how the Company records and reports its financial condition and results of operations. Some of these policies require the use of estimates and assumptions that may affect the value of the Company's assets or liabilities and financial results. Several of the Company's accounting policies are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If assumptions or estimates underlying the Company's financial statements are incorrect or are adjusted periodically, the Company may experience material losses.

Management has identified certain accounting policies as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments, and contingencies. A variety of factors could affect the realization of income and expense or the recognition of assets and liabilities in the Company's financial statements. Truist has established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Due to the uncertainty surrounding the Company's judgments and the estimates pertaining to these matters, the Company cannot guarantee that adjustments to accounting policies or restatement of prior period financial statements will not be required.

Further, from time to time, the FASB and SEC change the financial accounting and reporting standards that govern the preparation of the Company's financial statements. In addition, accounting standard setters and those who interpret the accounting standards may change or even reverse their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond the Company's control, can be hard to predict and could materially affect how the Company reports its financial results and condition. In some cases, the Company could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

*Depressed market values for the Company's stock and adverse economic conditions sustained over a period of time may require the Company to write down all or some portion of the Company's goodwill.*

Goodwill is periodically tested for impairment by comparing the fair value of each reporting unit to its carrying amount. If the fair value is greater than the carrying amount, then the reporting unit's goodwill is deemed not to be impaired. The fair value of a reporting unit is impacted by the reporting unit's expected financial performance and susceptibility to adverse economic, regulatory, and legislative changes. Future adverse changes in economic conditions or expected financial performance may cause the fair value of a reporting unit to be below its carrying amount, resulting in goodwill impairment. The estimated fair values of the individual reporting units are assessed for reasonableness by reviewing a variety of indicators, including comparing these estimated fair values to the Company's market capitalization over a reasonable period of time. While this comparison provides some relative market information about the estimated fair value of the reporting units, it is not determinative and needs to be evaluated in the context of the current economic environment. However, significant and sustained declines in the Company's market capitalization could be an indication of potential goodwill impairment. Refer to the "Critical Accounting Policies" section for additional details related to the Company's intangible assets policy.

*Certain banking laws and certain provisions of the Company's articles of incorporation may have an anti-takeover effect.*

Provisions of federal banking laws, including regulatory approval requirements, could make it difficult for a third party to acquire the Company, even if doing so would be perceived to be beneficial to the Company's owners. Acquisition of certain amounts of any class of voting stock of a BHC or depository institution, including shares of the Company's common stock, may create a rebuttable presumption that the acquirer "controls" the BHC or depository institution and thus, unless the acquirer is able to rebut this presumption, it would be subject to various laws and regulations applicable to a BHC. Also, a BHC must obtain the prior approval of the FRB before, among other things, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, including Truist Bank.

There also are provisions in the Company's amended and restated articles of incorporation and amended and restated bylaws, such as limitations on the ability to call a special meeting of the Company's shareholders, that may be used to delay or block a takeover attempt. In addition, the Company's Board will be authorized under the Company's amended and restated articles of incorporation to issue shares of the Company's preferred stock and to determine the rights, terms, conditions and privileges of such preferred stock, without shareholder approval. These provisions may effectively inhibit a non-negotiated merger or other business combination.

### **Technology Risks**

*The Company faces cybersecurity risks, including denial of service, hacking, and malware or ransomware attacks, which could result in the disclosure of confidential information, adversely affect the Company's operations or reputation, and create significant legal and financial exposure.*

The Company's computer systems and network infrastructure and those of third parties are frequently targeted in cyber-attacks, such as denial of service attacks, hacking, malware or ransomware intrusion, data corruption attempts, terrorist activities, or identity theft. The Company's business relies on the secure processing, transmission, storage, and retrieval of confidential, proprietary, and other information in the Company's information systems and that of third parties. In addition, to access the Company's network, products, and services, the Company's clients and other third parties may use personal mobile devices or computing devices that are outside of the Company's network environment and can introduce added cybersecurity risks.

Truist and Truist's clients, regulators and other third parties, including other financial services institutions and companies engaged in data processing, have been subject to and are likely to continue to be the target of, cyber-attacks and similar incidents. Cyber-attacks may expose security vulnerabilities in the Company's systems or the systems of third parties or other security measures that could result in the unauthorized gathering, monitoring, misuse, release, loss, or destruction of confidential, proprietary, or sensitive information. A cyber-attack could also damage the Company's systems by introducing material disruptions to the Company's or the Company's clients' or other third parties' network access or business operations. As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance the Company's protective measures or to investigate and remediate any information security vulnerabilities or incidents. Despite efforts to ensure the integrity of the Company's systems and implement controls, processes, policies and other protective measures, the Company may not be able to anticipate all security breaches, nor may the Company be able to implement sufficient preventive measures against such security breaches, which may result in material losses or consequences to Truist.

Cybersecurity risks for financial institutions have significantly increased in recent years in part because of the proliferation of new technologies to facilitate and conduct financial transactions. For example, cybersecurity risks may increase in the future as Truist continues to evolve its internal and external digital offerings and capabilities. In addition, cybersecurity risks have significantly increased in recent years in part due to the increased sophistication and activities of organized crime affiliates, terrorist organizations, hostile foreign governments, disgruntled teammates or vendors, activists and other external parties, including those involved in corporate espionage. Even the most advanced internal control environment may be vulnerable to compromise. Persistent attackers may succeed in penetrating defenses given enough resources, time, and motive. The techniques used by cyber criminals change frequently, and may not be recognized until launched or well after a breach has occurred. In addition, the existence of cyber-attacks or security breaches at third party vendors with access to the Company's data may not be disclosed in a timely manner.

The Company also faces indirect technology, cybersecurity and other operational risks relating to clients and other third parties that the Company relies upon to facilitate or enable business activities, including, financial counterparties, regulators, and providers of critical infrastructure such as internet access and electrical power. In addition, Truist faces cybersecurity and other operational risks relating to the Merger, including increased phishing attacks on teammates, increased network perimeter scanning by attackers searching for vulnerabilities and domain name squatting. Further, as a result of increasing consolidation, interdependence, and complexity of financial entities and technology systems, a technology failure, cyber-attack or other information or security breach that significantly degrades, deletes, or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants. This consolidation, interconnectivity, and complexity increases the risk of operational failure, on both individual and industry-wide bases, as disparate systems need to be integrated, often on an accelerated basis. Any third party technology failure, cyber-attack, other information or security breach, termination, or constraint could, among other things, adversely affect the Company's ability to conduct transactions, service the Company's clients, manage the Company's exposure to risk or expand the Company's business.

The public perception that a cyber-attack on the Company's systems has been successful, whether or not this perception is correct, may damage the Company's reputation with clients and third parties with whom the Company does business. The compromise of personal information, in particular, could result in identify theft and cause serious reputational harm. A successful penetration or circumvention of system security could cause serious negative consequences, including loss of clients and business opportunities; costs associated with maintaining business relationships after an attack or breach; significant disruption to the Company's operations and business; misappropriation, exposure or destruction of the Company's confidential information, intellectual property, funds and those of the Company's clients; damage to the Company's or the Company's clients' or third parties' computers or systems; or a violation of applicable privacy laws and other laws. This could result in litigation exposure, regulatory fines, penalties, loss of confidence in the Company's security measures, reputational damage, reimbursement or other compensatory costs, and additional compliance costs, which could adversely impact the Company's results of operations, liquidity, and financial condition. In addition, the Company may not have adequate insurance coverage to compensate for losses from a cybersecurity event.

*Truist will continually encounter technological change and must effectively anticipate, develop, and implement new technology.*

The financial services industry is undergoing rapid technological change with frequent introductions of new technology-driven products and services. Truist has invested in technology to automate functions previously performed manually, to facilitate the ability of clients to engage in financial transactions and otherwise to enhance the client experience with respect to the Company's products and services. Truist expects to make additional investments in innovation and technology to address technological disruption in the industry and improve client offerings and service. These changes allow the Company to better serve the Company's clients and to reduce costs.

The Company's continued success depends, in part, upon the Company's ability to address clients' needs by using technology to provide products and services that satisfy client demands, including demands for faster and more secure payment services, to create efficiencies in the Company's operations and to integrate those offerings with legacy platforms or to update those legacy platforms. A failure to maintain or enhance the Company's competitive position with respect to technology, whether because of a failure to anticipate client expectations, a failure in the performance of technological developments or an untimely roll out of developments, may cause the Company to lose market share or incur additional expense.

*The Company faces risks associated with quality, availability and retention of key data for operational, strategic, and compliance purposes.*

The Company's financial and regulatory reporting and key business decisions are reliant on the quality, availability and retention of data. While Truist has implemented a robust data management control framework to mitigate the risks associated with data while at rest, in motion, and in use, a control failure may lead to data loss, data misuse, and data quality risks. These failures may ultimately result in inaccuracies in financial and regulatory reports, inhibited management decision-making, financial loss, reputational risk, and regulatory compliance risk, including privacy compliance risks to the extent that the Company has ineffective or flawed consumer data management processes and monitoring.

## ITEM 2. PROPERTIES

Truist's owns its headquarters building at 214 North Tryon Street, Charlotte, NC, 28202. Truist owns or leases free-standing operations centers, with its primary operations and information technology centers located in various locations in the Southeastern and Mid-Atlantic United States. Truist owns or leases retail branches and other offices in a number of states, primarily concentrated in the Southeastern and Mid-Atlantic United States. See Table 2 for a list of Truist's branches by state. Truist also operates numerous insurance agencies and other businesses that occupy facilities throughout the U.S. and Canada. Management believes that these premises, in the aggregate, are well-located and suitably equipped to serve as financial services facilities. See "Note 6. Premises and Equipment" for additional disclosures.

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Truist's common stock is traded on the NYSE under the symbol "TFC." As of December 31, 2021, Truist's common stock was held by 87,467 registered shareholders.

### **Common Stock**

Truist's ability to pay dividends is primarily dependent on earnings from operations, the adequacy of capital and the availability of liquid assets for distribution and is subject to its capital plan meeting the SCB requirements from the FRB. Truist's ability to generate liquid assets for distribution is dependent on the ability of Truist Bank to pay dividends to the Parent Company. The payment of cash dividends is an integral part of providing a competitive return on shareholders' investments and needs to be balanced with maintaining sufficient capital to support future growth and meet regulatory requirements.

Management's target common dividend payout ratio (computed by dividing common stock dividends by net income available to common shareholders) is between 30% and 50% during normal economic conditions. Truist's common dividend payout ratio was 41% in 2021 compared to 58% in 2020 and 43% in 2019. Truist expects common dividend declarations, if made, to occur in January, April, July, and October with payment dates on or about the first of March, June, September and December. A discussion of dividend restrictions is included in "Note 17. Regulatory Requirements and Other Restrictions" and in the "Regulatory Considerations" section.

### **Share Repurchases**

Truist has periodically repurchased shares of its own common stock. Truist would expect to periodically repurchase shares in the future, to the extent the Company has excess capital and does not have sufficient investment opportunities in the form of organic growth and / or acquisitions. In accordance with North Carolina law, repurchased shares cannot be held as treasury stock, but revert to the status of authorized and unissued shares upon repurchase. Repurchases may be effected through open market purchases, privately negotiated transactions, trading plans established in accordance with SEC rules or other means. The timing and exact amount of repurchases are subject to various factors, including the Company's capital position, liquidity, financial performance, alternative uses of capital, stock trading price and general market conditions, and may be suspended at any time. Shares repurchased constitute authorized but unissued shares of the Company and are therefore available for future issuances. During 2021, the Company repurchased 27.6 million shares of common stock totaling \$1.6 billion through open market purchases and shares exchanged or surrendered in connection with the exercise of equity-based awards.

**Table 5: Share Repurchase Activity**

| (Dollars in millions, except per share data, shares in thousands) | Total Shares Repurchased (1) | Average Price Paid Per Share (2) | Total Shares Repurchased Pursuant to Publicly-Announced Plan (3) | Maximum Remaining Dollar Value of Shares Available for Repurchase Pursuant to Publicly-Announced Plan |
|---|------------------------------|----------------------------------|--|---|
| October 2021  | 4,277                        | \$ 63.56                         | 4,277  | \$ 2,793  |
| November 2021   | 3,545                        | 64.37                            | 3,545  | 2,565   |
| December 2021   | —                            | —                                | —  | 2,565   |
| Total   | 7,822                        | 63.93                            | 7,822  |   |

(1) Includes shares exchanged or surrendered in connection with the exercise of equity-based awards under equity-based compensation plans.

(2) Excludes commissions.

(3) Pursuant to the 2020 Repurchase Plan, announced in December 2020, authorizing up to \$2.0 billion of share repurchases beginning in the first quarter of 2021. In June 2021, the Board of Directors increased, effective July 1, 2021, the previous repurchase authority to effectuate repurchases up to an additional \$2.2 billion in shares of the Company's common stock through September 30, 2022 (up to \$4.2 billion in aggregate amount). With the additional authorization, the Company has \$2.6 billion remaining for share repurchases.

## Preferred Stock

### Issuances

During 2020, Truist issued \$3.5 billion in series O, series P, series Q, and series R preferred stock, gross of issuance cost, to further strengthen its capital position. During 2019, the Company issued \$1.7 billion of series N non-cumulative perpetual preferred stock.

Upon closing of the Merger, each outstanding share of SunTrust perpetual preferred stock was converted into the right to receive one share of an applicable newly issued series of Truist preferred stock having substantially the same terms as such share of SunTrust preferred stock. The Company issued series I, J, K, L and M non-cumulative perpetual preferred stock with a total par and fair value of \$2.0 billion on the Merger closing date.

### Redemptions

During 2021, the Company redeemed all 18,000 outstanding shares of its perpetual preferred stock series F and the corresponding depositary shares representing fractional interests in such series for \$450 million, all 20,000 outstanding shares of its perpetual preferred stock series G and the corresponding depositary shares representing fractional interests in such series for \$500 million, and all 18,600 outstanding shares of its perpetual preferred stock series H and the corresponding depositary shares representing fractional interests in such series for \$465 million.

During 2020, the Company redeemed all 5,000 outstanding shares of its perpetual preferred stock series K and the corresponding depositary shares representing fractional interests in such series for \$500 million plus any unpaid dividends. The preferred stock redemption was in accordance with the terms of the Company's Articles of Amendment to its Articles of Incorporation, effective as of December 6, 2019.

During 2019, the Company redeemed all 23,000 outstanding shares of series D and 46,000 outstanding shares of series E non-cumulative perpetual preferred stock and the corresponding depositary shares representing fractional interests in each such series for \$1.7 billion.

See "Note 12. Shareholders' Equity" for information about preferred stock.

### Equity Compensation Plan Information

The following table provides information concerning securities to be issued upon the exercise of outstanding equity-based awards as of December 31, 2021:

**Table 6: Equity Compensation Plan Information**

| Plan Category                    | (a)(1)(2)<br>Number of securities to be<br>issued upon exercise of<br>outstanding options,<br>warrants and rights | (b)(3)<br>Weighted-average<br>exercise price of<br>outstanding options,<br>warrants and rights | (c)(4)<br>Number of securities remaining<br>available for future issuance under<br>equity compensation plans<br>(excluding securities reflected in (a)) |
|----------------------------------|---|--|---|
| Approved by security holders     | 11,669,654  | \$ 32.89   | 4,884,430   |
| Not approved by security holders | 6,472,392   | 22.42  | 8,261,255   |
| Total                            | 18,142,046  | \$ 29.74   | 13,145,685  |

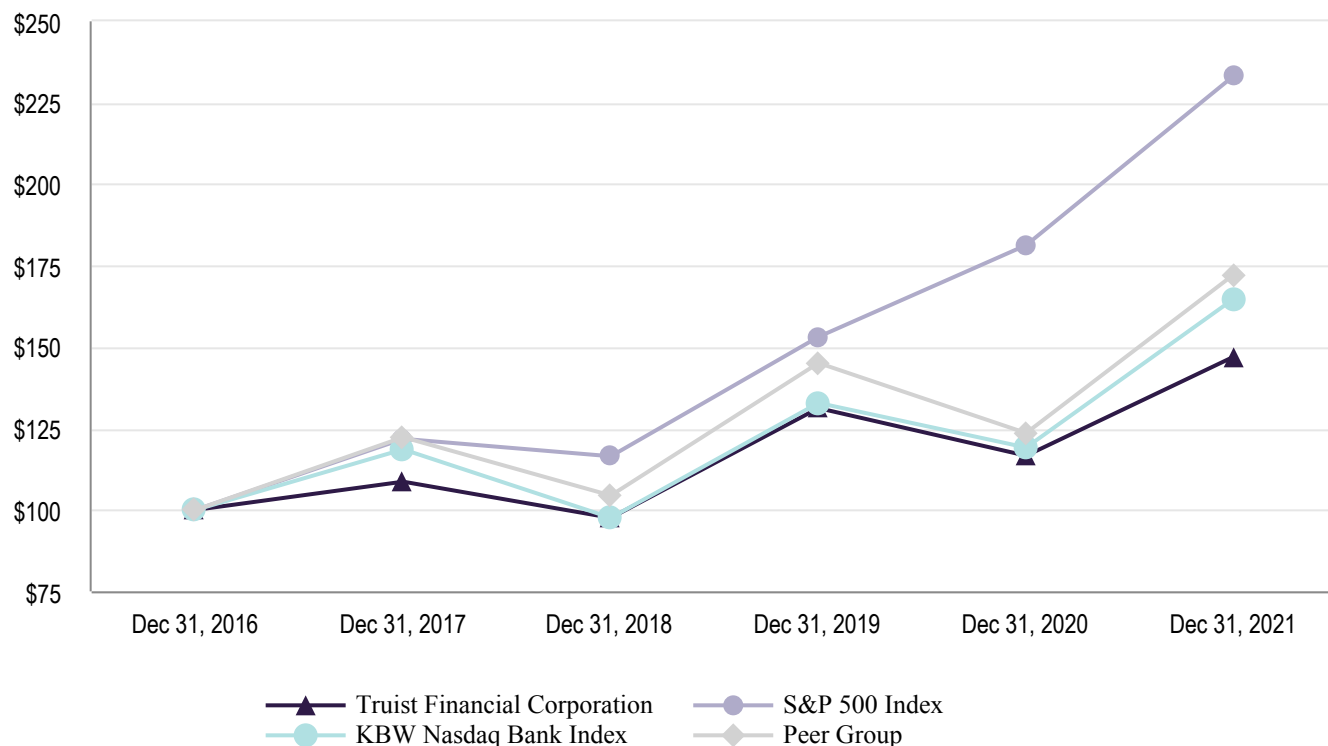
- (1) Includes 10,913,889 RSUs and PSUs in plans approved by security holders.
- (2) Plans not approved by security holders consists of 325,263 options outstanding with a weighted average exercise price of \$22.42 and 6,147,129 RSUs for plans that were assumed in mergers and acquisitions.
- (3) Excludes RSUs and PSUs because they do not have an exercise price.
- (4) Plans not approved by security holders consists of shares of common stock issuable pursuant to the 2012 Incentive Plan, as amended, in respect of shares reserved for issuance under the SunTrust Banks, Inc. 2018 Omnibus Incentive Compensation Plan. Awards with respect to such shares may only be granted to heritage SunTrust teammates.



## Five-Year Common Stock Performance

The following graph and table compare the cumulative total shareholder return of the Company's common stock, the S&P 500 Index, the KBW Nasdaq Bank Index, and the Truist peer group for the five years ended December 31, 2021. The Company is a component of both indexes. The graph and table assume an initial investment of \$100 was made on December 31, 2016 in each of the Company's common stock, the indexes, and the peer group, as well as reinvestment of all dividends without commissions. The Truist peer group consists of Bank of America Corporation; Citizens Financial Group, Inc.; Fifth Third Bancorp; JPMorgan Chase & Co.; KeyCorp; M&T Bank Corporation; The PNC Financial Services Group, Inc.; Regions Financial Corporation; U.S. Bancorp; and Wells Fargo & Company.

**Cumulative Total Shareholder Return**



**Table 7: Cumulative Total Shareholder Return**

| As of / Through December 31, | Cumulative Total Return |           |          |           |           |           |
|------------------------------|-------------------------|-----------|----------|-----------|-----------|-----------|
|                              | Invested 2016           | 2017      | 2018     | 2019      | 2020      | 2021      |
| Truist Financial Corporation | \$ 100.00               | \$ 108.67 | \$ 97.57 | \$ 131.25 | \$ 116.64 | \$ 147.05 |
| S&P 500 Index                | 100.00                  | 121.82    | 116.47   | 153.13    | 181.29    | 233.28    |
| KBW Nasdaq Bank Index        | 100.00                  | 118.59    | 97.59    | 132.84    | 119.15    | 164.83    |
| Peer Group                   | 100.00                  | 122.32    | 104.43   | 145.11    | 123.60    | 172.29    |

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MD&A is intended to assist readers in their analysis of the accompanying Consolidated Financial Statements and supplemental financial information. It should be read in conjunction with the Consolidated Financial Statements, the accompanying Notes to the Consolidated Financial Statements in this Form 10-K, and other information contained in this document. For discussion of 2020 results as compared to 2019 results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report on Form 10-K for the year ended December 31, 2020.

### ***Executive Overview***

Truist financial performance in 2021 was solid, highlighted by strong performances from investment banking, insurance, wealth and card and payment related fees, and positive trends in a number of other businesses given improving economic conditions. Improving economic conditions also led to a strong credit performance and a benefit from the provision for credit losses. Truist achieved its fourth quarter 2021 net cost saves target and continues to reaffirm its commitment to achieving \$1.6 billion in net cost saves on a run rate basis by the fourth quarter of 2022. Truist also continues to closely monitor the COVID-19 pandemic and its effects on stakeholders and the financial markets, and is actively supporting teammates, clients, and communities. Truist formed a Together Safely Committee focused on developing new working models in a post-pandemic era. Further, Truist continued to activate its Integrated Relationship Management approach, which is designed to deepen client relationships and bring the full breadth and depth of Truist's products and services to meet clients' financial needs. As we enter 2022 and shift priorities, aiming past systems integrations and the pandemic, Truist is well positioned for purposeful growth.

### ***Executive Leadership Changes***

Truist made several Executive Leadership changes during 2021 as we continued to execute on the strategy first agreed upon in the Merger. In September 2021, Kelly S. King, transitioned to the role of Executive Chairman, and William H. Rogers, Jr. became the CEO of Truist. There were other changes to Truist's Executive Leadership team that included the addition of John M. Howard, as Chief Insurance Officer, the appointment of Hugh S. Cummins III as Vice Chair, and the retirement of Christopher L. Henson, Head of Banking and Insurance. The members of the Executive Leadership team as of December 31, 2021 are detailed in the Executive Officers table within Item 1 "Business."

In January 2022, Truist appointed Denise M. DeMaio as Chief Audit Officer, effective February 28, 2022. Denise will join the Executive leadership team and will lead Truist's internal audit function and provide counsel to senior management on emerging risk trends from the vantage points of governance, processes, technologies and reporting.

### ***Integration Efforts***

Major milestones during 2021 and early 2022 include:

- Made critical progress on core bank conversions, including migrating heritage BB&T clients to the Truist ecosystem in October. We recently completed the core bank conversion in February 2022 for heritage SunTrust clients.
- Completed the Wealth brokerage and trust transitions and the mortgage systems transition.
- Introduced the new Truist digital app for Truist retail, wealth, and small business commercial clients.
- Launched new Truist.com and Truist Digital Commerce platform offering Truist-branded products in a goal-based, mobile-optimized experience.

## **ESG Efforts**

### *Supporting Clients*

Truist is committed to investing in and serving all clients, no matter where they are in their financial journey. Some of the ways we are helping clients include:

- In January 2022, Truist announced a first-of-its-kind approach to the checking account experience, designed to address clients' direct feedback, which will be available to clients beginning in the summer of 2022. The Truist One checking account features will include: no overdraft fees; a \$100 negative balance buffer for qualifying clients; an easily accessible, deposit-based line of credit of up to \$750; and premium rewards that instantly recognize relationships and honor loyalty. In addition, Truist will offer an alternative checking account product created for clients who are new to credit and want simplicity and control without overdraft fees. This will help clients avoid high fees from check-cashing and payday lenders, bring many more households into mainstream banking, and create a pathway to upgrade to Truist One.
- Increased access to financial education for Truist's clients through a partnership with Operation HOPE.
- Partnering with the Bank Policy Institute to publish the Child Tax Credit Toolkit and promoting Child Tax Credit expansion awareness with modules on all digital financial education platforms.
- Truist continues to work closely with clients as they navigate through the continuing challenges from the COVID-19 pandemic. Truist ranked as the fourth largest PPP lender amongst commercial banks overall.

### *Supporting Teammates*

- Truist met its commitment to increase racially and ethnically diverse representation in senior leadership roles to more than 15% one year early with 15.1% as of December 31, 2021.
- Truist offered a voluntary separation and retirement program to eligible teammates in June 2021. While Truist is hiring in some areas and rightsizing in others through natural attrition, planned staffing reductions, and the voluntary separation and retirement program, Truist is actively supporting all teammates affected by reductions with opportunities and tools for internal placement, severance payments, and outplacement assistance and coaching. The Company recognized \$231 million of merger-related and restructuring charges in 2021 related to the voluntary separation and retirement program.
- Implemented onsite, remote, and hybrid work styles in order to provide the most flexible work environment.

### *Supporting Communities*

Truist continued to fulfill its purpose in meaningful ways in the community through a number of unique and creative initiatives. Some highlights from these initiatives and recognition of Truist's efforts include:

- Truist continued to make solid progress towards the Company's \$60 billion Community Benefits Plan, ending November 2021 at 113% of the annual target.
- Recognized in JUST Capital's 'JUST 100' list for ongoing efforts around good corporate citizenship.
- Released inaugural TCFD report, joined the Partnership for Carbon Accounting Financials, issued its first social bond, and set 2030 goals to reduce Scope 1 and Scope 2 emissions by 35% each, and to reduce water consumption by 25%, relative to 2019.
- Announced plans to achieve net zero greenhouse gas emissions by 2050, furthering the Company's aspiration to support the transition to a low-carbon economy.
- Released second annual Corporate Social Responsibility and Environmental, Social, and Governance report to outline its advancements and commitments with regard to diversity, equity, and inclusion; environmental sustainability and climate change; governance; community involvement; and financial inclusion.
- In December 2021, Truist and Sterling Capital Management LLC established the Sterling Capital Diverse Multi-Manager Active Exchange Traded Fund to demonstrate the Company's support for increasing access for individuals and institutions to invest using strategies from diverse-owned firms.

## Financial Results

Net income available to common shareholders totaled \$6.0 billion for 2021, a 44% increase from the prior year. On a diluted per common share basis, earnings for 2021 were \$4.47, compared to \$3.08 for 2020. Truist's results of operations for 2021 produced a return on average assets of 1.23% and a return on average common shareholders' equity of 9.7% compared to prior year ratios of 0.90% and 6.8%, respectively. Results include merger-related and restructuring charges of \$822 million (\$631 million after-tax) for 2021 compared to \$860 million (\$660 million after-tax) for 2020, and incremental operating expenses related to the Merger of \$771 million (\$592 million after-tax) for 2021 compared to \$534 million (\$409 million after-tax) for 2020. Additionally, the 2021 results include charitable contributions of \$200 million (\$153 million after-tax), an acceleration of loss recognition related to certain terminated cash flow hedges of \$36 million (\$28 million after tax), and a one-time professional fee expense of \$30 million (\$23 million after tax), partially offset by a small gain on extinguishment of debt. The 2020 results include securities gains of \$402 million (\$308 million after-tax), a loss on extinguishment of debt of \$235 million (\$180 million after tax), and charitable contributions of \$50 million (\$38 million after-tax). The following table provides Truist's earnings highlights:

**Table 8: Earnings Highlights**

| Year Ended December 31,<br>(Dollars in millions) | 2021      | 2020      | 2019      | Change        |               |
|--|-----------|-----------|-----------|---------------|---------------|
|  |           |           |           | 2021 vs. 2020 | 2020 vs. 2019 |
| Net income available to common shareholders      | \$ 6,033  | \$ 4,184  | \$ 3,028  | \$ 1,849      | \$ 1,156      |
| Diluted earnings per common share                | 4.47      | 3.08      | 3.71      | 1.39          | (0.63)        |
| Net interest income - taxable equivalent         | \$ 13,114 | \$ 13,951 | \$ 7,409  | \$ (837)      | \$ 6,542      |
| Noninterest income                               | 9,290     | 8,879     | 5,255     | 411           | 3,624         |
| Total taxable-equivalent revenue                 | \$ 22,404 | \$ 22,830 | \$ 12,664 | \$ (426)      | \$ 10,166     |
| Less taxable-equivalent adjustment               | 108       | 125       | 96        |               |               |
| Total revenue                                    | \$ 22,296 | \$ 22,705 | \$ 12,568 |               |               |
| Return on average assets                         | 1.23 %    | 0.90 %    | 1.31 %    | 0.33 %        | (0.41)%       |
| Return on average common shareholders' equity    | 9.7       | 6.8       | 9.9       | 2.9           | (3.1)         |
| Net interest margin - taxable equivalent         | 2.86      | 3.22      | 3.42      | (0.36)        | (0.20)        |

Truist's revenue for 2021 was \$22.3 billion. On a TE basis, revenue was \$22.4 billion, which represents a decrease of \$426 million compared to 2020. Net interest income on a TE basis was \$13.1 billion, a decrease of \$837 million. The decrease in net interest income was due primarily to lower purchase accounting accretion and a \$21.1 billion decrease in average outstanding loans, partially offset by a \$56.3 billion increase in average securities as a result of strong deposit growth. Noninterest income for 2021 increased \$411 million compared to 2020 due to strong performance from investment banking, insurance, wealth, and card and payment related fees. Excluding gains of \$37 million from the divestiture of certain businesses in 2021 and securities gains of \$402 million from 2020, adjusted taxable equivalent revenues decreased \$61 million, or 0.3%, compared to the earlier year.

NIM was 2.86% for 2021, down 36 basis points compared to the prior year. Average earning assets increased \$24.4 billion or 5.6%, while average interest-bearing liabilities decreased \$1.4 billion or 0.5%, and noninterest-bearing deposits increased \$24.2 billion or 21%. The TE yield on the total loan portfolio for 2021 was 3.95%, down 38 basis points. The TE yield on the average securities portfolio was 1.50%, down 59 basis points. The average cost of interest-bearing deposits was 0.06%, down 26 basis points. The average cost of long-term debt was 1.53%, down 22 basis points. The average cost of total deposits was 0.04%, down 18 basis points.

The provision for credit losses was a benefit of \$813 million, compared to a cost of \$2.3 billion for the prior year. Net charge-offs were \$697 million, compared to \$1.1 billion for the prior year. Asset quality ratios were relatively stable at December 31, 2021 compared to the prior year, reflecting Truist's prudent risk culture, portfolio diversification, improving economic conditions, and the ongoing effects of government stimulus. The ratio of the ALLL to net charge-offs was 6.36X for 2021, compared to 5.21X in 2020, reflecting lower net charge-offs. NPAs decreased \$224 million year over year due to declines across almost all portfolios, partially offset by an increase in the indirect auto portfolio.

Noninterest income increased \$411 million, or 4.6%, compared to the prior year. Excluding securities gains and a gain on the divestiture of certain businesses, noninterest income was up \$776 million, or 9.2%, highlighted by strong performance from investment banking, insurance, wealth, and card and payment related fees.

Noninterest expense increased \$219 million, or 1.5%, compared to the prior year. Excluding merger-related and restructuring charges, incremental operating expenses related to the Merger, the impact of the extinguishment of debt, charitable contributions, an acceleration of loss recognition related to certain terminated cash flow hedges, a one-time professional fee expense, and the impact of amortization expense for intangibles, noninterest expense increased \$154 million, or 1.2%. This increase in noninterest expense was driven by incentives expense due to stronger performance and insurance acquisitions, partially offset by the ongoing impact of cost saving efforts from the Merger.

Truist's total assets at December 31, 2021 were \$541.2 billion, an increase of \$32.0 billion compared to December 31, 2020, reflecting a \$33.8 billion increase in securities, a \$2.3 billion increase in securities borrowed or purchased under agreements to resell, a \$2.1 billion increase in goodwill and intangible assets, partially offset by a decrease of loans and leases HFI, net of ALLL, of \$8.8 billion.

Total liabilities at December 31, 2021 were \$472.0 billion, an increase of \$33.7 billion from the prior year, reflecting an increase of \$35.4 billion in deposits, partially offset by a decrease of \$3.7 billion in long-term debt.

Total shareholders' equity was \$69.3 billion at December 31, 2021, down \$1.6 billion compared to the prior year, reflecting a decrease in AOCI of \$2.3 billion, primarily due to unrealized losses on AFS debt securities, \$1.6 billion common share repurchases, and the redemption of \$1.4 billion of preferred shares, partially offset by net income in excess of dividends paid of \$3.6 billion.

Truist maintained strong capital and liquidity in 2021. As of December 31, 2021, the CET1 ratio was 9.6% and the average LCR was 114%. Truist increased the quarterly common dividend 7% during the year and declared total common dividends of \$1.86 per share during 2021. The dividend payout ratio for 2021 was 41% compared to 58% for the prior year. The total payout ratio for 2021 was 68% compared to 58% for the prior year, reflecting the resumption of share repurchases. During 2021, Truist completed the acquisition of Service Finance to expand point-of-sale lending capabilities and Constellation Affiliated Partners to expand IH's wholesale division. In early 2022, Truist declared common dividends of \$0.48 per share for the first quarter of 2022, and announced the acquisition of Kensington Vanguard National Land Services to expand IH's title insurance operation.

### **Key Areas of Focus**

Truist's business is dynamic and complex. Consequently, management annually evaluates and, as necessary, adjusts the Company's business strategy in the context of the current operating environment. During this process, management considers the current financial condition and performance of the Company and its expectations for future economic activity from both a national and local market perspective. Achieving key strategic objectives and established long-term financial goals is subject to many uncertainties and challenges. In the opinion of management, the following are the key areas of focus most likely to impact Truist's near to medium term performance:

- Championing the Company's purpose to inspire and build better lives and communities;
- Leading with purpose to provide profitable growth and achieve positive operating leverage;
- Shifting from an integration focus to an operating focus, with a particular emphasis on executional excellence and profitable growth;
- Attracting and retaining key teammates and advancing teammate and leadership development;
- Driving innovation and remaining attuned to evolving client preferences to succeed in an intensely competitive environment;
- Executing the Company's "T3 strategy" by focusing on personal touch and technology to engender trust and provide distinctive, secure and successful client experiences;
- Advancing DEI and ESG initiatives;
- Achieving the benefits from the Merger, including anticipated synergies through cost saving and Truist's Integrated Relationship Management approach; and
- Managing the integration of systems and operations, while safeguarding the Company against external threats.

In addition, certain other challenges and unforeseen events could have a near term impact on Truist's financial condition and results of operations. See the sections titled "Forward-Looking Statements" and "Risk Factors" for additional examples of such challenges.

## **Analysis of Results of Operations**

### **Net Interest Income and NIM**

*2021 compared to 2020*

Net interest income for the year ended December 31, 2021 was down \$837 million, or 6.0%, compared to the prior year due to lower purchase accounting accretion, lower rates on earning assets, and a decrease in loan balances. These decreases were partially offset by growth in the securities portfolio, lower funding costs, higher fees on PPP loans, and releases of interest deferrals related to COVID-19 loan accommodations established in 2020. Average earning assets increased \$24.4 billion, or 5.6%, compared to the prior period. The increase in average earning assets reflects a \$56.3 billion, or 68%, increase in average securities, while average total loans and leases decreased \$21.1 billion, or 6.7%, and average other earning assets decreased \$11.7 billion, or 38%. The growth in average earning assets is a result of an increase in investment securities driven by strong deposit growth resulting from fiscal and monetary stimulus. Average deposits increased \$35.1 billion, or 9.7%, compared to the prior year, while average long-term debt and short-term borrowings decreased \$8.4 billion, or 18%, and \$4.0 billion, or 39%, respectively.

Net interest margin was 2.86% for the year ended December 31, 2021, down 36 basis points compared to the prior year. The yield on the total loan portfolio for the year ended December 31, 2021 was 3.95%, down 38 basis points compared to the prior year, reflecting the impact of lower purchase accounting accretion and the ongoing impact of the low rate environment. The yield on the average securities portfolio was 1.50% for the year ended December 31, 2021, down 59 basis points compared to the prior year primarily due to lower yields on new purchases and higher premium amortization.

The average cost of total deposits was 0.04% for the year ended December 31, 2021, down 18 basis points compared to the prior year. The average cost on short-term borrowings was 0.76% for the year ended December 31, 2021, down 59 basis points compared to the prior year. The average cost on long-term debt was 1.53% for the year ended December 31, 2021, down 22 basis points compared to the prior year. The lower rates on interest-bearing liabilities reflect the lower rate environment.

As of December 31, 2021, the remaining unamortized fair value marks on the loan and lease portfolio, deposits, and long-term debt were \$1.3 billion, \$7 million, and \$139 million, respectively. As of December 31, 2020, the remaining unamortized fair value marks on the loan and lease portfolio, deposits and long-term debt were \$2.4 billion, \$19 million, and \$216 million, respectively.

The remaining unamortized fair value mark on loans and leases consist of \$700 million for consumer loans and leases, and \$623 million for commercial loans and leases. These amounts will be recognized over the remaining contractual lives of the underlying instruments or as paydowns occur.

The major components of net interest income and the related annualized yields as well as the variances between the periods caused by changes in interest rates versus changes in volumes are summarized below.

**Table 9: Taxable-Equivalent Net Interest Income and Rate / Volume Analysis (1)**

| Year Ended December 31,<br>(Dollars in millions)     | Average Balances (5) |                   |                   | Yield/Rate  |             |             | Income/Expense |               |              | 2021 vs. 2020    |                |              | 2020 vs. 2019    |                |              |
|--|----------------------|-------------------|-------------------|-------------|-------------|-------------|----------------|---------------|--------------|------------------|----------------|--------------|------------------|----------------|--------------|
|  | 2021                 | 2020              | 2019              | 2021        | 2020        | 2019        | 2021           | 2020          | 2019         | Incr.<br>(Decr.) | Change due to  |              | Incr.<br>(Decr.) | Change due to  |              |
|  |                      |                   |                   |             |             |             |                |               |              |                  | Rate           | Volume       |                  | Rate           | Volume       |
| <b>Assets</b>  |                      |                   |                   |             |             |             |                |               |              |                  |                |              |                  |                |              |
| Total securities, at amortized cost: (2)             |                      |                   |                   |             |             |             |                |               |              |                  |                |              |                  |                |              |
| U.S. Treasury  | \$ 7,633             | \$ 2,194          | \$ 2,644          | 0.73 %      | 1.81 %      | 2.01 %      | \$ 56          | \$ 40         | \$ 53        | \$ 16            | \$ (35)        | \$ 51        | \$ (13)          | \$ (5)         | \$ (8)       |
| GSE  | 1,799                | 1,846             | 2,402             | 2.29        | 2.33        | 2.26        | 41             | 43            | 53           | (2)              | (1)            | (1)          | (10)             | 2              | (12)         |
| Agency MBS   | 128,306              | 78,564            | 44,710            | 1.52        | 2.07        | 2.59        | 1,953          | 1,625         | 1,161        | 328              | (511)          | 839          | 464              | (270)          | 734          |
| States and political subdivisions                    | 429                  | 501               | 587               | 3.55        | 3.92        | 3.73        | 15             | 19            | 21           | (4)              | (2)            | (2)          | (2)              | 1              | (3)          |
| Non-agency MBS                                       | 1,299                | 86                | 269               | 2.20        | 16.81       | 14.05       | 28             | 15            | 38           | 13               | (23)           | 36           | (23)             | 6              | (29)         |
| Other  | 31                   | 36                | 33                | 1.90        | 2.33        | 3.75        | 1              | 1             | 1            | —                | —              | —            | —                | —              | —            |
| <b>Total securities</b>                              | <b>139,497</b>       | <b>83,227</b>     | <b>50,645</b>     | <b>1.50</b> | <b>2.09</b> | <b>2.62</b> | <b>2,094</b>   | <b>1,743</b>  | <b>1,327</b> | <b>351</b>       | <b>(572)</b>   | <b>923</b>   | <b>416</b>       | <b>(266)</b>   | <b>682</b>   |
| Interest earning trading assets                      | 5,602                | 4,655             | 1,277             | 2.78        | 3.62        | 2.02        | 156            | 168           | 26           | (12)             | (43)           | 31           | 142              | 33             | 109          |
| Other earning assets (3)                             | 19,498               | 31,240            | 2,888             | 0.24        | 0.50        | 2.89        | 48             | 156           | 83           | (108)            | (63)           | (45)         | 73               | (122)          | 195          |
| <b>Loans and leases, net of unearned income: (4)</b> |                      |                   |                   |             |             |             |                |               |              |                  |                |              |                  |                |              |
| Commercial and industrial                            | 137,304              | 147,603           | 69,878            | 3.04        | 3.42        | 4.23        | 4,174          | 5,053         | 2,952        | (879)            | (540)          | (339)        | 2,101            | (653)          | 2,754        |
| CRE  | 25,269               | 27,410            | 17,651            | 2.85        | 3.32        | 4.79        | 728            | 914           | 849          | (186)            | (119)          | (67)         | 65               | (311)          | 376          |
| Commercial Construction                              | 6,053                | 6,659             | 4,061             | 2.98        | 3.72        | 5.23        | 173            | 243           | 208          | (70)             | (48)           | (22)         | 35               | (74)           | 109          |
| Residential mortgage                                 | 45,500               | 51,423            | 31,668            | 4.14        | 4.51        | 4.08        | 1,884          | 2,320         | 1,291        | (436)            | (181)          | (255)        | 1,029            | 148            | 881          |
| Residential home equity and direct                   | 25,319               | 26,951            | 12,716            | 5.69        | 6.03        | 5.97        | 1,441          | 1,625         | 759          | (184)            | (89)           | (95)         | 866              | 8              | 858          |
| Indirect auto  | 26,621               | 25,055            | 12,545            | 6.12        | 6.61        | 8.51        | 1,629          | 1,656         | 1,068        | (27)             | (127)          | 100          | 588              | (282)          | 870          |
| Indirect other                                       | 10,935               | 11,264            | 6,654             | 6.70        | 7.11        | 6.65        | 731            | 801           | 443          | (70)             | (46)           | (24)         | 358              | 33             | 325          |
| Student  | 7,251                | 7,596             | 460               | 3.99        | 4.62        | 5.20        | 289            | 351           | 24           | (62)             | (47)           | (15)         | 327              | (3)            | 330          |
| Credit card  | 4,650                | 5,027             | 3,181             | 8.92        | 9.34        | 9.05        | 415            | 470           | 288          | (55)             | (21)           | (34)         | 182              | 10             | 172          |
| PCI  | —                    | —                 | 631               | —           | —           | 16.05       | —              | —             | 102          | —                | —              | —            | (102)            | —              | (102)        |
| <b>Total loans and leases HFI</b>                    | <b>288,902</b>       | <b>308,988</b>    | <b>159,445</b>    | <b>3.97</b> | <b>4.35</b> | <b>5.01</b> | <b>11,464</b>  | <b>13,433</b> | <b>7,984</b> | <b>(1,969)</b>   | <b>(1,218)</b> | <b>(751)</b> | <b>5,449</b>     | <b>(1,124)</b> | <b>6,573</b> |
| LHFS   | 4,546                | 5,513             | 2,159             | 2.63        | 3.13        | 3.91        | 120            | 173           | 85           | (53)             | (25)           | (28)         | 88               | (20)           | 108          |
| <b>Total loans and leases</b>                        | <b>293,448</b>       | <b>314,501</b>    | <b>161,604</b>    | <b>3.95</b> | <b>4.33</b> | <b>4.99</b> | <b>11,584</b>  | <b>13,606</b> | <b>8,069</b> | <b>(2,022)</b>   | <b>(1,243)</b> | <b>(779)</b> | <b>5,537</b>     | <b>(1,144)</b> | <b>6,681</b> |
| <b>Total earning assets</b>                          | <b>458,045</b>       | <b>433,623</b>    | <b>216,414</b>    | <b>3.03</b> | <b>3.61</b> | <b>4.39</b> | <b>13,882</b>  | <b>15,673</b> | <b>9,505</b> | <b>(1,791)</b>   | <b>(1,921)</b> | <b>130</b>   | <b>6,168</b>     | <b>(1,499)</b> | <b>7,667</b> |
| Nonearning assets                                    | 64,340               | 65,462            | 31,080            |             |             |             |                |               |              |                  |                |              |                  |                |              |
| <b>Total assets</b>                                  | <b>\$ 522,385</b>    | <b>\$ 499,085</b> | <b>\$ 247,494</b> |             |             |             |                |               |              |                  |                |              |                  |                |              |
| <b>Liabilities and Shareholders' Equity</b>          |                      |                   |                   |             |             |             |                |               |              |                  |                |              |                  |                |              |
| Interest-bearing deposits:                           |                      |                   |                   |             |             |             |                |               |              |                  |                |              |                  |                |              |
| Interest-checking                                    | \$ 107,311           | \$ 94,879         | \$ 31,592         | 0.05        | 0.23        | 0.62        | 59             | 216           | 197          | (157)            | (183)          | 26           | 19               | (184)          | 203          |
| Money market and savings                             | 134,303              | 123,826           | 67,922            | 0.03        | 0.21        | 0.91        | 35             | 264           | 621          | (229)            | (248)          | 19           | (357)            | (664)          | 307          |
| Time deposits  | 18,025               | 30,008            | 17,970            | 0.30        | 1.02        | 1.54        | 54             | 305           | 277          | (251)            | (160)          | (91)         | 28               | (115)          | 143          |
| Foreign office deposits - interest-bearing           | —                    | —                 | 272               | —           | —           | 2.35        | —              | —             | 6            | —                | —              | —            | (6)              | —              | (6)          |
| <b>Total interest-bearing deposits (6)</b>           | <b>259,639</b>       | <b>248,713</b>    | <b>117,756</b>    | <b>0.06</b> | <b>0.32</b> | <b>0.93</b> | <b>148</b>     | <b>785</b>    | <b>1,101</b> | <b>(637)</b>     | <b>(591)</b>   | <b>(46)</b>  | <b>(316)</b>     | <b>(963)</b>   | <b>647</b>   |
| Short-term borrowings                                | 6,170                | 10,129            | 8,462             | 0.76        | 1.35        | 2.34        | 47             | 137           | 198          | (90)             | (48)           | (42)         | (61)             | (95)           | 34           |
| Long-term debt                                       | 37,410               | 45,793            | 24,756            | 1.53        | 1.75        | 3.22        | 573            | 800           | 797          | (227)            | (92)           | (135)        | 3                | (472)          | 475          |
| <b>Total interest-bearing liabilities</b>            | <b>303,219</b>       | <b>304,635</b>    | <b>150,974</b>    | <b>0.25</b> | <b>0.57</b> | <b>1.39</b> | <b>768</b>     | <b>1,722</b>  | <b>2,096</b> | <b>(954)</b>     | <b>(731)</b>   | <b>(223)</b> | <b>(374)</b>     | <b>(1,530)</b> | <b>1,156</b> |
| Noninterest-bearing deposits (6)                     | 138,733              | 114,580           | 55,513            |             |             |             |                |               |              |                  |                |              |                  |                |              |
| Other liabilities                                    | 11,300               | 11,846            | 6,899             |             |             |             |                |               |              |                  |                |              |                  |                |              |
| Shareholders' equity                                 | 69,133               | 68,024            | 34,108            |             |             |             |                |               |              |                  |                |              |                  |                |              |
| <b>Total liabilities and shareholders' equity</b>    | <b>\$ 522,385</b>    | <b>\$ 499,085</b> | <b>\$ 247,494</b> |             |             |             |                |               |              |                  |                |              |                  |                |              |
| Average interest-rate spread                         |                      |                   |                   | 2.78 %      | 3.04 %      | 3.00 %      |                |               |              |                  |                |              |                  |                |              |
| NIM/net interest income - taxable equivalent         |                      |                   |                   | 2.86 %      | 3.22 %      | 3.42 %      | \$ 13,114      | \$ 13,951     | \$ 7,409     | \$ (837)         | \$ (1,190)     | \$ 353       | \$ 6,542         | \$ 31          | \$ 6,511     |
| Taxable-equivalent adjustment                        |                      |                   |                   |             |             |             | \$ 108         | \$ 125        | \$ 96        |                  |                |              |                  |                |              |

- Yields are stated on a TE basis utilizing federal tax rate. The change in interest not solely due to changes in rate or volume has been allocated based on the pro-rata absolute dollar amount of each. Interest income includes certain fees, deferred costs, and dividends.
- Total securities include AFS and HTM securities.
- Includes cash equivalents, interest-bearing deposits with banks, FHLB stock and other earning assets.
- Fees, which are not material for any of the periods shown, are included for rate calculation purposes. NPLs are included in the average balances.
- Represents daily average balances. Excludes basis adjustments for fair value hedges.
- Total deposit costs were 0.04%, 0.22%, and 0.64% for the years ended December 31, 2021, 2020, and 2019, respectively.

## Provision for Credit Losses

2021 compared to 2020

The provision for credit losses was a benefit of \$813 million for the year ended December 31, 2021, compared to a cost of \$2.3 billion for the prior year. The prior year included significant uncertainty related to the economic impacts resulting from the pandemic, whereas the current year includes reserve releases due to the improving economic outlook. Net charge-offs for the year ended December 31, 2021 totaled \$697 million compared to \$1.1 billion in the prior year. Net charge-offs for 2020 included \$97 million of charge-offs related to the implementation of CECL as more fully discussed in the "ACL" section of MD&A. The net charge-off ratio for the current year of 0.24% was down 12 basis points compared to the prior year, primarily driven by lower losses across the majority of portfolios, partially driven by additional losses on PCD loans taken in 2020, combined with higher recoveries.

## Noninterest Income

Noninterest income is a significant contributor to Truist's financial results. Management focuses on diversifying its sources of revenue to reduce Truist's reliance on traditional spread-based interest income, as certain fee-based activities are a relatively stable revenue source during periods of changing interest rates.

**Table 10: Noninterest Income**

| Year Ended December 31,<br>(Dollars in millions) | 2021     | 2020     | 2019     | % Change      |               |
|--|----------|----------|----------|---------------|---------------|
|  |          |          |          | 2021 vs. 2020 | 2020 vs. 2019 |
| Insurance income                                 | \$ 2,627 | \$ 2,193 | \$ 2,072 | 19.8 %        | 5.8 %         |
| Investment banking and trading income            | 1,441    | 1,010    | 249      | 42.7          | NM            |
| Wealth management income                         | 1,392    | 1,277    | 715      | 9.0           | 78.6          |
| Service charges on deposits                      | 1,060    | 1,020    | 762      | 3.9           | 33.9          |
| Card and payment related fees                    | 874      | 761      | 555      | 14.8          | 37.1          |
| Residential mortgage income                      | 555      | 1,000    | 285      | (44.5)        | NM            |
| Lending related fees                             | 349      | 315      | 124      | 10.8          | 154.0         |
| Operating lease income                           | 262      | 309      | 153      | (15.2)        | 102.0         |
| Commercial mortgage income                       | 179      | 185      | 102      | (3.2)         | 81.4          |
| Income from bank-owned life insurance            | 183      | 179      | 129      | 2.2           | 38.8          |
| Securities gains (losses)                        | —        | 402      | (116)    | NM            | NM            |
| Other income                                     | 368      | 228      | 225      | 61.4          | 1.3           |
| Total noninterest income                         | \$ 9,290 | \$ 8,879 | \$ 5,255 | 4.6           | 69.0          |

In the fourth quarter of 2021, the Company reclassified certain structured real estate activity from commercial mortgage income to investment banking trading income and certain LIHTC activity from commercial mortgage income to other income. Prior periods were reclassified to conform to the current presentation.

2021 compared to 2020

Noninterest income for the year ended December 31, 2021 increased \$411 million, or 4.6%, compared to the prior year. Other income for the year ended December 31, 2021 includes a \$37 million gain from the divestiture of certain businesses, whereas noninterest income for the year ended December 31, 2020 included \$402 million of securities gains on available-for-sale securities. Excluding securities gains and a gain on the divestiture of certain businesses, noninterest income was up \$776 million, or 9.2%, compared to the prior year. Insurance income increased \$434 million due to acquisitions, as well as organic growth. Investment banking and trading income increased \$431 million due to strong investment banking income from loan syndications and merger and acquisition fees, and structured real estate income, and the impact from CVA recoveries in the current year compared to losses in the earlier year. Other income increased \$140 million primarily due to \$96 million related to increased investment income (primarily valuations gains) from the Company's SBIC and Truist Ventures investments and higher valuations of \$46 million for assets held for certain post-retirement benefits, which is primarily offset by higher benefits expense included in personnel expense. Wealth management increased \$115 million due to higher valuations of assets under management, partially offset by the divestiture of the record keeping business. Card and payment related fees and service charges on deposits increased \$113 million and \$40 million, respectively, due to increased economic activity. Lending related fees increased \$34 million due to higher noninterest loan fees, primarily unused line fees. Residential mortgage banking income decreased \$445 million primarily due to lower production related revenues as a result of lower gain on sale margins and volumes, partially offset by higher servicing income due to an increase in the valuation of mortgage servicing rights. Operating lease income decreased \$47 million due to declines in the lease portfolio.



## Noninterest Expense

The following table provides a breakdown of Truist's noninterest expense:

**Table 11: Noninterest Expense**

| Year Ended December 31,<br>(Dollars in millions) | 2021      | 2020      | 2019     | % Change      |               |
|--|-----------|-----------|----------|---------------|---------------|
|  |           |           |          | 2021 vs. 2020 | 2020 vs. 2019 |
| Personnel expense                                | \$ 8,632  | \$ 8,146  | \$ 4,833 | 6.0 %         | 68.5 %        |
| Professional fees and outside processing         | 1,442     | 1,252     | 433      | 15.2          | 189.1         |
| Software expense                                 | 945       | 862       | 338      | 9.6           | 155.0         |
| Net occupancy expense                            | 764       | 904       | 507      | (15.5)        | 78.3          |
| Amortization of intangibles                      | 574       | 685       | 164      | (16.2)        | NM            |
| Equipment expense                                | 513       | 484       | 280      | 6.0           | 72.9          |
| Marketing and customer development               | 294       | 273       | 137      | 7.7           | 99.3          |
| Operating lease depreciation                     | 190       | 258       | 136      | (26.4)        | 89.7          |
| Loan-related expense                             | 212       | 242       | 123      | (12.4)        | 96.7          |
| Regulatory costs                                 | 137       | 125       | 81       | 9.6           | 54.3          |
| Merger-related and restructuring charges         | 822       | 860       | 360      | (4.4)         | 138.9         |
| Loss (gain) on early extinguishment of debt      | (4)       | 235       | —        | (101.7)       | NM            |
| Other expense                                    | 595       | 571       | 542      | 4.2           | 5.4           |
| Total noninterest expense                        | \$ 15,116 | \$ 14,897 | \$ 7,934 | 1.5           | 87.8          |

### 2021 compared to 2020

Noninterest expense for the year ended December 31, 2021 was up \$219 million, or 1.5%, compared to the earlier year. Merger-related and restructuring charges decreased \$38 million and other incremental operating expenses related to the Merger increased \$237 million, primarily reflected in professional fees and outside processing expense. The current year also includes \$200 million for charitable contributions to the Truist Foundation and the Truist Charitable Fund (other expense), \$36 million of expense associated with an acceleration of loss recognition related to certain terminated cash flow hedges, a \$30 million professional fee expense, and a small gain on the early extinguishment of debt, whereas the earlier year included a \$235 million loss on the early extinguishment of debt and a \$50 million charitable contribution. Excluding the aforementioned items and a decrease of \$111 million for amortization of intangibles, noninterest expense increased \$154 million, or 1.2%, compared to the earlier year. Personnel expense increased \$486 million primarily driven by higher incentive expenses due to variable compensation from higher revenues and improved overall performance relative to targets, higher medical insurance claims, higher other employee benefits due to the previously mentioned increase in noninterest income, and personnel cost related to acquired companies. These increases in personnel expense were partially offset by lower salaries due to fewer FTEs. Software expense increased \$83 million due to higher spending on certain projects. Other expense includes a decrease of \$167 million for non-service-related pension cost components. There was also a decrease of \$140 million from net occupancy expense primarily due to branch and property consolidations and a decrease in operating lease depreciation of \$68 million due to valuation adjustments taken in the prior year.

### Merger-Related and Restructuring Charges

Truist has incurred certain merger-related and restructuring charges, which include:

- severance and personnel-related costs or credits;
- occupancy and equipment charges or credits, which relate to costs or gains associated with lease terminations, obsolete equipment write-offs and the sale of duplicate facilities and equipment;
- professional services, which relate to legal and investment banking advisory fees and other consulting services pertaining to restructuring initiatives or transactions;
- systems conversion and related charges, which represent costs to integrate the entity's information technology systems;
- other merger-related and restructuring charges or credits, which include expenses necessary to convert and combine the acquired branches and operations of merged companies, direct media advertising related to the mergers and acquisitions, asset and supply inventory write-offs, and other similar charges; and
- write-offs related to exiting certain businesses.

Merger-related and restructuring accruals are established when the costs are incurred or once all requirements for a plan to dispose of or outsource certain business functions have been approved by management. Merger and restructuring accruals are re-evaluated periodically and adjusted as necessary. The remaining accruals at December 31, 2021 are generally expected to be utilized within one year, unless they relate to specific contracts that expire later.

The following table presents a summary of merger-related and restructuring charges and the related accruals. The 2021 and 2020 merger-related and restructuring costs primarily reflect charges as a result of the Merger, including costs for severance and other benefits, costs related to exiting facilities, and other restructuring initiatives.

**Table 12: Merger-Related and Restructuring Accrual Activity**

| (Dollars in millions)                | Accrual at<br>Jan 1, 2020 | Expense | Utilized | Accrual at<br>Dec 31, 2020 | Expense | Utilized | Accrual at<br>Dec 31, 2021 |
|--------------------------------------|---------------------------|---------|----------|----------------------------|---------|----------|----------------------------|
| Severance and personnel-related (1)  | \$ 46                     | \$ 232  | \$ (242) | \$ 36                      | \$ 336  | \$ (295) | \$ 77                      |
| Occupancy and equipment              | —                         | 294     | (294)    | —                          | 139     | (139)    | —                          |
| Professional services                | 42                        | 238     | (264)    | 16                         | 256     | (235)    | 37                         |
| Systems conversion and related costs | —                         | 30      | (30)     | —                          | 59      | (59)     | —                          |
| Other                                | 1                         | 66      | (56)     | 11                         | 32      | (31)     | 12                         |
| Total (2)                            | \$ 89                     | \$ 860  | \$ (886) | \$ 63                      | \$ 822  | \$ (759) | \$ 126                     |

- (1) Includes \$231 million of restructuring charges for the year ended December 31, 2021 related to the Company's voluntary separation and retirement program.
- (2) Related to the Merger, the Company recognized \$790 million and \$825 million for the year ended December 31, 2021 and 2020, respectively. At December 31, 2021, the Company had an accrual of \$119 million related to the Merger. The remaining expense and accrual relate to other restructuring activities.

### Segment Results

Truist operates and measures business activity across three segments: Consumer Banking and Wealth, Corporate and Commercial Banking, and Insurance Holdings, with functional activities included in Other, Treasury, and Corporate. The Company's business segment structure is based on the manner in which financial information is evaluated by management as well as the products and services provided or the type of client served. See "Note 21. Operating Segments" for additional disclosures related to Truist's operating segments, the internal accounting, and reporting practices used to manage these segments and financial disclosures for these segments, including additional details related to results of operations.

**Table 13: Net Income by Reportable Segment**

| Year Ended December 31,<br>(Dollars in millions) | 2021     | 2020     | 2019     | % Change      |               |
|--|----------|----------|----------|---------------|---------------|
|  |          |          |          | 2021 vs. 2020 | 2020 vs. 2019 |
| Consumer Banking and Wealth                      | \$ 3,235 | \$ 3,043 | \$ 1,736 | 6.3 %         | 75.3 %        |
| Corporate and Commercial Banking                 | 4,261    | 2,322    | 1,824    | 83.5          | 27.3          |
| Insurance Holdings                               | 508      | 407      | 318      | 24.8          | 28.0          |
| Other, Treasury & Corporate                      | (1,567)  | (1,280)  | (641)    | 22.4          | 99.7          |
| Truist Financial Corporation                     | \$ 6,437 | \$ 4,492 | \$ 3,237 | 43.3          | 38.8          |

2021 compared to 2020

#### Consumer Banking and Wealth

Consumer Banking and Wealth had 2,517 banking offices at December 31, 2021, a decrease of 264 offices compared to December 31, 2020. The decrease in offices was driven primarily by the consolidation of 226 branches in the first quarter leveraging the blended branch program strategy, as well as closure of 39 branches in non-overlapping markets in the third quarter.

Consumer Banking and Wealth net income was \$3.2 billion for 2021, an increase of \$192 million, or 6.3%, compared to 2020. Segment net interest income decreased \$533 million primarily due to reduced funding credit on deposits, lower purchase accounting accretion, and a decline in average loans. The allocated provision for credit losses decreased \$853 million primarily due to allowance releases in the current year as the economic outlook improved as well as lower net charge offs in the auto, home equity, card, and mortgage portfolios and lower loan balances compared to reserve builds in 2020 due to uncertainty regarding the pandemic. Noninterest income decreased \$206 million, due to lower residential mortgage income driven by lower gain on sale margins and volumes, partially offset by increased revenues in wealth management and card and payment related activities resulting from improving economic conditions as well as gains from the divestiture of certain businesses. Noninterest expense decreased \$131 million primarily due to lower salary expense, pension costs, amortization of intangibles, and occupancy expenses, partially offset by increased incentives tied to performance and related benefits expense in the current year.

Consumer Banking and Wealth average loans and leases HFI decreased \$6.8 billion, or 4.9%, compared to 2020 driven primarily by a decline in residential mortgage loans and home equity and direct lending, partially offset by increased indirect auto and mortgage warehouse lending. Average loan and leases HFI for residential mortgage and home equity and direct loans declined \$5.9 billion, or 12%, and \$1.6 billion, or 6.0%, respectively, while indirect auto and mortgage warehouse loans increased \$1.6 billion, or 6.3%, and \$649 million, or 16%, respectively.

Consumer Banking and Wealth average total deposits increased \$25.2 billion, or 12%, compared to 2020 driven primarily due to ongoing impacts of fiscal and monetary stimulus. Average noninterest-bearing deposits, money market and savings accounts, and interest checking accounts increased \$11.7 billion, or 21%, \$11.1 billion, or 12%, and \$9.8 billion, or 22%, respectively, partially offset by a decline in time deposits of \$7.3 billion, or 31%.

Truist Wealth had assets under management of \$209.6 billion as of December 31, 2021, up \$27.3 billion, or 15%, compared to 2020 driven primarily due to favorable market performance.

### **Corporate and Commercial Banking**

Corporate and Commercial Banking net income was \$4.3 billion for 2021, an increase of \$1.9 billion, or 84%, compared to 2020. Segment net interest income decreased \$421 million primarily due to reduced funding credit on deposits, lower purchase accounting accretion, and a decline in average loans partially offset by higher margin fees tied to PPP loan forgiveness. The allocated provision for credit losses decreased \$2.2 billion which reflects allowance releases in the current year driven by an improving economic outlook compared to allowance builds in 2020 due to uncertainty regarding the pandemic as well as lower net charge offs primarily in the commercial and industrial portfolio and lower loan balances. Noninterest income increased \$572 million due to strong investment banking and trading income, increased lending related fees, income from SBIC equity investments, and increased service charges on deposits slightly offset by lower operating lease income. Noninterest expense decreased \$196 million primarily due to lower operating lease depreciation, lower allocated corporate expenses and reduced salary and equity based compensation expense, partially offset by higher incentives tied to performance.

Corporate and Commercial Banking average loans and leases HFI decreased \$13.5 billion, or 8.1%, compared to 2020 driven primarily by lower client revolver utilization, lower dealer floor plan levels, and lower PPP.

Corporate and Commercial Banking average total deposits increased \$12.8 billion, or 9.3%, compared to 2020 driven primarily by ongoing impacts of fiscal and monetary stimulus. Average noninterest-bearing deposits increased \$12.3 billion, or 21%, while interest bearing deposits increased \$460 million, or 0.6%.

### **Insurance Holdings**

Insurance Holdings net income was \$508 million in 2021, an increase of \$101 million, or 25%, compared to 2020. Noninterest income increased \$423 million primarily due to organic growth as well as acquisitions. Impact from organic growth was \$238 million, or 11%, and impact from acquisitions was \$185 million, or 8%. Noninterest expense increased \$295 million primarily due to commissions on higher production in the current year along with higher amortization of intangibles and operating expenses related to acquisitions.

### **Other, Treasury, and Corporate**

Other, Treasury, and Corporate generated a net loss of \$1.6 billion in 2021, compared to a net loss of \$1.3 billion in 2020. Segment net interest income increased \$142 million due to lower expense on borrowings and growth in the securities portfolio. The allocated provision for credit losses decreased \$101 million which primarily reflects changes in the reserve for unfunded commitments as well as an allowance release in the current year resulting from the improving economic outlook. Noninterest income decreased \$378 million primarily due to a gain on the sale of non-agency MBS in the same period of the prior year, partially offset by income from assets held for certain post-employment benefits. Noninterest expense increased \$251 million primarily due to charitable contributions to the Truist Foundation and the Truist Charitable Fund, as well as higher incremental operating expenses related to the Merger and higher restructuring charges in the current year, partially offset by the loss on early extinguishment of long-term debt in the same period of the prior year.

## Analysis of Financial Condition

### Investment Activities

Truist's Board-approved investment policy is carried out by the MRLCC, which meets regularly to review the economic environment and establish investment strategies. The MRLCC also has much broader responsibilities, which are discussed in the "Market Risk Management" section in MD&A.

Investment strategies are reviewed by the MRLCC based on the interest rate environment, balance sheet mix, actual and anticipated loan demand, funding opportunities and the overall interest rate sensitivity of the Company. In general, the goals of the investment portfolio are: (i) to provide sufficient liquid assets to meet unanticipated deposit and loan fluctuations and overall funds management objectives; (ii) to provide eligible securities to secure public funds, trust deposits and other borrowings; and (iii) to earn an optimal return on funds invested commensurate with meeting the requirements of (i) and (ii) and consistent with the Company's risk appetite.

Truist Bank invests in securities allowable under bank regulations. These securities may include obligations of the U.S. Treasury, U.S. government agencies, GSEs (including MBS), bank eligible obligations of any state or political subdivision, non-agency MBS, structured notes, bank eligible corporate obligations (including corporate debentures), commercial paper, negotiable CDs, bankers acceptances, mutual funds and limited types of equity securities.

**Table 14: Composition of Securities Portfolio**

| December 31,<br>(Dollars in millions) | 2021       | 2020       |
|---------------------------------------|------------|------------|
| AFS securities (at fair value):       |            |            |
| U.S. Treasury                         | \$ 9,795   | \$ 1,746   |
| GSE                                   | 1,698      | 1,917      |
| Agency MBS - residential              | 134,042    | 113,541    |
| Agency MBS - commercial               | 2,882      | 3,057      |
| States and political subdivisions     | 420        | 493        |
| Non-agency MBS                        | 4,258      | —          |
| Other                                 | 28         | 34         |
| Total AFS securities                  | 153,123    | 120,788    |
| HTM securities (at amortized cost):   |            |            |
| Agency MBS - residential              | 1,494      | —          |
| Total securities                      | \$ 154,617 | \$ 120,788 |

The securities portfolio totaled \$154.6 billion at December 31, 2021, compared to \$120.8 billion at December 31, 2020. The increase was due primarily to increases in MBS and U.S. Treasury securities resulting from strong deposit growth resulting from fiscal and monetary stimulus.

As of December 31, 2021, approximately 4.6% of the securities portfolio was variable rate, excluding the impact of swaps, compared to 1.9% as of December 31, 2020. The effective duration of the securities portfolio was 5.8 years at December 31, 2021, compared to 4.0 years at December 31, 2020, excluding the impact of unsettled security purchases at period end.

U.S. Treasury, GSE, and Agency MBS represents 97% of the total securities portfolio as of December 31, 2021 and more than 99% at December 31, 2020. While the overwhelming majority of the portfolio remains in agency MBS securities, the Company purchased \$4.3 billion of AAA rated non-agency MBS as the risk adjusted returns for these securities was more attractive than agency MBS.

The following table presents the securities portfolio at December 31, 2021, segregated by major category of security holdings with ranges of maturities and average yields disclosed:

**Table 15: Securities Yields by Major Category and Maturity**

| December 31, 2021<br>(Dollars in millions) | AFS               |             | HTM             |                     |
|--|-------------------|-------------|-----------------|---------------------|
|  | Fair Value        | Yield (1)   | Amortized Cost  | Effective Yield (1) |
| <b>U.S. Treasury:</b>                      |                   |             |                 |                     |
| Within one year                            | \$ 290            | 0.23 %      | \$ —            | — %                 |
| One to five years                          | 8,532             | 0.68        | —               | —                   |
| Five to ten years                          | 973               | 1.26        | —               | —                   |
| Total                                      | 9,795             | 0.72        | —               | —                   |
| <b>GSE:</b>                                |                   |             |                 |                     |
| Within one year                            | 432               | 2.37        | —               | —                   |
| One to five years                          | 1,086             | 2.14        | —               | —                   |
| After ten years                            | 180               | 2.34        | —               | —                   |
| Total                                      | 1,698             | 2.22        | —               | —                   |
| <b>Agency MBS - residential: (2)</b>       |                   |             |                 |                     |
| Within one year                            | —                 | 1.92        | —               | —                   |
| One to five years                          | 1                 | 1.97        | —               | —                   |
| Five to ten years                          | 611               | 2.45        | —               | —                   |
| After ten years                            | 133,430           | 1.85        | 1,494           | 0.45                |
| Total                                      | 134,042           | 1.86        | 1,494           | 0.45                |
| <b>Agency MBS - commercial: (2)</b>        |                   |             |                 |                     |
| One to five years                          | 9                 | 2.87        | —               | —                   |
| Five to ten years                          | 15                | 1.74        | —               | —                   |
| After ten years                            | 2,858             | 1.72        | —               | —                   |
| Total                                      | 2,882             | 1.73        | —               | —                   |
| <b>States and political subdivisions:</b>  |                   |             |                 |                     |
| Within one year                            | 31                | 1.69        | —               | —                   |
| One to five years                          | 80                | 3.43        | —               | —                   |
| Five to ten years                          | 135               | 4.65        | —               | —                   |
| After ten years                            | 174               | 3.49        | —               | —                   |
| Total                                      | 420               | 3.72        | —               | —                   |
| <b>Non-agency MBS: (2)</b>                 |                   |             |                 |                     |
| After ten years                            | 4,258             | 2.38        | —               | —                   |
| Total                                      | 4,258             | 2.38        | —               | —                   |
| <b>Other:</b>                              |                   |             |                 |                     |
| Within one year                            | 1                 | 1.1         | —               | —                   |
| One to five years                          | 6                 | 3.71        | —               | —                   |
| After ten years                            | 21                | 1.68        | —               | —                   |
| Total                                      | 28                | 2.11        | —               | —                   |
| <b>Total securities</b>                    | <b>\$ 153,123</b> | <b>1.81</b> | <b>\$ 1,494</b> | <b>0.45</b>         |

- (1) Yields represent interest computed under the effective interest method on a TE basis using the federal income tax rate and the amortized cost of the securities.
- (2) For purposes of the maturity table, MBS, which are not due at a single maturity date, have been included in maturity groupings based on the contractual maturity. The expected life of MBS will differ from contractual maturities because borrowers may have the right to call or prepay the underlying mortgage loans.

### **Lending Activities**

Truist strives to meet the credit needs of its clients while pursuing a balanced strategy of loan profitability, loan growth, and loan quality. Management believes that this purpose can best be accomplished by building strong client relationships over time and developing in-depth local market knowledge. The Company employs strict underwriting criteria governing the degree of risk assumed and the diversity of the loan portfolio in terms of type, industry, and geographical concentration.

Truist lends to a diverse client base that is geographically dispersed to mitigate concentration risk arising from local and regional economic downturns. International loans were immaterial as of December 31, 2021 and 2020. The following discussion provides additional information on the Company's loan and lease portfolios. Refer to the "Risk Management" section for a discussion of the credit risk management policies used to manage the portfolios.

### *Commercial Loan and Lease Portfolio*

Commercial loans and leases represent the largest category of the Company's loan and lease portfolio. Commercial Community Banking generally targets small-to-middle market businesses with annual sales between \$2 million and \$500 million, while CIB provides lending solutions to large corporate clients. The commercial loan and lease portfolio consists of lending to public and private business clients and is composed of commercial and industrial, owner occupied, equipment leasing and financing, commercial real estate, and government and institutional financing.

In accordance with the Company's lending policy, each commercial loan undergoes a detailed underwriting process. Commercial loans are typically priced with an interest rate tied to market indices, such as the prime rate, LIBOR, or SOFR and are individually monitored and reviewed for deterioration in the ability of the client to repay the loan. The majority of Truist's commercial loans are secured by real estate, business equipment, inventories, and other types of collateral.

### *Residential Mortgage Loan Portfolio*

Truist primarily originates conforming mortgage loans, loans under FHA, U.S. Department of Veterans Affairs, or U.S. Department of Agriculture programs, and higher quality jumbo and construction-to-permanent loans for 1-4 family residential properties. Conforming loans are loans that are underwritten in accordance with the underwriting standards set forth by FNMA and FHLMC. They are generally collateralized by one-to-four-family residential real estate, typically have loan-to-collateral value ratios of 80% or less at origination, or have mortgage insurance as required by investors and are made to borrowers in good credit standing.

Risks associated with mortgage lending include interest rate risk, which is mitigated through the sale of a substantial portion of conforming fixed-rate loans in the secondary mortgage market and an effective MSR hedging process. Credit risk is managed through rigorous underwriting procedures and mortgage insurance. The right to service the loans and receive servicing income is generally retained when conforming loans are sold. Management believes that the retention of mortgage servicing diversifies income while enabling Truist to build long-term client relationships and offer high quality client service. Truist also purchases residential mortgage loans from correspondent originators. The loans purchased from third party originators are subject to substantially the same underwriting and risk-management criteria as loans originated internally.

### *Residential Home Equity and Direct Loan Portfolio*

The residential home equity and direct loan portfolio is composed of a wide variety of secured and unsecured loans offered through Truist's branch network, as well as loans originated by LightStream, Truist's national online consumer lending division. Loans originated through the Truist branch network include revolving home equity lines of credit secured by first or second liens on residential real estate and certain other secured and unsecured lending marketed to qualifying clients and other creditworthy candidates in Truist's market areas. LightStream provides fixed-rate, unsecured lending to consumers with strong credit through its proprietary online loan origination system.

### *Indirect Auto Loan Portfolio*

The indirect auto portfolio primarily includes secured indirect installment loans to consumers for the purchase of new and used automobiles. The indirect auto portfolio also includes nonprime and near prime automobile finance. Such loans are originated through approved franchised and independent dealers throughout the Truist market area and nationally through Regional Acceptance Corporation. These loans are relatively homogeneous and no single loan is individually significant in terms of its size and potential risk of loss. Indirect auto loans are subject to rigorous lending policies and procedures and are underwritten with note amounts and credit limits that are consistent with the Company's risk philosophy. In addition to its normal underwriting due diligence, Truist uses application systems and scoring systems to help underwrite and manage the credit risk in its indirect auto portfolio.

### *Indirect Other Loan Portfolio*

The indirect other portfolio includes secured indirect installment loans to consumers for the purchase of new and used boats and recreational vehicles. The indirect other portfolio also includes small ticket consumer lending related to the purchase of power sports equipment. These loans are relatively homogeneous and no single loan is individually significant in terms of its size and potential risk of loss. These loans are subject to similar rigorous lending policies and procedures as the indirect auto loan portfolio. The indirect other loan portfolio also includes other indirect and point-of-sale lending to consumers to finance home improvements, furniture purchases, certain elective health-care services, power sports, trailer, and other consumer products segments. These loans are originated in accordance with strict underwriting criteria as determined by Truist.

### Student Loan Portfolio

The student loan portfolio is primarily composed of government guaranteed student loans and additionally includes certain private student loans originated by third parties. The government guarantee mitigates substantially all of the risk related to principal and interest repayment for this component of the portfolio. Private student loans were purchased from third party originators with credit enhancements that partially mitigate the Company's credit exposure.

### Credit Card Loan Portfolio

The credit card portfolio consists of the outstanding balances on credit cards. Truist markets credit cards to its existing client base and does not solicit cardholders through nationwide programs or other forms of mass marketing. Such balances are generally unsecured and actively managed.

Refer to "Note 5. Loans and ACL" for additional information.

The following table summarizes the loan portfolio:

**Table 16: Loans and Leases as of Period End**

| December 31,<br>(Dollars in millions) | 2021       | 2020       |
|---------------------------------------|------------|------------|
| Commercial:                           |            |            |
| Commercial and industrial             | \$ 138,762 | \$ 143,594 |
| CRE                                   | 23,951     | 26,595     |
| Commercial construction               | 4,971      | 6,491      |
| Consumer:                             |            |            |
| Residential mortgage                  | 47,852     | 47,272     |
| Residential home equity and direct    | 25,066     | 26,064     |
| Indirect auto                         | 26,441     | 26,150     |
| Indirect other                        | 10,883     | 11,177     |
| Student                               | 6,780      | 7,552      |
| Credit card                           | 4,807      | 4,839      |
| Total loans and leases HFI            | 289,513    | 299,734    |
| LHFS                                  | 4,812      | 6,059      |
| Total loans and leases                | \$ 294,325 | \$ 305,793 |

In the fourth quarter of 2021, the Company reclassified the lease financing portfolio to the commercial and industrial portfolio. Prior periods were reclassified to conform to the current presentation.

Loans and leases HFI were \$289.5 billion at December 31, 2021, down \$10.2 billion compared to 2020.

Commercial loans decreased \$9.0 billion during 2021 primarily due to a decline of \$8.7 billion in PPP loans (commercial and industrial). The carrying value of PPP loans was \$2.1 billion and \$10.8 billion as of December 31, 2021 and 2020, respectively. Excluding PPP loans, commercial and industrial loans were up \$3.8 billion, or 2.9%, while CRE and commercial construction declined \$2.6 billion, or 10%, and \$1.5 billion, or 23%, respectively.

Consumer loans decreased \$1.2 billion during 2021 primarily due to refinance activity resulting in a \$998 million decline in residential home equity and direct loans and a \$772 million decline in student loans due to paydowns on government guaranteed loans. This was partially offset by a \$580 million increase in residential mortgages due to the strategy to put certain correspondent channel production onto the balance sheet and lower prepayments.

LHFS decreased \$1.2 billion during 2021 primarily due to the sale of \$1.0 billion due to the divestiture of certain businesses.

The following table presents a summary of the loans and leases, segregated by contractual maturity of payments and interest rate terms. Determinations of maturities are based on contractual terms, except when rollovers or extensions are included for purposes of measuring the ACL. Truist's credit policy typically does not permit automatic renewal of loans. At the scheduled maturity date (including balloon payment date), the client generally must request a new loan to replace the matured loan and execute either a new note or note modification with rate, terms and conditions negotiated at that time.

**Table 17: Loan Maturities**

| December 31, 2021<br>(Dollars in millions) | 1 Year or Less   | 1 to 5 Years      | 5 to 15 Years    | After 15 Years   | Total             |
|--|------------------|-------------------|------------------|------------------|-------------------|
| <b>Fixed rate:</b>                         |                  |                   |                  |                  |                   |
| <b>Commercial:</b>                         |                  |                   |                  |                  |                   |
| Commercial and industrial                  | \$ 5,062         | \$ 13,743         | \$ 17,226        | \$ 3,726         | \$ 39,757         |
| CRE  | 357              | 2,043             | 1,864            | 34               | 4,298             |
| Commercial construction                    | 11               | 137               | 75               | 12               | 235               |
| Total commercial                           | 5,430            | 15,923            | 19,165           | 3,772            | 44,290            |
| <b>Consumer:</b>                           |                  |                   |                  |                  |                   |
| Residential mortgage                       | 20               | 539               | 4,370            | 37,661           | 42,590            |
| Residential home equity and direct         | 708              | 6,389             | 4,559            | 2,305            | 13,961            |
| Indirect auto                              | 301              | 14,007            | 12,133           | —                | 26,441            |
| Indirect other                             | 161              | 4,461             | 3,150            | 3,062            | 10,834            |
| Student                                    | —                | —                 | —                | 252              | 252               |
| Total consumer                             | 1,190            | 25,396            | 24,212           | 43,280           | 94,078            |
| Credit card                                | 88               | —                 | —                | —                | 88                |
| Total fixed rate                           | 6,708            | 41,319            | 43,377           | 47,052           | 138,456           |
| <b>Variable rate:</b>                      |                  |                   |                  |                  |                   |
| <b>Commercial:</b>                         |                  |                   |                  |                  |                   |
| Commercial and industrial                  | 18,187           | 60,566            | 16,492           | 3,760            | 99,005            |
| CRE  | 2,689            | 11,949            | 4,972            | 43               | 19,653            |
| Commercial construction                    | 676              | 3,535             | 516              | 9                | 4,736             |
| Total commercial                           | 21,552           | 76,050            | 21,980           | 3,812            | 123,394           |
| <b>Consumer:</b>                           |                  |                   |                  |                  |                   |
| Residential mortgage                       | —                | 15                | 821              | 4,426            | 5,262             |
| Residential home equity and direct         | 113              | 1,798             | 1,904            | 7,290            | 11,105            |
| Indirect other                             | —                | —                 | 25               | 24               | 49                |
| Student                                    | —                | —                 | —                | 6,528            | 6,528             |
| Total consumer                             | 113              | 1,813             | 2,750            | 18,268           | 22,944            |
| Credit card                                | 4,719            | —                 | —                | —                | 4,719             |
| Total variable rate                        | 26,384           | 77,863            | 24,730           | 22,080           | 151,057           |
| <b>Total loans and leases HFI</b>          | <b>\$ 33,092</b> | <b>\$ 119,182</b> | <b>\$ 68,107</b> | <b>\$ 69,132</b> | <b>\$ 289,513</b> |

Certain residential mortgage loans have an initial period where the borrower is only required to pay the periodic interest. After the interest-only period, the loan will require the payment of both interest and principal over the remaining term. The outstanding balances of variable rate residential mortgage loans in the interest-only phase were approximately \$288 million and \$358 million at December 31, 2021 and December 31, 2020, respectively.



The following table presents the composition of average loans and leases:

**Table 18: Average Loans and Leases**

For the Three Months Ended  
(Dollars in millions)

|   | Dec 31, 2021      | Sep 30, 2021      | Jun 30, 2021      | Mar 31, 2021      | Dec 31, 2020      |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Commercial:</b>                        |                   |                   |                   |                   |                   |
| Commercial and industrial                 | \$ 134,804        | \$ 134,942        | \$ 138,539        | \$ 141,026        | \$ 144,624        |
| CRE                                       | 24,396            | 24,849            | 25,645            | 26,211            | 27,030            |
| Commercial construction                   | 5,341             | 5,969             | 6,359             | 6,557             | 6,616             |
| <b>Consumer:</b>                          |                   |                   |                   |                   |                   |
| Residential mortgage                      | 47,185            | 45,369            | 43,605            | 45,823            | 48,847            |
| Residential home equity and direct        | 25,146            | 25,242            | 25,238            | 25,658            | 26,327            |
| Indirect auto                             | 26,841            | 26,830            | 26,444            | 26,363            | 25,788            |
| Indirect other                            | 10,978            | 11,112            | 10,797            | 10,848            | 11,291            |
| Student                                   | 6,884             | 7,214             | 7,396             | 7,519             | 7,519             |
| Credit card                               | 4,769             | 4,632             | 4,552             | 4,645             | 4,818             |
| <b>Total average loans and leases HFI</b> | <b>\$ 286,344</b> | <b>\$ 286,159</b> | <b>\$ 288,575</b> | <b>\$ 294,650</b> | <b>\$ 302,860</b> |

Average loans and leases held for investment for the fourth quarter of 2021 were \$286.3 billion, up \$185 million, or 0.1%, compared to the third quarter of 2021. Excluding a \$2.0 billion decrease in average PPP loans, average loans held for investment were up \$2.2 billion, or 0.8%.

Average commercial loans decreased \$1.2 billion, or 0.7%, as \$1.8 billion, or 1.4%, growth within the commercial and industrial portfolio, excluding PPP, was more than offset by a \$2.0 billion decrease in average PPP loans (commercial and industrial), a \$628 million decrease in average commercial construction loans, and a \$453 million decrease in average CRE loans.

Average consumer loans increased \$1.3 billion, or 1.1%, primarily due to a \$1.8 billion increase in residential mortgages due to the continued strategy to put certain correspondent channel production onto the balance sheet and lower prepayments. Student loans declined \$330 million primarily due to paydowns on government guaranteed loans. Indirect other was down \$134 million due to a seasonal decline in Sheffield.

## Asset Quality

The following tables summarize asset quality information:

**Table 19: Asset Quality**

December 31,  
(Dollars in millions)

|   | 2021     | 2020     |
|---|----------|----------|
| NPAs:   |          |          |
| NPLs:   |          |          |
| Commercial and industrial                               | \$ 394   | \$ 560   |
| CRE   | 29       | 75       |
| Commercial construction                                 | 7        | 14       |
| Residential mortgage                                    | 296      | 316      |
| Residential home equity and direct                      | 141      | 205      |
| Indirect auto   | 218      | 155      |
| Indirect other  | 5        | 5        |
| Total NPLs HFI  | 1,090    | 1,330    |
| Loans held for sale                                     | 22       | 5        |
| Total nonaccrual loans and leases                       | 1,112    | 1,335    |
| Foreclosed real estate                                  | 8        | 20       |
| Other foreclosed property                               | 43       | 32       |
| Total nonperforming assets                              | \$ 1,163 | \$ 1,387 |
| TDRs:   |          |          |
| Performing TDRs:  |          |          |
| Commercial and industrial                               | \$ 147   | \$ 138   |
| CRE   | 5        | 47       |
| Residential mortgage                                    | 692      | 648      |
| Residential home equity and direct                      | 98       | 88       |
| Indirect auto   | 389      | 392      |
| Indirect other  | 7        | 6        |
| Student   | 25       | 5        |
| Credit card   | 27       | 37       |
| Total performing TDRs                                   | 1,390    | 1,361    |
| Nonperforming TDRs                                      | 152      | 164      |
| Total TDRs  | \$ 1,542 | \$ 1,525 |
| Loans 90 days or more past due and still accruing: (1)  |          |          |
| Commercial and industrial                               | \$ 13    | \$ 13    |
| Residential mortgage (2)                                | 1,009    | 841      |
| Residential home equity and direct                      | 9        | 10       |
| Indirect auto   | 1        | 2        |
| Indirect other  | 3        | 2        |
| Student (3)   | 868      | 1,111    |
| Credit card   | 27       | 29       |
| Total loans 90 days or more past due and still accruing | \$ 1,930 | \$ 2,008 |
| Loans 30-89 days past due and still accruing: (1)       |          |          |
| Commercial and industrial                               | \$ 130   | \$ 89    |
| CRE   | 20       | 14       |
| Commercial construction                                 | 2        | 5        |
| Residential mortgage                                    | 514      | 782      |
| Residential home equity and direct                      | 107      | 98       |
| Indirect auto   | 607      | 495      |
| Indirect other  | 64       | 68       |
| Student   | 555      | 618      |
| Credit card   | 45       | 51       |
| Total loans 30-89 days past due and still accruing      | \$ 2,044 | \$ 2,220 |

(1) The past due status of loans that received a deferral under the CARES Act is generally frozen during the deferral period.

(2) Includes government guaranteed loans of \$978 million and \$787 million as of December 31, 2021 and 2020, respectively.

(3) Includes government guaranteed loans of \$865 million and \$1.1 billion as of December 31, 2021 and 2020, respectively.

Nonperforming assets totaled \$1.2 billion at December 31, 2021, down \$224 million compared to December 31, 2020 due to declines across almost all portfolios, partially offset by an increase in the indirect auto portfolio. Nonperforming loans and leases represented 0.38% of total loans and leases, down six basis points compared to December 31, 2020.

Performing TDRs were up \$29 million compared to the prior year.

Loans 90 days or more past due and still accruing totaled \$1.9 billion at December 31, 2021, down \$78 million compared to the prior year due to declines in the student portfolio, partially offset by an increase in the residential mortgage portfolio. The ratio of loans 90 days or more past due and still accruing as a percentage of loans and leases was 0.67% at December 31, 2021, flat compared to the prior year. Excluding government guaranteed and PPP loans, the ratio of loans 90 days or more past due and still accruing as a percentage of loans and leases was 0.03% at December 31, 2021, down one basis point from December 31, 2020.

Loans 30-89 days past due and still accruing totaled \$2.0 billion at December 31, 2021, down \$176 million compared to the prior year due to declines in the residential mortgage and student portfolios, partially offset by increases in the indirect auto and commercial and industrial portfolios. The ratio of loans 30-89 days or more past due and still accruing as a percentage of loans and leases was 0.71% at December 31, 2021, down three basis points compared to the prior year.

Problem loans include NPLs and loans that are 90 days or more past due and still accruing as disclosed in Table 19. In addition, for the commercial portfolio segment, loans that are rated special mention or substandard performing are closely monitored by management as potential problem loans. Refer to "Note 5. Loans and ACL" for additional disclosures related to these potential problem loans.

**Table 20: Asset Quality Ratios**

| December 31,   | 2021   | 2020   |
|--|--------|--------|
| Loans 30-89 days past due and still accruing as a percentage of loans and leases HFI   | 0.71 % | 0.74 % |
| Loans 90 days or more past due and still accruing as a percentage of loans and leases HFI  | 0.67   | 0.67   |
| NPLs as a percentage of loans and leases HFI   | 0.38   | 0.44   |
| NPLs as a percentage of total loans and leases (1)   | 0.38   | 0.44   |
| NPAs as a percentage of:   |        |        |
| Total assets (1)   | 0.21   | 0.27   |
| Loans and leases HFI plus foreclosed property  | 0.39   | 0.46   |
| ALLL as a percentage of loans and leases HFI   | 1.53   | 1.95   |
| Ratio of ALLL to NPLs  | 4.07x  | 4.39x  |
| Loans 90 days or more past due and still accruing as a percentage of loans and leases HFI, excluding PPP and other government guaranteed (2) | 0.03 % | 0.04 % |

(1) Includes LHFS.

(2) This asset quality ratio has been adjusted to remove the impact of government guaranteed mortgage, student, and PPP loans. Management believes the inclusion of such assets in this asset quality ratio results in distortion of this ratio because collection of principal and interest is reasonably assured or the ratio might not be comparable to other periods presented or to other portfolios that do not have government guarantees.

**Table 21: Asset Quality Ratios (Continued)**

| For The Year Ended December 31,                                  | 2021   | 2020   | 2019   |
|--|--------|--------|--------|
| Net charge-offs as a percentage of average loans and leases HFI: |        |        |        |
| Commercial:  |        |        |        |
| Commercial and industrial  | 0.10 % | 0.21 % | 0.11 % |
| CRE  | 0.01   | 0.27   | 0.16   |
| Commercial construction  | (0.03) | 0.28   | (0.07) |
| Consumer:  |        |        |        |
| Residential mortgage   | 0.02   | 0.09   | 0.06   |
| Residential home equity and direct                               | 0.54   | 0.61   | 0.50   |
| Indirect auto  | 0.92   | 1.16   | 2.53   |
| Indirect other   | 0.30   | 0.32   | 0.68   |
| Student  | 0.31   | 0.29   | (0.01) |
| Credit card  | 2.42   | 2.99   | 2.79   |
| Total  | 0.24   | 0.36   | 0.40   |
| Ratio of ALLL to net charge-offs                                 | 6.36x  | 5.21x  | 2.44x  |

The following table presents activity related to NPAs:

**Table 22: Rollforward of NPAs**

| (Dollars in millions)              | 2021     | 2020     |
|------------------------------------|----------|----------|
| Balance, January 1                 | \$ 1,387 | \$ 684   |
| New NPAs (1)                       | 2,008    | 3,247    |
| Advances and principal increases   | 364      | 299      |
| Disposals of foreclosed assets (2) | (356)    | (432)    |
| Disposals of NPLs (3)              | (274)    | (712)    |
| Charge-offs and losses             | (401)    | (578)    |
| Payments                           | (970)    | (766)    |
| Transfers to performing status     | (546)    | (339)    |
| Other, net                         | (49)     | (16)     |
| Ending balance, December 31        | \$ 1,163 | \$ 1,387 |

- (1) For 2020, includes approximately \$500 million of loans previously classified as PCI that would have otherwise been nonperforming as of December 31, 2019.
- (2) Includes charge-offs and losses recorded upon sale of \$115 million and \$139 million for the year ended December 31, 2021 and 2020, respectively.
- (3) Includes gains, net of charge-offs and losses recorded upon sale of \$3 million and charge-offs and losses of \$132 million for the year ended December 31, 2021 and 2020, respectively.

TDRs occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near term and a concession has been granted to the borrower. As a result, Truist works with borrowers to prevent further difficulties and to improve the likelihood of recovery on a loan. To facilitate this process, a concessionary modification that would not otherwise be considered may be granted, resulting in classification of the loan as a TDR. For loan modification programs in response to the COVID-19 pandemic, Truist applied the relief from TDR accounting described in the CARES Act. Payment relief assistance provided by Truist includes forbearance, deferrals, extension, and re-aging programs, along with certain other modification strategies. Refer to “Note 1. Basis of Presentation” for the policies related to TDRs and COVID-19 loan modifications. The following table provides a summary of performing TDR activity:

**Table 23: Rollforward of Performing TDRs**

| (Dollars in millions)               | 2021     | 2020     |
|-------------------------------------|----------|----------|
| Balance, January 1                  | \$ 1,361 | \$ 980   |
| Inflows                             | 651      | 933      |
| Payments and payoffs (1)            | (407)    | (194)    |
| Charge-offs                         | (44)     | (44)     |
| Transfers to nonperforming TDRs (2) | (46)     | (78)     |
| Removal due to the passage of time  | (12)     | (8)      |
| Non-concessionary re-modifications  | (15)     | (3)      |
| Transferred to LHFS, sold and other | (98)     | (225)    |
| Balance, December 31                | \$ 1,390 | \$ 1,361 |

- (1) Includes scheduled principal payments, prepayments, and payoffs of amounts outstanding.
- (2) Represent loans that no longer meet the requirements necessary to reflect the loan in accruing status.

The following table provides further details regarding the payment status of TDRs outstanding at December 31, 2021:

**Table 24: Payment Status of TDRs (1)**

| December 31, 2021<br>(Dollars in millions) | Current  | Past Due 30-89 Days | Past Due 90 Days Or More | Total |        |      |          |
|--|----------|---------------------|--------------------------|-------|--------|------|----------|
| Performing TDRs:                           |          |                     |                          |       |        |      |          |
| Commercial:                                |          |                     |                          |       |        |      |          |
| Commercial and industrial                  | \$ 147   | 100.0 %             | \$ —                     | — %   | \$ 147 |      |          |
| CRE  | 5        | 100.0               | —                        | —     | 5      |      |          |
| Consumer:                                  |          |                     |                          |       |        |      |          |
| Residential mortgage                       | 440      | 63.6                | 85                       | 12.3  | 167    | 24.1 | 692      |
| Residential home equity and direct         | 93       | 94.9                | 5                        | 5.1   | —      | —    | 98       |
| Indirect auto                              | 320      | 82.3                | 69                       | 17.7  | —      | —    | 389      |
| Indirect other                             | 6        | 85.7                | 1                        | 14.3  | —      | —    | 7        |
| Student                                    | 23       | 92.0                | 1                        | 4.0   | 1      | 4.0  | 25       |
| Credit card                                | 24       | 88.9                | 2                        | 7.4   | 1      | 3.7  | 27       |
| Total performing TDRs                      | 1,058    | 76.1                | 163                      | 11.7  | 169    | 12.2 | 1,390    |
| Nonperforming TDRs                         | 43       | 28.3                | 21                       | 13.8  | 88     | 57.9 | 152      |
| Total TDRs                                 | \$ 1,101 | 71.4                | \$ 184                   | 11.9  | \$ 257 | 16.7 | \$ 1,542 |

- (1) Past due performing TDRs are included in past due disclosures and nonperforming TDRs are included in NPL disclosures.

**ACL**

Activity related to the ACL is presented in the following tables:

**Table 25: Activity in ACL**

| (Dollars in millions)                                  | For the Year Ended |          |          |
|--|--------------------|----------|----------|
|  | 2021               | 2020     | 2019     |
| Balance, beginning of period                           | \$ 6,199           | \$ 1,889 | \$ 1,651 |
| CECL adoption - impact to retained earnings before tax | —                  | 2,762    | —        |
| CECL adoption - reserves on PCD assets                 | —                  | 378      | —        |
| Provision for credit losses                            | (813)              | 2,335    | 615      |
| Charge-offs:   |                    |          |          |
| Commercial and industrial                              | (243)              | (412)    | (101)    |
| CRE  | (10)               | (78)     | (33)     |
| Commercial construction                                | (2)                | (30)     | —        |
| Residential mortgage                                   | (23)               | (56)     | (21)     |
| Residential home equity and direct                     | (214)              | (231)    | (93)     |
| Indirect auto  | (336)              | (378)    | (370)    |
| Indirect other   | (57)               | (60)     | (62)     |
| Student  | (24)               | (23)     | —        |
| Credit card  | (150)              | (182)    | (109)    |
| Total charge-offs                                      | (1,059)            | (1,450)  | (789)    |
| Recoveries:  |                    |          |          |
| Commercial and industrial                              | 107                | 96       | 26       |
| CRE  | 6                  | 5        | 5        |
| Commercial construction                                | 4                  | 11       | 3        |
| Residential mortgage                                   | 12                 | 10       | 2        |
| Residential home equity and direct                     | 79                 | 66       | 30       |
| Indirect auto  | 92                 | 87       | 52       |
| Indirect other   | 24                 | 23       | 17       |
| Student  | 1                  | 1        | —        |
| Credit card  | 37                 | 32       | 20       |
| Total recoveries                                       | 362                | 331      | 155      |
| Net charge-offs  | (697)              | (1,119)  | (634)    |
| Other  | 6                  | (46)     | 257      |
| Balance, end of period                                 | \$ 4,695           | \$ 6,199 | \$ 1,889 |
| ALLL (excluding PCD loans)                             | \$ 4,320           | \$ 5,668 | \$ 1,541 |
| ALLL for PCD loans                                     | 115                | 167      | 8        |
| RUFC   | 260                | 364      | 340      |
| Total ACL  | \$ 4,695           | \$ 6,199 | \$ 1,889 |

At December 31, 2021, the allowance for loan and lease losses was 4.07 times nonperforming loans and leases held for investment, compared to 4.39 times at December 31, 2020. At December 31, 2021, the allowance for loan and lease losses was 6.36 times annualized net charge-offs, compared to 5.21 times at December 31, 2020.

Net charge-offs during 2021 totaled \$697 million, down \$422 million compared to the prior year, reflecting Truist's prudent risk culture, portfolio diversification, improving economic conditions, and the ongoing effects of government stimulus. As a percentage of average loans and leases, annualized net charge-offs were 0.24%, down 12 basis points compared to the prior year. Prior year net charge-offs include \$97 million of charge-offs related to the implementation of CECL, which required a gross-up of loan carrying values in connection with the establishment of an allowance on PCD loans. Management performed a comprehensive review of PCD assets during the year and concluded in certain situations that a charge-off was required. Excluding these additional charge-offs, net charge-offs would have been an annualized 0.33% of average loans and leases for 2020.

The following table presents an allocation of the ALLL. The entire amount of the allowance is available to absorb losses occurring in any category of loans and leases.

**Table 26: Allocation of ALLL by Category**

| (Dollars in millions)              | December 31, 2021 |                         |                          | December 31, 2020 |                         |                          |
|------------------------------------|-------------------|-------------------------|--------------------------|-------------------|-------------------------|--------------------------|
|                                    | Amount            | % ALLL in Each Category | % Loans in Each Category | Amount            | % ALLL in Each Category | % Loans in Each Category |
| Commercial and industrial          | \$ 1,426          | 32.2 %                  | 47.9 %                   | \$ 2,204          | 37.8 %                  | 47.9 %                   |
| CRE                                | 350               | 7.9                     | 8.3                      | 573               | 9.8                     | 8.9                      |
| Commercial construction            | 52                | 1.2                     | 1.7                      | 81                | 1.4                     | 2.2                      |
| Residential mortgage               | 308               | 6.9                     | 16.5                     | 368               | 6.3                     | 15.8                     |
| Residential home equity and direct | 615               | 13.9                    | 8.7                      | 714               | 12.2                    | 8.7                      |
| Indirect auto                      | 1,022             | 23.0                    | 9.1                      | 1,198             | 20.5                    | 8.7                      |
| Indirect other                     | 195               | 4.4                     | 3.8                      | 208               | 3.6                     | 3.7                      |
| Student                            | 117               | 2.6                     | 2.3                      | 130               | 2.2                     | 2.5                      |
| Credit card                        | 350               | 7.9                     | 1.7                      | 359               | 6.2                     | 1.6                      |
| Total ALLL                         | 4,435             | 100.0 %                 | 100.0 %                  | 5,835             | 100.0 %                 | 100.0 %                  |
| RUFC                               | 260               |                         |                          | 364               |                         |                          |
| Total ACL                          | \$ 4,695          |                         |                          | \$ 6,199          |                         |                          |

Truist monitors the performance of its home equity loans and lines secured by second liens similarly to other consumer loans and utilizes assumptions specific to these loans in determining the necessary ALLL. Truist also receives notification when the first lien holder, whether Truist or another financial institution, has initiated foreclosure proceedings against the borrower. When notified that the first lien is in the process of foreclosure, Truist obtains valuations to determine if any additional charge-offs or reserves are warranted. These valuations are updated at least annually thereafter.

Truist has limited ability to monitor the delinquency status of the first lien, unless the first lien is held or serviced by Truist. Truist estimates second lien loans where the first lien is delinquent based on historical experience; the increased risk of loss on these credits is reflected in the ALLL. As of December 31, 2021, Truist held or serviced the first lien on 30% of its second lien positions.

#### Other Assets

The components of other assets are presented in the following table:

**Table 27: Other Assets as of Period End**

| (Dollars in millions)                           | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Bank-owned life insurance                       | \$ 7,281          | \$ 6,479          |
| Tax credit and other private equity investments | 6,309             | 5,685             |
| Prepaid pension assets                          | 5,938             | 4,358             |
| Derivative assets                               | 2,370             | 3,837             |
| Accounts receivable                             | 2,244             | 1,833             |
| Leased assets and related assets                | 2,092             | 1,810             |
| Accrued income                                  | 1,791             | 1,934             |
| ROU assets                                      | 1,168             | 1,333             |
| Prepaid expenses                                | 1,152             | 1,247             |
| Equity securities at fair value                 | 1,066             | 1,054             |
| Other   | 738               | 1,103             |
| Total other assets                              | \$ 32,149         | \$ 30,673         |

#### Funding Activities

Deposits are the primary source of funds for the Company's lending and investing activities. Scheduled payments and maturities from portfolios of loans and investment securities also provide a stable source of funds. FHLB advances, other secured borrowings, Federal funds purchased and other short-term borrowed funds, as well as long-term debt issued through the capital markets, all provide supplemental liquidity sources. Funding activities are monitored and governed through Truist's overall ALM process under the governance and oversight of the MRLCC, which is further discussed in the "Market Risk Management" section in MD&A. The following section provides a brief description of the various sources of funds.

## Deposits

Deposits are obtained principally from individuals and businesses within Truist's geographic area and include noninterest-bearing checking accounts, interest-bearing checking accounts, savings accounts, money market deposit accounts, CDs and IRAs. Deposit account terms vary with respect to the minimum balance required, the time period the funds must remain on deposit and service charge schedules. Interest rates paid on specific deposit types are determined based on (i) competitor deposit rates, (ii) the anticipated amount and timing of funding needs, (iii) the availability and cost of alternative sources of funding, and (iv) anticipated future economic conditions and interest rates. Deposits are attractive sources of funding because of their stability and relative cost.

The following table presents a summary of deposits:

**Table 28: Deposits as of Period End**

| December 31,<br>(Dollars in millions) | 2021              | 2020              |
|---------------------------------------|-------------------|-------------------|
| Noninterest-bearing deposits          | \$ 145,892        | \$ 127,629        |
| Interest checking                     | 115,754           | 105,269           |
| Money market and savings              | 138,956           | 126,238           |
| Time deposits                         | 15,886            | 21,941            |
| <b>Total deposits</b>                 | <b>\$ 416,488</b> | <b>\$ 381,077</b> |

Deposits totaled \$416.5 billion at December 31, 2021, an increase of \$35.4 billion from December 31, 2020. The growth in deposits reflects ongoing impact of government stimulus programs. Time deposits decreased primarily due to the maturity of higher-cost personal accounts.

The following table presents average deposits:

**Table 29: Average Deposits**

| Three Months Ended<br>(Dollars in millions) | Dec 31, 2021      | Sep 30, 2021      | Jun 30, 2021      | Mar 31, 2021      | Dec 31, 2020      |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Noninterest-bearing deposits                | \$ 146,492        | \$ 141,738        | \$ 137,892        | \$ 128,579        | \$ 127,103        |
| Interest checking                           | 110,506           | 107,802           | 106,121           | 104,744           | 99,866            |
| Money market and savings                    | 137,676           | 136,094           | 134,029           | 129,303           | 124,692           |
| Time deposits                               | 16,292            | 17,094            | 18,213            | 20,559            | 23,605            |
| <b>Total average deposits</b>               | <b>\$ 410,966</b> | <b>\$ 402,728</b> | <b>\$ 396,255</b> | <b>\$ 383,185</b> | <b>\$ 375,266</b> |

Average deposits for the fourth quarter of 2021 were \$411.0 billion, an increase of \$8.2 billion, or 2.0%, compared to the prior quarter. Average noninterest bearing deposits grew 3.4% compared to the prior quarter and represented 35.6% of total deposits for the fourth quarter of 2021, compared to 35.2% for the prior quarter. Average interest checking and money market and savings grew 2.5% and 1.2%, respectively, compared to the prior quarter.

Average time deposits decreased 4.7% primarily due to the maturity of higher-cost personal accounts.

The amount of deposits above the FDIC's limit of \$250,000 was \$202.5 billion and \$185.4 billion as of December 31, 2021 and 2020, respectively, calculated using the same methodology as the Call Report. The following table summarizes the maturities of time deposit accounts above \$250,000:

**Table 30: Scheduled Maturities of Time Deposits \$250,000 and Greater**

| December 31, 2021<br>(Dollars in millions) |                 |
|--|-----------------|
| Three months or less                       | \$ 974          |
| Over three through six months              | 555             |
| Over six through twelve months             | 434             |
| Over twelve months                         | 224             |
| <b>Total</b>                               | <b>\$ 2,187</b> |

## Borrowings

The types of short-term borrowings that have been, or may be, used by the Company include Federal funds purchased, securities sold under repurchase agreements, master notes, commercial paper, short-term bank notes, and short-term FHLB advances. Short-term borrowings fluctuate based on the Company's funding needs. While deposits remain the primary source for funding loan originations, management uses short-term borrowings as a supplementary funding source for loan growth and other balance sheet management purposes. The following table summarizes certain information for the past three years with respect to short-term borrowings excluding trading liabilities, hedges, and collateral in excess of derivative exposure:

**Table 31: Short-Term Borrowings**

As Of / For The Year Ended December 31,  
(Dollars in millions)

|  | 2021     | 2020      | 2019      |
|--|----------|-----------|-----------|
| Securities sold under agreements to repurchase:        |          |           |           |
| Maximum outstanding at any month-end during the year   | \$ 3,279 | \$ 2,348  | \$ 1,969  |
| Balance outstanding at end of year                     | 2,435    | 1,221     | 1,969     |
| Average outstanding during the year                    | 2,382    | 1,504     | 826       |
| Average interest rate during the year                  | 0.07 %   | 0.64 %    | 2.01 %    |
| Average interest rate at end of year                   | 0.01     | 0.13      | 1.41      |
| Federal funds purchased and short-term borrowed funds: |          |           |           |
| Maximum outstanding at any month-end during the year   | \$ 6,244 | \$ 19,392 | \$ 14,493 |
| Balance outstanding at end of year                     | 808      | 3,372     | 14,493    |
| Average outstanding during the year                    | 1,936    | 6,951     | 7,354     |
| Average interest rate during the year                  | 0.12 %   | 1.17 %    | 2.28 %    |
| Average interest rate at end of year                   | 0.08     | 0.20      | 1.75      |

At December 31, 2021, short-term borrowings totaled \$5.3 billion, a decrease of \$800 million compared to December 31, 2020, due primarily to a decrease of \$2.6 billion in short-term FHLB advances, partially offset by an increase of \$1.2 billion in securities sold under agreements to repurchase and a \$616 million increase in trading liabilities. Average short-term borrowings were \$6.2 billion or 1.4% of total funding for 2021, as compared to \$10.1 billion or 2.4% for the prior year. Average short-term borrowings decreased as a percentage of funding sources due to strong deposit growth.

Long-term debt provides funding and, to a lesser extent, regulatory capital, and primarily consists of senior and subordinated notes issued by Truist and Truist Bank. Long-term debt totaled \$35.9 billion at December 31, 2021, a decrease of \$3.7 billion compared to December 31, 2020. During 2021, the Company had \$7.8 billion of senior long term debt maturities and redemptions, partially offset by \$2.3 billion of issuances of fixed rate senior notes with an interest rate of 1.27% to 1.89% maturing between 2027 to 2029 and issuances of \$2.3 billion in variable rate senior notes maturing between 2024 and 2025. FHLB advances represented 2.4% of total outstanding long-term debt at December 31, 2021, compared to 2.2% at December 31, 2020. The average cost of long-term debt was 1.53% for the year ended December 31, 2021, down 22 basis points compared to the same period in 2020.

In February 2022, Truist announced it will redeem \$300 million of fixed rate subordinated notes in February 2022 that were due in March 2022 and \$1.0 billion of fixed rate senior notes and \$350 million in floating rate senior notes in March 2022 that were due in April 2022.

## Shareholders' Equity

Total shareholders' equity was \$69.3 billion at December 31, 2021, a decrease of \$1.6 billion from December 31, 2020. This decrease includes a decrease of \$2.3 billion in AOCI, redemptions of \$1.4 billion in preferred stock for Series F, G, and H, \$2.9 billion in dividends, and \$1.6 billion in repurchases of common stock, partially offset by \$6.4 billion in net income. Truist's book value per common share at December 31, 2021 was \$47.14, compared to \$46.52 at December 31, 2020.

Refer to "Note 12. Shareholders' Equity" for additional disclosures related to preferred stock redemptions.

## Risk Management

Truist maintains a comprehensive risk management framework supported by people, processes, and systems to identify, measure, monitor, manage, and report significant risks arising from its exposures and business activities. Effective risk management involves optimizing risk and return while operating in a safe and sound manner, and promoting compliance with applicable laws and regulations. The Company's risk management framework promotes the execution of business strategies and objectives in alignment with its risk appetite.



Truist has developed and employs a risk taxonomy that further guides business functions in identifying, measuring, responding to, monitoring, and reporting on possible exposures to the organization. The risk taxonomy drives internal risk conversations and enables Truist to clearly and transparently communicate to stakeholders the level of potential risk the Company faces, both presently and in the future, and the Company's position on managing risk to acceptable levels.

Truist is committed to fostering a culture that supports identification and escalation of risks across the organization. All teammates are responsible for upholding the Company's purpose, mission, and values, and are encouraged to speak up if there is any activity or behavior that is inconsistent with the Company's culture. The Truist code of ethics guides the Company's decision making and informs teammates on how to act in the absence of specific guidance.

Truist seeks an appropriate return for the risk taken in its business operations. Risk-taking activities are evaluated and prioritized to identify those that present attractive risk-adjusted returns, while preserving asset value and capital.

Compensation decisions take into account a teammate's adherence to and successful implementation of Truist's risk values and associated policies and procedures. The Company's compensation structure supports its core values and sound risk management practices in an effort to promote judicious risk-taking behavior.

Truist employs a comprehensive change management program to manage the risks associated with integrating heritage BB&T and heritage SunTrust. The Board and Executive Leadership oversee the change management program, which is designed to ensure key decisions are reviewed and that there is appropriate oversight of integration activities.

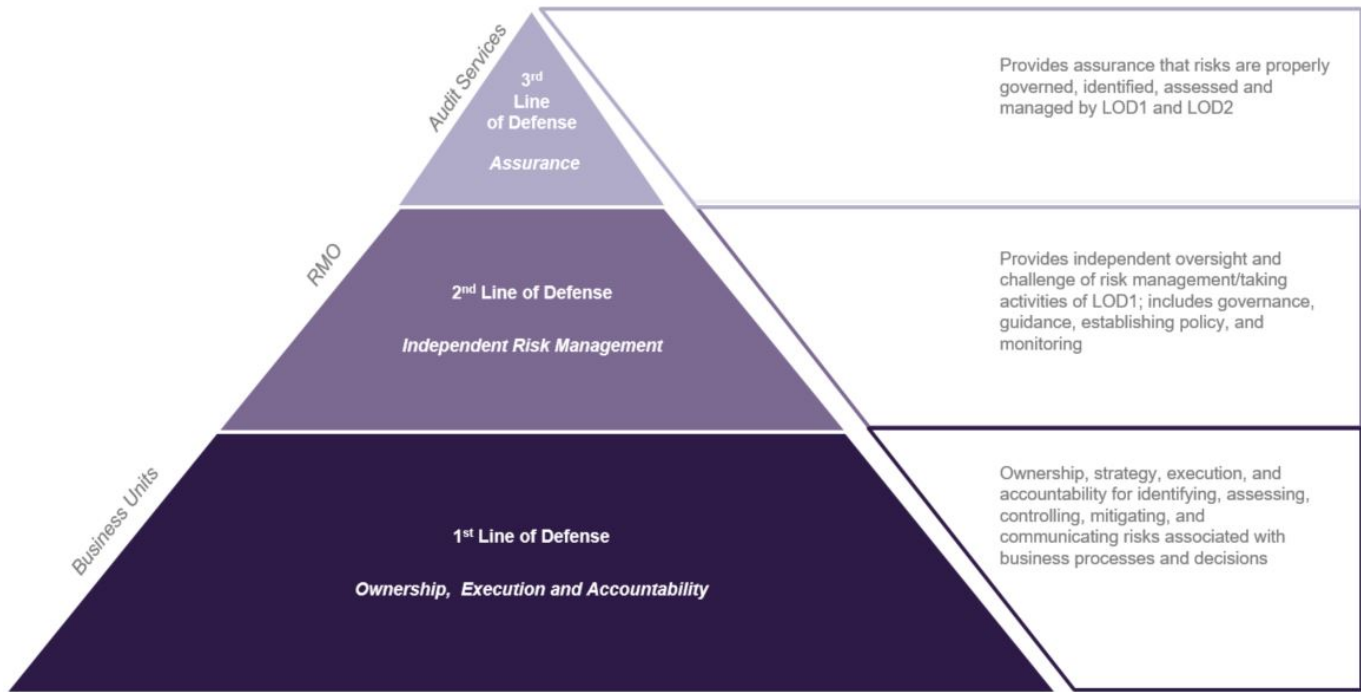
Truist's purpose, mission, and values are the foundation for the risk management framework utilized at Truist and therefore serve as the basis on which the risk appetite and risk strategy are built. Truist's RMO provides independent oversight and guidance for risk-taking across the enterprise. In keeping with the belief that consistent values drive long-term behaviors, Truist's RMO has established the following risk values which guide teammates' day-to-day activities:

- Managing risk is the responsibility of every teammate.
- Proactively identifying risk and managing the inherent risks of their businesses is the responsibility of the business units.
- Managing risk with a balanced approach which includes quality, profitability, and growth.
- Measuring what is managed and managing what is measured.
- Utilizing sound and consistent risk management practices.
- Thoroughly analyzing risk quantitatively and qualitatively.
- Realizing lower cost of capital from high quality risk management.

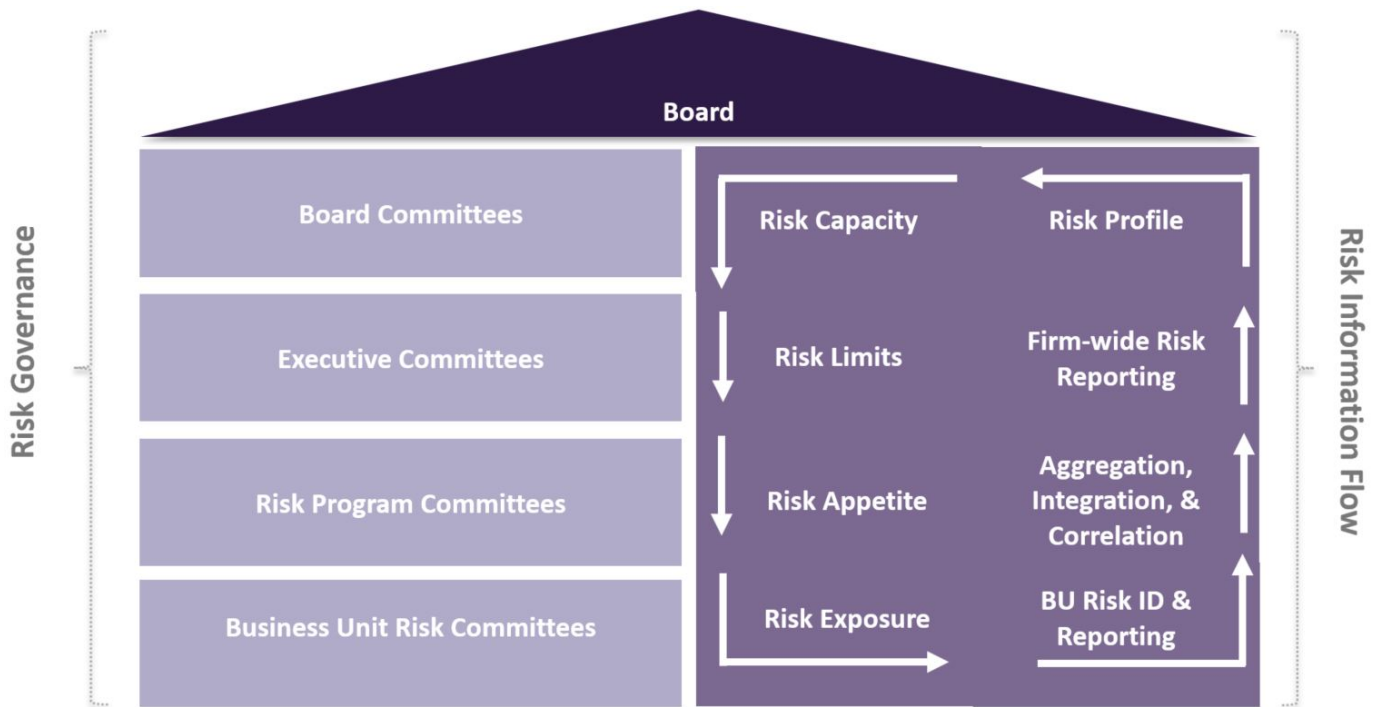
Truist places significant emphasis on risk management oversight and maintains a separate Board-level Risk Committee, which assists the Board in its oversight of the Company's risk management function. The Committee is responsible for approving and periodically reviewing the Company's risk management framework and risk management policies as well as monitoring the Company's risk profile, approving risk appetite statements, and providing input to management regarding Truist's risk appetite and risk profile.

The RMO is led by the CRO and is responsible for overseeing the identification, measurement, monitoring, management, and reporting of risk. The CRO has direct access to the Board to communicate any risk issues (current or emerging) as well as the performance of the risk management activities throughout the enterprise.

As illustrated below, the risk management framework is supported by three lines of defense. The following figure describes the roles of the three lines of defense:



Truist’s Risk Governance framework is designed to provide comprehensive Board and Executive Leadership risk oversight, maintaining a committee governance structure that is designed to ensure alignment and execution of the risk management framework. The committee structure provides a mechanism to allow for efficient aggregation and escalation of risk information from the business units up to the risk programs, Executive Leadership and ultimately the Board.



The executive level committees include the ERC, ECRC, MRLCC, EBPC, TMC, and DC, each of which is chaired by a member of Executive Leadership. These committees provide oversight of each of the primary risk types.

The ERC establishes a fully integrated view of risks across the company, provides broad strategic oversight of all risk types, and oversees corporate-wide strategies for identifying, assessing, controlling, measuring, monitoring, and reporting risk at the enterprise level. The ERC is responsible for maintaining an effective risk management framework and monitoring its adoption and execution across the enterprise. The ERC is chaired by the CRO and its membership includes all members of Executive Leadership and the General Auditor.

The principal types of inherent risk include climate, market, credit, liquidity, compliance, strategic, reputational, operational, and technology risks. The following is a discussion of these risks.

### **Climate Risk**

Climate risk includes the risks arising from a changing climate and the economic activities or trends resulting from the mitigation of climate change. These risks are classified into two categories, physical risks, resulting from acute weather events and chronic changes in climate conditions; as well as, transition risks, related to the changing economic conditions resulting from the transition to a low-carbon economy.

During 2021, Truist expanded its risk management teams and created a dedicated climate risk management function that seeks to identify and evaluate climate risks and opportunities, and integrate them into the Company's risk management framework and strategic plans. Truist has conducted initial assessments of its exposure to various forms of climate risk including flooding, hurricane wind, and wildfire risks facing the real estate secured portfolios. Transition risks facing Truist's commercial clients have also been evaluated against key risk drivers including, stakeholders, legal, regulatory, and technology. These risk assessments and broader climate scenario analysis will continue to be refined while climate risk related metrics are developed and incorporated into risk monitoring processes across the Company.

### **Market Risk**

Market risk is the risk to current or anticipated earnings, capital, or economic value arising from changes in the market value of portfolios, securities, or other financial instruments. Market risk results from changes in the level, volatility, or correlations among financial market risk factors or prices, including interest rates, credit spreads, foreign exchange rates, equity, and commodity prices.

Effective management of market risk is essential to achieving Truist's strategic financial objectives. Truist's most significant market risk exposure is to interest rate risk in its balance sheet; however, market risk also results from underlying product liquidity risk, price risk, and volatility risk in Truist's business units. Interest rate risk results from differences between the timing of rate changes and the timing of cash flows associated with assets and liabilities (re-pricing risk); from changing rate relationships among different yield curves affecting bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options inherently embedded in bank products (options risk).

The primary objectives of effective market risk management are to minimize adverse effects from changes in market risk factors on net interest income, net income, and capital, and to offset the risk of price changes for certain assets and liabilities recorded at fair value. At Truist, market risk management also includes the enterprise-wide IPV function.

### **Interest Rate Market Risk**

As a financial institution, Truist is exposed to interest rate risk from assets, liabilities, and off-balance sheet positions. To keep net interest margin as stable as possible, Truist actively manages its interest rate risk exposure through the strategic repricing of its assets and liabilities, taking into account the volumes, maturities, and mix. Truist primarily uses three methods to measure and monitor its interest rate risk: (i) simulations of possible changes to net interest income over the next two years based on gradual changes in interest rates; (ii) analysis of interest rate shock scenarios; and (iii) analysis of economic value of equity based on changes in interest rates.

The Company's simulation model takes into account assumptions related to prepayment trends, using a combination of market data and internal historical experiences for deposits and loans, as well as scheduled maturities and payments, and the expected outlook for the economy and interest rates. These assumptions are reviewed and adjusted monthly to reflect changes in current interest rates compared to the rates applicable to Truist's assets and liabilities. The model also considers Truist's current and prospective liquidity position, current balance sheet volumes, projected growth and/or contractions, accessibility of funds for short-term needs and capital maintenance.

Deposit betas (the sensitivity of deposit rate changes relative to market rate changes) are an important assumption in the interest rate risk modeling process. Truist applies deposit beta assumptions to non-maturity interest-bearing deposit accounts when determining its interest rate sensitivity. Non-maturity, interest-bearing deposit accounts include interest checking accounts, savings accounts, and money market accounts that do not have a contractual maturity. Truist utilizes a tiered deposit beta assumption framework that accounts for historically observed behaviors of clients and the Company. The deposit beta assumptions are reduced when interest rates are exceptionally low and competition for interest-bearing deposits is commensurately low. As interest rates rise, the deposit beta assumptions also rise to reflect increasing competition among banks as well as increased client demand for interest-bearing deposits. Truist applies an average deposit beta of approximately 25% for the first 100 basis point increase in the Federal funds rate, approximately 35% for the second 100 basis point increase, and approximately 50% for any additional increases. Truist also regularly conducts sensitivity analyses on other key variables, including noninterest-bearing deposits, to determine the impact these variables could have on the Company's interest rate risk position. The predictive value of the simulation model depends upon the accuracy of the assumptions, but management believes that it provides helpful information for the management of interest rate risk.

The following table shows the effect that the indicated changes in interest rates would have on net interest income as projected for the next 12 months assuming a gradual change in interest rates as described below.

**Table 32: Interest Sensitivity Simulation Analysis**

| Gradual Change in Prime Rate (bps) | Interest Rate Scenario |              | Annualized Hypothetical Percentage Change in Net Interest Income |              |
|------------------------------------|------------------------|--------------|--|--------------|
|                                    | Prime Rate             |              | Dec 31, 2021   | Dec 31, 2020 |
|                                    | Dec 31, 2021           | Dec 31, 2020 |  |              |
| Up 100                             | 4.25 %                 | 4.25 %       | 5.18 %   | 4.18 %       |
| Up 50                              | 3.75                   | 3.75         | 3.94   | 3.24         |
| No Change                          | 3.25                   | 3.25         | —  | —            |
| Down 25 (1)                        | 3.00                   | 3.00         | (1.28)   | (1.82)       |
| Down 50 (1)                        | 2.75                   | 2.75         | (1.78)   | (2.09)       |

(1) The Down 25 and 50 rates are floored at one basis point and may not reflect Down 25 and 50 basis points for all rate indices.

Truist has established parameters related to interest rate sensitivity measures that prescribe a maximum negative impact on net interest income under different interest rate scenarios that would result in an escalation to the Board. The following parameters and interest rate scenarios are considered Truist's primary measures of interest rate risk:

- Maximum decrease in net interest income of 7.5% for the next 12 months assuming a 25 basis point change in interest rates each quarter for four quarters; and a
- Maximum decrease in net interest income of 10% for the next 12 months assuming an immediate 100 basis point parallel shock change in interest rates. This interest rate shock analysis is designed to create an outer bound of acceptable interest rate risk.

Management considers how the interest rate risk position could be impacted by changes in balance sheet mix. Liquidity in the banking industry has been very strong during the current economic cycle. Much of this liquidity increase has resulted in growth in noninterest-bearing demand deposits. Consistent with the industry, Truist has seen a significant increase in this funding source. The behavior of these deposits is one of the most important assumptions used in determining the interest rate risk position of Truist. A decrease in the amount of these deposits in the future would reduce the asset sensitivity of Truist's balance sheet because the Company may increase interest-bearing funds to offset the loss of this advantageous funding source. Alternatively, the Company may reduce the size of its investment portfolio to offset the loss of noninterest-bearing demand deposits to limit the impact on the balance sheet's asset sensitivity.

The following table shows the results of Truist's interest-rate sensitivity position assuming the loss of demand deposits and an associated increase in managed rate deposits under various scenarios. For purposes of this analysis, Truist modeled the incremental beta of managed rate deposits for the replacement of the demand deposits at 100%.

**Table 33: Deposit Mix Sensitivity Analysis**

| Gradual Change in Rates (bps) | Base Scenario at December 31, 2021 (1) | Results Assuming a Decrease in Noninterest-Bearing Demand Deposits |              |
|-------------------------------|--|--|--------------|
|                               |  | \$20 Billion   | \$40 Billion |
| Up 100                        | 5.18 %                                 | 4.33 %   | 3.49 %       |
| Up 50                         | 3.94                                   | 3.32   | 2.70         |

(1) The base scenario is equal to the annualized hypothetical percentage change in net interest income at December 31, 2021 as presented in the preceding table.

Truist uses financial instruments including derivatives to manage interest rate risk related to securities, commercial loans, MSR, and mortgage banking operations, long-term debt, and other funding sources. Truist hedges a portion of its AFS securities to reduce mark-to-market volatility within AOCI and also to increase its overall asset sensitivity position. Truist also uses derivatives to facilitate transactions on behalf of its clients and as part of associated hedging activities. As of December 31, 2021, Truist had derivative financial instruments outstanding with notional amounts totaling \$300.6 billion, with an associated net fair value of \$1.8 billion. See "Note 19. Derivative Financial Instruments" for additional disclosures.

## **LIBOR Transition**

LIBOR in its current form will no longer be available after 2021. For most tenors of U.S. dollar LIBOR, the administrator of LIBOR extended publication until June 30, 2023. Tenors used infrequently by Truist, including one week and two month U.S. dollar LIBOR and all non-U.S. dollar LIBOR, ceased publication at December 31, 2021, based on the October 20, 2021 interagency Joint Statement on Managing the LIBOR transition. To prepare for the transition to an alternative reference rate, management formed a cross-functional project team to address the LIBOR transition. The project team performed an assessment to identify the potential risks related to the transition from LIBOR to a new index or multiple indices and provides updates to Executive Leadership and the Board. As of December 2021, Truist had outstanding LIBOR-based instruments that mature after June 30, 2023, including: loan and lease exposures totaling approximately \$151 billion, notional derivative exposure totaling approximately \$131 billion, long-term debt of \$1.1 billion, and preferred stock of \$1.5 billion. These amounts are inclusive of remediated contracts, which contain adequate fallback language for the transition.

Contract fallback language for existing loans and leases has largely been reviewed and certain contracts will require amendments to support the transition away from LIBOR. For impacted lines of business, the Company has started remediating these contracts to include standardized fallback language. Current fallback language used for new, renewed, and modified contracts is generally consistent with ARRC recommendations and includes use of “hardwired fallback” language, where appropriate.

The progress and approach to remediation will vary based on the type of contract and existing language used in the agreement. For commercial lending and general consumer lending, a significant number of remaining LIBOR contracts will require client outreach and remediation. Efforts to amend and remediate contracts, excluding mortgage and student loans, that mature post June 30, 2023 (\$141 billion) will be accelerated in 2022. Truist has determined that adjustable rate mortgage products (\$4.3 billion) have consistent and adequate fallback language to transition away from LIBOR in line with industry expectations; therefore, these contracts will not require remediation. Remediation of student loans (\$6.1 billion) will depend on guidance from the Department of Education and recent guidance from the CFPB to allow transition to “comparable rates,” including SOFR or Prime. Derivatives will utilize recent New York legislation to support transition of trades to follow the ISDA Protocol (where counterparties have not already adhered to the protocol). Truist will evaluate legislation being considered in 2022 to further support the transition away from LIBOR. This legislation may provide additional administrative benefit for a small portion of the commercial and consumer lending portfolios where contracts do not contain fallback language.

Training has been provided for impacted teammates and will continue during 2022. Truist will continue to provide timely notices and information to impacted clients about the transition during 2022 and the first half of 2023. Truist continues to manage the impact of these contracts and other financial instruments, systems implications, hedging strategies, and related operational and market risks on established project plans for business and operational readiness to support the transition.

As of December 31, 2021, Truist ceased entering into new contracts with a LIBOR reference rate for all product offerings, except on a limited basis, as permissible. Market risks associated with this change are dependent on the alternative reference rates available and market conditions as of the transition. The Company is actively using SOFR as a reference rate and has originated approximately \$18.3 billion of loans, issued \$5.0 billion of long-term debt, and has \$44.9 billion in notional derivative exposure using this alternative reference rate as of December 31, 2021. Truist expects SOFR to become a more commonly-used pricing benchmark across the industry and will continue to offer additional SOFR based products during 2022. Additional alternative reference rates, such as Bloomberg Short Term Bank Yield will be supported based on market demand. Other emerging credit sensitive rates will be evaluated as additional alternatives for LIBOR based on market developments. For a further discussion of the various risks associated with the potential cessation of LIBOR and the transition to alternative reference rates, refer to the section titled “Item 1A. Risk Factors.”

## **Market risk from trading activities**

As a financial intermediary, Truist provides its clients access to derivatives, foreign exchange and securities markets, which generate market risks. Trading market risk is managed using a comprehensive risk management approach, which includes measuring risk using VaR, stress testing, and sensitivity analysis. Risk metrics are monitored against a suite of limits on a daily basis at both the trading desk level and at the aggregate portfolio level, which is intended to ensure that exposures are in line with Truist’s risk appetite.

Truist is also subject to risk-based capital guidelines for market risk under the Market Risk Rule.

## Covered Trading Positions

Covered positions subject to the Market Risk Rule include trading assets and liabilities, specifically those held for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits. Truist's trading portfolio of covered positions results primarily from market making and underwriting services for the Company's clients, as well as associated risk mitigating hedging activity. The trading portfolio, measured in terms of VaR, consists primarily of four sub-portfolios of covered positions: (i) credit trading, (ii) fixed income securities, (iii) interest rate derivatives, and (iv) equity derivatives. As a market maker across different asset classes, Truist's trading portfolio also contains other sub-portfolios, including foreign exchange, loan trading, and commodity derivatives; however, these portfolios do not generate material trading risk exposures.

Valuation policies and methodologies exist for all trading positions. Additionally, these positions are subject to independent price verification. See "Note 19. Derivative Financial Instruments," "Note 18. Fair Value Disclosures," and "Critical Accounting Policies" herein for discussion of valuation policies and methodologies.

## Securizations

As of December 31, 2021, the aggregate market value of on-balance sheet securitization positions subject to the Market Risk Rule was \$51 million, all of which were non-agency asset backed securities positions. Consistent with the Market Risk Rule requirements, the Company performs pre-purchase due diligence on each securitization position to identify the characteristics including, but not limited to, deal structure and the asset quality of the underlying assets, that materially affect valuation and performance. Securitization positions are subject to Truist's comprehensive risk management framework, which includes daily monitoring against a suite of limits. There were no off-balance sheet securitization positions during the reporting period.

## Correlation Trading Positions

The trading portfolio of covered positions did not contain any correlation trading positions as of December 31, 2021.

## VaR-Based Measures

VaR measures the potential loss of a given position or portfolio of positions at a specified confidence level and time horizon. Truist utilizes a historical VaR methodology to measure and aggregate risks across its covered trading positions. For risk management purposes, the VaR calculation is based on a historical simulation approach and measures the potential trading losses using a one-day holding period at a one-tail, 99% confidence level. For Market Risk Rule purposes, the Company calculates VaR using a 10-day holding period and a 99% confidence level. Due to inherent limitations of the VaR methodology, such as the assumption that past market behavior is indicative of future market performance, VaR is only one of several tools used to measure and manage market risk. Other tools used to actively manage market risk include stress testing, scenario analysis, and stop loss limits.

The trading portfolio's VaR profile is influenced by a variety of factors, including the size and composition of the portfolio, market volatility, and the correlation between different positions. A portfolio of trading positions is typically less risky than the sum of the risk from each of the individual sub-portfolios, because, under normal market conditions, risk within each category partially offsets the exposure to other risk categories. The following table summarizes certain VaR-based measures for the twelve months ended December 31, 2021 and 2020. During 2021, average one and ten day VaR measures declined from last year as heightened market volatility experienced during March 2020 aged out of the 12-month VaR look-back window.

**Table 34: VaR-based Measures**

| (Dollars in millions)      | Year Ended December 31, |                      |                       |                      |
|----------------------------|-------------------------|----------------------|-----------------------|----------------------|
|                            | 2021                    |                      | 2020                  |                      |
|                            | 10-Day Holding Period   | 1-Day Holding Period | 10-Day Holding Period | 1-Day Holding Period |
| <b>VaR-based Measures:</b> |                         |                      |                       |                      |
| Maximum                    | \$ 68                   | \$ 16                | \$ 65                 | \$ 11                |
| Average                    | 14                      | 4                    | 27                    | 6                    |
| Minimum                    | 3                       | 1                    | 3                     | 1                    |
| Period-end                 | 13                      | 5                    | 28                    | 7                    |
| <b>VaR by Risk Class:</b>  |                         |                      |                       |                      |
| Interest Rate Risk         |                         | 3                    |                       | 2                    |
| Credit Spread Risk         |                         | 5                    |                       | 9                    |
| Equity Price Risk          |                         | 1                    |                       | 2                    |
| Foreign Exchange Risk      |                         | —                    |                       | —                    |
| Portfolio Diversification  |                         | (5)                  |                       | (5)                  |
| Period-end                 |                         | 5                    |                       | 7                    |

### Stressed VaR-based measures

Stressed VaR, another component of market risk capital, is calculated using the same internal models as used for the VaR-based measure. Stressed VaR is calculated over a ten-day holding period at a one-tail, 99% confidence level and employs a historical simulation approach based on a continuous twelve-month historical window selected to reflect a period of significant financial stress for the Company's trading portfolio. The following table summarizes Stressed VaR-based measures:

**Table 35: Stressed VaR-based Measures - 10 Day Holding Period**

| (Dollars in millions) | Year Ended December 31, |       |
|-----------------------|-------------------------|-------|
|                       | 2021                    | 2020  |
| Maximum               | \$ 118                  | \$ 65 |
| Average               | 59                      | 33    |
| Minimum               | 26                      | 13    |
| Period-end            | 65                      | 28    |

Compared to the prior year, stressed VaR measures increased in 2021 primarily due to the normalization of market making inventory levels this year compared to 2020 when inventory levels were lower due to the market volatility.

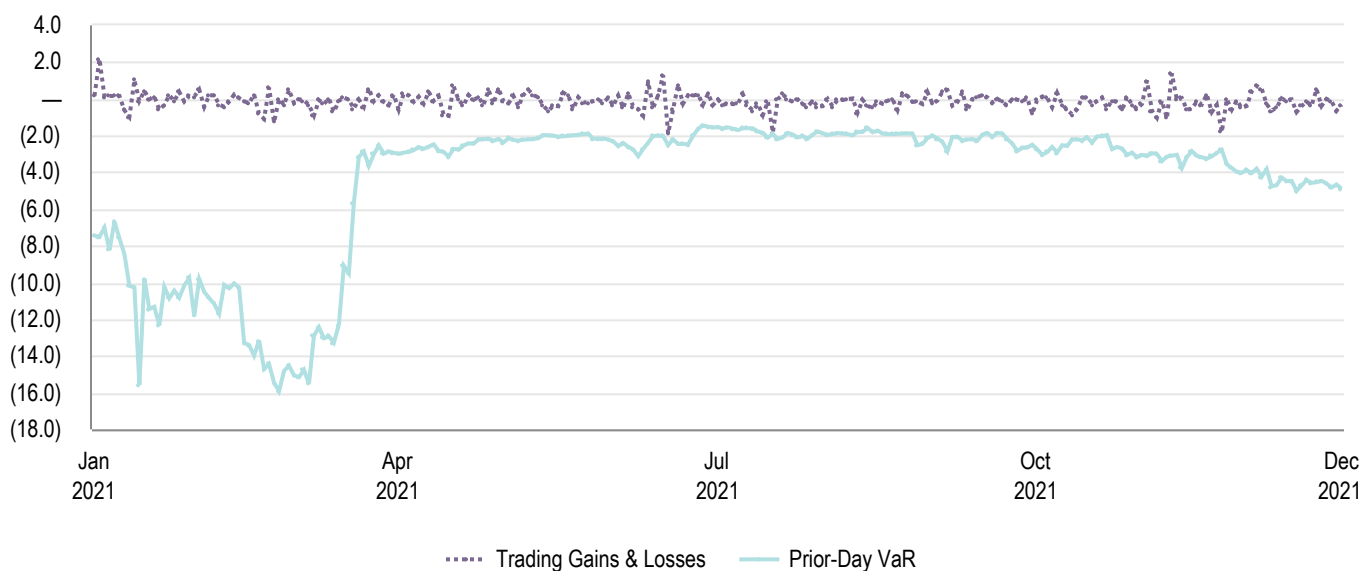
### Specific Risk Measures

Specific risk is a measure of idiosyncratic risk that could result from risk factors other than broad market movements (e.g. default, event risks). The Market Risk Rule provides fixed risk weights under a standardized measurement method while also allowing a model-based approach, subject to regulatory approval. Truist utilizes the standardized measurement method to calculate the specific risk component of market risk regulatory capital. As such, incremental risk capital requirements do not apply.

### VaR Model Backtesting

In accordance with the Market Risk Rule, the Company evaluates the accuracy of its VaR model through daily backtesting by comparing aggregate daily trading gains and losses (excluding fees, commissions, reserves, net interest income, and intraday trading) from covered positions with the corresponding daily VaR-based measures generated by the model. As illustrated in the following graph, there were no Company-wide VaR backtesting exceptions during the twelve months ended December 31, 2021. The total number of Company-wide VaR backtesting exceptions over the preceding twelve months is used to determine the multiplication factor for the VaR-based capital requirement under the Market Risk Rule. The capital multiplication factor increases from a minimum of three to a maximum of four, depending on the number of exceptions. All Company-wide VaR backtesting exceptions are thoroughly reviewed in the context of VaR model use and performance. There was no change in the capital multiplication factor over the preceding twelve months.

**VaR Backtesting - Twelve Months**



## *Model Risk Management*

MRM is responsible for the independent model validation of all decision tools and models including trading market risk models. The validation activities are conducted in accordance with MRM policy, which incorporates regulatory guidance related to the evaluation of model conceptual soundness, ongoing monitoring, and outcomes analysis. As part of ongoing monitoring efforts, the performance of all trading risk models are reviewed regularly to preemptively address emerging developments in financial markets, assess evolving modeling approaches, and to identify potential model enhancement.

## *Stress Testing*

The Company uses a comprehensive range of stress testing techniques to help monitor risks across trading desks and to augment standard daily VaR and other risk limits reporting. The stress testing framework is designed to quantify the impact of extreme, but plausible, stress scenarios that could lead to large unexpected losses. Stress tests include simulations for historical repeats and hypothetical risk factor shocks. All trading positions within each applicable market risk category (interest rate risk, equity risk, foreign exchange rate risk, credit spread risk, and commodity price risk) are included in the Company's comprehensive stress testing framework. Management reviews stress testing scenarios on an ongoing basis and makes updates, as necessary, which is intended to ensure that both current and emerging risks are captured appropriately. Management also utilizes stress analyses to support the Company's capital adequacy assessment standards. See the "Capital" section of MD&A for additional discussion of capital adequacy.

## **Credit Risk**

Credit risk is the risk to current or anticipated earnings or capital arising from the default, inability or unwillingness of a borrower, obligor, or counterparty to meet the terms of any financial obligation to Truist or otherwise perform as agreed. Credit risk exists in all activities where success depends on the performance of a borrower, obligor, or counterparty. Credit risk arises when Truist funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether on or off-balance sheet. Credit risk increases when the credit quality of an issuer whose securities or other instruments the bank holds deteriorates.

Truist has established the following general practices to manage credit risk:

- limiting the amount of credit that individual lenders may extend to a borrower;
- establishing a process for credit approval accountability;
- careful initial underwriting and analysis of borrower, transaction, market and collateral risks;
- ongoing servicing and monitoring of individual loans and lending relationships;
- continuous monitoring of the portfolio, market dynamics and the economy; and
- periodically reevaluating the Company's strategy and overall exposure as economic, market and other relevant conditions change.

The following discussion describes the underwriting procedures and overall risk management of Truist's lending function.

## *Underwriting Approach*

The loan portfolio is a primary source of profitability and risk; therefore, proper loan underwriting is critical to Truist's long-term financial success. Truist's underwriting approach is designed to define acceptable combinations of specific risk-mitigating features that promote credit relationships that conform to Truist's risk philosophy. Provided below is a summary of the most significant underwriting criteria used to evaluate new loans and loan renewals:

- *Cash flow and debt service coverage* - cash flow adequacy is a necessary condition of creditworthiness, meaning that loans must either be clearly supported by a borrower's cash flow or, if not, must be justified by secondary repayment sources.
- *Secondary sources of repayment* - alternative repayment funds are a significant risk-mitigating factor as long as they are liquid, can be easily accessed, and provide adequate resources to supplement the primary cash flow source.
- *Value of any underlying collateral* - loans are generally secured by the asset being financed. Because an analysis of the primary and secondary sources of repayment is the most important factor, collateral, unless it is liquid, does not justify loans that cannot be serviced by the borrower's normal cash flows.
- *Overall creditworthiness of the client, taking into account the client's relationships, both past and current, with Truist and other lenders* - Truist's success depends on building lasting and mutually beneficial relationships with clients, which involves assessing their financial position and background.
- *Level of equity invested in the transaction* - in general, borrowers are required to contribute or invest a portion of their own funds prior to any loan advances.

Refer to the "Lending Activities" section in MD&A for a discussion of each loan and lease portfolio.



### **Liquidity Risk**

Liquidity risk is the risk that (i) Truist will be unable to meet its obligations as they come due because of an inability to obtain adequate funding (funding liquidity risk), or (ii) Truist cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions (market liquidity risk). Refer to the "Liquidity" section in MD&A for additional discussion.

### **Compliance Risk**

Compliance risk is the risk to current or anticipated earnings or capital arising from violations of laws, rules, or regulations, or from non-conformance with prescribed practices, internal policies and procedures or ethical standards. This risk exposes Truist to fines, civil monetary penalties, payment of damages, and the voiding of contracts. Compliance risk can result in diminished reputation, reduced franchise or enterprise value, limited business opportunities and lessened expansion potential.

### **Strategic Risk**

Strategic risk is the risk of financial loss, diminished stakeholder confidence, or negative impact to human capital resulting from ineffective strategy setting and execution, adverse business decisions, or lack of responsiveness to changes in the banking industry and operating environment. Truist is committed to fulfilling its overall strategic objectives by selecting business strategies and operating businesses in a manner consistent with achieving profitability/earnings growth and maintaining strong confidence and trust with its key stakeholder constituencies.

### **Reputation Risk**

Reputation risk is the risk to current or anticipated earnings, capital, enterprise value, the Truist brand, and public confidence arising from negative publicity or public opinion, whether real or perceived, regarding Truist's business practices, products, services, transactions, or other activities undertaken by Truist, its representatives, or its partners. A negative reputation may impair Truist's relationship with clients, teammates, communities, or shareholders, and it is often a residual risk that arises when other risks are not managed properly.

### **Operational Risk**

Operational risk is the risk to current or anticipated earnings or capital arising from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk, which is the risk of loss arising from defective transactions, litigation or claims made, or the failure to adequately protect company-owned assets. An operational loss occurs when an event results in a loss or reserve originating from operational risk.

### **Model Risk**

Model risk is the risk to current or anticipated earnings or capital from decisions based on incorrect or misused model outputs. Truist uses models for many purposes, including the valuation of financial positions, estimation of credit losses, and the measurement of risk. Valuation models are used to value certain financial instruments for which quoted prices may not be readily available. Valuation models are also used as inputs for VaR, the estimation of VaR itself, regulatory capital, stress testing, and the ACL. Models are owned by the applicable BUs, who are responsible for the development, implementation, and use of their models. Oversight of these functions is performed by the MRM, which is a component of the RMO. Once models have been approved, model owners are responsible for the maintenance of an appropriate operating environment and must monitor and evaluate the performance of the models on a recurring basis. Models are updated in response to changes in portfolio composition, industry and economic conditions, technological capabilities and other developments.

MRM manages model risk in a holistic manner through a suite of model governance and model validation activities. The risk of each model is assessed and classified into various risk tiers. Additionally, MRM maintains an enterprise-wide model inventory containing relevant model information. Regarding model validation, MRM utilizes internal validation analysts and managers with skill sets in predictive modeling to perform detailed reviews of model development, implementation, and conceptual soundness. On certain occasions, the MRM will also engage external parties to assist with validation efforts. Once in a production environment, MRM assesses a model's performance on a periodic basis through ongoing monitoring reviews. MRM tracks issues that have been identified during model validation or through ongoing monitoring, and engages with model owners to ensure their timely remediation. MRM gauges model risk utilizing a collection of key risk indicators, which are periodically reported to relevant committees, including but not limited to, the Model Risk Management Committee as well as the Board Risk Committee. MRM will also present model risk topics to the Board Risk Committee as necessary.

## ***Technology Risk***

Technology risk is the business risk associated with the use, ownership, operation, involvement, influence, and adoption of information technology across the Company. Truist has defined and adopted a technology risk framework that provides the foundation for technology risk strategy, program, and oversight and defines key objectives, operating model components, risk domains, and capabilities to manage this risk.

### *Merger Integration Risk*

The Truist Merger Program was designed to ensure successful integration following the Merger through strong governance practices and controls, with processes, metrics and reporting exemplifying a strong risk culture. The core Truist Merger Program structure consists of key stakeholders from each line of business. Integration activities and risk mitigation are monitored through established workgroups and Truist Merger Program leadership, with oversight and escalation into the Merger Oversight Committee (as the primary committee), TMC, and Board Technology Committee.

### *Cybersecurity Risk*

The technology landscape is constantly evolving, and new and unforeseen threats and actions by others may disrupt operations or result in losses beyond Truist's risk control thresholds. Truist maintains a comprehensive risk-based information security / cybersecurity framework implemented through people, processes, and technology whereby Truist actively monitors and evaluates threats, events, and the performance of its business operations and continually adapts its risk mitigation activities accordingly.

Truist's framework aligns with those of the National Institute of Standards and Technology, the International Standards Organization 27000 series, the IT Governance Institute, and the Control Objectives for Information and Related Technology, as well as conforms with the requirements and guidance from applicable regulatory authorities, including the Federal Financial Institutions Examination Council. In addition, Truist's framework, which includes internally and externally focused capabilities, drives the development and implementation of Truist's data security strategy that is designed to reduce risk while enabling Truist's corporate business objectives.

Truist has built an organization with dedicated, skilled talent to operationalize Truist's cybersecurity strategy. The cybersecurity strategy is enabled by continuous enhancement of Truist's multilayered defenses including advanced capabilities for early and rapid cyber threat identification, detection, protection, response, and recovery. Truist participates in the federally recognized Financial Services Information Sharing and Analysis Center as a key part of the Company's cyber threat intelligence and response programs, as well as other industry organizations and initiatives that promote industry best practices such as harmonized cybersecurity standards, cyber readiness, and secure consumer financial data sharing.

To further mitigate the risks presented by an evolving cyber threat landscape, Truist provides data protection guidance to clients and promotes data protection awareness and accountability through mandatory teammate training. Truist conducts scenario-driven test exercises simulating impacts and consequences developed through analysis of real-world technology incidents as well as known and anticipated cyber threats. These exercises are designed to assess the viability of Truist's crisis response and management programs and provide the basis for continuous improvement.

Truist's cybersecurity risk program is overseen by Executive Leadership and the Board. Regular updates on the status of the cybersecurity risk program, including information security risks and incidents, emerging threats, and control environment, are aggregated and escalated to Executive Leadership and the Board. Additionally, Truist has a Cyber Incident Response Team that manages significant cyber-specific events with escalation up to Executive Leadership and the Board. Truist's framework requires annual exercises at a minimum to test Truist's preparedness. The Board devotes significant time and attention to its oversight of cyber security risk and approves related information security policies. Although Truist has invested substantial resources to manage and reduce cybersecurity risk, it is not possible to completely eliminate this risk. Truist obtains insurance that protects against certain losses, expenses, and damages associated with cybersecurity risk. See Item 1A, "Risk Factors," for additional information regarding cybersecurity risk.

## ***Liquidity***

Liquidity represents the continuing ability to meet funding needs, including deposit withdrawals, repayment of borrowings and other liabilities, and funding of loan commitments. In addition to the level of liquid assets, such as cash, cash equivalents, and AFS securities, other factors affect the ability to meet liquidity needs, including access to a variety of funding sources, maintaining borrowing capacity, growing core deposits, loan repayment, and the ability to securitize or package loans for sale.

Truist monitors the ability to meet client demand for funds under both normal and stressed market conditions. In considering its liquidity position, management evaluates Truist's funding mix based on client core funding, client rate-sensitive funding, and national markets funding. In addition, management evaluates exposure to rate-sensitive funding sources that mature in one year or less. Management also measures liquidity needs against 30 days of stressed cash outflows for Truist and Truist Bank. To ensure a strong liquidity position and compliance with regulatory requirements, management maintains a liquid asset buffer of cash on hand and highly liquid unencumbered securities.

#### *Internal Liquidity Stress Testing*

Liquidity stress testing is designed to ensure that Truist and Truist Bank have sufficient liquidity for a variety of institution-specific and market-wide adverse scenarios. Each liquidity stress test scenario applies defined assumptions to execute sources and uses of liquidity over varying planning horizons. The types of expected liquidity uses during a stressed event may include deposit attrition, contractual maturities, reductions in unsecured and secured funding, and increased draws on unfunded commitments. To mitigate liquidity outflows, Truist has identified sources of liquidity; however, access to these sources of liquidity could be affected within a stressed environment.

Truist maintains a liquidity buffer of cash on hand and highly liquid unencumbered securities that is sufficient to meet the projected net stressed cash-flow needs and maintain compliance with regulatory requirements. The liquidity buffer consists of unencumbered highly liquid assets and Truist's liquidity buffer is substantially the same in composition to what qualifies as HQLA under the LCR Rule.

#### *Contingency Funding Plan*

Truist has a contingency funding plan designed to ensure that liquidity sources are sufficient to meet ongoing obligations and commitments, particularly in the event of a liquidity contraction. This plan is designed to examine and quantify the organization's liquidity under the various internal liquidity stress scenarios and is periodically tested to assess the plan's reliability. Additionally, the plan provides a framework for management and other critical teammates to follow in the event of a liquidity contraction or in anticipation of such an event. The plan addresses authority for activation and decision making, liquidity options, and the responsibilities of key departments in the event of a liquidity contraction.

#### *LCR and HQLA*

The LCR rule requires that Truist and Truist Bank maintain an amount of eligible HQLA that is sufficient to meet its estimated total net cash outflows over a prospective 30 calendar-day period of stress. Eligible HQLA, for purposes of calculating the LCR, is the amount of unencumbered HQLA that satisfy operational requirements of the LCR rule. Truist and Truist Bank are subject to the Category III reduced LCR requirements. Truist held average weighted eligible HQLA of \$86.7 billion and Truist's average LCR was 114% for the three months ended December 31, 2021.

Effective July 2021, Truist became subject to final rules implementing the NSFR, which are designed to ensure that banking organizations maintain a stable, long-term funding profile in relation to their asset composition and off-balance sheet activities. At December 31, 2021, the Company was compliant with this requirement.

#### *Sources of Funds*

Management believes current sources of liquidity are sufficient to meet Truist's on- and off-balance sheet obligations. Truist funds its balance sheet through diverse sources of funding including client deposits, secured and unsecured capital markets funding, and shareholders' equity. Truist Bank's primary source of funding is client deposits. Continued access to client deposits is highly dependent on public confidence in the stability of Truist Bank and its ability to return funds to clients when requested.

Truist Bank maintains a number of diverse funding sources to meet its liquidity requirements. These sources include unsecured borrowings from the capital markets through the issuance of senior or subordinated bank notes, institutional CDs, overnight and term Federal funds markets, and retail brokered CDs. Truist Bank also maintains access to secured borrowing sources including FHLB advances, repurchase agreements, and the FRB discount window. The following table presents a summary of Truist Bank's available secured borrowing capacity and eligible cash at the FRB:

**Table 38: Liquidity Sources**

| (Dollars in millions)                            | Dec 31, 2021 | Dec 31, 2020 |
|--|--------------|--------------|
| Unused borrowing capacity:                       |              |              |
| FRB  | \$ 52,170    | \$ 52,831    |
| FHLB   | 49,244       | 52,274       |
| Available investment securities (after haircuts) | 116,600      | 93,623       |
| Available secured borrowing capacity             | 218,014      | 198,728      |
| Eligible cash at the FRB                         | 14,714       | 13,437       |
| Total  | \$ 232,728   | \$ 212,165   |

At December 31, 2021, Truist Bank's available secured borrowing capacity represented approximately 14.2 times the amount of wholesale funding maturities in one-year or less.

#### Parent Company

The Parent Company serves as the primary source of capital for the operating subsidiaries. The Parent Company's assets consist primarily of cash on deposit with Truist Bank, equity investments in subsidiaries, advances to subsidiaries, and notes receivable from subsidiaries. The principal obligations of the Parent Company are payments on long-term debt. The main sources of funds for the Parent Company are dividends and management fees from subsidiaries, repayments of advances to subsidiaries, and proceeds from the issuance of equity and long-term debt. The primary uses of funds by the Parent Company are investments in subsidiaries, advances to subsidiaries, dividend payments to common and preferred shareholders, repurchases of common stock, and payments on long-term debt. See "Note 22. Parent Company Financial Information" for additional information regarding dividends from subsidiaries and debt transactions.

Access to funding at the Parent Company is more sensitive to market disruptions. Therefore, Truist prudently manages cash levels at the Parent Company to cover a minimum of one year of projected cash outflows which includes unfunded external commitments, debt service, common and preferred dividends and scheduled debt maturities, without the benefit of any new cash inflows. Truist maintains a significant buffer above the projected one year of cash outflows. In determining the buffer, Truist considers cash requirements for common and preferred dividends, unfunded commitments to affiliates, serving as a source of strength to Truist Bank, and being able to withstand sustained market disruptions that could limit access to the capital markets. At December 31, 2021 and December 31, 2020, the Parent Company had 35 months and 43 months, respectively, of cash on hand to satisfy projected cash outflows, and 19 months and 22 months, respectively, when including the payment of common stock dividends.

#### Credit Ratings

Credit ratings are forward-looking opinions of rating agencies as to the Company's ability to meet its financial commitments and repay its securities and obligations in accordance with their terms of issuance. Credit ratings influence both borrowing costs and access to the capital markets. The Company's credit ratings are continuously monitored by the rating agencies and are subject to change at any time. As Truist seeks to maintain high-quality credit ratings, management meets with the major rating agencies on a regular basis to provide financial and business updates and to discuss current outlooks and trends. See Item 1A, "Risk Factors," for additional information regarding factors that influence credit ratings and potential risks that could materialize in the event of downgrade in the Company's credit ratings.

The following table presents the credit ratings and outlooks of Truist and Truist Bank as of December 31, 2021:

**Table 36: Credit Ratings of Truist Financial Corporation and Truist Bank**

|                               | Moody's   | S&P      | Fitch     | DBRS<br>Morningstar |
|-------------------------------|-----------|----------|-----------|---------------------|
| Truist Financial Corporation: |           |          |           |                     |
| Issuer                        | A3        | A- / A-2 | A+ / F1   | AH / R-1L           |
| Senior unsecured              | A3        | A-       | A         | AH                  |
| Subordinated                  | A3        | BBB+     | A-        | A                   |
| Preferred stock               | Baa2(hyb) | BBB-     | BBB       | BBBH                |
| Truist Bank:                  |           |          |           |                     |
| Issuer                        | A2        | A / A-1  | A+ / F1   | AAL / R-1M          |
| Senior unsecured              | A2        | A        | A+        | AAL                 |
| Deposits                      | Aa3 / P-1 | NA       | AA- / F1+ | AAL                 |
| Subordinated                  | (P) A2    | A-       | A         | AH                  |
| Ratings outlook:              |           |          |           |                     |
| Credit trend                  | Stable    | Positive | Stable    | Positive            |

Recent changes in the Company's credit ratings and outlooks include:

- On May 7, 2021, Fitch Ratings affirmed the ratings of Truist and Truist Bank and revised the ratings outlook to "stable" from "negative" based on the view that the Company's diverse business model and solid strategy execution will drive stable earnings performance, and on increased confidence in a U.S. economic recovery.
- On May 24, 2021, S&P Global Ratings affirmed the ratings of Truist and Truist Bank and revised its ratings outlook to "positive" from "stable," citing stabilization in U.S. economic trends and the easing of industry risk in the U.S. banking system, and noting that the merger of equals provides better diversity and market position, and could generate higher earnings power, financial flexibility, and technology, providing the Company with a sustainable competitive advantage.
- On June 10, 2021, DBRS Morningstar confirmed the ratings of Truist and Truist Bank and revised the trend for all ratings to "positive" from "stable", reflecting the Company's substantial progress with the merger integration and the view that the impact of the economic fallout from the coronavirus pandemic will continue to be manageable.
- On July 12, 2021, Moody's Investors Service upgraded Truist Bank's long-term subordinated debt rating to A2 from A3, and downgraded Truist Bank's long-term bank deposit rating to Aa3 from Aa2, following revisions to Moody's advanced loss given failure analysis that were published in its updated Banks methodology on July 9, 2021.
- On December 7, 2021, Moody's Investors Service released ESG Issuer Profile Scores (IPS) and Credit Impact Scores (CIS) to assist in demonstrating the impact of ESG on credit ratings. IPS assess an issuer's exposure to the risk categories in Moody's ESG classification system from a credit perspective. CIS indicate the extent to which ESG factors impacted the issuer's credit ratings. Consistent with most other banks, Truist was assigned an IPS of E-3, S-4, and G-2, and a CIS of CIS-2, the latter indicating that ESG attributes had a neutral-to-low impact on Truist's current ratings.
- On January 19, 2022, S&P Global Ratings published Truist's assigned ESG Credit Indicators of E-2, S-2, and G-2, which were consistent with the scores assigned to most other banks and which indicated that environmental, social and governance factors have "no material influence" on the rating agency's analysis of the Company.

Management believes current sources of liquidity are adequate to meet Truist's current requirements and plans for continued growth. As of December 31, 2021, the Company had \$1.9 billion in obligations to purchase goods or services that are enforceable and legally binding. Many of the purchase obligations have terms that are not fixed and determinable and are included in the total amount of obligations based upon the estimated timing and amount of payment. In addition, certain of the purchase agreements contain clauses that would allow Truist to cancel the agreement with specified notice; however, that impact is not included in determining the total amount of obligations. See "Note 9. Other Assets and Liabilities," "Note 11. Borrowings," and "Note 16. Commitments and Contingencies" for additional information regarding outstanding balances of sources of liquidity and contractual commitments and obligations.

## Capital

The maintenance of appropriate levels of capital is a management priority and is monitored on a regular basis. Truist's principal goals related to the maintenance of capital are to provide adequate capital to support Truist's risk profile consistent with the Board-approved risk appetite, provide financial flexibility to support future growth and client needs, comply with relevant laws, regulations, and supervisory guidance, achieve optimal credit ratings for Truist and its subsidiaries, remain a source of strength for its subsidiaries, and provide a competitive return to shareholders. Risk-based capital ratios, which include CET1 capital, Tier 1 capital, and Total capital are calculated based on regulatory guidance related to the measurement of capital and risk-weighted assets.

Truist regularly performs stress testing on its capital levels and is required to periodically submit the Company's capital plans and stress testing results to the banking regulators. Management regularly monitors the capital position of Truist on both a consolidated and bank-level basis. In this regard, management's overriding policy is to maintain capital at levels that are in excess of internal capital targets, which are above the regulatory "well capitalized" minimums. Management evaluates whether capital ratios calculated after the effect of alternative capital actions are likely to remain above minimums specified by the FRB for the annual CCAR process. Breaches of minimum targets prompt a review of the planned capital actions included in Truist's capital plan.

**Table 39: Capital Requirements**

|                              | Minimum Capital | Well Capitalized |             | Minimum Capital Plus Stress Capital Buffer (1) |
|------------------------------|-----------------|------------------|-------------|--|
|                              |                 | Truist           | Truist Bank |  |
| CET1                         | 4.5 %           | NA               | 6.5 %       | 7.0 %  |
| Tier 1 capital               | 6.0             | 6.0 %            | 8.0         | 8.5  |
| Total capital                | 8.0             | 10.0             | 10.0        | 10.5   |
| Leverage ratio               | 4.0             | NA               | 5.0         | NA   |
| Supplementary leverage ratio | 3.0             | NA               | NA          | NA   |

(1) Reflects a SCB of 2.5% applicable to Truist as of December 31, 2021. Truist's SCB, received in the 2021 CCAR process, is effective from October 1, 2021 to September 30, 2022.

Payments of cash dividends and repurchases of common shares are the methods used to manage any excess capital generated. In addition, management closely monitors the Parent Company's double leverage ratio (investments in subsidiaries as a percentage of shareholders' equity). The active management of the subsidiaries' equity capital is the process used to manage this important driver of Parent Company liquidity and is a key element in the management of Truist's capital position.

Management intends to maintain capital at Truist Bank at levels that will result in classification as "well-capitalized" for regulatory purposes. Secondly, it is management's intent to maintain Truist Bank's capital at levels that result in regulatory risk-based capital ratios that are generally comparable with peers of similar size, complexity, and risk profile. If the capital levels of Truist Bank increase above these guidelines, excess capital may be transferred to the Parent Company in the form of special dividend payments, subject to regulatory and other operating considerations.

Management's capital deployment plan in order of preference is to focus on (i) organic growth, (ii) dividends, and (iii) strategic opportunities and/or share repurchases depending on opportunities in the marketplace and Truist's interest and ability to proceed with acquisitions.

Truist Bank's capital ratios are presented in the following table:

**Table 40: Capital Ratios - Truist Bank**

| December 31,                           | 2021   | 2020   |
|--|--------|--------|
| CET1 to risk-weighted assets           | 10.5 % | 11.0 % |
| Tier 1 capital to risk-weighted assets | 10.5   | 11.0   |
| Total capital to risk-weighted assets  | 12.0   | 13.0   |
| Leverage ratio                         | 8.0    | 8.7    |
| Supplementary leverage ratio           | 6.9    | 7.5    |

Truist's capital ratios are presented in the following table:

**Table 41: Capital Ratios - Truist Financial Corporation**

(Dollars in millions, except per share data, shares in thousands)

|   | Dec 31, 2021 | Dec 31, 2020 |
|---|--------------|--------------|
| Risk-based:   |              |              |
| CET1 capital to risk-weighted assets                  | 9.6 %        | 10.0 %       |
| Tier 1 capital to risk-weighted assets                | 11.3         | 12.1         |
| Total capital to risk-weighted assets                 | 13.2         | 14.5         |
| Leverage ratio  | 8.7          | 9.6          |
| Supplementary leverage ratio                          | 7.4          | 8.7          |
| Non-GAAP capital measure (1):                         |              |              |
| Tangible common equity per common share               | \$ 25.47     | \$ 26.78     |
| Calculation of tangible common equity (1):            |              |              |
| Total shareholders' equity                            | \$ 69,271    | \$ 70,912    |
| Less:   |              |              |
| Preferred stock                                       | 6,673        | 8,048        |
| Noncontrolling interests                              | —            | 105          |
| Goodwill and intangible assets, net of deferred taxes | 28,772       | 26,629       |
| Tangible common equity                                | \$ 33,826    | \$ 36,130    |
| Risk-weighted assets                                  | \$ 390,886   | \$ 379,153   |
| Common shares outstanding at end of period            | 1,327,818    | 1,348,961    |

(1) Tangible common equity and related measures are non-GAAP measures that exclude the impact of intangible assets, net of deferred taxes, and their related amortization. These measures are useful for evaluating the performance of a business consistently, whether acquired or developed internally. Truist's management uses these measures to assess the quality of capital and returns relative to balance sheet risk. These capital measures are not necessarily comparable to similar capital measures that may be presented by other companies.

Truist's capital level at December 31, 2021 remains strong compared to the regulatory levels for well capitalized banks. Truist's CET1 ratio was 9.6% as of December 31, 2021. The decline compared to the 2020 CET1 ratio reflects capital deployed through the acquisitions of Service Finance, LLC and Constellation Affiliated Partners, the repurchase of common stock, and loan growth in the fourth quarter of 2021 driving an increase in risk-weighted assets. Truist increased common dividends 7% to \$0.48 per share starting in the third quarter of 2021. During 2021, Truist paid \$2.5 billion in common stock dividends or \$1.86 per share, and repurchased \$1.6 billion of common stock. Truist also redeemed \$1.4 billion of preferred stock to optimize the Company's capital position. The dividend payout ratio for 2021 was 41% compared to 58% for the prior year. The total payout ratio for 2021 was 68% compared to 58% for the prior year, reflecting the resumption of share repurchases during the year. In early 2022, Truist declared common dividends of \$0.48 per share for the first quarter of 2022, and announced the acquisition of Kensington Vanguard National Land Services to expand IH's title insurance operation.

## ***Reclassifications***

In certain circumstances, reclassifications have been made to prior period information to conform to the current presentation. Such reclassifications had no effect on previously reported shareholders' equity or net income. Refer to "Note 1. Basis of Presentation" for additional discussion regarding reclassifications.

## ***Critical Accounting Policies***

The accounting and reporting policies of Truist are in accordance with GAAP and conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The financial position and results of operations are affected by management's application of accounting policies, including estimates, assumptions and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues and expenses. Different assumptions in the application of these policies could result in material changes in the consolidated financial position and/or consolidated results of operations and related disclosures. Understanding Truist's accounting policies is fundamental to understanding the consolidated financial position and consolidated results of operations. Accordingly, Truist's significant accounting policies and effects of new accounting pronouncements are discussed in detail in "Note 1. Basis of Presentation."

The following is a summary of Truist's critical accounting policies that are highly dependent on estimates, assumptions, and judgments. These critical accounting policies are reviewed with the Audit Committee of the Board of Directors on a periodic basis.

### **ACL**

Truist's ACL represents management's best estimate of expected future credit losses related to the loan and lease portfolios and off-balance sheet lending commitments at the balance sheet date. Estimates of expected future loan and lease losses are determined by using statistical models and management's judgement. The models are designed to forecast probability of default, exposure at default and loss given default by correlating certain macroeconomic forecast data to historical experience. The models are generally applied at the portfolio level to pools of loans with similar risk characteristics. The macroeconomic data used in the models is based on forecasted variables for the reasonable and supportable period of two years. Beyond this forecast period the models gradually revert to long-term historical loss conditions over a one year period. As a means of addressing uncertainty related to future economic conditions, the quantitative allowance includes an adjustment that reflects model output calculated using a range of potential future economic conditions. Expected losses are estimated through contractual maturity, giving appropriate consideration to expected prepayments unless the borrower has a right to renew that is not cancellable or it is reasonably expected that the loan will be modified as a TDR.

A qualitative allowance which incorporates management's judgement is also included in the estimation of expected future loan and lease losses, including qualitative adjustments in circumstances where the model output is inconsistent with management's expectations with respect to expected credit losses. This allowance is used to adjust for limitations in modeled results related to the current economic conditions, and considerations with respect to the impact of current and expected events or risks, the outcomes of which are uncertain and may not be completely considered by quantitative models.

Management considers a range of macroeconomic forecast data in connection with the allowance estimation process. Under the range of scenarios considered as of December 31, 2021, use of the Company's pessimistic scenario would have resulted in an increase to the modeled allowance results of approximately \$2.1 billion. This estimate reflects the sensitivity of the modeled allowance estimate to macroeconomic forecast data but does not consider other qualitative adjustments that could increase or decrease modeled loss estimates calculated using this alternative economic scenario.

The Company individually evaluates expected credit losses related to loans and leases that do not share similar risk characteristics and loans that have been classified as a TDR. For individually evaluated loans, the ALLL is determined through review of data specific to the borrower and related collateral, if any, while for TDRs, default expectations and estimated prepayment speeds that are specific to each of the restructured loan populations are incorporated in the determination of the ALLL.

The methodology used to determine an estimate for the RUFC is similar to that used to determine the funded component of the ALLL and is measured over the period there is a contractual obligation to extend credit that is not unconditionally cancellable. The RUFC is adjusted for factors specific to binding commitments, including the probability of funding and exposure at default. A detailed discussion of the methodology used in determining the ACL is included in "Note 1. Basis of Presentation."

### **Fair Value of Financial Instruments**

The vast majority of assets and liabilities measured at fair value on a recurring basis are based on either quoted market prices or market prices for similar instruments. Refer to "Note 18. Fair Value Disclosures" for additional disclosures regarding the fair value of financial instruments and "Note 2. Business Combinations" for additional disclosures regarding business combinations.

## *Securities*

Truist generally utilizes a third-party pricing service in determining the fair value of its AFS investment securities, whereas trading securities are priced internally. Fair value measurements for investment securities are derived from market-based pricing matrices that were developed using observable inputs that include benchmark yields, benchmark securities, reported trades, offers, bids, issuer spreads, and broker quotes. Management performs procedures to evaluate the fair values provided by the third-party service provider. These procedures, which are performed independent of the responsible business unit, include comparison of pricing information received from the third party pricing service to other third-party pricing sources, review of additional information provided by the third-party pricing service and other third-party sources for selected securities and back-testing to compare the price realized on security sales to the daily pricing information received from the third-party pricing service. The Enterprise Valuation Committee, which provides oversight to Truist's enterprise-wide IPV function, is responsible for the comparison of pricing information received from the third-party pricing service or internally to other third-party pricing sources, approving tolerance limits determined by IPV for price comparison exceptions, reviewing significant changes to pricing and valuation policies and reviewing and approving the pricing decisions made on any illiquid and hard-to-price securities. When market observable data is not available, which generally occurs due to the lack of liquidity or inactive markets for certain securities, the valuation of the security is subjective and may involve substantial judgment by management to reflect unobservable input assumptions.

## *MSRs*

Truist's primary class of MSRs for which it separately manages the economic risks relates to residential mortgages. Residential MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, Truist estimates the fair value of residential MSRs using a stochastic OAS valuation model to project residential MSR cash flows over multiple interest rate scenarios, which are then discounted at risk-adjusted rates. The OAS model considers portfolio characteristics, contractually-specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. Truist reassesses and periodically adjusts the underlying inputs and assumptions in the OAS model to reflect market conditions and assumptions that a market participant would consider in valuing the residential MSR asset.

Fair value estimates and assumptions are compared to industry surveys, recent market activity, actual portfolio experience and, when available, observable market data. Due to the nature of the valuation inputs, residential MSRs are classified within Level 3 of the valuation hierarchy. The value of residential MSRs is significantly affected by mortgage interest rates available in the marketplace, which influence mortgage loan prepayment speeds. In general, during periods of declining interest rates, the value of MSRs declines due to increasing prepayments attributable to increased mortgage-refinance activity. Conversely, during periods of rising interest rates, the value of residential MSRs generally increases due to reduced refinance activity. Truist typically hedges against market value changes in the residential MSRs. Refer to "Note 8. Loan Servicing" for quantitative disclosures reflecting the effect that changes in management's assumptions would have on the fair value of residential MSRs.

## *LHFS*

Truist originates certain residential and commercial mortgage loans for sale to investors that are measured at fair value. The fair value is primarily based on quoted market prices for securities backed by similar types of loans. Changes in the fair value are recorded as components of Residential mortgage income and Commercial mortgage income, while the related origination costs are generally recognized in Personnel expense when incurred. The changes in fair value are largely driven by changes in interest rates subsequent to loan funding and changes in the fair value of servicing associated with the LHFS. Truist uses various derivative instruments to mitigate the economic effect of changes in fair value of the underlying loans. LHFS also includes certain loans, generally carried at LOCOM, where management has committed to a formal plan of sale and the loans are available for immediate sale. Adjustments to reflect unrealized gains and losses resulting from changes in fair value, up to the original carrying amount, and realized gains and losses upon ultimate sale are classified as noninterest income. The fair value of these loans is estimated using observable market prices when available. When observable market prices are not available, the Company uses judgment and estimates fair value using internal models that reflect assumptions consistent with those that would be used by a market participant in estimating fair value. Refer to "Note 1. Basis of Presentation" for further description of the Company's accounting for LHFS.



### *Trading Loans*

Truist elects to measure certain loans at fair value for financial reporting where fair value aligns with the underlying business purpose. Specifically, loans included within this classification include trading loans that are (i) purchased in connection with the Company's TRS business, (ii) part of the loan sales and trading business within the C&CB segment, or (iii) backed by the SBA. Refer to "Note 16. Commitments and Contingencies," and "Note 19. Derivative Financial Instruments," for further discussion of the Company's TRS business. The loans purchased in connection with the Company's TRS and sales and trading businesses are primarily commercial and corporate leveraged loans valued based on quoted prices for identical or similar instruments in markets that are not active by a third party pricing service. SBA loans are fully guaranteed by the U.S. government as to contractual principal and interest and there is sufficient observable trading activity upon which to base the estimate of fair value.

### *Derivative Assets and Liabilities*

Truist uses derivatives to manage various financial risks and in a dealer capacity to facilitate client transactions. Truist mitigates credit risk by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide collateral to Truist when their unsecured loss positions exceed certain negotiated limits. The fair values of derivative financial instruments are determined based on quoted market prices and internal pricing models that use market observable data for interest rates, foreign exchange, equity, and credit. The fair value of interest rate lock commitments, which are related to mortgage loan commitments, is based on quoted market prices adjusted for commitments that Truist does not expect to fund and includes the value attributable to the net servicing fee. Refer to "Note 19. Derivative Financial Instruments" for further information on the Company's derivatives.

### **Goodwill and Other Intangible Assets**

The acquisition method of accounting requires that assets acquired and liabilities assumed in business combinations are recorded at their fair values. This often involves estimates based on third party valuations or internal valuations based on discounted cash flow analyses or other valuation techniques, which are inherently subjective. The amortization of definite-lived intangible assets is based upon the estimated economic benefits to be received, which is also subjective. Business combinations also typically result in goodwill, which is subject to ongoing periodic impairment tests based on the fair values of the reporting units to which the acquired goodwill relates. Refer to "Note 1. Basis of Presentation" for a description of the impairment testing process.

At December 31, 2021, Truist's reporting units with goodwill balances were CB&W, C&CB, and IH. Management reviews the goodwill of each reporting unit for impairment on an annual basis as of October 1 or more often if events or circumstances indicate that it is more-likely-than-not that the fair value of a reporting unit is below its carrying value. For its annual impairment review, Truist elected to perform a quantitative test of each of its reporting units. The quantitative impairment test estimates the fair value of the reporting units using the income approach and market based approaches, weighted 50% and 50%, respectively. The income approach utilizes a discounted cash flow analysis. The market based approaches utilize comparable public company information, key valuation multiples, and considers a market control premium associated with cost synergies and other cash flow benefits that arise from obtaining control over a reporting unit, and guideline transactions, when applicable.

The inputs and assumptions specific to each reporting unit are incorporated in the valuations, including projections of future cash flows, discount rates, applicable valuation multiples based on the comparable public company information, and guideline transaction information. Truist also assesses the reasonableness of the aggregate estimated fair value of the reporting units by comparison to its market capitalization over a reasonable period of time, including consideration of historic bank control premiums and the current market.

Multi-year financial forecasts are developed for each reporting unit by considering several inputs and assumptions such as net interest margin, expected credit losses, noninterest income, noninterest expense, and required capital. Of these inputs, the projection of net interest margin is the most significant to the financial projections of the CB&W and C&CB reporting units. The long-term growth rate used in determining the terminal value of each reporting unit was 3% as of October 1, 2021, based on management's assessment of the minimum expected terminal growth rate of each reporting unit. Discount rates are estimated based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and unsystematic risk adjustments specific to a particular reporting unit. The discount rates are also calibrated based on risks related to the projected cash flows of each reporting unit. The discount rates utilized for the CB&W, C&CB, and IH reporting units as of October 1, 2021 were 11%, 10%, and 10%, respectively.

Based on the Company's annual impairment analysis of goodwill as of October 1, it was determined for the CB&W, C&CB, and IH reporting units that the respective reporting unit's fair value was in excess of its respective carrying value as of October 1, 2021, therefore goodwill is considered not impaired for the CB&W, C&CB, and IH reporting units. None of the reporting units of the Company had a fair value that exceeded the respective carrying value by less than 10%.

The Company also performs sensitivity analyses around these assumptions in order to assess the reasonableness of the assumptions, and the resulting estimated fair values. While the Company's sensitivity analyses did not indicate risk of impairment as of October 1, 2021, future potential changes in these assumptions may impact the estimated fair value of a reporting unit and cause the fair value of the reporting unit to be below its carrying value. Additionally, a reporting unit's carrying value could change based on market conditions, asset growth, or the risk profile of those reporting units, which could impact whether the fair value of a reporting unit is less than carrying value.

The Company monitored events and circumstances during the fourth quarter of 2021, concluding that it was not more-likely-than-not that the fair value of one or more of its reporting units is below its respective carrying amount as of December 31, 2021.

### **Income Taxes**

Truist is subject to income tax laws of the U.S., its states, and the municipalities in which the Company conducts business. In estimating the net amount due to or to be received from tax jurisdictions either currently or in the future, the Company assesses the appropriate tax treatment of transactions and filing positions after considering statutes, regulations, judicial precedent, and other pertinent information. The income tax laws are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. Significant judgment is required in determining the tax accruals and in evaluating the Company's tax positions, including evaluating uncertain tax positions. Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws and new judicial guidance, the status of examinations by the tax authorities, and newly enacted statutory and regulatory guidance that could impact the relative merits and risks of tax positions. These changes, when they occur, impact tax expense and can materially affect operating results. Truist reviews tax positions quarterly and adjusts accrued taxes as new information becomes available.

Deferred income tax assets represent amounts available to reduce income taxes payable in future years. Such assets arise due to temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from NOL and tax credit carryforwards. The Company regularly evaluates the ability to realize DTAs, recognizing a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the DTA will not be realized. In determining whether a valuation allowance is necessary, the Company considers the level of taxable income in prior years to the extent that carrybacks are permitted under current tax laws, as well as estimates of future pre-tax and taxable income and tax planning strategies that would, if necessary, be implemented. Truist currently maintains a valuation allowance for certain state carryforwards. For additional income tax information, refer to "Note 1. Basis of Presentation" and "Note 14. Income Taxes."

### **Pension and Postretirement Benefit Obligations**

Truist offers various pension plans and postretirement benefit plans to teammates. Calculation of the obligations and related expenses under these plans requires the use of actuarial valuation methods and assumptions, which are subject to management judgment and may differ significantly if different assumptions are used. The discount rate assumption used to measure the postretirement benefit obligations is set by reference to an AA Above Median corporate bond yield curve and the individual characteristics of the plans such as projected cash flow patterns and payment durations.

Management also considered the sensitivity that changes in the expected return on plan assets and the discount rate would have on pension expense. For the Company's qualified plans, a decrease of 25 basis points in the discount rate would result in additional pension expense of approximately \$23 million for 2022, while a decrease of 100 basis points in the expected return on plan assets would result in an increase of approximately \$166 million in pension expense for 2022. Refer to "Note 15. Benefit Plans" for disclosures related to the benefit plans.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Truist Financial Corporation

#### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Truist Financial Corporation and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021 based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

#### *Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for the allowance for credit losses in 2020.

#### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

#### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Allowance for Credit Losses for Certain Commercial and Consumer Portfolios*

As described in Notes 1 and 5 to the consolidated financial statements, the Company's allowance for credit losses (ACL) represents management's best estimate of expected future credit losses related to loan and lease portfolios and off-balance sheet lending commitments at the balance sheet date. The consolidated ACL balance was \$4.7 billion as of December 31, 2021, including \$1.8 billion for commercial portfolios and \$2.3 billion for consumer portfolios. Estimates of expected future credit losses are determined by management using quantitative models and by applying qualitative adjustments to the modeled results. The models are designed to forecast probability of default, exposure at default, and loss given default by correlating certain macroeconomic forecast data to historical experience. The models are applied to pools of loans with similar risk characteristics. The macroeconomic forecast data used in the quantitative models is based on forecasted variables for a reasonable and supportable period. The qualitative adjustments incorporate management judgment and are used to account for limitations in modeled results related to current economic conditions and other risks in the portfolios.

The principal considerations for our determination that performing procedures relating to the ACL for certain commercial and consumer portfolios is a critical audit matter are (i) the significant judgment by management in determining the ACL quantitative model results and certain qualitative adjustments, (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to the quantitative model results and certain qualitative adjustments, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's ACL estimation process for certain commercial and consumer portfolios, which included controls related to the quantitative model results and certain qualitative adjustments. These procedures also included, among others, testing management's process for determining the ACL for certain commercial and consumer portfolios quantitative model results and certain qualitative adjustments, including evaluating the appropriateness of the quantitative models and management's methodology, testing the data used in the estimate, and evaluating the reasonableness of judgments used by management in estimating certain qualitative adjustments. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of these quantitative models and the reasonableness of judgments used by management relating to certain qualitative adjustments.

/s/ PricewaterhouseCoopers LLP

Charlotte, North Carolina  
February 22, 2022

We have served as the Company's auditor since 2002.

**CONSOLIDATED BALANCE SHEETS**  
**TRUIST FINANCIAL CORPORATION AND SUBSIDIARIES**

| December 31,<br>(Dollars in millions, except per share data, shares in thousands) | 2021              | 2020              |
|---|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |
| Cash and due from banks   | \$ 5,085          | \$ 5,029          |
| Interest-bearing deposits with banks  | 15,210            | 13,839            |
| Securities borrowed or purchased under agreements to resell                       | 4,028             | 1,745             |
| Trading assets at fair value  | 4,423             | 3,872             |
| AFS securities at fair value  | 153,123           | 120,788           |
| HTM securities (fair value of \$1,495 as of December 31, 2021)                    | 1,494             | —                 |
| LHFS (including \$3,544 and \$4,955 at fair value, respectively)                  | 4,812             | 6,059             |
| Loans and leases (including \$23 at fair value as of December 31, 2021)           | 289,513           | 299,734           |
| ALLL  | (4,435)           | (5,835)           |
| Loans and leases, net of ALLL   | 285,078           | 293,899           |
| Premises and equipment  | 3,700             | 3,870             |
| Goodwill  | 26,098            | 24,447            |
| CDI and other intangible assets   | 3,408             | 2,984             |
| Loan servicing rights at fair value   | 2,633             | 2,023             |
| Other assets (including \$3,436 and \$4,891 at fair value, respectively)          | 32,149            | 30,673            |
| <b>Total assets</b>   | <b>\$ 541,241</b> | <b>\$ 509,228</b> |
| <b>Liabilities</b>  |                   |                   |
| Noninterest-bearing deposits  | \$ 145,892        | \$ 127,629        |
| Interest-bearing deposits   | 270,596           | 253,448           |
| Short-term borrowings (including \$1,731 and \$1,115 at fair value, respectively) | 5,292             | 6,092             |
| Long-term debt  | 35,913            | 39,597            |
| Other liabilities (including \$586 and \$555 at fair value, respectively)         | 14,277            | 11,550            |
| <b>Total liabilities</b>  | <b>471,970</b>    | <b>438,316</b>    |
| <b>Shareholders' Equity</b>   |                   |                   |
| Preferred stock   | 6,673             | 8,048             |
| Common stock, \$5 par value   | 6,639             | 6,745             |
| Additional paid-in capital  | 34,565            | 35,843            |
| Retained earnings   | 22,998            | 19,455            |
| AOCI, net of deferred income taxes  | (1,604)           | 716               |
| Noncontrolling interests  | —                 | 105               |
| <b>Total shareholders' equity</b>   | <b>69,271</b>     | <b>70,912</b>     |
| <b>Total liabilities and shareholders' equity</b>                                 | <b>\$ 541,241</b> | <b>\$ 509,228</b> |
| Common shares outstanding   | 1,327,818         | 1,348,961         |
| Common shares authorized  | 2,000,000         | 2,000,000         |
| Preferred shares outstanding  | 223               | 280               |
| Preferred shares authorized   | 5,000             | 5,000             |

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

**CONSOLIDATED STATEMENTS OF INCOME**  
**TRUIST FINANCIAL CORPORATION AND SUBSIDIARIES**

| Year Ended December 31,<br>(Dollars in millions, except per share data; shares in thousands) | 2021      | 2020      | 2019     |
|--|-----------|-----------|----------|
| <b>Interest Income</b>   |           |           |          |
| Interest and fees on loans and leases  | \$ 11,481 | \$ 13,485 | \$ 7,982 |
| Interest on securities   | 2,090     | 1,739     | 1,319    |
| Interest on other earning assets   | 203       | 324       | 108      |
| Total interest income  | 13,774    | 15,548    | 9,409    |
| <b>Interest Expense</b>  |           |           |          |
| Interest on deposits   | 148       | 785       | 1,101    |
| Interest on long-term debt   | 573       | 800       | 797      |
| Interest on other borrowings   | 47        | 137       | 198      |
| Total interest expense   | 768       | 1,722     | 2,096    |
| <b>Net Interest Income</b>   | 13,006    | 13,826    | 7,313    |
| Provision for credit losses  | (813)     | 2,335     | 615      |
| <b>Net Interest Income After Provision for Credit Losses</b>                                 | 13,819    | 11,491    | 6,698    |
| <b>Noninterest Income</b>  |           |           |          |
| Insurance income   | 2,627     | 2,193     | 2,072    |
| Investment banking and trading income  | 1,441     | 1,010     | 249      |
| Wealth management income   | 1,392     | 1,277     | 715      |
| Service charges on deposits  | 1,060     | 1,020     | 762      |
| Card and payment related fees  | 874       | 761       | 555      |
| Residential mortgage income  | 555       | 1,000     | 285      |
| Lending related fees   | 349       | 315       | 124      |
| Operating lease income   | 262       | 309       | 153      |
| Commercial mortgage income   | 179       | 185       | 102      |
| Income from bank-owned life insurance  | 183       | 179       | 129      |
| Securities gains (losses)  | —         | 402       | (116)    |
| Other income   | 368       | 228       | 225      |
| Total noninterest income   | 9,290     | 8,879     | 5,255    |
| <b>Noninterest Expense</b>   |           |           |          |
| Personnel expense  | 8,632     | 8,146     | 4,833    |
| Professional fees and outside processing   | 1,442     | 1,252     | 433      |
| Software expense   | 945       | 862       | 338      |
| Net occupancy expense  | 764       | 904       | 507      |
| Amortization of intangibles  | 574       | 685       | 164      |
| Equipment expense  | 513       | 484       | 280      |
| Marketing and customer development   | 294       | 273       | 137      |
| Operating lease depreciation   | 190       | 258       | 136      |
| Loan-related expense   | 212       | 242       | 123      |
| Regulatory costs   | 137       | 125       | 81       |
| Merger-related and restructuring charges   | 822       | 860       | 360      |
| Loss (gain) on early extinguishment of debt  | (4)       | 235       | —        |
| Other expense  | 595       | 571       | 542      |
| Total noninterest expense  | 15,116    | 14,897    | 7,934    |
| <b>Earnings</b>  |           |           |          |
| Income before income taxes   | 7,993     | 5,473     | 4,019    |
| Provision for income taxes   | 1,556     | 981       | 782      |
| <b>Net income</b>  | 6,437     | 4,492     | 3,237    |
| Noncontrolling interests   | (3)       | 10        | 13       |
| <b>Net income available to the bank holding company</b>                                      | 6,440     | 4,482     | 3,224    |
| Preferred stock dividends and other  | 407       | 298       | 196      |
| <b>Net income available to common shareholders</b>   | \$ 6,033  | \$ 4,184  | \$ 3,028 |
| Basic EPS  | \$ 4.51   | \$ 3.11   | \$ 3.76  |
| Diluted EPS  | 4.47      | 3.08      | 3.71     |
| Basic weighted average shares outstanding  | 1,337,144 | 1,347,080 | 805,104  |
| Diluted weighted average shares outstanding  | 1,349,378 | 1,358,289 | 815,204  |

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**TRUIST FINANCIAL CORPORATION AND SUBSIDIARIES**

Year Ended December 31,  
(Dollars in millions)

|  | 2021            | 2020            | 2019            |
|--|-----------------|-----------------|-----------------|
| <b>Net income</b>                                  | \$ 6,437        | \$ 4,492        | \$ 3,237        |
| <b>OCI, net of tax:</b>                            |                 |                 |                 |
| Net change in net pension and postretirement costs | 789             | 247             | 42              |
| Net change in cash flow hedges                     | 55              | 37              | (70)            |
| Net change in AFS securities                       | (3,164)         | 1,274           | 880             |
| Other, net   | —               | 2               | 19              |
| <b>Total OCI, net of tax</b>                       | <b>(2,320)</b>  | <b>1,560</b>    | <b>871</b>      |
| <b>Total comprehensive income</b>                  | <b>\$ 4,117</b> | <b>\$ 6,052</b> | <b>\$ 4,108</b> |
| <b>Income Tax Effect of Items Included in OCI:</b> |                 |                 |                 |
| Net change in net pension and postretirement costs | \$ 243          | \$ 79           | \$ 11           |
| Net change in cash flow hedges                     | 17              | 11              | (21)            |
| Net change in AFS securities                       | (971)           | 396             | 271             |
| Other, net   | —               | —               | 5               |
| <b>Total income taxes related to OCI</b>           | <b>\$ (711)</b> | <b>\$ 486</b>   | <b>\$ 266</b>   |

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

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**TRUIST FINANCIAL CORPORATION AND SUBSIDIARIES**

| (Dollars in millions, shares in thousands)                | Shares of<br>Common<br>Stock | Preferred<br>Stock | Common<br>Stock | Additional<br>Paid-In Capital | Retained<br>Earnings | AOCI              | Noncontrolling<br>Interests | Total<br>Shareholders'<br>Equity |
|---|------------------------------|--------------------|-----------------|-------------------------------|----------------------|-------------------|-----------------------------|----------------------------------|
| <b>Balance, January 1, 2019</b>                           | 763,326                      | \$ 3,053           | \$ 3,817        | \$ 6,849                      | \$ 18,118            | \$ (1,715)        | \$ 56                       | \$ 30,178                        |
| Net income  | —                            | —                  | —               | —                             | 3,224                | —                 | 13                          | 3,237                            |
| OCI   | —                            | —                  | —               | —                             | —                    | 871               | —                           | 871                              |
| Issued in business combination                            | 575,067                      | 2,045              | 2,875           | 28,626                        | —                    | —                 | —                           | 33,546                           |
| Issued in connection with equity awards, net              | 3,773                        | —                  | 19              | (34)                          | —                    | —                 | —                           | (15)                             |
| Issued in connection with preferred stock offering        | —                            | 1,683              | —               | —                             | —                    | —                 | —                           | 1,683                            |
| Redemption of preferred stock                             | —                            | (1,679)            | —               | —                             | (46)                 | —                 | —                           | (1,725)                          |
| Cash dividends declared on common stock                   | —                            | —                  | —               | —                             | (1,309)              | —                 | —                           | (1,309)                          |
| Cash dividends declared on preferred stock                | —                            | —                  | —               | —                             | (150)                | —                 | —                           | (150)                            |
| Equity-based compensation expense                         | —                            | —                  | —               | 165                           | —                    | —                 | —                           | 165                              |
| Other, net  | —                            | —                  | —               | 3                             | (31)                 | —                 | 105                         | 77                               |
| <b>Balance, December 31, 2019</b>                         | <b>1,342,166</b>             | <b>\$ 5,102</b>    | <b>\$ 6,711</b> | <b>\$ 35,609</b>              | <b>\$ 19,806</b>     | <b>\$ (844)</b>   | <b>\$ 174</b>               | <b>\$ 66,558</b>                 |
| Net income  | —                            | —                  | —               | —                             | 4,482                | —                 | 10                          | 4,492                            |
| OCI   | —                            | —                  | —               | —                             | —                    | 1,560             | —                           | 1,560                            |
| Issued in connection with equity awards, net              | 6,795                        | —                  | 34              | (119)                         | (2)                  | —                 | —                           | (87)                             |
| Issued in connection with preferred stock offerings       | —                            | 3,449              | —               | —                             | —                    | —                 | —                           | 3,449                            |
| Redemption of preferred stock                             | —                            | (503)              | —               | —                             | 3                    | —                 | —                           | (500)                            |
| Cash dividends declared on common stock                   | —                            | —                  | —               | —                             | (2,424)              | —                 | —                           | (2,424)                          |
| Cash dividends declared on preferred stock                | —                            | —                  | —               | —                             | (301)                | —                 | —                           | (301)                            |
| Equity-based compensation expense                         | —                            | —                  | —               | 353                           | —                    | —                 | —                           | 353                              |
| Cumulative effect adjustment for new accounting standards | —                            | —                  | —               | —                             | (2,109)              | —                 | —                           | (2,109)                          |
| Other, net  | —                            | —                  | —               | —                             | —                    | —                 | (79)                        | (79)                             |
| <b>Balance, December 31, 2020</b>                         | <b>1,348,961</b>             | <b>\$ 8,048</b>    | <b>\$ 6,745</b> | <b>\$ 35,843</b>              | <b>\$ 19,455</b>     | <b>\$ 716</b>     | <b>\$ 105</b>               | <b>\$ 70,912</b>                 |
| Net income  | —                            | —                  | —               | —                             | 6,440                | —                 | (3)                         | 6,437                            |
| OCI   | —                            | —                  | —               | —                             | —                    | (2,320)           | —                           | (2,320)                          |
| Issued in connection with equity awards, net              | 6,466                        | —                  | 32              | (120)                         | (5)                  | —                 | —                           | (93)                             |
| Repurchase of common stock                                | (27,609)                     | —                  | (138)           | (1,478)                       | —                    | —                 | —                           | (1,616)                          |
| Redemption of preferred stock                             | —                            | (1,375)            | —               | —                             | (40)                 | —                 | —                           | (1,415)                          |
| Cash dividends declared on common stock                   | —                            | —                  | —               | —                             | (2,485)              | —                 | —                           | (2,485)                          |
| Cash dividends declared on preferred stock                | —                            | —                  | —               | —                             | (367)                | —                 | —                           | (367)                            |
| Equity-based compensation expense                         | —                            | —                  | —               | 320                           | —                    | —                 | —                           | 320                              |
| Other, net  | —                            | —                  | —               | —                             | —                    | —                 | (102)                       | (102)                            |
| <b>Balance, December 31, 2021</b>                         | <b>1,327,818</b>             | <b>\$ 6,673</b>    | <b>\$ 6,639</b> | <b>\$ 34,565</b>              | <b>\$ 22,998</b>     | <b>\$ (1,604)</b> | <b>\$ —</b>                 | <b>\$ 69,271</b>                 |

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



**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**TRUIST FINANCIAL CORPORATION AND SUBSIDIARIES**

Year Ended December 31,  
(Dollars in millions)

|  | 2021             | 2020             | 2019             |
|--|------------------|------------------|------------------|
| <b>Cash Flows From Operating Activities:</b>   |                  |                  |                  |
| Net income   | \$ 6,437         | \$ 4,492         | \$ 3,237         |
| Adjustments to reconcile net income to net cash from operating activities:               |                  |                  |                  |
| Provision for credit losses  | (813)            | 2,335            | 615              |
| Depreciation   | 810              | 923              | 466              |
| Amortization of intangibles  | 574              | 685              | 164              |
| Securities (gains) losses  | —                | (402)            | 116              |
| Net change in operating assets and liabilities:  |                  |                  |                  |
| LHFS   | 1,411            | 718              | (1,895)          |
| Loan servicing rights  | (206)            | 607              | 97               |
| Pension asset  | (1,580)          | (779)            | (1,815)          |
| Derivative assets and liabilities  | 1,296            | (2,690)          | (312)            |
| Trading assets   | (551)            | 1,861            | 368              |
| Other assets and other liabilities   | 285              | 186              | 379              |
| Other, net   | 229              | (499)            | 100              |
| Net cash from operating activities   | <u>7,892</u>     | <u>7,437</u>     | <u>1,520</u>     |
| <b>Cash Flows From Investing Activities:</b>   |                  |                  |                  |
| Proceeds from sales of AFS securities  | 148              | 5,276            | 36,780           |
| Proceeds from maturities, calls and paydowns of AFS securities                           | 33,968           | 24,627           | 4,797            |
| Purchases of AFS securities  | (70,775)         | (72,808)         | (42,646)         |
| Proceeds from maturities, calls and paydowns of HTM securities                           | —                | —                | 2,499            |
| Originations and purchases of loans and leases, net of sales and principal collected     | 9,787            | 2,613            | 656              |
| Net cash received (paid) for FHLB stock  | 116              | 600              | 147              |
| Net cash received (paid) for securities borrowed or purchased under agreements to resell | (2,283)          | (328)            | (83)             |
| Net cash paid for premises and equipment   | (442)            | (815)            | (224)            |
| Net cash received (paid) for mergers, acquisitions and divestitures                      | (1,638)          | (2,439)          | 6,256            |
| Net cash for (premiums) proceeds on bank-owned life insurance                            | (606)            | 83               | 58               |
| Other, net   | (331)            | (461)            | 108              |
| Net cash from investing activities   | <u>(32,056)</u>  | <u>(43,652)</u>  | <u>8,348</u>     |
| <b>Cash Flows From Financing Activities:</b>   |                  |                  |                  |
| Net change in deposits   | 35,423           | 48,599           | 2,917            |
| Net change in short-term borrowings  | (800)            | (12,124)         | 6,293            |
| Proceeds from issuance of long-term debt   | 4,728            | 26,644           | 7,084            |
| Repayment of long-term debt  | (7,959)          | (28,278)         | (9,265)          |
| Repurchase of common stock   | (1,616)          | —                | —                |
| Net proceeds from preferred stock issued   | —                | 3,449            | 1,683            |
| Redemption of preferred stock  | (1,415)          | (500)            | (1,725)          |
| Cash dividends paid on common stock  | (2,485)          | (2,424)          | (1,309)          |
| Cash dividends paid on preferred stock   | (367)            | (301)            | (150)            |
| Net cash received (paid) for hedge unwinds   | —                | 1,101            | (130)            |
| Other, net   | 82               | (148)            | (45)             |
| Net cash from financing activities   | <u>25,591</u>    | <u>36,018</u>    | <u>5,353</u>     |
| <b>Net Change in Cash and Cash Equivalents</b>   | <u>1,427</u>     | <u>(197)</u>     | <u>15,221</u>    |
| <b>Cash and Cash Equivalents, January 1</b>  | <u>18,868</u>    | <u>19,065</u>    | <u>3,844</u>     |
| <b>Cash and Cash Equivalents, December 31</b>  | <u>\$ 20,295</u> | <u>\$ 18,868</u> | <u>\$ 19,065</u> |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                                 |                  |                  |                  |
| Net cash paid (received) during the period for:  |                  |                  |                  |
| Interest expense   | \$ 859           | \$ 1,834         | \$ 1,921         |
| Income taxes   | 792              | 126              | 443              |
| Noncash investing activities:  |                  |                  |                  |
| Transfer of loans HFI to LHFS  | 925              | 2,562            | 7,434            |
| Purchases (sales) of securities not yet settled  | 2,275            | —                | (1,442)          |
| Stock issued in business combinations  | —                | —                | 33,546           |
| Transfer of HTM securities to AFS  | —                | —                | 18,022           |

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

## **NOTE 1. Basis of Presentation**

Truist Financial Corporation is a purpose-driven financial services company committed to inspiring and building better lives and communities. Formed by the historic merger of equals of BB&T and SunTrust, Truist has leading market share in many high-growth markets in the country. The Company offers a wide range of services including retail, small business and commercial banking; asset management; capital markets; commercial real estate; corporate and institutional banking; insurance; mortgage; payments; specialized lending; and wealth management. Headquartered in Charlotte, North Carolina, Truist is a top 10 U.S. commercial bank. The Company operates and measures business activity across three business segments: Consumer Banking and Wealth, Corporate and Commercial Banking, and Insurance Holdings. For additional information on the Company's business segments, see "Note 21. Operating Segments."

### ***General***

See the Glossary of Defined Terms at the beginning of this Report for terms used herein. The accounting and reporting policies are in accordance with GAAP. Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by regulatory authorities. The following is a summary of significant accounting policies.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Truist Financial Corporation and those subsidiaries that are wholly or majority owned by Truist or over which Truist has a controlling financial interest. Intercompany accounts and transactions are eliminated in consolidation. The results of operations of companies and net assets acquired are included from the date of acquisition. Results of operations associated with entities or net assets sold are included through the date of disposition.

Truist holds investments in certain legal entities that are considered VIEs. VIEs are legal entities in which equity investors do not have sufficient equity at risk for the entity to independently finance its activities, or as a group, the holders of the equity investment at risk lack the power through voting or similar rights to direct the activities of the entity that most significantly impact its economic performance, or do not have the obligation to absorb the expected losses of the entity or the right to receive expected residual returns of the entity. Consolidation of a VIE is required if a reporting entity is the primary beneficiary of the VIE.

Investments in VIEs are evaluated to determine if Truist is the primary beneficiary. This evaluation gives appropriate consideration to the design of the entity and the variability that the entity was designed to create and pass along, the relative power of each party, and to Truist's obligation to absorb losses or receive residual returns of the entity. Truist has variable interests in certain entities that are not required to be consolidated, including affordable housing and other partnership interests. Refer to "Note 16. Commitments and Contingencies" for additional disclosures regarding Truist's VIEs.

Investments in entities for which the Company has the ability to exercise significant influence, but not control, over operating and financing decisions are accounted for using the equity method of accounting. These investments are included in Other assets in the Consolidated Balance Sheets at cost, adjusted to reflect the Company's portion of income, loss, or dividends of the investee. Truist records its portion of income or loss in Other noninterest income in the Consolidated Statements of Income. These investments are periodically evaluated for impairment.

The Company reports any noncontrolling interests in its subsidiaries in the equity section of the Consolidated Balance Sheets and separately presents the income or loss attributable to the noncontrolling interest of a consolidated subsidiary in its Consolidated Statements of Income.

### ***Reclassifications***

In the fourth quarter of 2021, the Company reclassified the lease financing portfolio to the commercial and industrial portfolio. Additionally the Company reclassified certain structured real estate activity from commercial mortgage income to investment banking and trading income and certain LIHTC activity from commercial mortgage income to other income. Prior periods were reclassified to conform to the current presentation. Certain other amounts reported in prior periods' consolidated financial statements have been reclassified to conform to the current presentation.

### ***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include the determination of the ACL; determination of fair value for securities, MSRs, LHFS, trading loans, and derivative assets and liabilities; goodwill and other intangible assets; income taxes; and pension and postretirement benefit obligations.

### ***Business Combinations***

Truist accounts for business combinations using the acquisition method. The accounts of an acquired entity are included as of the date of acquisition, and any excess of purchase price over the fair value of the net assets acquired is capitalized as goodwill.

### ***Cash and Cash Equivalents***

Cash and cash equivalents includes cash and due from banks and interest-bearing deposits with banks that have original maturities of three months or less. Accordingly, the carrying amount of such instruments is considered a reasonable estimate of fair value. Restricted cash was immaterial at December 31, 2021 and 2020.

### ***Securities Financing Activities***

Securities borrowed or purchased under agreements to resell are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were borrowed or purchased. On the acquisition date of these securities, the Company and related counterparty agree on the amount of collateral required to secure the principal amount loaned under these agreements. The Company monitors collateral values daily and calls for additional collateral to be provided as warranted under the respective agreements.

Short-term borrowings includes securities sold under agreements to repurchase, which are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were sold within Short-term borrowings. The Company monitors collateral values daily and pledges collateral as warranted under the respective agreements.

### ***Trading Activities***

Various trading assets and liabilities are used to accommodate the investment and risk management activities of the Company's clients. Product offerings to clients include debt securities, loans traded in the secondary market, equity securities, derivative contracts, and other similar financial instruments. The Company elects to apply fair value accounting to trading loans. Trading loans include: (i) loans held in connection with the Company's trading business primarily consisting of commercial and corporate leveraged loans; (ii) certain SBA loans guaranteed by the U.S. government; and (iii) loans made or acquired in connection with the Company's TRS business. Other trading-related activities include acting as a market maker for certain debt and equity security transactions, derivative instrument transactions, and foreign exchange transactions. Trading assets and liabilities are measured at fair value with changes in fair value recognized within Noninterest income in the Company's Consolidated Statements of Income. Interest income on trading account securities is included in Interest on other earning assets. For additional information on the Company's trading activities, see "Note 16. Commitments and Contingencies" and "Note 18. Fair Value Disclosures."

### ***Investment Securities***

The Company invests in various debt securities primarily for liquidity management purposes and as part of the overall ALM process to optimize income and market performance. Investments in debt securities that are not held for trading purposes are classified as HTM or AFS.

Interest income on securities is recognized in income on an accrual basis. Premiums and discounts are amortized into interest income using the effective interest method over the contractual life of the security. As prepayments are received, a proportionate amount of the related premium or discount is recognized in income so that the effective interest rate on the remaining portion of the security continues unchanged.

Debt securities are classified as HTM when Truist has both the intent and ability to hold the securities to maturity. HTM securities are reported at amortized cost. AFS securities are reported at estimated fair value, with unrealized gains and losses reported in AOCI, net of deferred income taxes, in the Shareholders' equity section of the Consolidated Balance Sheets. Gains or losses realized from the sale of AFS securities are determined by specific identification and are included in noninterest income.

An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. AFS debt securities in an unrealized loss position are evaluated at the balance sheet date to determine whether such losses are credit-related. Credit losses are measured on an individual basis and recognized in an ACL. Changes in expected credit losses are recognized in the Provision for credit losses in the Consolidated Statements of Income. Municipal securities are evaluated for impairment using a municipal bond credit scoring tool that leverages historical municipal market data to estimate probability of default and loss given default at the issuer level. U.S. Treasury securities, government guaranteed securities, and other securities issued by GSEs are either explicitly or implicitly guaranteed by the US government, are highly rated by rating agencies and have a long history of no credit losses. Non-agency MBS in the portfolio reflect recent issuances that are highly rated, include excess collateral and are collateralized by loans to borrowers with high credit scores and low loan to value ratios. Truist utilizes cash flow modeling for the evaluation of potential credit impairment on non-agency securities in an unrealized loss position. Cash flow modeling incorporates a variety of factors that impact the long term expectation of collateral performance. Impairment is attributable to factors other than credit when there continues to be an expectation of the collection of all contractual principal and interest. There was no ACL on the Company's AFS debt securities at December 31, 2021. At December 31, 2021, HTM debt securities consists of government guaranteed securities for which no loss is expected.

Prior to the adoption of CECL on January 1, 2020, investment securities in an unrealized loss position were evaluated quarterly for OTTI. Truist considered such factors as the length of time and the extent to which the fair value was below amortized cost, long term expectations and recent experience regarding principal and interest payments, Truist's intent to sell and whether it was more-likely-than-not that the Company would be required to sell those securities before the anticipated recovery of the amortized cost basis. The credit component of an OTTI loss was recognized in earnings and the non-credit component was recognized in AOCI, net of tax, in situations where Truist did not intend to sell the security and it was more-likely-than-not that Truist would have been required to sell the security prior to recovery. Subsequent to recognition of OTTI, an increase in expected cash flows was recognized as a yield adjustment over the remaining expected life of the security based on an evaluation of the nature of the increase.

### **Equity Securities**

Equity securities that are not classified as trading assets or liabilities are recorded in Other assets on the Company's Consolidated Balance Sheets. Equity securities with readily determinable fair values are considered marketable and measured at fair value, with changes in the fair value recognized as a component of Other noninterest income in the Company's Consolidated Statements of Income. Marketable equity securities include mutual fund investments and other publicly traded equity securities. Dividends received from marketable equity securities and FHLB stock are recognized within Interest income in the Consolidated Statements of Income. Equity securities that are not accounted for under the equity method and that do not have readily determinable fair values are considered non-marketable and are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. Any adjustments to the carrying value of these non-marketable equity securities are recognized in Other noninterest income in the Company's Consolidated Statements of Income. Non-marketable equity securities include FHLB stock and other equity investments. For additional information on the Company's equity securities, see "Note 18. Fair Value Disclosures."

### **LHFS**

LHFS includes primarily residential mortgage and commercial mortgage loans that management intends to sell in the secondary market and other loans that management has an active plan to sell. LHFS also includes specifically identified loans where management has committed to a formal plan of sale and the loans are available for immediate sale.

The Company elects to apply fair value accounting to residential and commercial mortgage loans that are originated with the intent to be sold in the secondary market. Direct loan origination fees associated with these loans are recorded as Residential mortgage and Commercial mortgage income. The majority of direct origination costs are recorded in Personnel expense. The fair value of these loans is derived from observable current market prices when available and includes loan servicing value. When observable market prices are not available, the Company uses judgment and estimates fair value using internal models that reflect assumptions consistent with those that would be used by a market participant in estimating fair value.

First lien residential mortgage LHFS are transferred in conjunction with GNMA and GSE securitization transactions, whereby the loans are exchanged for cash or securities that are readily redeemable for cash with servicing rights retained. Net gains/losses on the sale of residential mortgage LHFS are recorded at inception of the associated interest rate lock commitments and reflect the change in value of the loans resulting from changes in interest rates from the time the Company enters into interest rate lock commitments with borrowers until the loans are sold, adjusted for pull through rates and excluding hedge transactions initiated to mitigate this market risk. Commercial mortgage LHFS are sold to FNMA and FHLMC and the Company also issues and sells GNMA commercial MBS backed by FHA insured loans. The loans and securities are exchanged for cash with servicing rights retained. Gains and losses on sales of residential, commercial mortgage, and other consumer loans are included in Residential mortgage income, Commercial mortgage income, and Other income, respectively.

Other consumer loans are typically sold to unrelated third parties shortly after origination and are immaterial as of December 31, 2021.

Specifically identified LHFS, where management has committed to a formal plan of sale and the loans are available for immediate sale, are generally recorded at LOCOM. Origination fees and costs for such loans are capitalized in the basis of the loan and are included in the calculation of realized gains and losses upon sale. Adjustments to reflect unrealized losses resulting from changes in fair value and realized gains and losses upon ultimate sale of the loans are classified as Noninterest income in the Consolidated Statements of Income. The fair value of these loans is estimated using observable market prices when available, but may also incorporate consideration of other unobservable inputs such as indicative bids, broker price opinions or other information derived from internal or external data sources.

In certain circumstances, the Company may transfer certain loans from HFI to LHFS. At the time of transfer, any credit losses are subject to charge-off in accordance with the Company's policy and are recorded as a reduction in the ALLL. Any additional losses, including those related to interest rate or liquidity-related valuation adjustments are recorded as a component of Noninterest income in the Consolidated Statements of Income. For additional information on the Company's LHFS, see "Note 18. Fair Value Disclosures."

### ***Loans and Leases***

The Company's accounting methods for loans differ depending on whether the loans are originated or purchased, and if purchased, whether or not the loans reflect credit deterioration since the date of origination such that at the date of acquisition there is more than an insignificant deterioration in credit.

Unearned income, discounts, and net deferred loan fees and costs includes direct costs associated with loan origination as well as premiums and discounts from origination or purchase, which are deferred and amortized over the respective loan terms.

### **Originated Loans and Leases**

Loans and leases that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances net of any unearned income, charge-offs, and unamortized fees and costs. Interest and fees on loans and leases includes certain loan fees and deferred direct costs associated with the lending process recognized over the contractual lives of the loans using the effective interest for amortizing loans or straight-line method for loans with interest-only repayment terms or revolving privileges.

### **Purchased Loans**

Purchased loans are recorded at their fair value at the acquisition date. Purchased loans are evaluated upon acquisition and classified as either PCD, which indicates that the loan reflects more-than-insignificant deterioration in credit quality since origination, or non-PCD. Truist considers a variety of factors in connection with the identification of more-than-insignificant deterioration in credit quality, including but not limited to risk grades, delinquency, nonperforming status, previous troubled debt restructurings, bankruptcies, and other qualitative factors that indicate deterioration in credit quality since origination.

Fair values for purchased loans in a business combination are based on a discounted cash flow methodology that considers credit loss expectations, market interest, rates, and other market factors such as liquidity from the perspective of a market participant. Loans are grouped together according to similar characteristics and treated in the aggregate when applying various valuation techniques. The probability of default, loss given default and prepayment assumptions are the key factors driving credit losses which are embedded into the estimated cash flows. These assumptions are informed by comparable internal data on loan characteristics, historical loss experience, and current and forecasted economic conditions. The interest and liquidity component of the estimate are determined by discounting interest and principal cash flows through the expected life of the underlying loans. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity. The discount rates do not include a factor for credit losses as that has been included as a reduction to the estimated cash flows.

For PCD loans, the initial estimate of expected credit losses is determined using the same methodology as other loans held for investment and recognized as an adjustment to the acquisition price of the asset; thus, the sum of the loans' purchase price and initial ALLL estimate represents the initial amortized cost basis. The difference between the initial amortized cost basis and the par value is the non-credit discount or premium. For non-PCD loans, the difference between the fair value and the par value is considered the fair value mark. The initial ALLL for non-PCD loans is recorded with a corresponding charge to the Provision for credit losses in the Consolidated Statements of Income. Subsequent changes in the ALLL related to PCD and non-PCD loans are recognized in the Provision for credit losses.

The non-credit discount or premium related to PCD loans and the fair value mark on non-PCD loans are amortized or accreted to Interest and fees on loans and leases over the contractual life of the loans using the effective interest method for amortizing loans, and using a straight-line approach for loans with interest-only repayment terms or revolving privileges. In the event of prepayment, unamortized discounts or premiums are recognized in Interest and fees on loans and leases.

### **TDRs**

Modifications to a borrower's debt agreement are considered TDRs if a concession is granted for economic or legal reasons related to a borrower's financial difficulties that otherwise would not be considered. TDRs are undertaken to improve the likelihood of recovery on the loan and may take the form of modifications that result in the stated interest rate of the loan being lower than the current market rate for new debt with similar risk, other modifications to the structure of the loan that fall outside of normal underwriting policies and procedures, or in certain limited circumstances, forgiveness of principal or interest. A restructuring that results in only a delay in payments that is insignificant is not considered an economic concession. For loan modification programs in response to the COVID-19 pandemic, Truist applied the relief from TDR accounting described in the CARES Act. Payment relief assistance provided by Truist includes forbearance, deferrals, extension, and re-aging programs, along with certain other modification strategies.

TDRs can be classified as performing or nonperforming, depending on the individual facts and circumstances of the borrower and an evaluation as to whether the borrower will be able to repay the loan based on the modified terms. In circumstances where the TDR involves charging off a portion of the loan balance, Truist classifies these TDRs as nonperforming.

The decision to maintain a commercial TDR on performing status is based on a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment under the modified terms. This evaluation includes consideration of the borrower's current capacity to pay, which among other things may include a review of the borrower's current financial statements, an analysis of cash flow available to pay debt obligations, and an evaluation of secondary sources of payment from the borrower and any guarantors. This evaluation also includes an evaluation of the borrower's current willingness to pay, which may include a review of past payment history, an evaluation of the borrower's willingness to provide information on a timely basis, and consideration of offers from the borrower to provide additional collateral or guarantor support. The credit evaluation may also include review of cash flow projections, consideration of the adequacy of collateral to cover all principal and interest and trends indicating improving profitability and collectability of receivables.

The evaluation of mortgage and other consumer loans includes an evaluation of the client's debt-to-income ratio, credit report, property value and certain other client-specific factors that impact the clients' ability to make timely principal and interest payments on the loan.

### **NPAs**

NPAs include NPLs and foreclosed property. Foreclosed property consists of real estate and other assets acquired as a result of clients' loan defaults. Truist's policies for placing loans on nonperforming status conform to guidelines prescribed by bank regulatory authorities. Truist classifies loans and leases as past due when the payment of principal and interest based upon contractual terms is greater than 30 days delinquent or if one payment is past due. Payment deferrals granted as a result of the COVID-19 pandemic do not result in a loan becoming past due. The following table summarizes the delinquency thresholds that are a factor used in evaluating nonperforming classification and the timing of charge-off evaluations:

| (number of days)                       | Placed on Nonperforming (1) (2) | Evaluated for Charge-off (2) |
|--|---------------------------------|------------------------------|
| <b>Commercial:</b>                     |                                 |                              |
| Commercial and industrial              | 90 (3)                          | 90 (3)                       |
| CRE                                    | 90 (3)                          | 90 (3)                       |
| Commercial construction                | 90 (3)                          | 90 (3)                       |
| <b>Consumer:</b>                       |                                 |                              |
| Residential mortgage (4)               | 90 to 180                       | 90 to 180                    |
| Residential home equity and direct (4) | 90 to 120                       | 90 to 180                    |
| Indirect auto (4)                      | 90                              | 120                          |
| Indirect other (4)                     | 90 to 120                       | 90 to 120                    |
| Student (5) (6)                        | NA                              | 120 to 180                   |
| Credit card (7)                        | NA                              | 90 to 180                    |

- (1) Loans may be returned to performing status when (i) the borrower has resumed paying the full amount of the scheduled contractual interest and principal payments, (ii) management concludes that all principal and interest amounts contractually due (including arrearages) are reasonably assured of repayment, and (iii) there is a sustained period of repayment performance, generally a minimum of six months.
- (2) The timing of nonaccrual and charge-off evaluations are accelerated in circumstances where the borrower has filed for bankruptcy.
- (3) Or when it is probable that principal or interest is not fully collectible, whichever occurs first.

- (4) Depends on product type, loss mitigation status, status of the government guaranty, if applicable, and certain other product-specific factors.
- (5) Student loans are not placed in nonperforming status, which reflects consideration of governmental guarantees or accelerated charge-off policies related to certain non-guaranteed portfolios.
- (6) Government guaranteed loans are considered to be in default once they reach 270 days past due and claims are generally filed once the loans reaches 365 days past due. The non-guaranteed balance, which ranges from 2-3%, is charged off once the claim proceeds related to the guaranteed portion have been received, which typically occurs no later than 365 days past due.
- (7) Credit cards are generally not placed on nonperforming status, but are fully charged off at specified delinquency dates consistent with regulatory guidelines.

When commercial loans are placed on nonperforming status, management evaluates whether a charge-off must be recorded. For collateral-dependent loans, this evaluation is based on a comparison of the loan's carrying value to the value of the related collateral, while for non-collateral dependent loans, this evaluation reflects management's conclusions with regard to whether any portion of the loan is considered uncollectible. Consumer and credit card loans are subject to charge-off at a specified delinquency date consistent with regulatory guidelines.

Certain past due loans may remain on performing status if management determines that it does not have concern over the collectability of principal and interest. Generally, when loans are placed on nonperforming status, accrued interest receivable is reversed against interest income in the current period and amortization of deferred loan fees and expenses for originated loans, and fair value marks for purchased loans, is suspended. For commercial loans and certain consumer loans, payments received for interest and lending fees thereafter are applied as a reduction to the remaining principal balance as long as concern exists as to the ultimate collection of the principal. Interest income on nonperforming loans is recognized after the principal has been reduced to zero. If and when borrowers demonstrate the ability to repay a loan classified as nonperforming in accordance with its contractual terms, the loan may be returned to performing status upon meeting all regulatory, accounting and internal policy requirements.

Accrued interest is included in Other assets in the Consolidated Balance Sheets. Accrued interest receivable balances are not considered in connection with the ACL estimation process, as such amounts are generally reversed against interest income when the loan is placed in nonperforming status.

Assets acquired as a result of foreclosure are initially recorded at fair value less estimated cost to sell and subsequently carried at Locom. Net realizable value equals fair value less estimated selling costs. Any excess of cost over net realizable value at the time of foreclosure is charged to the ALLL. NPAs are subject to periodic revaluations of the collateral underlying impaired loans and foreclosed real estate. The periodic revaluations are generally based on the appraised value of the property and may include additional liquidity adjustments based upon the expected retention period. Truist's policies require that valuations be updated at least annually and that upon foreclosure, the valuation must not be more than six months old, otherwise an update is required. Any subsequent changes in value as well as gains or losses from the disposition of these assets are recognized in Other noninterest expense in the Consolidated Statements of Income. For additional information on the Company's loan and lease activities, see "Note 5. Loans and ACL."

## **ACL**

The ACL includes the ALLL and RUFCL. The ACL represents management's best estimate of expected future credit losses related to loan and lease portfolios and off-balance sheet lending commitments at the balance sheet date. The ALLL is a valuation account that is deducted from or added to the loans' amortized cost basis to present the net amount expected to be collected on loans. The entire amount of the ACL is available to absorb losses on any loan category or lending-related commitment. Loan or lease balances deemed to be uncollectible are charged off against the ALLL. Expected recoveries of amounts previously charged off are incorporated into the ALLL estimate, with such amounts capped at the aggregate of amounts previously charged off. Changes to the ACL are made by charges to the Provision for credit losses, which is reflected in the Consolidated Statements of Income. The RUFCL is recorded in Other liabilities on the Consolidated Balance Sheets.

Portfolio segments represent the level at which Truist develops and documents a systematic methodology to determine its ACL. Truist's loan and lease portfolio consists of three portfolio segments: commercial, consumer, and credit card. The expected credit loss models are generally developed one level below the portfolio segment level. In certain instances, loans and leases are further disaggregated by similar risk characteristics, such as business sector, client type, funding type, type of collateral, whether loan payments are interest-only, and whether interest rates are fixed or variable. Larger loans and leases that do not share similar risk characteristics or that are considered collateral-dependent are individually evaluated. For these loans, the ALLL is determined through review of data specific to the borrower and related collateral, if any. Such estimates may be based on current loss forecasts, an evaluation of the fair value of the underlying collateral or in certain circumstances the present value of expected cash flows discounted at the loan's effective interest as described further below. The commercial portfolio segment models use a risk rating approach to estimate the ALLL. Truist may also consider specific environmental, social, and governance considerations in the risk rating methodology for commercial loans. The consumer and credit card models use a delinquency-based approach to estimate the ALLL. In addition to these quantitatively calculated components, the ALLL includes qualitatively calculated components.

Truist maintains a collectively calculated ALLL for loans with similar risk characteristics. The collectively calculated ALLL is estimated using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Truist maintains quantitative models to forecast expected credit losses. The credit loss forecasting models use portfolio balances, macroeconomic forecast data, portfolio composition and loan attributes as the primary inputs. Loss estimates are informed by historical loss experience adjusted for macroeconomic forecast data and current and expected portfolio risk characteristics. Expected losses are estimated through contractual maturity unless the borrower has a right to renew that is not cancellable or it is reasonably expected that the loan will be modified as a TDR.

The Scenario Committee provides guidance, selection, and approval for enterprise-sanctioned macroeconomic forecast data, including the macroeconomic forecast data for use in the ACL process. Forecasted economic conditions are developed using third party macroeconomic forecast data across scenarios adjusted based on management's expectations over a reasonable and supportable forecast period of two years. Assumptions revert to long term historic averages gradually over a one year period. Macroeconomic forecast data used in estimating the expected losses vary by loan portfolio and include employment factors, estimated collateral values, and market indicators as described by portfolio segment below.

A qualitative allowance which incorporates management's judgement is also included in the estimation of expected future loan and lease losses, including qualitative adjustments in circumstances where the model output is inconsistent with management's expectations with respect to expected credit losses. This allowance is used to adjust for limitations in modeled results related to the current economic conditions, and considerations with respect to the impact of current and expected events or risks, the outcomes of which are uncertain and may not be completely considered by quantitative models.

The methodology for determining the RUFC is inherently similar to that used to determine the funded component of the ALLL and is measured over the period there is a contractual obligation to extend credit that is not unconditionally cancellable. The RUFC is adjusted for factors specific to binding commitments, including the probability of funding and exposure at default.

The ACL is monitored by the ACL Committee. The ACL Committee approves the ACL estimate and may recommend adjustments where necessary based on portfolio performance and other items that may impact credit risk.

On January 1, 2020, Truist adopted the CECL accounting standard, which changed the manner in which it accounts for the allowance for credit losses. Prior to the adoption of CECL, the ACL represented management's estimate of probable credit losses incurred in the loan and lease portfolios and off-balance sheet lending commitments at the balance sheet date. The estimation of the ACL prior to the adoption did not consider reasonable and supportable forecasts that could have affected the collectability of the reported amounts.

The following provides a description of accounting policies, methodologies, and credit quality indicators related to each of the portfolio segments:



## **Commercial**

The majority of loans in the commercial lending portfolio are assigned risk ratings based on an assessment of conditions that affect the borrower's ability to meet contractual obligations under the loan agreement. This process includes reviewing borrowers' financial information, historical payment experience, credit documentation, public information, and other information specific to each borrower. Risk ratings are reviewed on an annual basis, or more frequently for many relationships based on the policy requirements regarding various risk characteristics. While this review is largely focused on the borrower's ability to repay the loan, Truist also considers the capacity and willingness of a loan's guarantors to support the loan as a secondary source of repayment. When a guarantor exhibits the documented capacity and willingness to support the loan, Truist may consider extending the loan maturity and/or temporarily deferring principal payments if the ultimate collection of both principal and interest is reasonably assured. In these cases, Truist may determine the loan is not impaired due to the documented capacity and willingness of the guarantor to repay the loan. Loans are considered impaired when the borrower (or guarantor in certain circumstances) does not have the cash flow capacity or willingness to service the debt according to contractual terms, or it does not appear reasonable to assume that the borrower will continue to pay according to the contractual agreement. The following table summarizes risk ratings that Truist uses to monitor credit quality in its commercial portfolio:

| <b>Risk Rating</b> | <b>Description</b>   |
|--------------------|--|
| Pass               | Loans not considered to be problem credits   |
| Special Mention    | Loans that have a potential weakness deserving management's close attention  |
| Substandard        | Loans for which a well-defined weakness has been identified that may put full collection of contractual cash flows at risk |
| Nonperforming      | Loans for which full collection of principal and interest is not considered probable                                       |

Loans are generally pooled one level below the portfolio segment for the collectively calculated ALLL based on factors such as business sector, project and property type, line of business, collateral, loan type, obligor exposure, and risk grade or score. Commercial loss forecasting models are expected loss frameworks that use macroeconomic forecast data across scenarios and current portfolio attributes as inputs. The models forecast probability of default, exposure at default and loss given default by correlating certain macroeconomic forecast data to historical experience. The primary macroeconomic drivers for the commercial portfolios include unemployment trends, U.S. real GDP, corporate credit spreads, rental rates, and property values.

Truist's policy is to review and individually evaluate the reserve for all nonperforming lending relationships and TDRs with an outstanding balance of \$5 million or more, as such lending relationships do not typically share similar risk characteristics with others. Individually evaluated reserves are based on current forecasts, the present value of expected cash flows discounted at the loan's effective interest rate, or the value of collateral, which is generally based on appraisals, recent sales of foreclosed properties and/or relevant property-specific market information. Truist has elected to measure expected credit losses on collateral-dependent loans based on the fair value of the collateral. Loans are considered collateral dependent when it is probable that Truist will be unable to collect principal and interest according to the contractual terms of the agreement and repayment is expected to be provided substantially by the sale or continued operation of the underlying collateral. Commercial loans are typically secured by real estate, business equipment, inventories, and other types of collateral.

## **Consumer and Credit Card**

The majority of the ALLL related to the consumer and credit card lending portfolios is calculated on a collective basis. Loans are pooled one level below the portfolio segment for the collectively calculated ALLL based on factors such as collateral, loan type, line of business, and sales channel. Consumer portfolio models are expected loss frameworks that use macroeconomic forecast data across scenarios and current portfolio attributes as inputs. The models forecast probability of default, exposure at default and loss given default by correlating certain macroeconomic forecast data to historical experience. The primary macroeconomic drivers for the consumer portfolios include unemployment trends, the primary 30-year mortgage rate, home price indices, and used car prices.

Residential mortgages and revolving home equity lines of credit are generally collateralized by one-to-four-family residential real estate, typically have loan-to-collateral value ratios of 80% or less at origination, and are made to borrowers in good credit standing. The indirect auto and indirect other portfolios include secured indirect installment loans to consumers for the purchase of new and used automobiles, boats and recreational vehicles. The student loan portfolio is composed of government guaranteed student loans and certain private student loans. The government guarantee mitigates substantially all of the risk related to principal and interest repayment for this component of the portfolio. Private student loans were originated with a credit enhancement from a third-party which partially mitigates the Company's credit exposure. During 2020, the Company discontinued new origination of private student loans. The credit card portfolio and other arrangements within the indirect other and residential home equity and direct portfolios are generally unsecured and are actively managed.

Truist uses delinquency status to monitor credit quality in its consumer and credit card portfolios. Delinquency status is the primary factor considered in determining whether a loan should be classified as nonperforming.

The ALLL for loans classified as a TDR is based on analyses capturing the expected credit losses and the impact of the concession over the remaining life of the asset.

Expected recoveries for loans are included in the estimation of the ALLL based on historical experience.

### ***Premises and Equipment***

Premises, equipment, finance leases, and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed primarily using the straight-line method over the estimated useful lives of the related assets and is recorded within the corresponding Noninterest expense categories on the Consolidated Statements of Income. Leasehold improvements are amortized using the straight-line method over the shorter of the improvements' estimated useful lives or the lease term. An impairment loss on a long-lived asset or asset group, including premises and equipment and a ROU asset, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

### ***Lessee operating and finance leases***

Truist has operating and finance leases for data centers, corporate offices, branches, retail centers, and certain equipment. Operating leases with an original lease term in excess of one year are included in Other assets and Other liabilities in the Consolidated Balance Sheets. Finance leases are included in Premises and equipment and Long-term debt in the Consolidated Balance Sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Operating lease costs are recorded in Net occupancy expense or Equipment expense based on the underlying asset. Truist uses an implicit interest rate in determining the present value of lease payments when readily determinable, and a collateralized incremental borrowing rate when an implicit rate is not available. Lease terms consider options to extend or terminate based on the determination of whether such renewal or termination options are deemed reasonably certain.

Lease agreements that contain non-lease components are generally accounted for as a single lease component. Variable costs, such as maintenance expenses, property and sales taxes, association dues and index based rate increases, are expensed as they are incurred.

The impairment policy for a ROU asset is discussed within the Premises and Equipment section above.

### ***Bank-Owned Life Insurance***

Life insurance policies on certain current and former directors, officers and teammates, for which Truist is the owner and beneficiary are stated at the cash surrender value within Other assets in the Consolidated Balance Sheets. Changes in cash surrender value and proceeds from insurance benefits are recorded in Income from bank-owned life insurance in the Consolidated Statements of Income.

### ***Income Taxes***

The Company's provision for income taxes is based on income and expense reported for financial statement purposes after adjustments for permanent differences such as interest income from lending to tax-exempt entities, tax credits, and amortization expense related to qualified affordable housing investments. In computing the provision for income taxes, the Company evaluates the technical merits of its income tax positions based on current legislative, judicial, and regulatory guidance. The deferral method of accounting is used on investments that generate investment tax credits, such that the investment tax credits are recognized as a reduction to the related investment. Additionally, the Company recognizes all excess tax benefits and deficiencies on employee share-based payments as a component of the Provision for income taxes in the Consolidated Statements of Income. These tax effects, generally determined upon the exercise of stock options or vesting of restricted stock, are treated as discrete items in the period in which they occur. The provision for income taxes does not reflect the tax effects of unrealized gains and losses and other income and expenses recorded in AOCI. For additional information related to the Company's unrealized gains and losses, see "Note 13. AOCI."

DTAs and DTLs result from differences between the timing of the recognition of assets and liabilities for financial reporting purposes and for income tax purposes. These deferred assets and liabilities are measured using the enacted tax rates and laws that are expected to apply in the periods in which the DTAs or DTLs are expected to be realized. Subsequent changes in the tax laws require adjustment to these deferred 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 DTA, if based on the weight of available evidence, it is more likely than not that some portion or all of the DTA will not be realized.

Interest and penalties related to the Company's tax positions are recognized in the Provision for income taxes in the Consolidated Statements of Income. For additional information on the Company's activities related to income taxes, see "Note 14. Income Taxes."

## Derivative Financial Instruments

The Company records derivative contracts at fair value in Other assets and Other liabilities on the Consolidated Balance Sheets. Accounting for changes in the fair value of a derivative depends upon whether or not it has been designated in a formal, qualifying hedging relationship. Changes in the fair value of derivatives not designated in a hedging relationship are recognized within Noninterest income in the Consolidated Statements of Income. This includes derivatives that the Company enters into in a dealer capacity to facilitate client transactions and as a risk management tool to economically hedge certain identified risks associated with assets carried at fair value such as MSRs, along with certain interest rate lock commitments on residential mortgage and commercial loans that are a normal part of the Company's operations. The Company also evaluates contracts, such as brokered deposits and debt, to determine whether any embedded derivatives are required to be bifurcated and separately accounted for as freestanding derivatives.

Certain derivatives used as risk management tools are designated as accounting hedges and are used to mitigate the Company's exposure to changes in interest rates or other identified market risks. The Company prepares written hedge documentation for all derivatives which are designated as hedges of (i) changes in the fair value of a recognized asset or liability (fair value hedge) attributable to a specified risk or (ii) a forecasted transaction, such as the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). The written hedge documentation includes identification of, among other items, the risk management objective, hedging instrument, hedged item, and methodologies for assessing and measuring hedge effectiveness, along with support for management's assertion that the hedge will be highly effective. Methodologies related to hedge effectiveness include (i) statistical regression analysis of changes in the cash flows of the actual derivative and hypothetical derivatives, or (ii) statistical regression analysis of changes in the fair values of the actual derivative and the hedged item.

For designated hedging relationships, the Company generally performs subsequent assessments of hedge effectiveness using a qualitative approach.

Below is a summary of the cash flow and fair value hedge programs utilized by Truist:

|  | Cash Flow Hedges  | Fair Value Hedges  |
|--|---|--|
| Risk exposure  | Variability in cash flows of interest payments on floating rate loans, overnight funding, and various LIBOR and successor rate funding instruments.   | Changes in value on fixed rate long-term debt, FHLB advances, loans and AFS securities due to changes in interest rates.   |
| Risk management objective  | Hedge the variability in the interest payments and receipts on future cash flows for forecasted transactions related to the first unhedged payments and receipts of variable interest due to changes in the contractually specified interest rate.                | Convert the fixed rate paid or received to a floating rate, primarily through the use of swaps.  |
| Treatment during the hedge period  | Changes in value of the hedging instruments are recognized in AOCI until the related cash flows from the hedged item are recognized in earnings. The amount reclassified to earnings is recorded in the same line item as the earnings effect of the hedged item. | Changes in value of both the hedging instruments and the assets or liabilities being hedged are recognized in the income statement line item associated with the asset or liability being hedged.  |
| Treatment if hedge ceases to be highly effective or is terminated  | Hedge is dedesignated. Changes in value recorded in AOCI before dedesignation are amortized to yield over the period the forecasted hedged transactions impact earnings.  | If hedged item remains outstanding, the basis adjustment that resulted from hedging is amortized into earnings over the designated hedged period or the maturity date of the instrument, and cash flows from terminated hedges are reported in the same category as the cash flows from the hedged item. |
| Treatment if transaction is no longer probable of occurring during forecast period or within a short period thereafter | Hedge accounting ceases and any gain or loss in AOCI is recognized in earnings immediately.   | Not applicable   |

Derivatives expose the Company to risk that the counterparty to the derivative contract does not perform as expected. The Company manages its exposures to counterparty credit risk associated with derivatives by entering into transactions with counterparties with defined exposure limits based on their credit quality and in accordance with established policies and procedures. All counterparties are reviewed regularly as part of the Company's credit risk management practices and appropriate action is taken to adjust the exposure limits to certain counterparties as necessary. The Company's derivative transactions are generally governed by ISDA agreements or other legally enforceable industry standard master netting agreements. In certain cases and depending on the nature of the underlying derivative transactions, bilateral collateral agreements are also utilized.

The Company and its subsidiaries are subject to OTC derivative clearing requirements, which require certain derivatives to be cleared through central clearing houses. These clearing houses require the Company to post initial and variation margin to mitigate the risk of non-payment, the latter of which is received or paid daily based on the net asset or liability of the contracts. The Company applies settlement to market treatment for the cash collateralizing derivative contracts with certain centrally cleared counterparties. Derivative balances with these counterparties are considered settled by the collateral, and the implementation of the settlement to market treatment was applied based on the effective date of rulebook changes made by the applicable counterparties.

When the Company has more than one outstanding derivative transaction with a single counterparty, and there exists a legal right of setoff with that counterparty, the Company considers its exposure to the counterparty to be the net fair value of its derivative positions with that counterparty. If the net fair value is positive, then the corresponding asset value also reflects cash collateral held. The Company offsets derivative transactions with a single counterparty as well as any cash collateral paid to and received from that counterparty for derivative contracts that are subject to ISDA or other legally enforceable netting arrangements and meet accounting guidance for offsetting treatment.

For additional information on the Company's derivative activities, see "Note 18. Fair Value Disclosures" and "Note 19. Derivative Financial Instruments."

### ***Goodwill and Other Intangible Assets***

Goodwill represents the cost in excess of the fair value of net assets acquired (including identifiable intangibles) in transactions accounted for as business combinations. Truist allocates goodwill to the reporting unit(s) that are expected to benefit from the synergies of the business combination.

The goodwill of each reporting unit is reviewed for impairment on an annual basis as of October 1 or more often if events or circumstances indicate that it is more-likely-than-not that the fair value of a reporting unit is below its carrying value. If, after assessing all relevant events or circumstances, Truist concludes that it is more-likely-than-not that the fair value of a reporting unit is below its carrying value, then an impairment test is required. Truist may also elect to bypass the qualitative assessment and proceed directly to the impairment test. In the quantitative test, the fair value of a reporting unit is compared to the carrying value of the reporting unit. If the fair value of a reporting unit is greater than the carrying value, then there is no impairment. If the fair value is less than the carrying value, then an impairment loss is recorded for the amount that the carrying value exceeds the fair value, not to exceed the total amount of goodwill assigned to the reporting unit. The quantitative impairment test estimates the fair value of the reporting units using the income approach and market based approaches. The income approach utilizes a discounted cash flow analysis. The market approach utilizes comparable public company information, key valuation multiples and consideration of a market control premium associated with cost synergies and other cash flow benefits that arise from obtaining control over a reporting unit, and guideline transactions, when applicable.

The inputs and assumptions specific to each reporting unit are incorporated in the valuations, including projections of future cash flows, discount rates and applicable valuation multiples based on comparable public company information. Truist also assesses the reasonableness of the aggregate estimated fair value of the reporting units by comparison to its market capitalization over a reasonable period of time, including consideration of historic bank control premiums and the current market.

CDI and other intangible assets include premiums paid for acquisitions of core deposits and other identifiable intangible assets. Intangible assets other than goodwill, which are determined to have finite lives, are amortized over their useful lives, based upon the estimated economic benefits received. For additional information on the Company's activities related to goodwill and other intangibles, see "Note 7. Goodwill and Other Intangible Assets."

### ***Loan Servicing Rights***

Truist has three classes of servicing rights for which it separately manages the economic risks: residential MSRs, commercial MSRs, and other loan servicing rights. Loan servicing rights are accounted for primarily at fair value with changes in fair value recorded in Residential mortgage income, Commercial mortgage income, and Other income on the Consolidated Statements of Income. The fair value of servicing rights is impacted by a variety of factors, including prepayment assumptions, discount rates, delinquency rates, contractually-specified servicing fees, servicing costs, and underlying portfolio characteristics. These risks are hedged with various derivative instruments that are intended to mitigate the income statement effect to changes in fair value. The underlying assumptions and estimated values are corroborated by values received from independent third parties and comparisons to market transactions. For additional information on the Company's servicing rights, see "Note 8. Loan Servicing."

### ***Fair Value Measurement***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. The Company classifies inputs used in valuation techniques within the fair value hierarchy discussed in "Note 18. Fair Value Disclosures."

When measuring assets and liabilities at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. Assets and liabilities that are required to be measured at fair value on a recurring basis include trading securities, derivative instruments, AFS securities, and certain other equity securities. Assets and liabilities that the Company has elected to measure at fair value on a recurring basis include trading loans, loans originated to be sold and classified as LHFS, and loan servicing rights. Other assets and liabilities are measured at fair value on a non-recurring basis, such as when assets are evaluated for impairment, and subsequently carried at LOCOM. For additional information on the Company's valuation of assets and liabilities held at fair value, see "Note 18. Fair Value Disclosures."

### ***Equity-Based Compensation***

Truist maintains various equity-based compensation plans that provide for the granting of RSAs, RSUs, and PSUs to selected teammates and directors. Truist values share-based awards at the grant date fair value and recognizes the expense over the requisite service period taking into account retirement eligibility. Compensation expense is recognized in Personnel expense in the Consolidated Statements of Income. Forfeitures are recognized as they occur. For additional information on the Company's stock-based compensation plans, see "Note 15. Benefit Plans."

### ***Pension and Postretirement Benefit Obligations***

Truist offers various pension plans and postretirement benefit plans to teammates. Calculation of the obligations and related expenses under these plans requires the use of actuarial valuation methods and assumptions. The discount rate assumption used to measure the postretirement benefit obligations is set by reference to an AA Above Median corporate bond yield curve and the individual characteristics of the plans such as projected cash flow patterns and payment durations. The expected long-term rate of return on assets is based on the expected returns for each major asset class in which the plan invests, adjusted for the weight of each asset class in the target mix.

### ***Revenue Recognition***

In the ordinary course of business, the Company recognizes two primary types of revenue in its Consolidated Statements of Income, Interest income, and Noninterest income. The Company's principal source of revenue is Interest income from loans and securities, which is recognized on an accrual basis using the effective interest method. For information on the Company's policies for recognizing Interest income on loans and securities, see the "Loans and Leases," "LHFS," "Trading Activities," and "Investment Securities" sections within this Note.

Noninterest income includes revenue from various types of transactions and services provided to clients. The Company recognizes revenue from contracts with customers as performance obligations are satisfied. Performance obligations are typically satisfied in one year or less. Truist elected the practical expedient to expense the incremental costs of obtaining a contract when incurred when the amortization period is one year or less. As of December 31, 2021 and 2020, remaining performance obligations consisted primarily of insurance and investment banking services for contracts with an original expected length of one year or less.

### ***Insurance income***

Insurance commissions are received on the sale of insurance products as agent or broker, and revenue is recognized at a point in time upon the placement date of the insurance policies, representing the Company's related performance obligations. Payment is normally received within the policy period. In addition to placement, Truist also provides insurance policy related risk management services. The Company's execution of these risk management services represents its performance obligations. Revenue is recognized over time as these services are provided. Performance-based commissions are recognized when received or earlier when, upon consideration of past results and current conditions, the revenue is deemed not probable of reversal. Insurance commissions are included in the IH operating segment. Refer to "Note 21. Operating Segments" for information on segment results.

### **Transaction and service-based revenues**

Transaction and service-based revenues include Wealth management income, Investment banking income, Service charges on deposits, and Card and payment related fees. Revenue is recognized at a point in time when the transactions occur or over time as services are performed over primarily monthly or quarterly periods. Payment is typically received in the period the transactions occur or, in some cases, within 90 days of the service period. Fees may be fixed or, where applicable, based on a percentage of transaction size or managed assets. These revenues, and their relationship to the Company's operating segments, are further described by type below. Refer to "Note 21. Operating Segments" for information on segment results.

Wealth management income includes trust and investment management income, retail investment and brokerage services, and investment advisory and other specialty wealth management fees. The Company's execution of these services represents its related performance obligations. The Company generally recognizes trust and investment management and advisory revenue over time as services are rendered based on either a percentage of the market value of the assets under management or advisement, or fixed based on the services provided to the client. Fees are generally swept from the client's account either in advance of or in arrears based on the prior period's asset balances under management or advisement. The Company also offers selling and distribution services and earns commissions through the sale of annuity and mutual fund products, acting as agent in these transactions and recognizing revenue at a point in time when the client enters into an agreement with the product carrier. The Company may also receive trailing commissions and 12b-1 fees related to mutual fund and annuity products and recognizes this revenue in the period earned. Retail trade execution commissions are earned and recognized on the trade date with payment on the settlement date. Wealth management income is included in the CB&W operating segment.

Investment banking and trading income includes securities underwriting fees, advisory fees, loan syndication fees, structured real estate income, and trade execution services revenue. Underwriting fees are earned on the trade date when the Company, as a member of an underwriting syndicate, purchases the securities from the issuer and sells the securities to third party investors. Each member of the syndicate is responsible for selling its portion of the underwriting and is liable for the proportionate costs of the underwriting; therefore, the Company's portion of underwriting revenue and expense is presented gross within noninterest income and noninterest expense. The transaction price is based on a percentage of the total transaction amount and payments are settled shortly after the trade date. Fees for merger and acquisition advisory services, including various activities such as business valuation, identification of potential targets or acquirers, and the issuance of fairness opinions, are generally earned and recognized by the Company when performance obligations are satisfied. The Company's execution of the advisory services related to these fees represents its performance obligations. The Company is the principal when rendering these services. The transaction price is based on contractually specified terms agreed upon with the client for each advisory service. Loan syndication fees are typically recognized at the closing of a loan syndication transaction. Revenue related to corporate trade execution services is earned and recognized on the trade date with payment on the settlement date. Investment banking and trading income is included in the C&CB operating segment.

Service charges on deposits include account maintenance, cash and treasury management, wire transfers, ATM, overdraft and other deposit-related fees. The Company's execution of the services related to these fees represents its performance obligations. Each of these performance obligations are either satisfied over time or at a point in time as the services are provided to the client. The Company is the principal when rendering these services. Payments for services provided are either withdrawn from client accounts as services are rendered or in the billing period following the completion of the service. The transaction price for each of these fees is based on the Company's predetermined fee schedules. Service charges on deposits are recognized in the CB&W and C&CB operating segments.

Card and payment related fees include interchange fees from credit and debit cards, merchant acquirer revenue, and other card related services. Interchange fees are earned by the Company each time a request for payment is initiated by a client at a merchant for which the Company transfers the funds on behalf of the client. Interchange rates are set by the payment network and are based on purchase volumes and other factors. Interchange fees are received daily and recognized at a point in time when the card transaction is processed, which represents the Company's related performance obligation. The Company is considered an agent of the client and incurs costs with the payment network to facilitate the interchange with the merchant; therefore, the related payment network expense is recognized as a reduction of card fees. Truist also offers rewards and/or rebates to its client based on card usage. The costs associated with these programs are recognized as a reduction of card fees. Card and payment related fees are recognized in the CB&W and C&CB operating segments.

### **Earnings Per Share**

Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each period, plus common share equivalents calculated for stock options, warrants, and restricted stock outstanding using the treasury stock method. For additional information on the Company's EPS, see "Note 20. Computation of EPS."

### ***Related Party Transactions***

The Company periodically enters into transactions with certain of its executive officers, directors, affiliates, trusts, and/or other related parties in its ordinary course of business. The Company is required to disclose material related party transactions, other than certain compensation and other arrangements entered into in the normal course of business. For additional information on the Company's benefit plans and VIEs, see "Note 15. Benefit Plans" and "Note 16. Commitments and Contingencies."

### ***Subsequent Events***

The Company evaluated events that occurred between December 31, 2021 and the date the accompanying financial statements were issued, and there were no material events, other than those already discussed, that would require recognition in the Company's Consolidated Financial Statements or disclosure in the accompanying Notes.

### ***Changes in Accounting Principles and Effects of New Accounting Pronouncements***

There were no standards adopted during the current year that had a material effect on the Company's financial statements, and no standards not yet adopted by the Company that are expected to have a material effect on the Company's financial statements.

## **NOTE 2. Business Combinations**

### ***Mergers and Acquisitions***

On December 6, 2021, Truist acquired Service Finance, LLC for \$2.0 billion in cash consideration, which resulted in \$1.2 billion of goodwill and \$647 million of identifiable intangible assets primarily representing client relationship intangibles in the CB&W segment. Fair value estimates related to the acquired assets and liabilities are subject to adjustment during the one-year measurement period following the closing of the acquisition. The identifiable intangible assets are being amortized over a term of 15 years based upon the estimated economic benefits received. Goodwill of \$1.2 billion and identifiable intangible assets of \$647 million are deductible for tax purposes.

On July 1, 2021, Truist acquired Constellation Affiliated Partners, which resulted in approximately \$582 million of goodwill and \$394 million of identifiable intangible assets in the IH segment. Fair value estimates related to the acquired assets and liabilities are subject to adjustment during the one-year measurement period following the closing of the acquisition. The identifiable intangible assets are being amortized over a term of 15 years based upon the estimated economic benefits received. Goodwill of \$486 million and identifiable intangible assets of \$261 million are deductible for tax purposes.

During 2020, Truist acquired several insurance companies, which resulted in \$450 million of goodwill and \$346 million of identifiable intangible assets in the IH segment. The identifiable intangible assets are being amortized over a term of 15 years based upon the estimated economic benefits received. Goodwill of \$171 million and identifiable intangible assets of \$160 million are deductible for tax purposes.

Effective December 6, 2019, the Company completed its Merger with SunTrust for \$33.5 billion in stock consideration. The Merger was accounted for as a business combination. Results of operations are included from the effective date forward.

### ***Branch Divestitures***

In July 2020, Truist completed the divestiture of 30 branches to First Horizon Bank, a wholly owned subsidiary of First Horizon National Corporation, to satisfy regulatory requirements in connection with the Merger. The branches were located in North Carolina, Virginia, and Georgia. There were \$425 million in loans and leases and \$2.2 billion in deposits divested as part of this transaction.

### NOTE 3. Securities Financing Activities

Securities purchased under agreements to resell are primarily collateralized by U.S. government or agency securities and are carried at the amounts at which the securities will be subsequently sold, plus accrued interest. Securities borrowed are primarily collateralized by corporate securities. The Company borrows securities and purchases securities under agreements to resell as part of its securities financing activities. On the acquisition date of these securities, the Company and the related counterparty agree on the amount of collateral required to secure the principal amount loaned under these arrangements. The Company monitors collateral values daily and calls for additional collateral to be provided as warranted under the respective agreements. At December 31, 2021 and 2020, the total market value of collateral held was \$4.0 billion and \$1.7 billion, of which \$1.1 billion and \$27 million was repledged, respectively. The following table presents securities borrowed or purchased under agreements to resell:

| December 31,<br>(Dollars in millions)                                    | 2021            | 2020            |
|--|-----------------|-----------------|
| Securities purchased under agreements to resell                          | \$ 3,460        | \$ 1,158        |
| Securities borrowed  | 568             | 587             |
| <b>Total securities borrowed or purchased under agreements to resell</b> | <b>\$ 4,028</b> | <b>\$ 1,745</b> |

For securities sold under agreements to repurchase, the Company would be obligated to provide additional collateral in the event of a significant decline in fair value of the collateral pledged. This risk is managed by monitoring the liquidity and credit quality of the collateral, as well as the maturity profile of the transactions. Refer to "Note 16. Commitments and Contingencies" for additional information related to pledged securities. The following table presents the Company's related activity, by collateral type and remaining contractual maturity:

| December 31,<br>(Dollars in millions)                       | 2021                           |                  |                 | 2020                           |                  |                 |
|---|--------------------------------|------------------|-----------------|--------------------------------|------------------|-----------------|
|   | Overnight<br>and<br>Continuous | Up to 30<br>days | Total           | Overnight<br>and<br>Continuous | Up to 30<br>days | Total           |
| U.S. Treasury   | \$ 749                         | \$ 409           | \$ 1,158        | \$ 305                         | \$ 31            | \$ 336          |
| GSE   | 53                             | 25               | 78              | 45                             | 9                | 54              |
| Agency MBS - residential                                    | 720                            | 141              | 861             | 442                            | 6                | 448             |
| Corporate and other debt securities                         | 213                            | 125              | 338             | 204                            | 179              | 383             |
| <b>Total securities sold under agreements to repurchase</b> | <b>\$ 1,735</b>                | <b>\$ 700</b>    | <b>\$ 2,435</b> | <b>\$ 996</b>                  | <b>\$ 225</b>    | <b>\$ 1,221</b> |

There were no securities financing transactions subject to legally enforceable master netting arrangements that were eligible for balance sheet netting for the periods presented.

### NOTE 4. Investment Securities

The following tables summarize the Company's AFS securities:

| December 31, 2021<br>(Dollars in millions) | Amortized<br>Cost | Gross Unrealized |                 | Fair Value        |
|--|-------------------|------------------|-----------------|-------------------|
|  |                   | Gains            | Losses          |                   |
| <b>AFS securities:</b>                     |                   |                  |                 |                   |
| U.S. Treasury                              | \$ 9,892          | \$ 9             | \$ 106          | \$ 9,795          |
| GSE  | 1,667             | 33               | 2               | 1,698             |
| Agency MBS - residential                   | 135,886           | 656              | 2,500           | 134,042           |
| Agency MBS - commercial                    | 2,928             | 18               | 64              | 2,882             |
| States and political subdivisions          | 382               | 39               | 1               | 420               |
| Non-agency MBS                             | 4,305             | —                | 47              | 4,258             |
| Other                                      | 28                | —                | —               | 28                |
| <b>Total AFS securities</b>                | <b>\$ 155,088</b> | <b>\$ 755</b>    | <b>\$ 2,720</b> | <b>\$ 153,123</b> |
| <b>HTM securities:</b>                     |                   |                  |                 |                   |
| Agency MBS - residential                   | \$ 1,494          | \$ 1             | \$ —            | \$ 1,495          |
| <b>December 31, 2020</b>                   |                   |                  |                 |                   |
| (Dollars in millions)                      | Amortized<br>Cost | Gross Unrealized |                 | Fair Value        |
| <b>AFS securities:</b>                     |                   |                  |                 |                   |
| U.S. Treasury                              | \$ 1,721          | \$ 25            | \$ —            | \$ 1,746          |
| GSE  | 1,840             | 77               | —               | 1,917             |
| Agency MBS - residential                   | 111,589           | 1,975            | 23              | 113,541           |
| Agency MBS - commercial                    | 2,987             | 72               | 2               | 3,057             |
| States and political subdivisions          | 447               | 47               | 1               | 493               |
| Other                                      | 34                | —                | —               | 34                |
| <b>Total AFS securities</b>                | <b>\$ 118,618</b> | <b>\$ 2,196</b>  | <b>\$ 26</b>    | <b>\$ 120,788</b> |



In January 2022, Truist transferred \$21.3 billion of AFS securities to HTM as the Company continues to execute upon its asset-liability management strategies. Management determined that it has both the positive intent and ability to hold these securities to maturity. On the date of transfer, the difference between the par value and the fair value of these securities, which was recorded as a loss in AOCI, resulted in a discount of \$1.2 billion. The discount and unrealized loss in AOCI will be amortized to interest income over the remaining life of the securities using the interest method. There were no gains or losses recognized as a result of this transfer.

Certain MBS securities issued by FNMA and FHLMC exceeded 10% of shareholders' equity at December 31, 2021. The FNMA investments had total amortized cost and fair value of \$45.2 billion and \$44.6 billion, respectively. The FHLMC investments had total amortized cost and fair value of \$46.6 billion and \$45.7 billion, respectively.

The amortized cost and estimated fair value of the securities portfolio by contractual maturity are shown in the following table. The expected life of MBS may be shorter than the contractual maturities because borrowers may have the right to prepay their obligations with or without penalties.

| December 31, 2021<br>(Dollars in millions) | Amortized Cost          |                                       |  |                     |            | Fair Value              |                                       |  |                     |            |
|--|-------------------------|---------------------------------------|--|---------------------|------------|-------------------------|---------------------------------------|--|---------------------|------------|
|  | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years | Total      | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years | Total      |
| AFS securities:                            |                         |                                       |  |                     |            |                         |                                       |  |                     |            |
| U.S. Treasury                              | \$ 290                  | \$ 8,623                              | \$ 979                                 | \$ —                | \$ 9,892   | \$ 290                  | \$ 8,532                              | \$ 973                                 | \$ —                | \$ 9,795   |
| GSE  | 426                     | 1,062                                 | —                                      | 179                 | 1,667      | 432                     | 1,086                                 | —                                      | 180                 | 1,698      |
| Agency MBS - residential                   | —                       | 1                                     | 592                                    | 135,293             | 135,886    | —                       | 1                                     | 611                                    | 133,430             | 134,042    |
| Agency MBS - commercial                    | —                       | 8                                     | 15                                     | 2,905               | 2,928      | —                       | 9                                     | 15                                     | 2,858               | 2,882      |
| States and political subdivisions          | 31                      | 77                                    | 117                                    | 157                 | 382        | 31                      | 80                                    | 135                                    | 174                 | 420        |
| Non-agency MBS                             | —                       | —                                     | —                                      | 4,305               | 4,305      | —                       | —                                     | —                                      | 4,258               | 4,258      |
| Other                                      | 1                       | 6                                     | —                                      | 21                  | 28         | 1                       | 6                                     | —                                      | 21                  | 28         |
| Total AFS securities                       | \$ 748                  | \$ 9,777                              | \$ 1,703                               | \$ 142,860          | \$ 155,088 | \$ 754                  | \$ 9,714                              | \$ 1,734                               | \$ 140,921          | \$ 153,123 |
| HTM securities:                            |                         |                                       |  |                     |            |                         |                                       |  |                     |            |
| Agency MBS - residential                   | \$ —                    | \$ —                                  | \$ —                                   | \$ 1,494            | \$ 1,494   | \$ —                    | \$ —                                  | \$ —                                   | \$ 1,495            | \$ 1,495   |

The following tables present the fair values and gross unrealized losses of investments based on the length of time that individual securities have been in a continuous unrealized loss position:

| December 31, 2021<br>(Dollars in millions) | Less than 12 months |                   | 12 months or more |                   | Total      |                   |
|--|---------------------|-------------------|-------------------|-------------------|------------|-------------------|
|  | Fair Value          | Unrealized Losses | Fair Value        | Unrealized Losses | Fair Value | Unrealized Losses |
| AFS securities:                            |                     |                   |                   |                   |            |                   |
| U.S. Treasury                              | \$ 8,412            | \$ 88             | \$ 582            | \$ 18             | \$ 8,994   | \$ 106            |
| GSE  | 104                 | 2                 | —                 | —                 | 104        | 2                 |
| Agency MBS - residential                   | 101,262             | 2,377             | 2,638             | 123               | 103,900    | 2,500             |
| Agency MBS - commercial                    | 1,749               | 50                | 413               | 14                | 2,162      | 64                |
| States and political subdivisions          | —                   | —                 | 22                | 1                 | 22         | 1                 |
| Non-agency MBS                             | 4,258               | 47                | —                 | —                 | 4,258      | 47                |
| Other                                      | 6                   | —                 | —                 | —                 | 6          | —                 |
| Total                                      | \$ 115,791          | \$ 2,564          | \$ 3,655          | \$ 156            | \$ 119,446 | \$ 2,720          |
| December 31, 2020                          |                     |                   |                   |                   |            |                   |
| (Dollars in millions)                      | Less than 12 months |                   | 12 months or more |                   | Total      |                   |
|  | Fair Value          | Unrealized Losses | Fair Value        | Unrealized Losses | Fair Value | Unrealized Losses |
| AFS securities:                            |                     |                   |                   |                   |            |                   |
| U.S. Treasury                              | \$ 17               | \$ —              | \$ —              | \$ —              | \$ 17      | \$ —              |
| Agency MBS - residential                   | 4,028               | 21                | 203               | 2                 | 4,231      | 23                |
| Agency MBS - commercial                    | 463                 | 2                 | 4                 | —                 | 467        | 2                 |
| States and political subdivisions          | 20                  | —                 | 32                | 1                 | 52         | 1                 |
| Other                                      | 6                   | —                 | —                 | —                 | 6          | —                 |
| Total                                      | \$ 4,534            | \$ 23             | \$ 239            | \$ 3              | \$ 4,773   | \$ 26             |

At December 31, 2021 and December 31, 2020, no ACL was established for AFS or HTM securities. Substantially all of the unrealized losses on the securities portfolio, including non-agency MBS, were the result of changes in market interest rates compared to the date the securities were acquired rather than the credit quality of the issuers or underlying loans. HTM debt securities consists of government guaranteed securities for which no loss is expected.

The following table presents gross securities gains and losses recognized in earnings:

| (Dollars in millions)          | Year Ended December 31, |        |          |
|--------------------------------|-------------------------|--------|----------|
|                                | 2021                    | 2020   | 2019     |
| Gross realized gains           | \$ —                    | \$ 404 | \$ 47    |
| Gross realized losses          | —                       | (2)    | (163)    |
| Securities gains (losses), net | \$ —                    | \$ 402 | \$ (116) |

## NOTE 5. Loans and ACL

The following tables present loans and leases HFI by aging category. Government guaranteed loans are not placed on nonperforming status regardless of delinquency because collection of principal and interest is reasonably assured. The past due status of loans that received a deferral under the CARES Act is generally frozen during the deferral period. In certain limited circumstances, accommodation programs result in the delinquency status being reset to current.

| December 31, 2021<br>(Dollars in millions) | Accruing   |                        |                                    | Nonperforming | Total      |
|--|------------|------------------------|------------------------------------|---------------|------------|
|  | Current    | 30-89 Days<br>Past Due | 90 Days Or<br>More Past Due<br>(1) |               |            |
| Commercial:                                |            |                        |                                    |               |            |
| Commercial and industrial                  | \$ 138,225 | \$ 130                 | \$ 13                              | \$ 394        | \$ 138,762 |
| CRE  | 23,902     | 20                     | —                                  | 29            | 23,951     |
| Commercial construction                    | 4,962      | 2                      | —                                  | 7             | 4,971      |
| Consumer:                                  |            |                        |                                    |               |            |
| Residential mortgage                       | 46,033     | 514                    | 1,009                              | 296           | 47,852     |
| Residential home equity and direct         | 24,809     | 107                    | 9                                  | 141           | 25,066     |
| Indirect auto                              | 25,615     | 607                    | 1                                  | 218           | 26,441     |
| Indirect other                             | 10,811     | 64                     | 3                                  | 5             | 10,883     |
| Student                                    | 5,357      | 555                    | 868                                | —             | 6,780      |
| Credit card                                | 4,735      | 45                     | 27                                 | —             | 4,807      |
| Total                                      | \$ 284,449 | \$ 2,044               | \$ 1,930                           | \$ 1,090      | \$ 289,513 |

(1) Includes government guaranteed loans of \$978 million in the residential mortgage portfolio and \$865 million in the student portfolio.

| December 31, 2020<br>(Dollars in millions) | Accruing   |                        |                                    | Nonperforming | Total      |
|--|------------|------------------------|------------------------------------|---------------|------------|
|  | Current    | 30-89 Days<br>Past Due | 90 Days Or<br>More Past Due<br>(1) |               |            |
| Commercial:                                |            |                        |                                    |               |            |
| Commercial and industrial                  | \$ 142,932 | \$ 89                  | \$ 13                              | \$ 560        | \$ 143,594 |
| CRE  | 26,506     | 14                     | —                                  | 75            | 26,595     |
| Commercial construction                    | 6,472      | 5                      | —                                  | 14            | 6,491      |
| Consumer:                                  |            |                        |                                    |               |            |
| Residential mortgage                       | 45,333     | 782                    | 841                                | 316           | 47,272     |
| Residential home equity and direct         | 25,751     | 98                     | 10                                 | 205           | 26,064     |
| Indirect auto                              | 25,498     | 495                    | 2                                  | 155           | 26,150     |
| Indirect other                             | 11,102     | 68                     | 2                                  | 5             | 11,177     |
| Student                                    | 5,823      | 618                    | 1,111                              | —             | 7,552      |
| Credit card                                | 4,759      | 51                     | 29                                 | —             | 4,839      |
| Total                                      | \$ 294,176 | \$ 2,220               | \$ 2,008                           | \$ 1,330      | \$ 299,734 |

(1) Includes government guaranteed loans of \$787 million in the residential mortgage portfolio and \$1.1 billion in the student portfolio.

The following tables present the amortized cost basis of loans by origination year and credit quality indicator:

| December 31, 2021<br>(Dollars in millions) | Amortized Cost Basis by Origination Year |           |           |           |           |           | Revolving<br>Credit | Loans<br>Converted<br>to Term | Other (1) | Total      |
|--|--|-----------|-----------|-----------|-----------|-----------|---------------------|-------------------------------|-----------|------------|
|  | 2021                                     | 2020      | 2019      | 2018      | 2017      | Prior     |                     |                               |           |            |
| Commercial:                                |  |           |           |           |           |           |                     |                               |           |            |
| Commercial and industrial:                 |  |           |           |           |           |           |                     |                               |           |            |
| Pass                                       | \$ 35,530                                | \$ 17,430 | \$ 14,105 | \$ 8,994  | \$ 5,633  | \$ 9,424  | \$ 43,035           | \$ —                          | \$ (169)  | \$ 133,982 |
| Special mention                            | 195                                      | 221       | 326       | 317       | 46        | 70        | 691                 | —                             | —         | 1,866      |
| Substandard                                | 352                                      | 356       | 395       | 197       | 91        | 335       | 794                 | —                             | —         | 2,520      |
| Nonperforming                              | 50                                       | 19        | 49        | 42        | 16        | 34        | 184                 | —                             | —         | 394        |
| Total                                      | 36,127                                   | 18,026    | 14,875    | 9,550     | 5,786     | 9,863     | 44,704              | —                             | (169)     | 138,762    |
| CRE:                                       |  |           |           |           |           |           |                     |                               |           |            |
| Pass                                       | 4,836                                    | 2,946     | 5,109     | 3,201     | 1,774     | 2,131     | 762                 | —                             | (61)      | 20,698     |
| Special mention                            | 13                                       | 118       | 483       | 247       | 44        | 83        | —                   | —                             | —         | 988        |
| Substandard                                | 321                                      | 264       | 523       | 528       | 321       | 279       | —                   | —                             | —         | 2,236      |
| Nonperforming                              | 1  | 1         | 11        | —         | 9         | 7         | —                   | —                             | —         | 29         |
| Total                                      | 5,171                                    | 3,329     | 6,126     | 3,976     | 2,148     | 2,500     | 762                 | —                             | (61)      | 23,951     |
| Commercial construction:                   |  |           |           |           |           |           |                     |                               |           |            |
| Pass                                       | 1,113                                    | 1,179     | 1,259     | 419       | 44        | 95        | 558                 | —                             | 12        | 4,679      |
| Special mention                            | —  | 14        | 72        | 50        | —         | —         | —                   | —                             | —         | 136        |
| Substandard                                | 7  | 13        | 45        | 67        | 17        | —         | —                   | —                             | —         | 149        |
| Nonperforming                              | —  | —         | 1         | —         | 5         | —         | —                   | —                             | 1         | 7          |
| Total                                      | 1,120                                    | 1,206     | 1,377     | 536       | 66        | 95        | 558                 | —                             | 13        | 4,971      |
| Consumer:                                  |  |           |           |           |           |           |                     |                               |           |            |
| Residential mortgage:                      |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | \$ 17,271                                | \$ 6,798  | \$ 3,642  | \$ 1,753  | \$ 2,237  | \$ 14,240 | \$ —                | \$ —                          | \$ 92     | \$ 46,033  |
| 30 - 89 days past due                      | 58                                       | 31        | 32        | 40        | 31        | 322       | —                   | —                             | —         | 514        |
| 90 days or more past due                   | 3  | 44        | 91        | 133       | 95        | 643       | —                   | —                             | —         | 1,009      |
| Nonperforming                              | 1  | 5         | 18        | 27        | 20        | 226       | —                   | —                             | (1)       | 296        |
| Total                                      | 17,333                                   | 6,878     | 3,783     | 1,953     | 2,383     | 15,431    | —                   | —                             | 91        | 47,852     |
| Residential home equity and direct:        |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | 4,962                                    | 2,630     | 1,717     | 691       | 189       | 425       | 10,757              | 3,388                         | 50        | 24,809     |
| 30 - 89 days past due                      | 8  | 8         | 10        | 3         | 1         | 3         | 53                  | 21                            | —         | 107        |
| 90 days or more past due                   | —  | —         | —         | —         | —         | —         | 5                   | 4                             | —         | 9          |
| Nonperforming                              | 2  | 3         | 4         | 1         | —         | 7         | 48                  | 75                            | 1         | 141        |
| Total                                      | 4,972                                    | 2,641     | 1,731     | 695       | 190       | 435       | 10,863              | 3,488                         | 51        | 25,066     |
| Indirect auto:                             |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | 10,699                                   | 6,691     | 4,293     | 2,158     | 1,081     | 504       | —                   | —                             | 189       | 25,615     |
| 30 - 89 days past due                      | 119                                      | 138       | 145       | 97        | 56        | 52        | —                   | —                             | —         | 607        |
| 90 days or more past due                   | —  | —         | —         | —         | —         | 1         | —                   | —                             | —         | 1          |
| Nonperforming                              | 28                                       | 48        | 61        | 41        | 21        | 19        | —                   | —                             | —         | 218        |
| Total                                      | 10,846                                   | 6,877     | 4,499     | 2,296     | 1,158     | 576       | —                   | —                             | 189       | 26,441     |
| Indirect other:                            |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | 4,333                                    | 2,724     | 1,638     | 937       | 455       | 691       | —                   | —                             | 33        | 10,811     |
| 30 - 89 days past due                      | 14                                       | 15        | 15        | 12        | 4         | 4         | —                   | —                             | —         | 64         |
| 90 days or more past due                   | 1  | 1         | 1         | —         | —         | —         | —                   | —                             | —         | 3          |
| Nonperforming                              | 1  | 1         | 1         | —         | —         | 2         | —                   | —                             | —         | 5          |
| Total                                      | 4,349                                    | 2,741     | 1,655     | 949       | 459       | 697       | —                   | —                             | 33        | 10,883     |
| Student:                                   |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | —  | 21        | 88        | 73        | 61        | 5,122     | —                   | —                             | (8)       | 5,357      |
| 30 - 89 days past due                      | —  | —         | 1         | 1         | 1         | 552       | —                   | —                             | —         | 555        |
| 90 days or more past due                   | —  | —         | —         | —         | 1         | 867       | —                   | —                             | —         | 868        |
| Total                                      | —  | 21        | 89        | 74        | 63        | 6,541     | —                   | —                             | (8)       | 6,780      |
| Credit card:                               |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | —  | —         | —         | —         | —         | —         | 4,711               | 24                            | —         | 4,735      |
| 30 - 89 days past due                      | —  | —         | —         | —         | —         | —         | 43                  | 2                             | —         | 45         |
| 90 days or more past due                   | —  | —         | —         | —         | —         | —         | 26                  | 1                             | —         | 27         |
| Total                                      | —  | —         | —         | —         | —         | —         | 4,780               | 27                            | —         | 4,807      |
| Total                                      | \$ 79,918                                | \$ 41,719 | \$ 34,135 | \$ 20,029 | \$ 12,253 | \$ 36,138 | \$ 61,667           | \$ 3,515                      | \$ 139    | \$ 289,513 |

| December 31, 2020<br>(Dollars in millions) | Amortized Cost Basis by Origination Year |           |           |           |           |           | Revolving<br>Credit | Loans<br>Converted<br>to Term | Other (1) | Total      |
|--|--|-----------|-----------|-----------|-----------|-----------|---------------------|-------------------------------|-----------|------------|
|  | 2020                                     | 2019      | 2018      | 2017      | 2016      | Prior     |                     |                               |           |            |
| Commercial:                                |  |           |           |           |           |           |                     |                               |           |            |
| Commercial and industrial:                 |  |           |           |           |           |           |                     |                               |           |            |
| Pass                                       | \$ 36,235                                | \$ 20,020 | \$ 14,087 | \$ 8,459  | \$ 5,415  | \$ 9,648  | \$ 42,780           | \$ 231                        | \$ (552)  | \$ 136,323 |
| Special mention                            | 472                                      | 473       | 363       | 103       | 120       | 164       | 1,808               | 5                             | (1)       | 3,507      |
| Substandard                                | 461                                      | 479       | 342       | 125       | 147       | 287       | 1,353               | 12                            | (2)       | 3,204      |
| Nonperforming                              | 40                                       | 97        | 51        | 38        | 29        | 66        | 233                 | 4                             | 2         | 560        |
| Total                                      | 37,208                                   | 21,069    | 14,843    | 8,725     | 5,711     | 10,165    | 46,174              | 252                           | (553)     | 143,594    |
| CRE:                                       |  |           |           |           |           |           |                     |                               |           |            |
| Pass                                       | 4,563                                    | 6,600     | 4,427     | 2,752     | 1,473     | 2,096     | 617                 | —                             | (69)      | 22,459     |
| Special mention                            | 171                                      | 599       | 585       | 116       | 77        | 141       | —                   | —                             | —         | 1,689      |
| Substandard                                | 410                                      | 776       | 438       | 281       | 182       | 280       | 5                   | —                             | —         | 2,372      |
| Nonperforming                              | 1  | 15        | 1         | 9         | 6         | 43        | —                   | —                             | —         | 75         |
| Total                                      | 5,145                                    | 7,990     | 5,451     | 3,158     | 1,738     | 2,560     | 622                 | —                             | (69)      | 26,595     |
| Commercial construction:                   |  |           |           |           |           |           |                     |                               |           |            |
| Pass                                       | 1,052                                    | 2,141     | 1,889     | 232       | 27        | 110       | 534                 | —                             | 2         | 5,987      |
| Special mention                            | —  | 108       | 64        | 1         | —         | —         | 2                   | —                             | —         | 175        |
| Substandard                                | 70                                       | 106       | 73        | 59        | 6         | 1         | —                   | —                             | —         | 315        |
| Nonperforming                              | 1  | 3         | —         | 7         | —         | —         | —                   | 3                             | —         | 14         |
| Total                                      | 1,123                                    | 2,358     | 2,026     | 299       | 33        | 111       | 536                 | 3                             | 2         | 6,491      |
| Consumer:                                  |  |           |           |           |           |           |                     |                               |           |            |
| Residential mortgage:                      |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | 8,141                                    | 6,586     | 3,569     | 4,235     | 5,252     | 17,386    | —                   | —                             | 164       | 45,333     |
| 30 - 89 days past due                      | 34                                       | 69        | 68        | 59        | 74        | 478       | —                   | —                             | —         | 782        |
| 90 or more days past due                   | 22                                       | 74        | 98        | 80        | 98        | 469       | —                   | —                             | —         | 841        |
| Nonperforming                              | 3  | 13        | 16        | 13        | 14        | 257       | —                   | —                             | —         | 316        |
| Total                                      | 8,200                                    | 6,742     | 3,751     | 4,387     | 5,438     | 18,590    | —                   | —                             | 164       | 47,272     |
| Residential home equity and direct:        |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | 4,507                                    | 3,109     | 1,408     | 479       | 213       | 554       | 13,843              | 1,591                         | 47        | 25,751     |
| 30 - 89 days past due                      | 6  | 16        | 7         | 2         | 1         | 3         | 38                  | 25                            | —         | 98         |
| 90 days or more past due                   | —  | 1         | 1         | —         | —         | —         | 5                   | 3                             | —         | 10         |
| Nonperforming                              | 1  | 4         | 2         | 1         | 1         | 7         | 87                  | 101                           | 1         | 205        |
| Total                                      | 4,514                                    | 3,130     | 1,418     | 482       | 215       | 564       | 13,973              | 1,720                         | 48        | 26,064     |
| Indirect auto:                             |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | 10,198                                   | 7,283     | 3,898     | 2,327     | 1,178     | 467       | —                   | —                             | 147       | 25,498     |
| 30 - 89 days past due                      | 72                                       | 153       | 117       | 74        | 42        | 37        | —                   | —                             | —         | 495        |
| 90 days or more past due                   | —  | —         | —         | —         | —         | 2         | —                   | —                             | —         | 2          |
| Nonperforming                              | 13                                       | 50        | 44        | 27        | 15        | 12        | —                   | —                             | (6)       | 155        |
| Total                                      | 10,283                                   | 7,486     | 4,059     | 2,428     | 1,235     | 518       | —                   | —                             | 141       | 26,150     |
| Indirect other:                            |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | 4,419                                    | 2,998     | 1,687     | 818       | 428       | 713       | —                   | —                             | 39        | 11,102     |
| 30 - 89 days past due                      | 14                                       | 20        | 18        | 8         | 3         | 5         | —                   | —                             | —         | 68         |
| 90 days or more past due                   | —  | 1         | 1         | —         | —         | —         | —                   | —                             | —         | 2          |
| Nonperforming                              | 1  | 1         | 1         | —         | —         | 2         | —                   | —                             | —         | 5          |
| Total                                      | 4,434                                    | 3,020     | 1,707     | 826       | 431       | 720       | —                   | —                             | 39        | 11,177     |
| Student:                                   |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | 22                                       | 110       | 93        | 80        | 63        | 5,460     | —                   | —                             | (5)       | 5,823      |
| 30 - 89 days past due                      | —  | —         | 1         | 1         | 1         | 615       | —                   | —                             | —         | 618        |
| 90 days or more past due                   | —  | —         | 1         | —         | —         | 1,110     | —                   | —                             | —         | 1,111      |
| Total                                      | 22                                       | 110       | 95        | 81        | 64        | 7,185     | —                   | —                             | (5)       | 7,552      |
| Credit card:                               |  |           |           |           |           |           |                     |                               |           |            |
| Current                                    | —  | —         | —         | —         | —         | —         | 4,727               | 32                            | —         | 4,759      |
| 30 - 89 days past due                      | —  | —         | —         | —         | —         | —         | 48                  | 3                             | —         | 51         |
| 90 days or more past due                   | —  | —         | —         | —         | —         | —         | 27                  | 2                             | —         | 29         |
| Total                                      | —  | —         | —         | —         | —         | —         | 4,802               | 37                            | —         | 4,839      |
| Total                                      | \$ 70,929                                | \$ 51,905 | \$ 33,350 | \$ 20,386 | \$ 14,865 | \$ 40,413 | \$ 66,107           | \$ 2,012                      | \$ (233)  | \$ 299,734 |

(1) Includes certain deferred fees and costs, unapplied payments, and other adjustments.

## ACL

The following tables present activity in the ACL:

| (Dollars in millions)              | Balance at<br>Jan 1, 2019 | Charge-Offs | Recoveries | Provision<br>(Benefit) | Other (1) | Balance at<br>Dec 31, 2019 |
|------------------------------------|---------------------------|-------------|------------|------------------------|-----------|----------------------------|
| <b>Commercial:</b>                 |                           |             |            |                        |           |                            |
| Commercial and industrial          | \$ 557                    | \$ (101)    | \$ 26      | \$ 88                  | \$ —      | \$ 570                     |
| CRE                                | 142                       | (33)        | 5          | 36                     | —         | 150                        |
| Commercial construction            | 48                        | —           | 3          | 1                      | —         | 52                         |
| <b>Consumer:</b>                   |                           |             |            |                        |           |                            |
| Residential mortgage               | 232                       | (21)        | 2          | (37)                   | —         | 176                        |
| Residential home equity and direct | 104                       | (93)        | 30         | 66                     | —         | 107                        |
| Indirect auto                      | 298                       | (370)       | 52         | 324                    | —         | 304                        |
| Indirect other                     | 58                        | (62)        | 17         | 47                     | —         | 60                         |
| Credit card                        | 110                       | (109)       | 20         | 101                    | —         | 122                        |
| PCI                                | 9                         | —           | —          | (1)                    | —         | 8                          |
| ALLL                               | 1,558                     | (789)       | 155        | 625                    | —         | 1,549                      |
| RUFC                               | 93                        | —           | —          | (10)                   | 257       | 340                        |
| ACL                                | \$ 1,651                  | \$ (789)    | \$ 155     | \$ 615                 | \$ 257    | \$ 1,889                   |

| (Dollars in millions)              | Balance at<br>Jan 1, 2020 | Charge-Offs | Recoveries | Provision<br>(Benefit) | Other (1) | Balance at<br>Dec 31, 2020 |
|------------------------------------|---------------------------|-------------|------------|------------------------|-----------|----------------------------|
| <b>Commercial:</b>                 |                           |             |            |                        |           |                            |
| Commercial and industrial          | \$ 570                    | \$ (412)    | \$ 96      | \$ 952                 | \$ 998    | \$ 2,204                   |
| CRE                                | 150                       | (78)        | 5          | 414                    | 82        | 573                        |
| Commercial construction            | 52                        | (30)        | 11         | 32                     | 16        | 81                         |
| <b>Consumer:</b>                   |                           |             |            |                        |           |                            |
| Residential mortgage               | 176                       | (56)        | 10         | (27)                   | 265       | 368                        |
| Residential home equity and direct | 107                       | (231)       | 66         | 318                    | 454       | 714                        |
| Indirect auto                      | 304                       | (378)       | 87         | 367                    | 818       | 1,198                      |
| Indirect other                     | 60                        | (60)        | 23         | 35                     | 150       | 208                        |
| Student                            | —                         | (23)        | 1          | 23                     | 129       | 130                        |
| Credit card                        | 122                       | (182)       | 32         | 212                    | 175       | 359                        |
| PCI                                | 8                         | —           | —          | —                      | (8)       | —                          |
| ALLL                               | 1,549                     | (1,450)     | 331        | 2,326                  | 3,079     | 5,835                      |
| RUFC                               | 340                       | —           | —          | 9                      | 15        | 364                        |
| ACL                                | \$ 1,889                  | \$ (1,450)  | \$ 331     | \$ 2,335               | \$ 3,094  | \$ 6,199                   |

| (Dollars in millions)              | Balance at<br>Jan 1, 2021 | Charge-Offs | Recoveries | Provision<br>(Benefit) | Other (1) | Balance at<br>Dec 31, 2021 |
|------------------------------------|---------------------------|-------------|------------|------------------------|-----------|----------------------------|
| <b>Commercial:</b>                 |                           |             |            |                        |           |                            |
| Commercial and industrial          | \$ 2,204                  | \$ (243)    | \$ 107     | \$ (642)               | \$ —      | \$ 1,426                   |
| CRE                                | 573                       | (10)        | 6          | (219)                  | —         | 350                        |
| Commercial construction            | 81                        | (2)         | 4          | (31)                   | —         | 52                         |
| <b>Consumer:</b>                   |                           |             |            |                        |           |                            |
| Residential mortgage               | 368                       | (23)        | 12         | (49)                   | —         | 308                        |
| Residential home equity and direct | 714                       | (214)       | 79         | 36                     | —         | 615                        |
| Indirect auto                      | 1,198                     | (336)       | 92         | 68                     | —         | 1,022                      |
| Indirect other                     | 208                       | (57)        | 24         | 20                     | —         | 195                        |
| Student                            | 130                       | (24)        | 1          | 4                      | 6         | 117                        |
| Credit card                        | 359                       | (150)       | 37         | 104                    | —         | 350                        |
| ALLL                               | 5,835                     | (1,059)     | 362        | (709)                  | 6         | 4,435                      |
| RUFC                               | 364                       | —           | —          | (104)                  | —         | 260                        |
| ACL                                | \$ 6,199                  | \$ (1,059)  | \$ 362     | \$ (813)               | \$ 6      | \$ 4,695                   |

(1) Includes the amounts assumed in the Merger, adoption of CECL, the ALLL for PCD acquisitions, and other activity.

The commercial ALLL decreased \$1.0 billion for the year ended December 31, 2021. The decrease reflects an improving economic outlook and lower loan balances.

The consumer ALLL decreased \$361 million for the year ended December 31, 2021. The decrease reflects an improving economic outlook and lower loan balances primarily in the home equity and direct portfolio.

The RUFC decreased \$104 million for the year ended December 31, 2021. The decreases reflect an improving economic outlook.

The quantitative models have been designed to estimate losses using macro-economic forecasts over a reasonable and supportable forecast period of two years, followed by a reversion to long-term historical loss conditions over a one-year period. These macro-economic forecasts include a number of key economic variables utilized in loss forecasting that include, but are not limited to, unemployment trends, US real GDP, corporate credit spreads, rental rates, property values, the primary 30-year mortgage rate, home price indices, and used car prices.

The primary economic forecast incorporates a third-party baseline forecast that is adjusted to reflect Truist's interest rate outlook. Management also considers optimistic and pessimistic third-party macro-economic forecasts in order to capture uncertainty in the economic environment. These forecasts, along with the primary economic forecast, are weighted 40% baseline, 30% optimistic, and 30% pessimistic in the December 31, 2021 ACL. The primary economic forecast shaping the ACL estimate at December 31, 2021 included GDP growth starting in the mid-high single digits declining to the low single digits by the end of 2022, and an improving unemployment rate starting in the mid-single digits and improving through the end of the reasonable and supportable period.

Quantitative models have certain limitations with respect to estimating expected losses, particularly in times of rapidly changing macro-economic conditions and forecasts. As a result, management believes that the qualitative component of the ACL, which incorporates management's expert judgment related to expected future credit losses, will continue to be an important component of the ACL for the foreseeable future. The December 31, 2021 ACL estimate includes adjustments to consider the impact of current and expected events or risks not captured by the loss forecasting models, the outcomes of which are uncertain and may not be completely considered by quantitative models. Refer to "Note 1. Basis of Presentation" for additional information.

### PCD Loan Activity

For PCD loans, the initial estimate of expected credit losses is recognized in the ALLL on the date of acquisition using the same methodology as other loans held for investment. The following table provides a summary of purchased student loans with credit deterioration at acquisition:

| Year Ended December 31,<br>(Dollars in millions) |        |
|--|--------|
| Par value  | \$ 424 |
| ALLL at acquisition                              | (6)    |
| Non-credit premium (discount)                    | 3      |
| Purchase price                                   | \$ 421 |

### NPAs

The following table provides a summary of nonperforming loans, excluding LHFS. Interest income recognized on nonperforming loans HFI was immaterial for the year ended December 31, 2021 and 2020, respectively.

| December 31,<br>(Dollars in millions) | 2021                |              | 2020                |              |
|---------------------------------------|---------------------|--------------|---------------------|--------------|
|                                       | Recorded Investment |              | Recorded Investment |              |
|                                       | Without an<br>ALLL  | With an ALLL | Without an<br>ALLL  | With an ALLL |
| Commercial:                           |                     |              |                     |              |
| Commercial and industrial             | \$ 125              | \$ 269       | \$ 82               | \$ 478       |
| CRE                                   | 12                  | 17           | 63                  | 12           |
| Commercial construction               | —                   | 7            | —                   | 14           |
| Consumer:                             |                     |              |                     |              |
| Residential mortgage                  | 4                   | 292          | 4                   | 312          |
| Residential home equity and direct    | 3                   | 138          | 2                   | 203          |
| Indirect auto                         | 1                   | 217          | 1                   | 154          |
| Indirect other                        | —                   | 5            | —                   | 5            |
| Total                                 | \$ 145              | \$ 945       | \$ 152              | \$ 1,178     |

The following table presents a summary of nonperforming assets and residential mortgage loans in the process of foreclosure.

| December 31,<br>(Dollars in millions)                    | 2021     | 2020     |
|--|----------|----------|
| Nonperforming loans and leases HFI                       | \$ 1,090 | \$ 1,330 |
| Nonperforming LHFS                                       | 22       | 5        |
| Foreclosed real estate                                   | 8        | 20       |
| Other foreclosed property                                | 43       | 32       |
| Total nonperforming assets                               | \$ 1,163 | \$ 1,387 |
| Residential mortgage loans in the process of foreclosure | \$ 135   | \$ 140   |

## TDRs

The following table presents a summary of TDRs:

| December 31,<br>(Dollars in millions) | 2021     | 2020     |
|---------------------------------------|----------|----------|
| Performing TDRs:                      |          |          |
| Commercial:                           |          |          |
| Commercial and industrial             | \$ 147   | \$ 138   |
| CRE                                   | 5        | 47       |
| Consumer:                             |          |          |
| Residential mortgage                  | 692      | 648      |
| Residential home equity and direct    | 98       | 88       |
| Indirect auto                         | 389      | 392      |
| Indirect other                        | 7        | 6        |
| Student                               | 25       | 5        |
| Credit card                           | 27       | 37       |
| Total performing TDRs                 | 1,390    | 1,361    |
| Nonperforming TDRs                    | 152      | 164      |
| Total TDRs                            | \$ 1,542 | \$ 1,525 |
| ALLL attributable to TDRs             | \$ 102   | \$ 132   |

The primary type of modification for newly designated TDRs is summarized in the tables below. New TDR balances represent the recorded investment at the end of the quarter in which the modification was made. The prior quarter balance represents recorded investment at the beginning of the quarter in which the modification was made. Rate modifications consist of TDRs made with below market interest rates, including those that also have modifications of loan structures.

| (Dollars in millions)                         | As of / For the Year Ended December 31, 2021 |           |                               |                       |
|---|--|-----------|-------------------------------|-----------------------|
|   | Type of Modification                         |           | Prior Quarter<br>Loan Balance | ALLL at<br>Period End |
|   | Rate   | Structure |                               |                       |
| Newly designated TDRs:                        |  |           |                               |                       |
| Commercial                                    | \$ 35  | \$ 130    | \$ 193                        | \$ 17                 |
| Consumer                                      | 284  | 312       | 606                           | 36                    |
| Credit card                                   | 11   | —         | 12                            | 5                     |
| Re-modification of previously designated TDRs | 61   | 38        |                               |                       |

| (Dollars in millions)                         | As of / For the Year Ended December 31, 2020 |           |                               |                       |
|---|--|-----------|-------------------------------|-----------------------|
|   | Type of Modification                         |           | Prior Quarter<br>Loan Balance | ALLL at<br>Period End |
|   | Rate   | Structure |                               |                       |
| Newly designated TDRs:                        |  |           |                               |                       |
| Commercial                                    | \$ 89  | \$ 176    | \$ 290                        | \$ 24                 |
| Consumer                                      | 543  | 240       | 797                           | 49                    |
| Credit card                                   | 29   | —         | 28                            | 10                    |
| Re-modification of previously designated TDRs | 41   | 22        |                               |                       |

| (Dollars in millions)                         | As of / For the Year Ended December 31, 2019 |           |                               |                       |
|---|--|-----------|-------------------------------|-----------------------|
|   | Type of Modification                         |           | Prior Quarter<br>Loan Balance | ALLL at<br>Period End |
|   | Rate   | Structure |                               |                       |
| Newly designated TDRs:                        |  |           |                               |                       |
| Commercial                                    | \$ 93  | \$ 12     | \$ 101                        | \$ 15                 |
| Consumer                                      | 445  | 38        | 493                           | 64                    |
| Credit card                                   | 24   | —         | 18                            | 9                     |
| Re-modification of previously designated TDRs | 53   | 23        |                               |                       |

Charge-offs and forgiveness of principal and interest for TDRs were immaterial for all periods presented. The amount of modified loans that were classified as TDRs during the previous 12 months and experienced a payment default for year ended December 31, 2021, 2020, and 2019 was immaterial. Payment default is defined as movement of the TDR to nonperforming status, foreclosure, or charge-off, whichever occurs first.

### Unearned Income, Discounts, and Net Deferred Loan Fees and Costs

The following table presents additional information about loans and leases:

| December 31,<br>(Dollars in millions)                            | 2021   | 2020     |
|--|--------|----------|
| Unearned income, discounts, and net deferred loan fees and costs | \$ 849 | \$ 2,219 |

## NOTE 6. Premises and Equipment

A summary of premises and equipment is presented in the accompanying table:

| December 31,<br>(Dollars in millions) | Estimated<br>Useful Life | 2021     | 2020     |
|---------------------------------------|--------------------------|----------|----------|
| Land and land improvements            | Indefinite               | \$ 863   | \$ 968   |
| Buildings and building improvements   | 40 years                 | 2,602    | 2,724    |
| Furniture and equipment               | 3 - 15                   | 1,656    | 1,509    |
| Leasehold improvements                |                          | 910      | 978      |
| Construction in progress              |                          | 247      | 179      |
| Finance leases                        |                          | 35       | 72       |
| Total                                 |                          | 6,313    | 6,430    |
| Less: Accumulated depreciation        |                          | (2,613)  | (2,560)  |
| Net premises and equipment            |                          | \$ 3,700 | \$ 3,870 |

## NOTE 7. Goodwill and Other Intangible Assets

The Company performed a quantitative goodwill impairment test for its CB&W, C&CB, and IH reporting units as of October 1, 2021. Based on the results of the impairment analyses, the Company concluded that the fair values of the reporting units exceed their respective carrying values; therefore, there was no goodwill impairment. The Company monitored events and circumstances during the fourth quarter of 2021, concluding that it was not more likely-than-not that the fair value of one or more of its reporting units is below its respective carrying amount as of December 31, 2021. Refer to "Note 1. Basis of Presentation" for additional information.

The changes in the carrying amount of goodwill attributable to operating segments are reflected in the table below. Activity during 2021 primarily reflects the acquisitions of Service Finance, LLC and Constellation Affiliated Partners. Adjustments for 2020 include measurement period adjustments to the fair value of acquired assets and liabilities and the reallocation of net assets to the underlying reporting units. Refer to "Note 2. Business Combinations" for additional information on the acquisitions and "Note 21. Operating Segments" for additional information on segments.

| (Dollars in millions)       | CB&W      | C&CB     | IH       | Total     |
|-----------------------------|-----------|----------|----------|-----------|
| Goodwill, January 1, 2020   | \$ 14,040 | \$ 8,125 | \$ 1,989 | \$ 24,154 |
| Mergers and acquisitions    | —         | —        | 450      | 450       |
| Adjustments and other       | 1,801     | (1,958)  | —        | (157)     |
| Goodwill, December 31, 2020 | 15,841    | 6,167    | 2,439    | 24,447    |
| Mergers and acquisitions    | 1,168     | —        | 556      | 1,724     |
| Adjustments and other       | (139)     | (18)     | 84       | (73)      |
| Goodwill, December 31, 2021 | \$ 16,870 | \$ 6,149 | \$ 3,079 | \$ 26,098 |

The following table, which excludes fully amortized intangibles, presents information for identifiable intangible assets:

| December 31,<br>(Dollars in millions)               | 2021                        |                             |                        | 2020                        |                             |                        |
|---|-----------------------------|-----------------------------|------------------------|-----------------------------|-----------------------------|------------------------|
|   | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net Carrying<br>Amount | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net Carrying<br>Amount |
| CDI   | \$ 2,563                    | \$ (1,190)                  | \$ 1,373               | \$ 2,600                    | \$ (852)                    | \$ 1,748               |
| Other, primarily client relationship<br>intangibles | 3,116                       | (1,081)                     | 2,035                  | 2,217                       | (981)                       | 1,236                  |
| Total   | \$ 5,679                    | \$ (2,271)                  | \$ 3,408               | \$ 4,817                    | \$ (1,833)                  | \$ 2,984               |

The following table presents the estimated amortization expense of identifiable intangibles as of December 31, 2021 for the next five years and thereafter:

| (Dollars in millions)          | 2022   | 2023   | 2024   | 2025   | 2026   | Thereafter |
|--------------------------------|--------|--------|--------|--------|--------|------------|
| Estimated amortization expense | \$ 528 | \$ 453 | \$ 396 | \$ 342 | \$ 295 | \$ 1,366   |



## NOTE 8. Loan Servicing

The Company acquires servicing rights, and retains servicing rights related to certain of its sales or securitizations of residential mortgages, commercial mortgage, and other consumer loans. Servicing rights are capitalized by the Company as Loan servicing rights on the Consolidated Balance Sheets. Income earned by the Company on its loan servicing rights is derived primarily from contractually specified servicing fees, late fees, net of curtailment costs, and other ancillary fees.

### Residential Mortgage Activities

The following tables summarize residential mortgage servicing activities:

| December 31,<br>(Dollars in millions)   | 2021        | 2020        | 2019        |
|---|-------------|-------------|-------------|
| UPB of residential mortgage loan servicing portfolio  | \$ 246,727  | \$ 239,034  | \$ 279,558  |
| UPB of residential mortgage loans serviced for others, primarily agency conforming fixed rate                           | 196,011     | 188,341     | 219,347     |
| Mortgage loans sold with recourse   | 244         | 328         | 371         |
| Maximum recourse exposure from mortgage loans sold with recourse liability  | 155         | 201         | 212         |
| Indemnification, recourse and repurchase reserves   | 74          | 93          | 44          |
| <b>As of / For the Year Ended December 31,<br/>(Dollars in millions)</b>  | <b>2021</b> | <b>2020</b> | <b>2019</b> |
| UPB of residential mortgage loans sold from LHFS  | \$ 40,949   | \$ 48,366   | \$ 16,646   |
| Pre-tax gains recognized on mortgage loans sold and held for sale   | 446         | 1,034       | 122         |
| Servicing fees recognized from mortgage loans serviced for others   | 592         | 630         | 265         |
| Approximate weighted average servicing fee on the outstanding balance of residential mortgage loans serviced for others | 0.31 %      | 0.32 %      | 0.31 %      |
| Weighted average interest rate on mortgage loans serviced for others  | 3.44        | 3.84        | 4.04        |

The following table presents a roll forward of the carrying value of residential MSR's recorded at fair value:

| Year Ended December 31,<br>(Dollars in millions)                            | 2021     | 2020     | 2019     |
|---|----------|----------|----------|
| Residential MSR's, carrying value, January 1                                | \$ 1,778 | \$ 2,371 | 957      |
| Acquired / Merger   | 355      | —        | 1,506    |
| Additions   | 640      | 653      | 171      |
| Change in fair value due to changes in valuation inputs or assumptions:     |          |          |          |
| Prepayment speeds   | (2)      | (572)    | (131)    |
| OAS   | 227      | 75       | 32       |
| Realization of expected net servicing cash flows, passage of time and other | (693)    | (749)    | (164)    |
| Residential MSR's, carrying value, December 31                              | \$ 2,305 | \$ 1,778 | \$ 2,371 |

The sensitivity of the fair value of the Company's residential MSR's to changes in key assumptions is presented in the following table:

| December 31,<br>(Dollars in millions)      | 2021         |              |                     | 2020         |              |                     |
|--|--------------|--------------|---------------------|--------------|--------------|---------------------|
|  | Range<br>Min | Range<br>Max | Weighted<br>Average | Range<br>Min | Range<br>Max | Weighted<br>Average |
| Prepayment speed                           | 11.4 %       | 15.3 %       | 13.8 %              | 12.8 %       | 30.8 %       | 15.4 %              |
| Effect on fair value of a 10% increase     |              |              | \$ (113)            |              |              | \$ (89)             |
| Effect on fair value of a 20% increase     |              |              | (216)               |              |              | (171)               |
| OAS  | 1.5 %        | 10.7 %       | 4.2 %               | 3.5 %        | 13.7 %       | 7.3 %               |
| Effect on fair value of a 10% increase     |              |              | \$ (37)             |              |              | \$ (45)             |
| Effect on fair value of a 20% increase     |              |              | (73)                |              |              | (88)                |
| Composition of loans serviced for others:  |              |              |                     |              |              |                     |
| Fixed-rate residential mortgage loans      |              |              | 99.3 %              |              |              | 98.8 %              |
| Adjustable-rate residential mortgage loans |              |              | 0.7                 |              |              | 1.2                 |
| Total                                      |              |              | 100.0 %             |              |              | 100.0 %             |
| Weighted average life                      |              |              | 5.2 years           |              |              | 4.8 years           |

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the above table, the effect of an adverse variation in one assumption on the fair value of the MSR's is calculated without changing any other assumption; while in reality, changes in one factor may result in changes in another, which may magnify or counteract the effect of the change. See "Note 18. Fair Value Disclosures" for additional information on the valuation techniques used.

## Commercial Mortgage Activities

The following table summarizes commercial mortgage servicing activities:

| December 31,<br>(Dollars in millions)                                     | 2021      | 2020      |
|---|-----------|-----------|
| UPB of CRE mortgages serviced for others                                  | \$ 37,960 | \$ 36,670 |
| CRE mortgages serviced for others covered by recourse provisions          | 10,243    | 9,019     |
| Maximum recourse exposure from CRE mortgages sold with recourse liability | 2,958     | 2,624     |
| Recorded reserves related to recourse exposure                            | 16        | 18        |
| CRE mortgages originated during the year-to-date period                   | 9,380     | 6,739     |
| Commercial MSRs at fair value   | 280       | 245       |

## Other Servicing Activities

As of December 31, 2021, the Company had \$48 million of other loan servicing rights at fair value. This portfolio relates to the acquisition of Service Finance, LLC.

## NOTE 9. Other Assets and Liabilities

### Lessee Operating and Finance Leases

The Company leases certain assets, consisting primarily of real estate, and assesses at contract inception whether a contract is, or contains, a lease. The following tables present additional information on leases, excluding leases related to the lease financing businesses:

| December 31,<br>(Dollars in millions) | 2021                |                   | 2020                |                   |
|---------------------------------------|---------------------|-------------------|---------------------|-------------------|
|                                       | Operating<br>Leases | Finance<br>Leases | Operating<br>Leases | Finance<br>Leases |
| ROU assets                            | \$ 1,168            | \$ 22             | \$ 1,333            | \$ 36             |
| Maturities of lease liabilities:      |                     |                   |                     |                   |
| 2022                                  | \$ 302              | \$ 5              |                     |                   |
| 2023                                  | 311                 | 5                 |                     |                   |
| 2024                                  | 265                 | 5                 |                     |                   |
| 2025                                  | 225                 | 4                 |                     |                   |
| 2026                                  | 184                 | 3                 |                     |                   |
| Thereafter                            | 428                 | 7                 |                     |                   |
| Total lease payments                  | 1,715               | 29                | \$ 2,079            | \$ 47             |
| Less: imputed interest                | 115                 | 3                 | 183                 | 5                 |
| Total lease liabilities               | \$ 1,600            | \$ 26             | \$ 1,896            | \$ 42             |
| Weighted average remaining term       | 6.6 years           | 6.4 years         | 6.9 years           | 6.3 years         |
| Weighted average discount rate        | 2.3 %               | 3.5 %             | 2.4 %               | 4.8 %             |

| Year Ended December 31,<br>(Dollars in millions) | 2021   | 2020   | 2019   |
|--|--------|--------|--------|
| Operating lease costs                            | \$ 319 | \$ 360 | \$ 209 |

### Lessor Operating Leases

The Company's two primary lessor businesses are equipment financing and structured real estate with income recorded in Operating lease income on the Consolidated Statements of Income. The following table presents a summary of assets under operating leases and activity related to assets under operating leases. This table excludes subleases on assets included in premises and equipment.

| December 31,<br>(Dollars in millions)  | 2021     | 2020     |
|--|----------|----------|
| Assets held under operating leases (1) | \$ 2,110 | \$ 2,144 |
| Accumulated depreciation               | (539)    | (517)    |
| Net                                    | \$ 1,571 | \$ 1,627 |

(1) Includes certain land parcels subject to operating leases that have indefinite lives.

### Bank-Owned Life Insurance

Bank-owned life insurance consists of life insurance policies held on certain teammates for which the Company is the beneficiary. These policies provide the Company an efficient form of funding for retirement and other employee benefits costs. The carrying value of bank-owned life insurance was \$7.3 billion at December 31, 2021 and \$6.5 billion December 31, 2020.

## NOTE 10. Deposits

The composition of deposits is presented in the following table:

| December 31,<br>(Dollars in millions) | 2021       | 2020       |
|---------------------------------------|------------|------------|
| Noninterest-bearing deposits          | \$ 145,892 | \$ 127,629 |
| Interest-bearing deposits:            |            |            |
| Interest checking                     | 115,754    | 105,269    |
| Money market and savings              | 138,956    | 126,238    |
| Time deposits                         | 15,886     | 21,941     |
| Total deposits                        | \$ 416,488 | \$ 381,077 |
| Time deposits greater than \$250,000  | \$ 2,187   | \$ 3,296   |

The following table presents time deposit maturities:

| (Dollars in millions)          | 2022      | 2023     | 2024   | 2025   | 2026   | Thereafter |
|--------------------------------|-----------|----------|--------|--------|--------|------------|
| Future time deposit maturities | \$ 13,260 | \$ 1,577 | \$ 491 | \$ 298 | \$ 217 | \$ 43      |

## NOTE 11. Borrowings

The following table presents a summary of short-term borrowings:

| December 31,<br>(Dollars in millions)          | 2021     | 2020     |
|--|----------|----------|
| Federal funds purchased                        | \$ —     | \$ 79    |
| Securities sold under agreements to repurchase | 2,435    | 1,221    |
| FHLB advances                                  | —        | 2,649    |
| Collateral in excess of derivative exposures   | 318      | 385      |
| Master notes                                   | 808      | 621      |
| Securities sold short                          | 1,731    | 1,115    |
| Other short-term borrowings                    | —        | 22       |
| Total short-term borrowings                    | \$ 5,292 | \$ 6,092 |

The following table presents a summary of long-term debt:

| December 31,<br>(Dollars in millions) | Maturity     | 2021               |                    | Effective Rate<br>(1) | Carrying<br>Amount | 2020<br>Carrying<br>Amount |
|---------------------------------------|--------------|--------------------|--------------------|-----------------------|--------------------|----------------------------|
|                                       |              | Stated Rate<br>Min | Stated Rate<br>Max |                       |                    |                            |
| Truist Financial Corporation:         |              |                    |                    |                       |                    |                            |
| Fixed rate senior notes               | 2022 to 2030 | 0.45 %             | 6.00 %             | 2.32 %                | \$ 14,269          | \$ 15,984                  |
| Floating rate senior notes            | 2022 to 2022 | 0.78               | 0.78               | 0.78                  | 350                | 900                        |
| Fixed rate subordinated notes (2)     | 2022 to 2029 | 3.88               | 6.00               | 3.78                  | 1,254              | 1,283                      |
| Capital notes (2)                     | 2027 to 2028 | 0.82               | 1.11               | 1.64                  | 620                | 615                        |
| Structured notes (3)                  | 2023 to 2023 |                    |                    |                       | 11                 | 108                        |
| Truist Bank:                          |              |                    |                    |                       |                    |                            |
| Fixed rate senior notes               | 2022 to 2025 | 0.25               | 4.05               | 1.78                  | 10,794             | 11,907                     |
| Floating rate senior notes            | 2022 to 2023 | 0.75               | 0.78               | 0.66                  | 1,150              | 1,567                      |
| Fixed rate subordinated notes (2)     | 2025 to 2030 | 2.25               | 3.80               | 3.02                  | 5,043              | 5,142                      |
| FHLB advances                         | 2023 to 2034 | —                  | 5.36               | 5.34                  | 863                | 878                        |
| Other long-term debt (4)              |              |                    |                    |                       | 1,263              | 1,014                      |
| Nonbank subsidiaries:                 |              |                    |                    |                       |                    |                            |
| Other long-term debt (5)              |              |                    |                    |                       | 296                | 199                        |
| Total long-term debt                  |              |                    |                    |                       | \$ 35,913          | \$ 39,597                  |

(1) Includes the impact of debt issuance costs and purchase accounting, and excludes hedge accounting impacts.

(2) Subordinated and capital notes with a remaining maturity of one year or greater qualify under the risk-based capital guidelines as Tier 2 supplementary capital, subject to certain limitations.

(3) Consist of notes with various terms that include fixed or floating rate interest or returns that are linked to an equity index.

(4) Includes debt associated with finance leases, tax credit investments, and other.

(5) Includes debt associated with structured real estate leases.

The Company does not consolidate certain wholly-owned trusts which were formed for the sole purpose of issuing trust preferred securities. The proceeds from the trust preferred securities issuances were invested in capital notes of the Parent Company. The Parent Company's obligations constitute a full and unconditional guarantee of the trust preferred securities.

The following table presents future debt maturities:

| (Dollars in millions)      | 2022     | 2023     | 2024     | 2025     | 2026     | Thereafter |
|----------------------------|----------|----------|----------|----------|----------|------------|
| Future debt maturities (1) | \$ 6,360 | \$ 5,096 | \$ 6,508 | \$ 6,756 | \$ 2,717 | \$ 8,479   |

(1) Amounts include imputed interest of \$3 million related to finance leases.

## NOTE 12. Shareholders' Equity

### Common Stock

The following table presents total dividends declared per share of common stock:

| Year Ended December 31,           | 2021    | 2020    | 2019    |
|-----------------------------------|---------|---------|---------|
| Cash dividends declared per share | \$ 1.86 | \$ 1.80 | \$ 1.71 |

### Share Repurchase Activity

The Board of Directors had previously authorized the repurchase of up to \$4.2 billion of the Company's common stock through September 30, 2022. For the year ended December 31, 2021, the Company repurchased \$1.6 billion of common stock, which represented 27.6 million shares. Repurchased shares revert to the status of authorized and unissued shares. At December 31, 2021, Truist had remaining authorization to repurchase \$2.6 billion of common stock under the Board approved repurchase plan. The amount of share repurchases is dependent on capital deployment through organic growth and acquisitions, giving consideration to economic and regulatory conditions.

### Preferred Stock

Dividends on the preferred stock are non-cumulative and payable when declared by the Company's Board or a duly authorized committee of the Board. The Company issued depositary shares, each of which represents a fractional ownership interest in a share of the Company's preferred stock. The preferred stock has no stated maturity and redemption is solely at the option of the Company in whole or in part after the earliest redemption date at the liquidation preference plus declared and unpaid dividends. Prior to the redemption date, the Company has the option to redeem in whole, but not in part, upon the occurrence of a regulatory capital treatment event.

The following table presents a summary of the non-cumulative perpetual preferred stock as of December 31, 2021:

| Preferred Stock Issue<br>(Dollars in millions) | Issuance Date | Earliest<br>Redemption<br>Date | Liquidation<br>Amount | Carrying<br>Amount | Dividend Rate | Dividend<br>Payments |
|--|---------------|--------------------------------|-----------------------|--------------------|---------------|----------------------|
| Series I                                       | 12/6/2019 (1) | 12/15/2024                     | \$ 173                | \$ 168             | 4.000 % (2)   | Quarterly            |
| Series J                                       | 12/6/2019 (1) | 12/15/2024                     | 103                   | 92                 | 4.000 (3)     | Quarterly            |
| Series L                                       | 12/6/2019 (1) | 12/15/2024                     | 750                   | 766                | 5.050 (4)     | Semi-annually (9)    |
| Series M                                       | 12/6/2019 (1) | 12/15/2027                     | 500                   | 516                | 5.125 (5)     | Semi-annually (10)   |
| Series N                                       | 7/29/2019     | 9/1/2024                       | 1,700                 | 1,683              | 4.800 (6)     | Semi-annually        |
| Series O                                       | 5/27/2020     | 6/1/2025                       | 575                   | 559                | 5.250         | Quarterly            |
| Series P                                       | 6/1/2020      | 12/1/2025                      | 1,000                 | 992                | 4.950 (7)     | Semi-annually        |
| Series Q                                       | 6/19/2020     | 9/1/2030                       | 1,000                 | 992                | 5.100 (8)     | Semi-annually        |
| Series R                                       | 8/3/2020      | 9/1/2025                       | 925                   | 905                | 4.750         | Quarterly            |
| Total  |               |                                | \$ 6,726              | \$ 6,673           |               |                      |

- (1) Converted security from previously issued SunTrust preferred stock. Each outstanding share of SunTrust perpetual preferred stock was converted into the right to receive one share of an applicable newly issued series of Truist preferred stock having substantially the same terms as such share of SunTrust preferred stock.
- (2) Dividend rate is the greater of 4.00% or 3-month LIBOR plus 0.530%.
- (3) Dividend rate is the greater of 4.00% or 3-month LIBOR plus 0.645%.
- (4) Fixed dividend rate will reset on June 15, 2022, then dividend rate will be 3-month LIBOR plus 3.102%.
- (5) Fixed dividend rate will reset on December 15, 2027, then dividend rate will be 3-month LIBOR plus 2.786%.
- (6) Fixed dividend rate will reset on September 1, 2024, and on each following fifth anniversary of the reset date to the five-year U.S. Treasury rate plus 3.003%.
- (7) Fixed dividend rate will reset on December 1, 2025, and on each following fifth anniversary of the reset date to the five-year U.S. Treasury rate plus 4.605%.
- (8) Fixed dividend rate will reset on September 1, 2030, and on each following tenth anniversary of the reset date to the ten-year U.S. Treasury rate plus 4.349%.
- (9) Dividend payments become quarterly beginning on September 15, 2022.
- (10) Dividend payments become quarterly after dividend rate reset.

### **Issuances**

During 2020, Truist issued a total of \$3.5 billion in series O, series P, series Q, and series R preferred stock to further strengthen its capital position. During 2019, the Company issued \$1.7 billion of series N non-cumulative perpetual preferred stock.

Upon closing of the Merger, the Company issued series I, J, K, L and M non-cumulative perpetual preferred stock with a total par and fair value of \$2.0 billion on the Merger closing date. Refer to the table above for additional details regarding the preferred shares and dividends for additional information related to the Merger.

### **Redemptions**

During 2021, the Company redeemed all 18,000 outstanding shares of its perpetual preferred stock series F and the corresponding depositary shares representing fractional interests in such series for \$450 million, all 20,000 outstanding shares of its perpetual preferred stock series G and the corresponding depositary shares representing fractional interests in such series for \$500 million, and all 18,600 outstanding shares of its perpetual preferred stock series H and the corresponding depositary shares representing fractional interests in such series for \$465 million.

During 2020, the Company redeemed all 5,000 outstanding shares of its perpetual preferred stock series K and the corresponding depositary shares representing fractional interests in such series for \$500 million plus any unpaid dividends. The preferred stock redemption was in accordance with the terms of the Company's Articles of Amendment to its Articles of Incorporation, effective as of December 6, 2019.

During 2019, the Company redeemed all 23,000 outstanding shares of series D and 46,000 outstanding shares of series E non-cumulative perpetual preferred stock and the corresponding depositary shares representing fractional interests in each such series for \$1.7 billion. Regular dividends on the redeemed shares were paid during the third quarter of 2019.

### **Noncontrolling Interest**

During 2021, an indirect subsidiary of Truist Bank redeemed all 1,000 outstanding shares of its Series B Non-Cumulative Exchangeable Preferred Stock for \$100 million. Regular dividends were paid separately.

## NOTE 13. AOCI

AOCI includes the after-tax change in unrecognized net costs related to defined benefit pension and OPEB plans as well as unrealized gains and losses on cash flow hedges and AFS securities.

| (Dollars in millions)   | Pension and<br>OPEB Costs | Cash Flow<br>Hedges                   | AFS Securities                                    | Other, net          | Total      |
|---|---------------------------|---------------------------------------|---|---------------------|------------|
| AOCI balance, January 1, 2019                                       | \$ (1,164)                | \$ (31)                               | \$ (500)  | \$ (20)             | \$ (1,715) |
| OCI before reclassifications, net of tax                            | (42)                      | (89)                                  | 790   | 18                  | 677        |
| Amounts reclassified from AOCI:                                     |                           |                                       |   |                     |            |
| Before tax  | 111                       | 25                                    | 119   | 1                   | 256        |
| Tax effect  | 27                        | 6                                     | 29  | —                   | 62         |
| Amounts reclassified, net of tax                                    | 84                        | 19                                    | 90  | 1                   | 194        |
| Total OCI, net of tax   | 42                        | (70)                                  | 880   | 19                  | 871        |
| AOCI balance, December 31, 2019                                     | (1,122)                   | (101)                                 | 380   | (1)                 | (844)      |
| OCI before reclassifications, net of tax                            | 190                       | 1                                     | 1,298   | 2                   | 1,491      |
| Amounts reclassified from AOCI:                                     |                           |                                       |   |                     |            |
| Before tax  | 75                        | 48                                    | (32)  | —                   | 91         |
| Tax effect  | 18                        | 12                                    | (8)   | —                   | 22         |
| Amounts reclassified, net of tax                                    | 57                        | 36                                    | (24)  | —                   | 69         |
| Total OCI, net of tax   | 247                       | 37                                    | 1,274   | 2                   | 1,560      |
| AOCI balance, December 31, 2020                                     | (875)                     | (64)                                  | 1,654   | 1                   | 716        |
| OCI before reclassifications, net of tax                            | 767                       | —                                     | (3,459)   | —                   | (2,692)    |
| Amounts reclassified from AOCI:                                     |                           |                                       |   |                     |            |
| Before tax  | 29                        | 72                                    | 384   | —                   | 485        |
| Tax effect  | 7                         | 17                                    | 89  | —                   | 113        |
| Amounts reclassified, net of tax                                    | 22                        | 55                                    | 295   | —                   | 372        |
| Total OCI, net of tax   | 789                       | 55                                    | (3,164)   | —                   | (2,320)    |
| AOCI balance, December 31, 2021                                     | \$ (86)                   | \$ (9)                                | \$ (1,510)  | \$ 1                | \$ (1,604) |
| Primary income statement location of amounts reclassified from AOCI | Other expense             | Net interest income and Other expense | Securities gains (losses) and Net interest income | Net interest income |            |

## NOTE 14. Income Taxes

The components of the income tax provision are as follows:

| Year Ended December 31,<br>(Dollars in millions) | 2021     | 2020   | 2019   |
|--|----------|--------|--------|
| Current expense:                                 |          |        |        |
| Federal  | \$ 1,113 | \$ 979 | \$ 357 |
| State  | 91       | 155    | 97     |
| Total current expense                            | 1,204    | 1,134  | 454    |
| Deferred expense:                                |          |        |        |
| Federal  | 235      | (131)  | 290    |
| State  | 117      | (22)   | 38     |
| Total deferred expense                           | 352      | (153)  | 328    |
| Provision for income taxes                       | \$ 1,556 | \$ 981 | \$ 782 |

A reconciliation of the provision for income taxes at the statutory federal income tax rate to the Company's actual provision for income taxes and actual effective tax rate is presented in the following table:

| Year Ended December 31,<br>(Dollars in millions)                     | 2021     |                             | 2020     |                             | 2019   |                             |
|--|----------|-----------------------------|----------|-----------------------------|--------|-----------------------------|
|  | Amount   | % of Income<br>Before Taxes | Amount   | % of Income<br>Before Taxes | Amount | % of Income<br>Before Taxes |
| Federal income taxes at statutory rate                               | \$ 1,679 | 21.0 %                      | \$ 1,149 | 21.0 %                      | \$ 844 | 21.0 %                      |
| Increase (decrease) in provision for<br>income taxes as a result of: |          |                             |          |                             |        |                             |
| State income taxes, net of federal tax<br>benefit                    | 164      | 2.1                         | 105      | 1.9                         | 107    | 2.7                         |
| Income tax credits, net of amortization                              | (195)    | (2.4)                       | (178)    | (3.3)                       | (86)   | (2.1)                       |
| Tax-exempt interest  | (86)     | (1.1)                       | (99)     | (1.8)                       | (69)   | (1.8)                       |
| Other, net   | (6)      | (0.1)                       | 4        | 0.1                         | (14)   | (0.3)                       |
| Provision for income taxes   | \$ 1,556 | 19.5                        | \$ 981   | 17.9                        | \$ 782 | 19.5                        |

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 purposes. DTAs and DTLs are measured using the enacted federal and state tax rates in the periods in which the DTAs or DTLs are expected to be realized. The net deferred income tax liability is recorded in Other liabilities in the Consolidated Balance Sheets. Significant DTAs and DTLs, net of the federal impact for state taxes, are presented in the following table.

| December 31,<br>(Dollars in millions)          | 2021     | 2020     |
|--|----------|----------|
| DTAs:  |          |          |
| ALLL   | \$ 1,033 | \$ 1,376 |
| Employee compensation and benefits             | 819      | 698      |
| Net unrealized losses in AOCI                  | 488      | —        |
| Operating lease liability                      | 389      | 469      |
| Accruals and reserves                          | 245      | 305      |
| Federal and state NOLs and other carryforwards | 113      | 149      |
| Loans  | 53       | 369      |
| Other  | 59       | 57       |
| Total gross DTAs                               | 3,199    | 3,423    |
| Valuation allowance                            | (105)    | (123)    |
| Total DTAs net of valuation allowance          | 3,094    | 3,300    |
| DTLs:  |          |          |
| Pension  | 1,416    | 1,299    |
| Goodwill and other intangible assets           | 630      | 688      |
| Equipment and auto leasing                     | 465      | 599      |
| MSRs   | 360      | 459      |
| ROU assets                                     | 280      | 327      |
| Net unrealized gains in AOCI                   | —        | 222      |
| Other  | 173      | 279      |
| Total DTLs                                     | 3,324    | 3,873    |
| Net DTL  | \$ (230) | \$ (573) |

The DTAs include Federal and state NOLs and other state carryforwards that will expire, if not utilized, in varying amounts from 2022 to 2041. The Company had a valuation allowance recorded against its state carryforwards and certain state DTAs of \$105 million and \$123 million at December 31, 2021 and 2020, respectively.

The following table provides a rollforward of the Company's gross federal and state UTBs, excluding interest and penalties:

| December 31,<br>(Dollars in millions)  | 2021   | 2020   |
|--|--------|--------|
| Balance, January 1   | \$ 133 | \$ 127 |
| Increases in UTBs related to prior years                                     | 3      | 4      |
| Decreases in UTBs related to prior years                                     | (16)   | (1)    |
| Increases in UTBs related to the current year                                | 8      | 18     |
| Decreases in UTBs related to settlements                                     | (14)   | (13)   |
| Decreases in UTBs related to lapse of the applicable statutes of limitations | (10)   | (2)    |
| Balance, December 31   | \$ 104 | \$ 133 |

The amount of UTBs that would favorably affect the Company's effective tax rate, if recognized, was \$72 million and \$100 million at December 31, 2021 and 2020, respectively. Interest and penalties related to UTBs are recorded in the Provision for income taxes in the Consolidated Statement of Income. The Company had a gross liability of \$9 million and \$12 million for interest and penalties related to its UTBs at December 31, 2021 and 2020, respectively. The amount of gross expense related to interest and penalties on UTBs was immaterial.

The Company files U.S. federal, state, and local income tax returns. The Company's federal income tax returns are no longer subject to examination by the IRS for taxable years prior to 2017. With limited exceptions, the Company is no longer subject to examination by state and local taxing authorities for taxable years prior to 2015. It is reasonably possible that the liability for unrecognized tax benefits could decrease by as much as \$30 million during the next 12 months due to completion of tax authority examinations and the expiration of statutes of limitations. It is uncertain how much, if any, of this potential decrease will impact the Company's effective tax rate.



## NOTE 15. Benefit Plans

### Defined Benefit Retirement Plans

Truist provides defined benefit retirement plans qualified under the IRC. Benefits are based on years of service, age at retirement and the employee's compensation during the five highest consecutive years of earnings within the last ten years of employment. In addition, supplemental retirement benefits are provided to certain key officers under supplemental defined benefit executive retirement plans, which are not qualified under the IRC. Although technically unfunded plans, Rabbi Trusts and insurance policies on the lives of certain of the covered employees are available to finance future benefits.

The Company's defined benefit plans obtained through the Merger were combined during 2020.

The following tables present a summary of the qualified and nonqualified defined benefit pension plans. On the Consolidated Balance Sheets, the qualified pension plan net asset is recorded as a component of Other assets and the nonqualified pension plans net liability is recorded as a component of Other liabilities. The data is calculated using an actuarial measurement date of December 31.

| Year Ended December 31,<br>(Dollars in millions)   | Location          | 2021       | 2020     | 2019   |
|--|-------------------|------------|----------|--------|
| Net periodic pension cost:   |                   |            |          |        |
| Service cost   | Personnel expense | \$ 612     | \$ 518   | \$ 214 |
| Interest cost  | Other expense     | 319        | 313      | 233    |
| Estimated return on plan assets  | Other expense     | (998)      | (866)    | (480)  |
| Net amortization and other   | Other expense     | 35         | 76       | 111    |
| Net periodic benefit cost (income)   |                   | (32)       | 41       | 78     |
| Pre-tax amounts recognized in OCI:   |                   |            |          |        |
| Net actuarial loss (gain)  |                   | (1,012)    | (244)    | 34     |
| Net amortization   |                   | (35)       | (77)     | (110)  |
| Net amount recognized in OCI   |                   | (1,047)    | (321)    | (76)   |
| Total net periodic pension costs (income) recognized in total comprehensive income, pre-tax                          |                   | \$ (1,079) | \$ (280) | \$ 2   |
| Weighted average assumptions used to determine net periodic pension cost:  |                   |            |          |        |
| Discount rate  |                   | 2.94 %     | 3.45 %   | 4.43 % |
| Expected long-term rate of return on plan assets   |                   | 6.70       | 6.90     | 7.00   |
| Assumed long-term rate of annual compensation increases  |                   | 4.50       | 4.50     | 4.50   |
| Weighted average assumptions used to determine net periodic pension cost for SunTrust plans prior to being combined: |                   |            |          |        |
| Discount rate  |                   | NA         | NA       | 3.22 % |
| Expected long-term rate of return on plan assets   |                   | NA         | NA       | 6.90   |

The weighted average expected long-term rate of return on plan assets represents the average rate of return expected to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, Truist considers long-term compound annualized returns of historical market data for each asset category, as well as historical actual returns on the plan assets. Using this reference information, the Company develops forward-looking return expectations for each asset category and a weighted average expected long-term rate of return for the plan based on target asset allocations contained in the Company's Investment Policy Statement. For 2022, the expected rate of return on plan assets is 6.5%.

Activity in the projected benefit obligation is presented in the following table:

| Year Ended December 31,<br>(Dollars in millions)                              | Qualified Plan |           | Nonqualified Plans |        |
|---|----------------|-----------|--------------------|--------|
|   | 2021           | 2020      | 2021               | 2020   |
| Projected benefit obligation, January 1                                       | \$ 10,277      | \$ 8,819  | \$ 661             | \$ 557 |
| Service cost  | 573            | 479       | 39                 | 39     |
| Interest cost   | 300            | 294       | 20                 | 19     |
| Actuarial (gain) loss   | (371)          | 985       | 40                 | 68     |
| Benefits paid   | (318)          | (300)     | (20)               | (22)   |
| Projected benefit obligation, December 31                                     | \$ 10,461      | \$ 10,277 | \$ 740             | \$ 661 |
| Accumulated benefit obligation, December 31                                   | \$ 9,231       | \$ 9,044  | \$ 578             | \$ 503 |
| Weighted average assumptions used to determine projected benefit obligations: |                |           |                    |        |
| Weighted average assumed discount rate  | 3.18 %         | 2.94 %    | 3.18 %             | 2.94 % |
| Assumed rate of annual compensation increases (1)                             | 4.50           | 3.50      | 4.50               | 3.50   |

(1) The 2020 projected benefit obligation assumed a rate for qualified and nonqualified plans of 3.50% in 2021 and 4.50% thereafter.

For the qualified plan, the 2021 actuarial gains are primarily due to an increase in the assumed discount rate, net of the impact of actual plan experience, while the 2020 actuarial losses are primarily due to a decrease in the assumed discount rate, certain mortality updates, and the impact of actual plan experience. For the nonqualified plans, the 2021 loss is primarily due to the impact of actual plan experience, net of the increase in assumed discount rate. The 2020 actuarial loss was due to a decrease in the assumed discount rate and the impact of plan experience.

Activity in plan assets is presented in the following table:

| Year Ended December 31,<br>(Dollars in millions) | Qualified Plan |           | Nonqualified Plans |          |
|--|----------------|-----------|--------------------|----------|
|  | 2021           | 2020      | 2021               | 2020     |
| Fair value of plan assets, January 1             | \$ 14,635      | \$ 12,398 | \$ —               | \$ —     |
| Actual return on plan assets                     | 1,679          | 2,164     | —                  | —        |
| Employer contributions                           | 403            | 373       | 20                 | 22       |
| Benefits paid                                    | (318)          | (300)     | (20)               | (22)     |
| Fair value of plan assets, December 31           | \$ 16,399      | \$ 14,635 | \$ —               | \$ —     |
| Funded status, December 31                       | \$ 5,938       | \$ 4,358  | \$ (740)           | \$ (661) |

The following are the pre-tax amounts recognized in AOCI:

| December 31,<br>(Dollars in millions) | Qualified Plan |          | Nonqualified Plans |          |
|---------------------------------------|----------------|----------|--------------------|----------|
|                                       | 2021           | 2020     | 2021               | 2020     |
| Prior service credit (cost)           | \$ (65)        | \$ (90)  | \$ 58              | \$ 77    |
| Net actuarial gain (loss)             | 194            | (858)    | (274)              | (263)    |
| Net amount recognized                 | \$ 129         | \$ (948) | \$ (216)           | \$ (186) |

The following table presents the amount expected to be amortized from AOCI into net periodic pension cost during 2022:

| (Dollars in millions)               | Qualified Plan | Nonqualified Plans |
|-------------------------------------|----------------|--------------------|
| Net actuarial loss                  | \$ —           | \$ (29)            |
| Prior service credit (cost)         | (25)           | 19                 |
| Net amount expected to be amortized | \$ (25)        | \$ (10)            |

Truist makes contributions to the qualified pension plan in amounts between the minimum required for funding and the maximum amount deductible for federal income tax purposes. Truist made discretionary contributions of \$351 million during the first quarter of 2022. Management may make additional contributions in 2022. For the nonqualified plans, employer contributions are based on benefit payments.

The following table reflects the estimated benefit payments for the periods presented:

| (Dollars in millions) | Qualified Plan | Nonqualified Plans |
|-----------------------|----------------|--------------------|
| 2022                  | \$ 391         | \$ 25              |
| 2023                  | 355            | 33                 |
| 2024                  | 364            | 28                 |
| 2025                  | 381            | 30                 |
| 2026                  | 398            | 32                 |
| 2027-2031             | 2,270          | 182                |

The Company's primary total return objective is to achieve returns that, over the long term, will fund retirement liabilities and provide for the desired plan benefits in a manner that satisfies the fiduciary requirements of the ERISA. The plan assets have a long-term time horizon that runs concurrent with the average life expectancy of the participants. As such, the Plan can assume a time horizon that extends well beyond a full market cycle, and can assume an above-average level of risk, as measured by the standard deviation of annual return. The investments are broadly diversified among economic sector, industry, quality, and size in order to reduce risk and to produce incremental return. Within approved guidelines and restrictions, investment managers have wide discretion over the timing and selection of individual investments.

Truist periodically reviews its asset allocation and investment policy and makes changes to its target asset allocation. During 2021, Truist revised its target allocation to decrease the allocation to equity securities and increase the allocation to fixed income securities based on consideration of the plan's long term investment objectives and funding status. Truist has established guidelines within each asset category to ensure the appropriate balance of risk and reward. The following table presents the fair values of the qualified pension plan assets by asset category:

| December 31,<br>(Dollars in millions) | Target Allocation |      | 2021      |          |           | 2020      |          |           |
|---------------------------------------|-------------------|------|-----------|----------|-----------|-----------|----------|-----------|
|                                       | Min               | Max  | Total     | Level 1  | Level 2   | Total     | Level 1  | Level 2   |
| Cash and cash-equivalents             |                   |      | \$ 212    | \$ 212   | \$ —      | \$ 290    | \$ 290   | \$ —      |
| U.S. equity securities (1)            | 23 %              | 33 % | 5,452     | 2,744    | 2,708     | 6,424     | 3,368    | 3,056     |
| International equity securities       | 7                 | 17   | 2,378     | 260      | 2,118     | 2,281     | 360      | 1,921     |
| Fixed income securities               | 45                | 55   | 7,782     | —        | 7,782     | 5,357     | —        | 5,357     |
| Total                                 |                   |      | \$ 15,824 | \$ 3,216 | \$ 12,608 | \$ 14,352 | \$ 4,018 | \$ 10,334 |

(1) The plan may hold up to 10% of its assets in Truist common stock.

International equity securities include certain pooled investment vehicles, such as a common/commingled fund, which consist of assets from several investors, pooled together, to reduce management and administration costs. At December 31, 2021 and 2020, investments totaling \$513 million and \$280 million, respectively, have been excluded from the table above as valued based on net asset value as a practical expedient. Certain collective investment trusts and similar pooled investment vehicles in the table above have been reclassified as level 2 as these investments have readily determinable fair values, with net asset value made available to the plan daily or monthly as the basis for current transactions. Prior periods were revised consistent with the current presentation.

### Defined Contribution Plans

Truist offers a 401(k) Savings Plan and other defined contribution plans that permit teammates to contribute up to 50% of cash compensation. For full-time teammates who are 21 years of age or older with one year or more of service, Truist makes matching contributions of up to 6% of the employee's compensation. The Company's contribution expense for the 401(k) Savings Plan and nonqualified defined contribution plans totaled \$272 million, \$272 million and \$152 million for the years ended December 31, 2021, 2020 and 2019, respectively. Certain teammates of subsidiaries participate in the 401(k) Savings Plan with different matching formulas. The Company's defined contribution plans obtained through the Merger were combined during 2020.

### Equity-Based Compensation Plans

At December 31, 2021, RSAs, RSUs, and PSUs were outstanding from equity-based compensation plans that have been approved by shareholders and plans assumed from acquired entities. Those plans are intended to assist the Company in recruiting and retaining teammates, directors, and independent contractors and to align the interests of eligible participants with those of Truist and its shareholders.

The majority of outstanding awards and awards available to be issued relate to plans that allow for accelerated vesting of awards for holders who retire and have met all retirement eligibility requirements or in connection with certain other events. Until vested, certain of these awards are subject to forfeiture under specified circumstances. The fair value of RSUs and PSUs is based on the common stock price on the grant date less the present value of expected dividends that will be foregone during the vesting period. Substantially all awards are granted in February of each year. Grants to non-executive teammates primarily consist of RSUs.

The following table provides a summary of the equity-based compensation plans:

| December 31, 2021                                 |           |
|---|-----------|
| Shares available for future grants (in thousands) | 13,146    |
| Vesting period, minimum                           | 1.0 year  |
| Vesting period, maximum                           | 5.0 years |

The following table presents a summary of selected data related to equity-based compensation costs:

| As of / For the Year Ended December 31,<br>(Dollars in millions)                    | 2021      | 2020      | 2019      |
|---|-----------|-----------|-----------|
| Equity-based compensation expense   | \$ 320    | \$ 353    | \$ 165    |
| Income tax benefit from equity-based compensation expense                           | 75        | 84        | 38        |
| Intrinsic value of options exercised, and RSUs and PSUs that vested during the year | 474       | 412       | 216       |
| Grant date fair value of equity-based awards that vested during the year            | 395       | 420       | 134       |
| Unrecognized compensation cost related to equity-based awards                       | 254       | 234       | 274       |
| Weighted-average life over which compensation cost is expected to be recognized     | 2.5 years | 2.3 years | 2.3 years |

The following table presents the activity related to awards of RSUs, PSUs and restricted shares:

| (Shares in thousands)          | Units/Shares | Wtd. Avg.<br>Grant Date<br>Fair Value |
|--------------------------------|--------------|---------------------------------------|
| Nonvested at January 1, 2021   | 18,088       | \$ 47.93                              |
| Granted                        | 7,556        | 53.12                                 |
| Vested                         | (7,554)      | 52.36                                 |
| Forfeited                      | (1,029)      | 51.41                                 |
| Nonvested at December 31, 2021 | 17,061       | 50.01                                 |

### Other Benefits

There are various other employment contracts, deferred compensation arrangements and non-compete covenants with selected members of management and certain retirees. These plans and their obligations are not material to the financial statements.

### NOTE 16. Commitments and Contingencies

Truist utilizes a variety of financial instruments to mitigate exposure to risks and meet the financing needs and provide investment opportunities for clients. These financial instruments include commitments to extend credit, letters of credit and financial guarantees, derivatives, and other investments. Truist also has commitments to fund certain affordable housing investments and contingent liabilities related to certain sold loans.

#### Tax Credit and Certain Equity Investments

The Company invests in certain affordable housing projects throughout its market area as a means of supporting local communities. Truist receives tax credits related to these investments, for which the Company typically acts as a limited partner and therefore does not exert control over the operating or financial policies of the partnerships. Truist typically provides financing during the construction and development of the properties; however, permanent financing is generally obtained from independent third parties upon completion of a project. Tax credits are subject to recapture by taxing authorities based on compliance features required to be met at the project level. Truist's maximum potential exposure to losses relative to investments in VIEs is generally limited to the sum of the outstanding balance, future funding commitments and any related loans to the entity, exclusive of any potential tax recapture associated with the investments. Loans to these entities are underwritten in substantially the same manner as the Company's other loans and are generally secured.

Additionally, the Company invests in other community development entities as a limited partner and/or a lender. The Company receives tax credits for its limited partner investments. The Company has determined that the majority of the related partnerships are VIEs. The Company has concluded that it is not the primary beneficiary of these investments. Truist uses the equity method of accounting for these investments.

The Company also invests in entities that promote renewable energy sources as a limited partner. The Company has determined that these renewable energy tax credit partnerships are VIEs. The Company has concluded that it is not the primary beneficiary of these VIEs because it does not have the power to direct the activities that most significantly impact the VIEs' financial performance and therefore, it is not required to consolidate these VIEs. The Company's maximum exposure to loss related to these investments is limited to its equity investments in these partnerships and any additional unfunded equity commitments.

Truist has investments in and future funding commitments related to private equity and certain other equity method investments. The risk exposure relating to such commitments is generally limited to the amount of investments and future funding commitments made.

The following table summarizes certain tax credit and certain equity investments:

| December 31,<br>(Dollars in millions)                                | Balance Sheet Location | 2021     | 2020     |
|--|------------------------|----------|----------|
| Investments in affordable housing projects:                          |                        |          |          |
| Carrying amount  | Other assets           | \$ 4,107 | \$ 3,823 |
| Amount of future funding commitments included in carrying amount     | Other liabilities      | 1,285    | 1,057    |
| Lending exposure   | NA                     | 763      | 546      |
| Renewable energy investments:  |                        |          |          |
| Carrying amount  | Other assets           | 257      | 167      |
| Amount of future funding commitments not included in carrying amount | NA                     | 71       | 76       |
| Private equity and certain other equity method investments:          |                        |          |          |
| Carrying amount  | Other assets           | 1,822    | 1,574    |
| Amount of future funding commitments not included in carrying amount | NA                     | 411      | 471      |

The following table presents a summary of tax credits and amortization associated with the Company's tax credit investment activity:

| Year Ended December 31,<br>(Dollars in millions)   | Income Statement Location  | 2021   | 2020   | 2019   |
|--|----------------------------|--------|--------|--------|
| Tax credits:                                       |                            |        |        |        |
| Investments in affordable housing projects         | Provision for income taxes | \$ 477 | \$ 454 | \$ 284 |
| Other community development investments            | Provision for income taxes | 103    | 96     | 39     |
| Renewable energy investments                       | NA (1)                     | 157    | 159    | —      |
| Amortization and other changes in carrying amount: |                            |        |        |        |
| Investments in affordable housing projects         | Provision for income taxes | \$ 472 | \$ 455 | \$ 279 |
| Other community development investments            | Other noninterest income   | 86     | 81     | 28     |
| Renewable energy investments                       | Other noninterest income   | 4      | 4      | 4      |

(1) Tax credits received for these investments are recorded as a reduction to the carrying value of these investments.

### Letters of Credit and Financial Guarantees

In the normal course of business, Truist utilizes certain financial instruments to meet the financing needs of clients and to mitigate exposure to risks. Such financial instruments include commitments to extend credit and certain contractual agreements, including standby letters of credit and financial guarantee arrangements.

Commitments to extend, originate, or purchase credit are primarily lines of credit to businesses and consumers and have specified rates and maturity dates. Many of these commitments also have adverse change clauses, which allow Truist to cancel the commitment due to deterioration in the borrowers' creditworthiness. The fair values of commitments are estimated using the fees charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The fair values of guarantees and letters of credit are estimated based on the counterparties' creditworthiness and average default rates for loan products with similar risks. Consumer lending and revolving credit commitments have an immaterial fair value as Truist typically has the unconditional ability to cancel such commitments. Refer to "Note 18. Fair Value Disclosures" for additional disclosures on the RUFC.

Truist has sold certain mortgage-related loans that contain recourse provisions. These provisions generally require Truist to reimburse the investor for a share of any loss that is incurred after the disposal of the property. Truist also issues standard representations and warranties related to mortgage loan sales to GSEs. Refer to "Note 8. Loan Servicing" for additional disclosures related to these exposures.

Letters of credit and financial guarantees are unconditional commitments issued by Truist to guarantee the performance of a client to a third party. These guarantees are primarily issued to support borrowing arrangements, including commercial paper issuance, bond financing and similar transactions. The credit risk involved in the issuance of these guarantees is essentially the same as that involved in extending loans to clients and, as such, the instruments are collateralized when necessary.

The following is a summary of selected notional amounts of off-balance sheet financial instruments:

| December 31,<br>(Dollars in millions)                            | 2021       | 2020       |
|--|------------|------------|
| Commitments to extend, originate, or purchase credit             | \$ 198,658 | \$ 186,731 |
| Residential mortgage loans sold with recourse                    | 244        | 328        |
| CRE mortgages serviced for others covered by recourse provisions | 10,243     | 9,019      |
| Other loans serviced for others covered by recourse provisions   | 588        | —          |
| Letters of credit  | 5,568      | 5,066      |

### Derivatives

Truist enters into derivative contracts to manage various financial risks. A derivative is a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index, or referenced interest rate. Derivative contracts are carried at fair value on the Consolidated Balance Sheets with the fair value representing the net present value of expected future cash receipts or payments based on market interest rates. For additional information on derivative instruments, see "Note 19. Derivative Financial Instruments."

### **Total Return Swaps**

The Company facilitates matched book TRS transactions on behalf of clients, whereby a VIE purchases reference assets identified by a client and the Company enters into a TRS with the VIE, with a mirror-image TRS facing the client. The Company provides senior financing to the VIE in the form of demand notes to fund the purchase of the reference assets. Reference assets are typically fixed income instruments primarily composed of syndicated bank loans. The TRS contracts pass through interest and other cash flows on the reference assets to the third party clients, along with exposing those clients to decreases in value on the assets and providing them with the rights to appreciation on the assets. The terms of the TRS contracts require the third parties to post initial margin collateral, as well as ongoing margin as the fair values of the underlying reference assets change.

The Company concluded that the associated VIEs should be consolidated because the Company has (i) the power to direct the activities that most significantly impact the economic performance of the VIE and (ii) the obligation to absorb losses and the right to receive benefits, that could potentially be significant. At December 31, 2021, the Company's Consolidated Balance Sheet reflected \$1.5 billion of assets and \$50 million of other liabilities of the VIEs. At December 31, 2020, the Company's Consolidated Balance Sheet reflected \$1.3 billion of assets and \$41 million of other liabilities of the VIEs. VIE assets include trading loans and bonds totaling \$1.5 billion and \$1.3 billion at December 31, 2021 and December 31, 2020, respectively. The activities of the VIEs are restricted to buying and selling the reference assets and the risks/benefits of any such assets owned by the VIEs are passed to the third party clients via the TRS contracts. For additional information on TRS contracts and the related VIEs, see "Note 19. Derivative Financial Instruments."

### **Investment in Exchange Traded Fund**

In December 2021, Truist and Sterling Capital Management LLC, a registered investment advisor and wholly owned subsidiary of Truist, established the Sterling Capital Diverse Multi-Manager Active Exchange Traded Fund to demonstrate the Company's support for increasing access for individuals and institutions to invest using strategies from diverse-owned firms. This ETF combines active management investment strategies from three majority diverse-owned asset managers, the sub-advisors to the ETF. Each sub-advisor submits its strategy to Sterling Capital, the ETF's investment advisor, for review and implementation within the overall ETF portfolio. The Company concluded that the ETF is a VIE that should be consolidated as the Company is the ETF's primary beneficiary. As of December 31, 2021, the Company consolidated \$102 million of equity securities held by the ETF, which substantially represents the Company's initial investment in the ETF and is classified as Other assets within the Consolidated Balance Sheet.

### **Other Commitments**

Truist holds public funds in certain states that do not require 100% collateralization on public fund bank deposits. In these states, should the failure of another public fund depository institution result in a loss for the public entity, the resulting uncollateralized deposit shortfall would have to be absorbed on a pro-rata basis (based upon the public deposits held by each bank within the respective state) by the remaining financial institutions holding public funds in that state. Truist monitors deposits levels relative to the total public deposits held by all depository institutions within these states. The likelihood that the Company would have to perform under this guarantee is dependent on whether any financial institutions holding public funds default, as well as the adequacy of collateral coverage.

In the ordinary course of business, Truist indemnifies its officers and directors to the fullest extent permitted by law against liabilities arising from pending litigation. Truist also issues standard representations and warranties in underwriting agreements, merger and acquisition agreements, loan sales, brokerage activities and other similar arrangements. Counterparties in many of these indemnification arrangements provide similar indemnifications to Truist. Although these agreements often do not specify limitations, Truist does not believe that any payments related to these guarantees would materially change the financial position or results of operations of Truist.

As a member of the FHLB, Truist is required to maintain a minimum investment in capital stock. The board of directors of the FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Agency. Because the extent of any obligation to increase Truist's investment in the FHLB depends entirely upon the occurrence of a future event, potential future investments in the FHLB stock are not determinable.

The Company utilizes the Fixed Income Clearing Corporation for trade comparisons, netting, and settlement of fixed income securities. As a Government Securities Division netting member, the Company has a commitment to the Fixed Income Clearing Corporation to meet its financial obligations as a central counterparty clearing house in the event the Fixed Income Clearing Corporation has insufficient liquidity recourses through a potential committed liquidity resource repurchase transaction. Any commitment would be based on the Company's share of its liquidity burden on the Fixed Income Clearing Corporation. Truist does not believe that any payments related to these guarantees would materially change the financial position or results of operations of Truist.

## **Pledged Assets**

Certain assets were pledged to secure municipal deposits, securities sold under agreements to repurchase, certain derivative agreements, and borrowings or borrowing capacity, as well as to fund certain obligations related to nonqualified defined benefit and defined contribution retirement plans and for other purposes as required or permitted by law. Certain assets related to the nonqualified defined contribution retirement plan were added to the pledged securities in the table below. Prior periods were revised consistent with the current presentation. Assets pledged to the FHLB and FRB are subject to applicable asset discounts when determining borrowing capacity. The Company obtains secured financing and letters of credit from the FRB and FHLB. The Company's letters of credit from the FHLB can be used to secure various client deposits, including public fund relationships. Excluding assets related to nonqualified benefit plans, the majority of the agreements governing the pledged assets do not permit the other party to sell or repledge the collateral. The following table provides the total carrying amount of pledged assets by asset type:

| <b>December 31,<br/>(Dollars in millions)</b> | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Pledged securities                            | \$ 29,678   | \$ 25,729   |
| Pledged loans:                                |             |             |
| FRB   | 73,349      | 75,615      |
| FHLB  | 64,698      | 69,994      |
| Unused borrowing capacity:                    |             |             |
| FRB   | 52,170      | 52,831      |
| FHLB  | 49,244      | 52,274      |

## **Litigation and Regulatory Matters**

Truist and/or its subsidiaries are routinely parties to numerous legal proceedings, including private, civil litigation, and regulatory investigations, arising from the ordinary conduct of its regular business activities. The matters range from individual actions involving a single plaintiff to class action lawsuits with multiple class members and can involve claims for substantial amounts. Investigations involve both formal and informal proceedings, by both governmental agencies and self-regulatory organizations. These legal proceedings are at varying stages of adjudication, arbitration, or investigation and may consist of a variety of claims, including common law tort and contract claims, as well as statutory antitrust, securities, and consumer protection claims. The ultimate resolution of any proceeding is uncertain and inherently difficult to predict. It is possible that the ultimate resolution of these matters, if unfavorable, may be material to the consolidated financial position, consolidated results of operations, or consolidated cash flows of Truist.

Truist establishes accruals for legal matters when potential losses associated with the actions become probable and the amount of loss can be reasonably estimated. There is no assurance that the ultimate resolution of these matters will not significantly exceed the amounts that Truist has accrued. Accruals for legal matters are based on management's best judgment after consultation with counsel and others.

The Company estimates reasonably possible losses, in excess of amounts accrued, of up to approximately \$200 million as of December 31, 2021. This estimate is based upon currently available information and involves considerable judgment, given that claims often include significant legal uncertainties, damages alleged by plaintiffs are often unspecified or overstated, discovery may not have started or may not be complete and material facts may be disputed or unsubstantiated, among other factors. In addition, the matters underlying this estimate will change from time to time and actual losses may vary significantly from this estimate. As a result, the Company does not believe that an estimate of reasonably possible losses can be made for certain matters. Such matters are not reflected in the estimate provided herein.

The following is a description of a certain legal proceeding in which Truist is involved:

### **Bickerstaff v. SunTrust Bank**

This class action case was filed in the Fulton County State Court on July 12, 2010, and an amended complaint was filed on August 9, 2010. Plaintiff asserts that all overdraft fees charged to his account which related to debit card and ATM transactions are actually interest charges and therefore subject to the usury laws of Georgia. Plaintiff has brought claims for violations of civil and criminal usury laws, conversion, and money had and received. On October 6, 2017, the trial court granted plaintiff's motion for class certification and defined the class as "Every Georgia citizen who had or has one or more accounts with SunTrust Bank and who, from July 12, 2006, to October 6, 2017 (i) had at least one overdraft of \$500.00 or less resulting from an ATM or debit card transaction (the "Transaction"); (ii) paid any Overdraft Fees as a result of the Transaction; and (iii) did not receive a refund of those Fees," and the granting of a certified class was affirmed on appeal. On April 8, 2020, the Company filed a motion seeking to narrow the scope of this class, and on May 29, 2020, it filed a renewed motion to compel arbitration of the claims of some of the class members. On February 9, 2021, the trial court denied both motions as premature but held that the issues could be raised again after the conclusion of discovery, which is currently underway. The Company believes that the claims are without merit.

## NOTE 17. Regulatory Requirements and Other Restrictions

Truist Bank is subject to laws and regulations that limit the amount of dividends it can pay. In addition, both Truist and Truist Bank are subject to various regulatory restrictions relating to the payment of dividends, including requirements to maintain capital at or above regulatory minimums, and to remain "well-capitalized" under the prompt corrective action regulations.

Truist is subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated pursuant to regulatory directives. Truist's capital amounts and classification also are subject to qualitative judgments by the regulators about components, risk weightings and other factors. Truist is in full compliance with these requirements. Banking regulations also identify five capital categories for IDIs: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. At December 31, 2021 and 2020, Truist and Truist Bank were classified as "well-capitalized," and management believes that no events or changes have occurred subsequent to year end that would change this designation.

Quantitative measures established by regulation to ensure capital adequacy require Truist to maintain minimum ratios of CET1 ratio of 4.5%, Tier 1 capital ratio of 6.0%, Total capital to risk-weighted assets ratio of 8.0%, Tier 1 capital to average tangible assets (leverage ratio) of 4.0% and supplementary leverage ratio of 3.0%. Truist is subject to a 2.5% SCB effective October 1, 2021 to September 30, 2022. Truist Bank is subject to a 2.5% capital conservation buffer. The SCB and capital conservation buffer are amounts above the minimum levels designed to ensure that banks remain well-capitalized, even in adverse economic scenarios.

Risk-based capital ratios, which include CET1, Tier 1 capital and Total capital, are calculated based on regulatory guidance related to the measurement of capital and risk-weighted assets.

| December 31,<br>(Dollars in millions) | 2021  |           | 2020   |           |
|---------------------------------------|-------|-----------|--------|-----------|
|                                       | Ratio | Amount    | Ratio  | Amount    |
| <b>Truist Financial Corporation</b>   |       |           |        |           |
| CET1                                  | 9.6 % | \$ 37,524 | 10.0 % | \$ 37,869 |
| Tier 1 capital                        | 11.3  | 44,194    | 12.1   | 45,915    |
| Total capital                         | 13.2  | 51,518    | 14.5   | 55,011    |
| Leverage                              | 8.7   | 44,194    | 9.6    | 45,915    |
| Supplementary leverage                | 7.4   | 44,194    | 8.7    | 45,915    |
| <b>Truist Bank</b>                    |       |           |        |           |
| CET1                                  | 10.5  | 39,908    | 11.0   | 40,642    |
| Tier 1 capital                        | 10.5  | 39,908    | 11.0   | 40,642    |
| Total capital                         | 12.0  | 45,562    | 13.0   | 47,882    |
| Leverage                              | 8.0   | 39,908    | 8.7    | 40,642    |
| Supplementary leverage                | 6.9   | 39,908    | 7.5    | 40,642    |

As an approved seller/servicer, Truist Bank is required to maintain minimum levels of capital, as specified by various agencies, including the U.S. Department of Housing and Urban Development, GNMA, FHLMC, and FNMA. At December 31, 2021 and 2020, Truist Bank's capital was above all required levels.



## NOTE 18. Fair Value Disclosures

### Recurring Fair Value Measurements

Accounting standards define fair value as the price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants, with a three level measurement hierarchy:

- Level 1: Quoted prices for identical instruments in active markets
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable

The following tables present fair value information for assets and liabilities measured at fair value on a recurring basis:

| December 31, 2021<br>(Dollars in millions) | Total      | Level 1  | Level 2    | Level 3  | Netting<br>Adjustments (1) |
|--|------------|----------|------------|----------|----------------------------|
| <b>Assets:</b>                             |            |          |            |          |                            |
| Trading assets:                            |            |          |            |          |                            |
| U.S. Treasury                              | \$ 125     | \$ —     | \$ 125     | \$ —     | \$ —                       |
| GSE  | 306        | —        | 306        | —        | —                          |
| Agency MBS - residential                   | 1,016      | —        | 1,016      | —        | —                          |
| Agency MBS - commercial                    | 13         | —        | 13         | —        | —                          |
| States and political subdivisions          | 91         | —        | 91         | —        | —                          |
| Corporate and other debt securities        | 738        | —        | 738        | —        | —                          |
| Loans                                      | 1,791      | —        | 1,791      | —        | —                          |
| Other                                      | 343        | 285      | 58         | —        | —                          |
| Total trading assets                       | 4,423      | 285      | 4,138      | —        | —                          |
| AFS securities:                            |            |          |            |          |                            |
| U.S. Treasury                              | 9,795      | —        | 9,795      | —        | —                          |
| GSE  | 1,698      | —        | 1,698      | —        | —                          |
| Agency MBS - residential                   | 134,042    | —        | 134,042    | —        | —                          |
| Agency MBS - commercial                    | 2,882      | —        | 2,882      | —        | —                          |
| States and political subdivisions          | 420        | —        | 420        | —        | —                          |
| Non-agency MBS                             | 4,258      | —        | 4,258      | —        | —                          |
| Other                                      | 28         | —        | 28         | —        | —                          |
| Total AFS securities                       | 153,123    | —        | 153,123    | —        | —                          |
| LHFS at fair value                         | 3,544      | —        | 3,544      | —        | —                          |
| Loans and leases                           | 23         | —        | —          | 23       | —                          |
| Loan servicing rights at fair value        | 2,633      | —        | —          | 2,633    | —                          |
| Other assets:                              |            |          |            |          |                            |
| Derivative assets                          | 2,370      | 887      | 3,110      | 30       | (1,657)                    |
| Equity securities                          | 1,066      | 967      | 99         | —        | —                          |
| Total assets                               | \$ 167,182 | \$ 2,139 | \$ 164,014 | \$ 2,686 | \$ (1,657)                 |
| <b>Liabilities:</b>                        |            |          |            |          |                            |
| Derivative liabilities                     | \$ 586     | \$ 438   | \$ 3,056   | \$ 42    | \$ (2,950)                 |
| Securities sold short                      | 1,731      | 8        | 1,723      | —        | —                          |
| Total liabilities                          | \$ 2,317   | \$ 446   | \$ 4,779   | \$ 42    | \$ (2,950)                 |

| December 31, 2020<br>(Dollars in millions) | Total      | Level 1  | Level 2    | Level 3  | Netting<br>Adjustments (1) |
|--|------------|----------|------------|----------|----------------------------|
| <b>Assets:</b>                             |            |          |            |          |                            |
| Trading assets:                            |            |          |            |          |                            |
| U.S. Treasury                              | \$ 793     | \$ —     | \$ 793     | \$ —     | \$ —                       |
| GSE  | 164        | —        | 164        | —        | —                          |
| Agency MBS - residential                   | 599        | —        | 599        | —        | —                          |
| Agency MBS - commercial                    | 21         | —        | 21         | —        | —                          |
| States and political subdivisions          | 34         | —        | 34         | —        | —                          |
| Corporate and other debt securities        | 545        | —        | 545        | —        | —                          |
| Loans                                      | 1,586      | —        | 1,586      | —        | —                          |
| Other                                      | 130        | 123      | 7          | —        | —                          |
| Total trading assets                       | 3,872      | 123      | 3,749      | —        | —                          |
| AFS securities:                            |            |          |            |          |                            |
| U.S. Treasury                              | 1,746      | —        | 1,746      | —        | —                          |
| GSE  | 1,917      | —        | 1,917      | —        | —                          |
| Agency MBS - residential                   | 113,541    | —        | 113,541    | —        | —                          |
| Agency MBS - commercial                    | 3,057      | —        | 3,057      | —        | —                          |
| States and political subdivisions          | 493        | —        | 493        | —        | —                          |
| Other                                      | 34         | —        | 34         | —        | —                          |
| Total AFS securities                       | 120,788    | —        | 120,788    | —        | —                          |
| LHFS at fair value                         | 4,955      | —        | 4,955      | —        | —                          |
| Loan servicing rights at fair value        | 2,023      | —        | —          | 2,023    | —                          |
| Other assets:                              |            |          |            |          |                            |
| Derivative assets                          | 3,837      | 752      | 4,903      | 186      | (2,004)                    |
| Equity securities                          | 1,054      | 996      | 58         | —        | —                          |
| Total assets                               | \$ 136,529 | \$ 1,871 | \$ 134,453 | \$ 2,209 | \$ (2,004)                 |
| <b>Liabilities:</b>                        |            |          |            |          |                            |
| Derivative liabilities                     | \$ 555     | \$ 386   | \$ 3,263   | \$ 14    | \$ (3,108)                 |
| Securities sold short                      | 1,115      | 3        | 1,112      | —        | —                          |
| Total liabilities                          | \$ 1,670   | \$ 389   | \$ 4,375   | \$ 14    | \$ (3,108)                 |

(1) Refer to "Note 19. Derivative Financial Instruments" for additional discussion on netting adjustments.

At December 31, 2021 and 2020, investments totaling \$440 million and \$387 million, respectively, have been excluded from the table above as they are valued based on net asset value as a practical expedient. These investments primarily consist of certain SBIC funds.

The following discussion focuses on the valuation techniques, and significant inputs for Level 2, and Level 3 assets, and liabilities that are measured at fair value on a recurring basis.

*Available for Sale and Trading Securities:* Securities accounted for at fair value include both the available-for-sale and trading portfolios. The Company uses prices obtained from pricing services, dealer quotes, or recent trades to estimate the fair value of securities. The majority of AFS securities were priced by third party vendors whereas trading securities are priced internally. The AFS securities and trading securities are subject to IPV. Management independently evaluates the fair values of AFS Securities and trading securities through comparisons to external pricing sources, review of additional information provided by the pricing service and other third party sources for selected securities and back-testing to compare the price realized on any security sales to the pricing information received from the pricing service. Fair value measurements for trading securities are derived from observable market-based information including, but not limited to, overall market conditions, recent trades, comparable securities, broker quotes and FINRA's Trade Reporting and Compliance Engine data when determining the value of a position. Security prices are also validated through actual cash settlement upon the sale of a security. As described by security type below, additional inputs may be used, or some inputs may not be applicable.

*Trading loans:* The Company has elected to measure trading loans at fair value. Trading loans are valued primarily using quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active by a third party pricing service. Trading loans include:

- loans held in connection with the Company's trading business primarily consisting of commercial and corporate leveraged loans;
- SBA loans guaranteed by the U.S. government; and
- loans made or acquired in connection with the Company's TRS business.

*U.S. Treasury securities:* Treasury securities are valued using quoted prices in active over-the-counter markets.

*GSE securities and agency MBS:* GSE securities consist of debt obligations issued by HUD, the FHLB, and other agencies, as well as securities collateralized by loans that are guaranteed by the SBA, and thus, are backed by the full faith and credit of the U.S. government. Agency MBS includes pass-through securities and CMO issued by GSEs and U.S. government agencies, such as FNMA, FHLMC, and GNMA. Each security contains a guarantee by the issuing GSE or agency. GSE pass-through securities are valued using market-based pricing matrices that reference observable inputs including benchmark TBA security pricing and yield curves that were estimated based on U.S. Treasury yields and certain floating rate indices. The pricing matrices for these securities may also give consideration to pool-specific data supplied directly by the GSE. GSE CMOs are valued using market-based pricing matrices that are based on observable inputs including offers, bids, reported trades, dealer quotes and market research reports, the characteristics of a specific tranche, market convention prepayment speeds and benchmark yield curves as described above.

*States and political subdivisions:* The Company's investments in U.S. states and political subdivisions 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. Additionally, all municipal obligations are highly rated or are otherwise collateralized by securities backed by the full faith and credit of the federal government. These securities are valued using market-based pricing matrices that reference observable inputs including MSRB reported trades, issuer spreads, material event notices and benchmark yield curves.

*Non-agency MBS:* Non-agency MBS included purchased interests in third party securitizations that have a high investment grade rating, and the pricing matrices for these securities were based on observable inputs including offers, bids, reported trades, dealer quotes and market research reports, the characteristics of a specific tranche, market convention prepayment speeds and benchmark yield curves as described above; as such, these securities were classified as level 2.

*Corporate and other debt securities:* These securities consist primarily of corporate bonds and commercial paper. Corporate bonds are senior and subordinated debt obligations of domestic corporations. The Company acquires commercial paper that is generally short-term in nature and highly rated. These securities are valued based on a review of quoted market prices for similar assets as well as through the various other inputs discussed previously.

*LHFS:* Certain mortgage loans that are originated to be sold to investors are carried at fair value. The fair value is primarily based on quoted market prices for securities backed by similar types of loans, adjusted for servicing, interest rate risk, and credit risk. The changes in fair value of these assets are largely driven by changes in interest rates subsequent to loan funding and changes in the fair value of servicing associated with the mortgage LHFS.

*Loans and leases:* Fair values for loans are based on a discounted cash flow methodology that considered credit loss expectations, market interest rates, and other market factors such as liquidity from the perspective of a market participant. The probability of default, loss given default, and prepayment assumptions are the key factors driving credit losses which are embedded into the estimated cash flows. These assumptions are informed by internal data on loan characteristics, historical loss experience, and current and forecasted economic conditions. The interest and liquidity component of the estimate was determined by discounting interest and principal cash flows through the expected life of each loan. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity.

*Loan servicing rights:* Residential MSRs are valued using an OAS valuation model to project cash flows over multiple interest rate scenarios and then are discounted at risk-adjusted rates. The model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. Fair value estimates and assumptions are compared to industry surveys, recent market activity, actual portfolio experience and other observable market data. Commercial MSRs and other loan servicing rights are valued using a cash flow valuation model that calculates the present value of estimated future net servicing cash flows. The Company considers actual and expected loan prepayment rates, discount rates, servicing costs, and other economic factors that are determined based on current market conditions. Refer to "Note 8. Loan Servicing" for additional information on valuation techniques and inputs for loan servicing rights.

*Derivative assets and liabilities:* The Company holds derivative instruments for both trading and risk management purposes. These include exchange-traded futures or option contracts, OTC swaps, options, forwards and interest rate lock commitments. The fair values of derivatives are determined based on quoted market prices and internal pricing models that use market observable assumptions for interest rates, foreign exchange, equity, and credit. The fair values of interest rate lock commitments, which are related to mortgage loan commitments and are categorized as Level 3, are based on quoted market prices adjusted for commitments that are not expected to fund and include the value attributable to the net servicing fees. Funding rates are based on the Company's historical data. The fair value attributable to servicing is based on discounted cash flows, and is impacted by prepayment assumptions, discount rates, delinquency rates, contractually-specified servicing fees, servicing costs, and underlying portfolio characteristics.

*Equity securities:* Equity securities primarily consist of exchange-traded securities and are valued using quoted prices in active markets.

*Private equity investments:* In many cases there are no observable market values for these investments and therefore management must estimate the fair value based on a comparison of the operating performance of the investee to multiples in the marketplace for similar entities. This analysis requires significant judgment, and actual values in a sale could differ materially from those estimated.

*Securities sold short:* Securities sold short represent debt securities sold short that are entered into as a hedging strategy for the purposes of supporting institutional and retail client trading activities. The fair value of securities sold short is determined in the same manner as trading securities.

Activity for Level 3 assets and liabilities is summarized below:

| (Dollars in millions)   | Trading Assets      | Non-agency MBS            | Loans and Leases | Loan Servicing Rights                                      | Net Derivatives  | Private Equity Investments |
|---|---------------------|---------------------------|------------------|--|--|----------------------------|
| Balance at January 1, 2019  | \$ 3                | \$ 391                    | \$ —             | \$ 1,108   | \$ 12  | \$ 393                     |
| Total realized and unrealized gains (losses):   |                     |                           |                  |  |  |                            |
| Included in earnings  | —                   | 13                        | —                | (105)  | 63   | 47                         |
| Included in unrealized net holding gains (losses) in OCI  | —                   | 4                         | —                | —  | —  | —                          |
| Purchases   | 23                  | —                         | —                | 31   | (1)  | 137                        |
| Issuances   | —                   | —                         | —                | 170  | 63   | —                          |
| Sales   | (26)                | —                         | —                | (27)   | —  | (91)                       |
| Settlements   | —                   | (40)                      | —                | (164)  | (118)  | (46)                       |
| Transfers into Level 3  | —                   | —                         | —                | —  | (10)   | —                          |
| Merger additions  | —                   | —                         | —                | 1,605  | 10   | —                          |
| Balance at December 31, 2019  | —                   | 368                       | —                | 2,618  | 19   | 440                        |
| Total realized and unrealized gains (losses):   |                     |                           |                  |  |  |                            |
| Included in earnings  | —                   | 306                       | —                | (550)  | 467  | 2                          |
| Included in unrealized net holding gains (losses) in OCI  | —                   | (178)                     | —                | —  | —  | —                          |
| Purchases   | —                   | —                         | —                | —  | —  | 27                         |
| Issuances   | —                   | —                         | —                | 711  | 780  | —                          |
| Sales   | —                   | (481)                     | —                | —  | —  | —                          |
| Settlements   | —                   | (15)                      | —                | (756)  | (1,094)  | (21)                       |
| Transfers out of level 3 and other  | —                   | —                         | —                | —  | —  | (448)                      |
| Balance at December 31, 2020  | —                   | —                         | —                | 2,023  | 172  | —                          |
| Total realized and unrealized gains (losses):   |                     |                           |                  |  |  |                            |
| Included in earnings  | —                   | —                         | (1)              | 233  | (96)   | —                          |
| Included in unrealized net holding gains (losses) in OCI  | —                   | —                         | —                | —  | —  | —                          |
| Purchases   | —                   | —                         | —                | 355  | —  | —                          |
| Issuances   | —                   | —                         | —                | 715  | 305  | —                          |
| Sales   | —                   | —                         | —                | (1)  | —  | —                          |
| Settlements   | —                   | —                         | —                | (741)  | (393)  | —                          |
| Acquisition   | —                   | —                         | 24               | 49   | —  | —                          |
| Balance at December 31, 2021  | \$ —                | \$ —                      | \$ 23            | \$ 2,633   | \$ (12)  | \$ —                       |
| Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at December 31, 2021 | \$ —                | \$ —                      | \$ (1)           | \$ 234   | \$ (8)   | \$ —                       |
| Primary income statement location of realized gains (losses) included in earnings   | Net interest income | Securities gains (losses) | Other income     | Residential mortgage income and Commercial mortgage income | Residential mortgage income and Commercial mortgage income | Other income               |

During 2020, Truist sold non-agency MBS previously categorized as Level 3 that represented ownership interests in various tranches of RE-MIC trusts. Additionally during 2020, as a result of a change in control of the funds' manager, the Company deconsolidated certain SBIC funds for which it had previously concluded that it was the primary beneficiary.

### Fair Value Option

The following table details the fair value and UPB of certain loans that were elected to be measured at fair value:

| (Dollars in millions) | December 31, 2021 |          |            | December 31, 2020 |          |            |
|-----------------------|-------------------|----------|------------|-------------------|----------|------------|
|                       | Fair Value        | UPB      | Difference | Fair Value        | UPB      | Difference |
| Trading loans         | \$ 1,791          | \$ 1,784 | \$ 7       | \$ 1,586          | \$ 1,619 | \$ (33)    |
| Loans and leases      | 23                | 35       | (12)       | —                 | —        | —          |
| LHFS at fair value    | 3,544             | 3,450    | 94         | 4,955             | 4,736    | 219        |

## Nonrecurring Fair Value Measurements

The following table provides information about certain assets measured at fair value on a nonrecurring basis still held as of period end. The carrying values represent end of period values, which approximate the fair value measurements that occurred on the various measurement dates throughout the period. These assets are considered to be Level 3 assets.

| (Dollars in millions) | Dec 31, 2021 | Dec 31, 2020 |
|-----------------------|--------------|--------------|
| Carrying value:       |              |              |
| LHFS                  | \$ 101       | \$ 979       |
| Loans and leases      | 443          | 536          |
| Other                 | 100          | 92           |

The following table provides information about valuation adjustments for certain assets measured at fair value on a nonrecurring basis. The valuation adjustments represent the amounts recorded during the period regardless of whether the asset is still held at period end.

| Year Ended December 31,<br>(Dollars in millions) | 2021    | 2020     | 2019    |
|--|---------|----------|---------|
| Valuation adjustments:                           |         |          |         |
| LHFS   | \$ (27) | \$ (101) | \$ (17) |
| Loans and leases                                 | (455)   | (731)    | (280)   |
| Other  | (178)   | (175)    | (253)   |

LHFS with valuation adjustments in the table above consisted primarily of residential mortgages and commercial loans that were valued using market prices and measured at LOCOM. LHFS as of December 31, 2020 includes the small ticket loan and lease portfolio that was sold during the first quarter of 2021. The table above excludes \$1.2 billion and \$125 million of LHFS carried at cost at December 31, 2021 and December 31, 2020, respectively, that did not require a valuation adjustment during the period. The remainder of LHFS is carried at fair value. The Company held \$22 million in nonperforming LHFS at December 31, 2021 and \$5 million of nonperforming LHFS at December 31, 2020. LHFS that were 90 days or more past due and still accruing interest were not material at December 31, 2021 and December 31, 2020.

Loans and leases consists of larger commercial loans and leases that are collateral-dependent and other secured loans and leases that have been charged-off to the fair value of the collateral. Valuation adjustments for loans and leases are primarily recorded in the Provision for credit losses in the Consolidated statement of income. Refer to "Note 1. Basis of Presentation" for additional discussion of individually evaluated loans and leases.

Other includes foreclosed real estate, other foreclosed property, ROU assets, premises and equipment, and OREO, and consists primarily of residential homes, commercial properties, vacant lots, and automobiles. ROU assets are measured based on the fair value of the assets, which considers the potential for sublease income. The remaining assets are measured at LOCOM, less costs to sell.

## Financial Instruments Not Recorded at Fair Value

For financial instruments not recorded at fair value, estimates of fair value are based on relevant market data and information about the instruments. Values obtained relate to trading without regard to any premium or discount that may result from concentrations of ownership, possible tax ramifications, estimated transaction costs that may result from bulk sales or the relationship between various instruments.

An active market does not exist for certain financial instruments. Fair value estimates for these instruments are based on current economic conditions and interest rate risk characteristics, loss experience and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the fair value estimates in many instances cannot be substantiated by comparison to independent markets. In addition, changes in assumptions could significantly affect these fair value estimates. Financial assets and liabilities not recorded at fair value are summarized below:

| December 31,<br>(Dollars in millions) | Fair Value<br>Hierarchy | 2021               |            | 2020               |            |
|---------------------------------------|-------------------------|--------------------|------------|--------------------|------------|
|                                       |                         | Carrying<br>Amount | Fair Value | Carrying<br>Amount | Fair Value |
| Financial assets:                     |                         |                    |            |                    |            |
| HTM securities                        | Level 2                 | \$ 1,494           | \$ 1,495   | \$ —               | \$ —       |
| Loans and leases HFI, net of ALLL     | Level 3                 | 285,055            | 284,914    | 293,899            | 295,461    |
| Financial liabilities:                |                         |                    |            |                    |            |
| Time deposits                         | Level 2                 | 15,886             | 16,017     | 21,941             | 22,095     |
| Long-term debt                        | Level 2                 | 35,913             | 36,251     | 39,597             | 40,864     |

The carrying value of the RUFC, which approximates the fair value of unfunded commitments, was \$260 million and \$364 million at December 31, 2021 and December 31, 2020, respectively.

## NOTE 19. Derivative Financial Instruments

### Impact of Derivatives on the Consolidated Balance Sheets

The following table presents the gross notional amounts and estimated fair value of derivative instruments employed by the Company. Truist held no cash flow hedges as of December 31, 2021 and December 31, 2020.

| December 31,<br>(Dollars in millions)  | 2021               |            |          | 2020               |            |          |
|--|--------------------|------------|----------|--------------------|------------|----------|
|  | Notional<br>Amount | Fair Value |          | Notional<br>Amount | Fair Value |          |
|  |                    | Gain       | Loss     |                    | Gain       | Loss     |
| Fair value hedges:   |                    |            |          |                    |            |          |
| Interest rate contracts:   |                    |            |          |                    |            |          |
| Swaps hedging long-term debt   | \$ 12,690          | \$ —       | \$ (6)   | \$ —               | \$ —       | \$ —     |
| Swaps hedging AFS securities   | 12,711             | —          | (2)      | 17,765             | —          | —        |
| Total  | 25,401             | —          | (8)      | 17,765             | —          | —        |
| Not designated as hedges:  |                    |            |          |                    |            |          |
| Client-related and other risk management:  |                    |            |          |                    |            |          |
| Interest rate contracts:   |                    |            |          |                    |            |          |
| Swaps  | 150,223            | 1,716      | (733)    | 156,338            | 3,399      | (862)    |
| Options  | 23,659             | 43         | (30)     | 25,386             | 45         | (18)     |
| Forward commitments  | 2,404              | 2          | (5)      | 4,847              | 9          | (11)     |
| Other  | 2,927              | —          | —        | 2,573              | —          | —        |
| Equity contracts   | 34,232             | 1,582      | (2,089)  | 31,152             | 1,856      | (2,297)  |
| Credit contracts:  |                    |            |          |                    |            |          |
| Loans and leases   | 570                | —          | (2)      | 1,056              | —          | (5)      |
| Risk participation agreements  | 8,145              | —          | (4)      | 7,802              | 1          | (13)     |
| Total return swaps   | 1,445              | 3          | (19)     | 1,296              | 13         | (33)     |
| Foreign exchange contracts   | 16,102             | 160        | (156)    | 12,066             | 189        | (219)    |
| Commodity  | 4,641              | 475        | (468)    | 2,872              | 130        | (124)    |
| Total  | 244,348            | 3,981      | (3,506)  | 245,388            | 5,642      | (3,582)  |
| Mortgage banking:  |                    |            |          |                    |            |          |
| Interest rate contracts:   |                    |            |          |                    |            |          |
| Swaps  | 441                | —          | —        | 687                | —          | —        |
| Interest rate lock commitments   | 4,163              | 30         | (7)      | 8,609              | 186        | (3)      |
| When issued securities, forward rate agreements and forward commitments              | 6,913              | 7          | (15)     | 11,691             | 6          | (73)     |
| Other  | 424                | 1          | —        | 466                | —          | —        |
| Total  | 11,941             | 38         | (22)     | 21,453             | 192        | (76)     |
| MSRs:  |                    |            |          |                    |            |          |
| Interest rate contracts:   |                    |            |          |                    |            |          |
| Swaps  | 12,837             | —          | —        | 36,161             | —          | (5)      |
| Options  | 101                | 1          | —        | 101                | —          | —        |
| When issued securities, forward rate agreements and forward commitments              | 3,927              | 7          | —        | 1,314              | 7          | —        |
| Other  | 2,017              | —          | —        | 760                | —          | —        |
| Total  | 18,882             | 8          | —        | 38,336             | 7          | (5)      |
| Total derivatives not designated as hedges   | 275,171            | 4,027      | (3,528)  | 305,177            | 5,841      | (3,663)  |
| Total derivatives  | <u>\$ 300,572</u>  | 4,027      | (3,536)  | <u>\$ 322,942</u>  | 5,841      | (3,663)  |
| Gross amounts in the Consolidated Balance Sheets:                                    |                    |            |          |                    |            |          |
| Amounts subject to master netting arrangements                                       |                    | (1,312)    | 1,312    |                    | (1,561)    | 1,561    |
| Cash collateral (received) posted for amounts subject to master netting arrangements |                    | (345)      | 1,638    |                    | (443)      | 1,547    |
| Net amount   |                    | \$ 2,370   | \$ (586) |                    | \$ 3,837   | \$ (555) |

The following table presents the offsetting of derivative instruments including financial instrument collateral related to legally enforceable master netting agreements and amounts held or pledged as collateral. U.S. GAAP does not permit netting of non-cash collateral balances in the Consolidated Balance Sheets:

| December 31, 2021<br>(Dollars in millions)                                   | Gross Amount | Amount Offset | Net Amount in<br>Consolidated<br>Balance Sheets | Held/Pledged<br>Financial<br>Instruments | Net Amount |
|--|--------------|---------------|---|--|------------|
| <b>Derivative assets:</b>  |              |               |   |  |            |
| Derivatives subject to master netting arrangement or similar arrangement     | \$ 2,752     | \$ (1,221)    | \$ 1,531  | \$ (1)                                   | \$ 1,530   |
| Derivatives not subject to master netting arrangement or similar arrangement | 388          | —             | 388   | —  | 388        |
| Exchange traded derivatives  | 887          | (436)         | 451   | —  | 451        |
| Total derivative assets  | \$ 4,027     | \$ (1,657)    | \$ 2,370  | \$ (1)                                   | \$ 2,369   |
| <b>Derivative liabilities:</b>   |              |               |   |  |            |
| Derivatives subject to master netting arrangement or similar arrangement     | \$ (2,873)   | \$ 2,514      | \$ (359)  | \$ 66                                    | \$ (293)   |
| Derivatives not subject to master netting arrangement or similar arrangement | (225)        | —             | (225)   | —  | (225)      |
| Exchange traded derivatives  | (438)        | 436           | (2)   | —  | (2)        |
| Total derivative liabilities   | \$ (3,536)   | \$ 2,950      | \$ (586)  | \$ 66                                    | \$ (520)   |

| December 31, 2020<br>(Dollars in millions)                                   | Gross Amount | Amount Offset | Net Amount in<br>Consolidated<br>Balance Sheets | Held/Pledged<br>Financial<br>Instruments | Net Amount |
|--|--------------|---------------|---|--|------------|
| <b>Derivative assets:</b>  |              |               |   |  |            |
| Derivatives subject to master netting arrangement or similar arrangement     | \$ 4,383     | \$ (1,618)    | \$ 2,765  | \$ (2)                                   | \$ 2,763   |
| Derivatives not subject to master netting arrangement or similar arrangement | 705          | —             | 705   | (1)                                      | 704        |
| Exchange traded derivatives  | 753          | (386)         | 367   | —  | 367        |
| Total derivative assets  | \$ 5,841     | \$ (2,004)    | \$ 3,837  | \$ (3)                                   | \$ 3,834   |
| <b>Derivative liabilities:</b>   |              |               |   |  |            |
| Derivatives subject to master netting arrangement or similar arrangement     | \$ (3,103)   | \$ 2,722      | \$ (381)  | \$ 35                                    | \$ (346)   |
| Derivatives not subject to master netting arrangement or similar arrangement | (174)        | —             | (174)   | —  | (174)      |
| Exchange traded derivatives  | (386)        | 386           | —   | —  | —          |
| Total derivative liabilities   | \$ (3,663)   | \$ 3,108      | \$ (555)  | \$ 35                                    | \$ (520)   |

The following table presents the carrying value of hedged items in fair value hedging relationships:

| December 31,<br>(Dollars in millions) | 2021                                 |                                  |                                  | 2020                                 |                                  |                                  |
|---------------------------------------|--------------------------------------|----------------------------------|----------------------------------|--------------------------------------|----------------------------------|----------------------------------|
|                                       | Hedged<br>Asset /<br>Liability Basis | Hedge Basis Adjustment           |                                  | Hedged<br>Asset /<br>Liability Basis | Hedge Basis Adjustment           |                                  |
|                                       |                                      | Items<br>Currently<br>Designated | Items No<br>Longer<br>Designated |                                      | Items<br>Currently<br>Designated | Items No<br>Longer<br>Designated |
| AFS securities (1)                    | \$ 108,758                           | \$ (400)                         | \$ (150)                         | \$ 100,988                           | \$ (33)                          | \$ 50                            |
| Loans and leases                      | 382                                  | —                                | 12                               | 470                                  | —                                | 18                               |
| Long-term debt                        | 27,361                               | (137)                            | 629                              | 27,725                               | —                                | 930                              |

(1) The amortized cost of AFS securities was \$110.6 billion at December 31, 2021 and \$99.4 billion at December 31, 2020.

## Impact of Derivatives on the Consolidated Statements of Income and Comprehensive Income

### Derivatives Designated as Hedging Instruments under GAAP

No portion of the change in fair value of derivatives designated as hedges has been excluded from effectiveness testing.

The following table summarizes amounts related to cash flow hedges, which consist of interest rate contracts.

| Year Ended December 31,<br>(Dollars in millions)                   | 2021    | 2020    | 2019     |
|--|---------|---------|----------|
| Pre-tax gain (loss) recognized in OCI:                             |         |         |          |
| Deposits   | \$ —    | \$ —    | \$ (42)  |
| Short-term borrowings  | —       | —       | 2        |
| Long-term debt   | —       | —       | (76)     |
| Total  | \$ —    | \$ —    | \$ (116) |
| Pre-tax gain (loss) reclassified from AOCI into interest expense:  |         |         |          |
| Deposits   | \$ (2)  | \$ (8)  | \$ (1)   |
| Short-term borrowings  | (12)    | (19)    | (10)     |
| Long-term debt   | (22)    | (21)    | (14)     |
| Total  | \$ (36) | \$ (48) | \$ (25)  |
| Pre-tax gain (loss) reclassified from AOCI into other expense: (1) |         |         |          |
| Deposits   | \$ (12) | \$ —    | \$ —     |
| Short-term borrowings  | (20)    | —       | —        |
| Long-term debt   | (4)     | —       | —        |
| Total  | \$ (36) | \$ —    | \$ —     |

- (1) Represents the accelerated amortization of amounts reclassified from AOCI, where management determined that the forecasted transaction is probable of not occurring.

The following table summarizes the impact on net interest income related to fair value hedges:

| Year Ended December 31,<br>(Dollars in millions) | 2021    | 2020   | 2019    |
|--|---------|--------|---------|
| AFS securities:                                  |         |        |         |
| Amounts related to interest settlements          | \$ (48) | \$ (3) | \$ —    |
| Recognized on derivatives                        | 571     | 29     | (16)    |
| Recognized on hedged items                       | (568)   | (41)   | 8       |
| Net income (expense) recognized                  | (45)    | (15)   | (8)     |
| Loans and leases:                                |         |        |         |
| Amounts related to interest settlements          | —       | (1)    | —       |
| Recognized on derivatives                        | —       | (3)    | (21)    |
| Recognized on hedged items                       | (5)     | 1      | 19      |
| Net income (expense) recognized                  | (5)     | (3)    | (2)     |
| Long-term debt:                                  |         |        |         |
| Amounts related to interest settlements          | 18      | 182    | (56)    |
| Recognized on derivatives                        | (136)   | 831    | 170     |
| Recognized on hedged items                       | 435     | (732)  | (151)   |
| Net income (expense) recognized                  | 317     | 281    | (37)    |
| Net income (expense) recognized, total           | \$ 267  | \$ 263 | \$ (47) |

The following table presents information about the Company's terminated cash flow and fair value hedges:

| December 31,<br>(Dollars in millions)  | 2021   | 2020    |
|--|--------|---------|
| Cash flow hedges:  |        |         |
| Net unrecognized after-tax gain (loss) on terminated hedges recorded in AOCI (to be recognized in earnings through 2022)                 | \$ (9) | \$ (64) |
| Estimated portion of net after-tax gain (loss) on terminated hedges to be reclassified from AOCI into earnings during the next 12 months | (9)    | (42)    |
| Fair value hedges:   |        |         |
| Unrecognized pre-tax net gain (loss) on terminated hedges (to be recognized as interest primarily through 2029)                          | \$ 767 | \$ 862  |
| Portion of pre-tax net gain (loss) on terminated hedges to be recognized as a change in interest during the next 12 months               | 231    | 292     |



### Derivatives Not Designated as Hedging Instruments under GAAP

The Company also enters into derivatives that are not designated as accounting hedges under GAAP to economically hedge certain risks as well as in a trading capacity with its clients.

The following table presents pre-tax gain (loss) recognized in income for derivative instruments not designated as hedges:

| Year Ended December 31,<br>(Dollars in millions) | Location   | 2021   | 2020   | 2019   |
|--|--|--------|--------|--------|
| Client-related and other risk management:        |  |        |        |        |
| Interest rate contracts                          | Investment banking and trading income and other income | \$ 193 | \$ 44  | \$ 76  |
| Foreign exchange contracts                       | Investment banking and trading income and other income | 133    | (45)   | (13)   |
| Equity contracts                                 | Investment banking and trading income and other income | (21)   | (4)    | (3)    |
| Credit contracts                                 | Investment banking and trading income and other income | (83)   | 178    | (25)   |
| Commodity contracts                              | Investment banking and trading income                  | 7      | 6      | —      |
| Mortgage banking:                                |  |        |        |        |
| Interest rate contracts                          | Residential mortgage income                            | (21)   | (418)  | (61)   |
| Interest rate contracts                          | Commercial mortgage income                             | (2)    | 3      | (4)    |
| MSRs:  |  |        |        |        |
| Interest rate contracts                          | Residential mortgage income                            | (105)  | 495    | 137    |
| Interest rate contracts                          | Commercial mortgage income                             | (8)    | 20     | 7      |
| Total  |  | \$ 93  | \$ 279 | \$ 114 |

### **Credit Derivative Instruments**

As part of the Company's corporate investment banking business, the Company enters into contracts that are, in form or substance, written guarantees; specifically, risk participations, TRS, and credit default swaps. The Company accounts for these contracts as derivatives.

Truist has entered into risk participation agreements to share the credit exposure with other financial institutions on client-related interest rate derivative contracts. Under these agreements, the Company has guaranteed payment to a dealer counterparty in the event the counterparty experiences a loss on the derivative due to a failure to pay by the counterparty's client. The Company manages its payment risk on its risk participations by monitoring the creditworthiness of the underlying client through the normal credit review process that the Company would have performed had it entered into a derivative directly with the obligors. At December 31, 2021, the remaining terms on these risk participations ranged from less than one year to 10 years. The potential future exposure represents the Company's maximum estimated exposure to written risk participations, as measured by projecting a maximum value of the guaranteed derivative instruments based on scenario simulations and assuming 100% default by all obligors on the maximum value.

The Company has also entered into TRS contracts on loans and bonds. To mitigate its credit risk, the Company typically receives initial margin from the counterparty upon entering into the TRS and variation margin if the fair value of the underlying reference assets deteriorates. For additional information on the Company's TRS contracts, see "Note 16. Commitments and Contingencies."

The Company enters into credit default swaps to hedge credit risk associated with certain loans and leases. The Company accounts for these contracts as derivatives, and accordingly, recognizes these contracts at fair value.

The following table presents additional information related to interest rate derivative risk participation agreements and total return swaps:

| December 31,<br>(Dollars in millions) | 2021   | 2020   |
|---------------------------------------|--------|--------|
| Risk participation agreements:        |        |        |
| Maximum potential amount of exposure  | \$ 521 | \$ 530 |
| Total return swaps:                   |        |        |
| Cash collateral held                  | 290    | 374    |

The following table summarizes collateral positions with counterparties:

| December 31,<br>(Dollars in millions)   | 2021   | 2020   |
|---|--------|--------|
| <b>Dealer and other counterparties:</b>   |        |        |
| Cash and other collateral received from counterparties  | \$ 346 | \$ 446 |
| Derivatives in a net gain position secured by collateral received   | 506    | 585    |
| Unsecured positions in a net gain with counterparties after collateral postings                                   | 143    | 49     |
| Cash collateral posted to dealer counterparties   | 1,704  | 1,524  |
| Derivatives in a net loss position secured by collateral  | 2,591  | 1,604  |
| Additional collateral that would have been posted had the Company's credit ratings dropped below investment grade | 3      | 3      |
| <b>Central counterparties clearing:</b>   |        |        |
| Cash collateral, including initial margin, posted to central clearing parties                                     | 31     | 172    |
| Derivatives in a net loss position  | 18     | 90     |
| Derivatives in a net gain position  | —      | 5      |
| Securities pledged to central counterparties clearing   | 904    | 1,281  |

## NOTE 20. Computation of EPS

Basic and diluted EPS calculations are presented in the following table:

| Year Ended December 31,<br>(Dollars in millions, except per share data, shares in thousands) | 2021      | 2020      | 2019     |
|--|-----------|-----------|----------|
| Net income available to common shareholders  | \$ 6,033  | \$ 4,184  | \$ 3,028 |
| Weighted average number of common shares   | 1,337,144 | 1,347,080 | 805,104  |
| Effect of dilutive outstanding equity-based awards   | 12,234    | 11,209    | 10,100   |
| Weighted average number of diluted common shares   | 1,349,378 | 1,358,289 | 815,204  |
| Basic EPS  | \$ 4.51   | \$ 3.11   | \$ 3.76  |
| Diluted EPS  | \$ 4.47   | \$ 3.08   | \$ 3.71  |
| Anti-dilutive awards   | 3         | 16        | 4        |

## **NOTE 21. Operating Segments**

Truist operates and measures business activity across three segments: CB&W, C&CB, IH, with functional activities included in OT&C. The Company's business segment structure is based on the manner in which financial information is evaluated by management as well as the products and services provided or the type of client served.

### ***Consumer Banking and Wealth***

The CB&W segment is made up of four primary businesses and the Treasury Solutions product group:

- Retail Community Banking provides banking, borrowing, investing, insurance solutions, and advice through Premier Banking to individuals and small business clients through an extensive network of branches and ATMs, digital channels, and contact centers. Financial products and services offered include deposits and payments, credit cards, loans, mortgages, brokerage and investment advisory services and insurance solutions. Consumer Banking also serves as an entry point for clients and services for other businesses.
- National Consumer Finance, Services, and Payments provides a comprehensive set of technology-enabled consumer lending and corporate payment solutions. Lending solutions include direct to consumer offerings through LightStream and point-of-sale offerings through Sheffield, Service Finance, and Dealer Retail Services. National Consumer Finance, Services, and Payments also includes wholesale payments which provides treasury, merchant services, and commercial card solutions to Truist's business clients, ranging from small businesses to large corporate institutions.
- Wealth provides a full array of wealth management and banking products and professional services to individuals and institutional clients, including trust, brokerage, professional investment advisory, business transition advice, loans and deposits services to clients seeking active management of their financial resources. Institutional clients are served by the Institutional Investment Management Group. Full service and online/discount brokerage products are offered to individual clients; additionally, investment advisory products and services are offered to clients through an SEC registered investment advisor. Wealth also includes GenSpring Family Office Advisory Services, LLC, which provides family office solutions to clients and their families to help them manage and sustain wealth across multiple generations, including family meeting facilitation, consolidated reporting, expense management, and specialty asset management, as well as other wealth management disciplines.
- Mortgage Banking offers residential mortgage products nationally through its retail and correspondent channels, the internet and by telephone. These products are either sold in the secondary market, typically with servicing rights retained, or held in the Company's loan portfolio. Mortgage Banking also services loans held in the Company's loan portfolio as well as those held by third party investors. Mortgage also includes Mortgage Warehouse Lending, which provides short-term lending solutions to finance first-lien residential mortgage LHFS by independent mortgage companies.

### ***Corporate and Commercial Banking***

The C&CB segment is made up of four primary businesses:

- Corporate and Investment Banking delivers a comprehensive range of strategic advisory, capital raising, risk management, financing, liquidity and investment solutions, with the goal of serving the needs of both public and private companies in the C&CB segment. Investment Banking and Corporate Banking teams within CIB serve clients across the nation, offering a full suite of traditional banking and investment banking products and services. Investment Banking serves select industry segments including consumer and healthcare, energy, technology, financial services, industrials, and media and communications. Corporate Banking serves clients across diversified industry sectors based on size, complexity, and frequency of capital markets issuance.
- Commercial Community Banking offers an array of traditional banking products, including lending, deposits, cash management and investment banking solutions via CIB to commercial clients, including not-for-profit organizations, governmental entities, healthcare and aging services and auto dealer financing (floor plan inventory financing). Local teams deliver these solutions along with the Company's industry expertise to commercial clients to help them achieve their goals.
- Commercial Real Estate provides a range of credit and deposit services as well as fee-based product offerings to developers, operators, and investors in commercial real estate properties through its National Banking Division. Additionally, Commercial Real Estate offers tailored financing and equity investment solutions for community development and affordable housing projects, with particular expertise in Low Income Housing Tax Credits and New Market Tax Credits. Real Estate Corporate and Investment Banking delivers banking, capital markets, and strategic advisory solutions to REIT, fund, and public home-builder clients.
- Grandbridge Real Estate Capital, LLC is a fully integrated commercial mortgage investment banking company that originates commercial and multi-family real estate loans, services loan portfolios, and provides asset and portfolio management as well as real estate brokerage services.

## ***Insurance Holdings***

Truist's IH segment is one of the largest insurance agency / brokerage networks, providing property and casualty, employee benefits and life insurance to businesses and individuals. It also provides small business and corporate services, such as workers compensation and professional liability, as well as surety coverage and title insurance. IH also includes Prime Rate Premium Finance Corporation, which includes AFCO Credit Corporation and CAFO Holding Company, insurance premium finance subsidiaries that provide funding to businesses in the United States and Canada.

## ***Other, Treasury & Corporate***

OT&C includes management of the Company's investment securities portfolio, long-term debt, derivative instruments used for balance sheet hedging, short-term liquidity and funding activities, balance sheet risk management and most real estate assets, as well as the Company's functional activities such as marketing, finance, enterprise risk, legal, enterprise technology and executive leadership, among others. Additionally, OT&C houses intercompany eliminations, including intersegment net referral fees and residual interest rate risk after segment allocations have taken place.

Truist emphasizes revenue growth through the Company's Integrated Relationship Management approach, which is designed to deepen client relationships and bring the full breadth and depth of Truist's products and services to meet clients' financial needs. The objective is to provide Truist's entire suite of products to its clients with the end goal of providing clients the best financial experience in the marketplace. To promote revenue growth, revenues of certain products and services are reflected in the results of the segment providing those products and services and are also allocated to CB&W and C&CB. These allocated revenues between segments are reflected as net referral fees in noninterest income and eliminated in OT&C.

The segment results are presented based on internal management methodologies that were designed to support these strategic objectives. Unlike financial accounting, there is no comprehensive authoritative body of guidance for management accounting equivalent to GAAP. The performance of the segments is not comparable with Truist's consolidated results or with similar information presented by any other financial institution. Additionally, because of the interrelationships between the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities.

Because business segment results are presented based on management accounting practices, the transition to the consolidated results prepared under U.S. GAAP creates certain differences, which are reflected as residuals in OT&C. Business segment reporting conventions include, but are not limited to, the items as detailed below.

Segment net interest income reflects matched maturity funds transfer pricing, which ascribes credits or charges based on the economic value or cost created by assets and liabilities of each segment. Residual differences between these credits and charges are captured in OT&C.

Noninterest income includes inter-segment referral fees, as well as federal and state tax credits that are grossed up on a pre-tax equivalent basis, related primarily to certain community development investments. Recoveries for these allocations are reported in OT&C.

Corporate expense allocations, including overhead or functional expenses that are not directly charged to the segments, are allocated to segments based on various drivers (number of FTEs, number of accounts, loan balances, net revenue, etc.). Recoveries for these allocations are reported in OT&C.

Provision for credit losses represents net charge-offs by segment combined with an allocation to the segments for the provision attributable to each segment's quarterly change in the ALLL. Provision for income taxes is calculated using a blended income tax rate for each segment and includes reversals of the noninterest income tax adjustments described above. The difference between the calculated provision for income taxes at the segment level and the consolidated provision for income taxes is reported in OT&C.

The application and development of management reporting methodologies is an active process and undergoes periodic enhancements. The implementation of these enhancements to the internal management reporting methodology may materially affect the results disclosed for each segment, with no impact on consolidated results. If significant changes to management reporting methodologies take place, the impact of these changes is quantified and prior period information is revised, when practicable.

The following table presents results by segment:

| Year Ended December 31,<br>(Dollars in millions) | CB&W      |           |           | C&CB      |           |           | IH       |          |          | OT&C (1)   |            |           | Total     |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|------------|------------|-----------|-----------|-----------|-----------|
|  | 2021      | 2020      | 2019      | 2021      | 2020      | 2019      | 2021     | 2020     | 2019     | 2021       | 2020       | 2019      | 2021      | 2020      | 2019      |
| Net interest income (expense)                    | \$ 6,738  | \$ 7,379  | \$ 3,633  | \$ 4,618  | \$ 5,389  | \$ 3,153  | \$ 100   | \$ 126   | \$ 146   | \$ 1,550   | \$ 932     | \$ 381    | \$ 13,006 | \$ 13,826 | \$ 7,313  |
| Net intersegment interest income (expense)       | 1,499     | 1,391     | 922       | 149       | (201)     | (409)     | (14)     | (32)     | (44)     | (1,634)    | (1,158)    | (469)     | —         | —         | —         |
| Segment net interest income                      | 8,237     | 8,770     | 4,555     | 4,767     | 5,188     | 2,744     | 86       | 94       | 102      | (84)       | (226)      | (88)      | 13,006    | 13,826    | 7,313     |
| Allocated provision for credit losses            | 150       | 1,003     | 513       | (881)     | 1,304     | 102       | —        | 9        | 9        | (82)       | 19         | (9)       | (813)     | 2,335     | 615       |
| Segment net interest income after provision      | 8,087     | 7,767     | 4,042     | 5,648     | 3,884     | 2,642     | 86       | 85       | 93       | (2)        | (245)      | (79)      | 13,819    | 11,491    | 6,698     |
| Noninterest income                               | 3,865     | 4,071     | 2,317     | 3,043     | 2,471     | 1,167     | 2,664    | 2,241    | 2,112    | (282)      | 96         | (341)     | 9,290     | 8,879     | 5,255     |
| Amortization of intangibles                      | 317       | 419       | 58        | 150       | 175       | 31        | 105      | 72       | 74       | 2          | 19         | 1         | 574       | 685       | 164       |
| Other noninterest expense                        | 7,408     | 7,437     | 4,009     | 3,101     | 3,272     | 1,465     | 1,974    | 1,712    | 1,703    | 2,059      | 1,791      | 593       | 14,542    | 14,212    | 7,770     |
| Income (loss) before income taxes                | 4,227     | 3,982     | 2,292     | 5,440     | 2,908     | 2,313     | 671      | 542      | 428      | (2,345)    | (1,959)    | (1,014)   | 7,993     | 5,473     | 4,019     |
| Provision (benefit) for income taxes             | 992       | 939       | 556       | 1,179     | 586       | 489       | 163      | 135      | 110      | (778)      | (679)      | (373)     | 1,556     | 981       | 782       |
| Segment net income (loss)                        | \$ 3,235  | \$ 3,043  | \$ 1,736  | \$ 4,261  | \$ 2,322  | \$ 1,824  | \$ 508   | \$ 407   | \$ 318   | \$ (1,567) | \$ (1,280) | \$ (641)  | \$ 6,437  | \$ 4,492  | \$ 3,237  |
| Identifiable assets (period end)                 | \$161,126 | \$163,725 | \$170,034 | \$182,338 | \$187,196 | \$186,462 | \$ 9,865 | \$ 7,932 | \$ 7,325 | \$187,912  | \$150,375  | \$109,257 | \$541,241 | \$509,228 | \$473,078 |

(1) Includes financial data from business units below the quantitative and qualitative thresholds requiring disclosure.

## NOTE 22. Parent Company Financial Information

| Parent Company - Condensed Balance Sheets<br>(Dollars in millions) | December 31, |           |
|--|--------------|-----------|
|  | 2021         | 2020      |
| <b>Assets:</b>   |              |           |
| Cash and due from banks  | \$ 598       | \$ 688    |
| Interest-bearing deposits with banks                               | 9,680        | 13,434    |
| AFS securities at fair value                                       | 257          | 82        |
| Advances to / receivables from subsidiaries:                       |              |           |
| Banking  | 2,006        | 2,541     |
| Nonbank  | 3,377        | 3,734     |
| Total advances to / receivables from subsidiaries                  | 5,383        | 6,275     |
| Investment in subsidiaries:  |              |           |
| Banking  | 64,985       | 65,641    |
| Nonbank  | 5,441        | 4,296     |
| Total investment in subsidiaries                                   | 70,426       | 69,937    |
| Other assets   | 419          | 313       |
| Total assets   | \$ 86,763    | \$ 90,729 |
| <b>Liabilities and Shareholders' Equity:</b>                       |              |           |
| Short-term borrowings  | \$ 809       | \$ 621    |
| Long-term debt   | 16,504       | 18,890    |
| Other liabilities  | 179          | 306       |
| Total liabilities  | 17,492       | 19,817    |
| Total shareholders' equity   | 69,271       | 70,912    |
| Total liabilities and shareholders' equity                         | \$ 86,763    | \$ 90,729 |

| Parent Company - Condensed Income and Comprehensive Income Statements<br>(Dollars in millions) | Year Ended December 31, |          |          |
|--|-------------------------|----------|----------|
|  | 2021                    | 2020     | 2019     |
| <b>Income:</b>   |                         |          |          |
| Dividends from subsidiaries:   |                         |          |          |
| Banking  | \$ 4,150                | \$ 2,800 | \$ 1,650 |
| Nonbank  | 100                     | 5        | 35       |
| Total dividends from subsidiaries  | 4,250                   | 2,805    | 1,685    |
| Interest and other income from subsidiaries  | 143                     | 170      | 217      |
| Other income   | (26)                    | 12       | —        |
| Total income   | 4,367                   | 2,987    | 1,902    |
| <b>Expenses:</b>   |                         |          |          |
| Interest expense   | 258                     | 333      | 475      |
| Other expenses   | 125                     | 174      | 250      |
| Total expenses   | 383                     | 507      | 725      |
| Income before income taxes and equity in undistributed earnings of subsidiaries                | 3,984                   | 2,480    | 1,177    |
| Income tax benefit   | 26                      | 56       | 92       |
| Income before equity in undistributed earnings of subsidiaries                                 | 4,010                   | 2,536    | 1,269    |
| Equity in undistributed earnings of subsidiaries in excess of dividends from subsidiaries      | 2,427                   | 1,956    | 1,968    |
| Net income   | 6,437                   | 4,492    | 3,237    |
| Total OCI  | (2,320)                 | 1,560    | 871      |
| Total comprehensive income   | \$ 4,117                | \$ 6,052 | \$ 4,108 |

| Parent Company - Statements of Cash Flows<br>(Dollars in millions)          | Year Ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2021                    | 2020      | 2019      |
| <b>Cash Flows From Operating Activities:</b>                                |                         |           |           |
| Net income  | \$ 6,437                | \$ 4,492  | \$ 3,237  |
| Adjustments to reconcile net income to net cash from operating activities:  |                         |           |           |
| Equity in earnings of subsidiaries in excess of dividends from subsidiaries | (2,427)                 | (1,956)   | (1,968)   |
| Other, net  | (438)                   | (704)     | 84        |
| Net cash from operating activities  | 3,572                   | 1,832     | 1,353     |
| <b>Cash Flows From Investing Activities:</b>                                |                         |           |           |
| Proceeds from maturities, calls, and paydowns of AFS securities             | 37                      | 79        | 157       |
| Purchases of AFS securities   | (216)                   | (22)      | (79)      |
| Investment in subsidiaries  | (120)                   | (79)      | (1)       |
| Advances to subsidiaries  | (3,088)                 | (6,711)   | (5,358)   |
| Proceeds from repayment of advances to subsidiaries                         | 3,922                   | 5,499     | 8,304     |
| Net cash from acquisitions and divestitures                                 | —                       | —         | 1,903     |
| Other, net  | —                       | 14        | (1)       |
| Net cash from investing activities  | 535                     | (1,220)   | 4,925     |
| <b>Cash Flows From Financing Activities:</b>                                |                         |           |           |
| Net change in short-term borrowings   | 188                     | 18        | 53        |
| Net change in long-term debt  | (2,149)                 | 397       | 370       |
| Repurchase of common stock  | (1,616)                 | —         | —         |
| Net proceeds from preferred stock issued                                    | —                       | 3,449     | 1,683     |
| Redemption of preferred stock   | (1,415)                 | (500)     | (1,725)   |
| Cash dividends paid on common and preferred stock                           | (2,852)                 | (2,725)   | (1,459)   |
| Other, net  | (107)                   | 479       | (40)      |
| Net cash from financing activities  | (7,951)                 | 1,118     | (1,118)   |
| Net Change in Cash and Cash Equivalents                                     | (3,844)                 | 1,730     | 5,160     |
| Cash and Cash Equivalents, January 1  | 14,122                  | 12,392    | 7,232     |
| Cash and Cash Equivalents, December 31                                      | \$ 10,278               | \$ 14,122 | \$ 12,392 |

The transfer of funds in the form of dividends, loans, or advances from bank subsidiaries to the Parent Company is restricted. Federal law requires loans to the Parent Company or its affiliates to be secured and at market terms and generally limits loans to the Parent Company or an individual affiliate to 10% of Truist Bank's unimpaired capital and surplus. In the aggregate, loans to the Parent Company and all affiliates cannot exceed 20% of the bank's unimpaired capital and surplus.

Dividend payments to the Parent Company by Truist Bank are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. In general, dividends from Truist Bank to the Parent Company are limited by rules which compare dividends to net income for regulatory-defined periods. Furthermore, dividends are restricted by regulatory minimum capital constraints.

## ITEM 9A. CONTROLS AND PROCEDURES

### Management's Report on Internal Control over Financial Reporting and Evaluation of Disclosure Controls and Procedures

#### *Management's Report on Internal Control over Financial Reporting*

Management of Truist is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Truist's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that in reasonable detail, accurately and fairly reflect the transactions and disposition of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Company are being made only in accordance with the authorizations of Truist's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material impact on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria. Based on this evaluation under the COSO criteria, management concluded that the internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their accompanying report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021.

#### *Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting*

As of the end of the period covered by this report, the management of the Company, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) of the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There was no change in the Company's internal control over financial reporting that occurred during the fourth quarter of 2021 that has materially affected, or is likely to materially affect, the Company's internal control over financial reporting.



## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

| Exhibit No.  | Description   | Location   |
|--|---|--|
| 2.1  | Agreement and Plan of Merger, dated as of February 7, 2019, by and between SunTrust Banks, Inc. and BB&T Corporation.   | <a href="#">Incorporated herein by reference to Exhibit 2.1 of the Current Report on Form 8-K, filed February 13, 2019.</a>  |
| 2.2  | First Amendment to the Agreement and Plan of Merger, dated as of June 14, 2019, by and between SunTrust Banks, Inc. and BB&T Corporation.   | <a href="#">Incorporated herein by reference to Exhibit 2.1 of the Current Report on Form 8-K, filed June 14, 2019.</a>  |
| 3.1  | Articles of Incorporation of the Registrant, as consolidated and restated December 15, 2020.  | <a href="#">Incorporated herein by reference to Exhibit 3.1 of the Annual Report on Form 10-K, filed February 24, 2021.</a>  |
| 3.2  | Amended and Restated Bylaws of Truist Financial Corporation.  | <a href="#">Incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed October 26, 2021.</a>   |
| 3.3  | Amended and Restated Bylaws of Truist Financial Corporation   | <a href="#">Incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-k, filed December 15, 2021</a>   |
| 4.1  | Indenture Regarding Senior Securities (including form of Senior Debt Security) between Registrant and U.S. Bank National Association (as successor in interest to State Street Bank and Trust Company), as trustee, dated as of May 24, 1996.                 | <a href="#">Incorporated herein by reference to Exhibit 4.1 of the Quarterly Report on Form 10-Q, filed August 14, 1996.</a>   |
| 4.2  | First Supplemental Indenture, dated May 4, 2009, to the Indenture Regarding Senior Securities, dated as of May 24, 1996, between the Registrant and U.S. Bank National Association.   | <a href="#">Incorporated herein by reference to Exhibit 4.2 of the Current Report on Form 8-K, filed May 4, 2009.</a>  |
| 4.3  | Indenture Regarding Subordinated Securities (including Form of Subordinated Debt Security) between the Registrant and U.S. Bank National Association (as successor in interest to State Street Bank and Trust Company), as trustee, dated as of May 24, 1996. | <a href="#">Incorporated herein by reference to Exhibit 4.2 of the Quarterly Report on Form 10-Q, filed August 14, 1996.</a>   |
| 4.4  | First Supplemental Indenture, dated as of December 23, 2003, to the Indenture Regarding Subordinated Securities, dated as of May 24, 1996, between the Registrant and U.S. Bank National Association.   | <a href="#">Incorporated herein by reference to Exhibit 4.5 of the Annual Report on Form 10-K, filed February 27, 2009.</a>  |
| 4.5  | Second Supplemental Indenture, dated as of September 24, 2004, to the Indenture Regarding Subordinated Securities, dated as of May 24, 1996, between the Registrant and U.S. Bank National Association.   | <a href="#">Incorporated herein by reference to Exhibit 4.7 of the Annual Report on Form 10-K, filed February 26, 2010.</a>  |
| 4.6  | Third Supplemental Indenture, dated May 4, 2009, to the Indenture Regarding Subordinated Securities, dated as of May 24, 1996, between the Registrant and U.S. Bank National Association.   | <a href="#">Incorporated herein by reference to Exhibit 4.6 of the Current Report on Form 8-K, filed May 4, 2009.</a>  |
| 4.7  | Deposit Agreement, dated as of July 29, 2019, between the Company and Computershare Inc. and Computershare Trust Company, N.A., jointly as depository.  | <a href="#">Incorporated herein by reference to Exhibit 4.2 of the Current Report on Form 8-K, filed July 29, 2019.</a>  |
| 4.8  | Form of Depository Receipt.   | <a href="#">Incorporated herein by reference to Exhibit 4.2 of the Current Report on Form 8-K, filed July 29, 2019.</a>  |
| 4.9  | Description of the Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934  | <a href="#">Filed herewith.</a>  |
| <i>Other instruments defining the rights of holders of long-term debt securities of Truist are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. Truist agrees to furnish copies of these instruments to the SEC upon request.</i> |   |  |
| 10.1*  | BB&T Corporation Amended and Restated Non-Employee Directors' Deferred Compensation Plan (amended and restated January 1, 2005).  | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Annual Report on Form 10-K, filed February 28, 2008.</a>   |
| 10.2*  | BB&T Corporation Amended and Restated 2004 Stock Incentive Plan, as amended (as amended through February 24, 2009).   | <a href="#">Incorporated herein by reference to the Appendix to the Proxy Statement for the 2009 Annual Meeting of Shareholders on Schedule 14A, filed March 13, 2009.</a> |
| 10.3*  | BB&T Corporation 2012 Incentive Plan, as amended  | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Registration Statement on Form S-8, filed May 25, 2017.</a>  |
| 10.4*  | Form of Restricted Stock Unit Agreement (Non-Employee Directors) for the BB&T 2012 Incentive Plan (effective 2019).   | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q, filed April 30, 2019.</a>   |
| 10.5*  | Form of Employee Nonqualified Stock Option Agreement for the BB&T Corporation Amended and Restated 2004 Stock Incentive Plan (5-Year Vesting).  | <a href="#">Incorporated herein by reference to Exhibit 10.8 of the Annual Report on Form 10-K, filed February 28, 2008.</a>   |
| 10.6*  | Form of Employee Nonqualified Stock Option Agreement for the BB&T Corporation Amended and Restated 2004 Stock Incentive Plan (4-Year Vesting).  | <a href="#">Incorporated herein by reference to Exhibit 10.5 of the Quarterly Report on Form 10-Q, filed May 7, 2010.</a>  |
| 10.7*  | Southern National Deferred Compensation Plan for Key Executives including amendments.   | <a href="#">Incorporated herein by reference to Exhibit 10.21 of the Annual Report on Form 10-K, filed February 25, 2011.</a>  |
| 10.8*  | BB&T Non-Qualified Defined Benefit Plan (January 1, 2012 Restatement).  | <a href="#">Incorporated herein by reference to Exhibit 10.11 of the Annual Report on Form 10-K, filed February 25, 2016.</a>  |
| 10.9*  | First Amendment to the BB&T Non-Qualified Defined Benefit Plan (January 1, 2012 Restatement).   | <a href="#">Incorporated herein by reference to Exhibit 10.12 of the Annual Report on Form 10-K, filed February 25, 2016.</a>  |
| 10.10*   | Second Amendment to the BB&T Non-Qualified Defined Benefit Plan (January 1, 2012 Restatement).  | <a href="#">Incorporated herein by reference to Exhibit 10.13 of the Annual Report on Form 10-K, filed February 25, 2016.</a>  |

| Exhibit No. | Description  | Location   |
|-------------|--|--|
| 10.11*      | Third Amendment to the BB&T Non-Qualified Defined Benefit Plan (January 1, 2012 Restatement)   | <a href="#">Filed herewith</a>   |
| 10.12*      | Fourth Amendment to the BB&T Non-Qualified Benefit Plan (January 1, 2012 Restatement)  | <a href="#">Filed herewith</a>   |
| 10.13*      | Form of Employee Nonqualified Stock Option Agreement for the BB&T Corporation Amended and Restated 2004 Stock Incentive Plan (4-Year Vesting with Clawback Provision). | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q, filed May 4, 2012.</a>                          |
| 10.14*      | Form of Employee Nonqualified Stock Option Agreement for the BB&T Corporation 2012 Incentive Plan.   | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q, filed May 2, 2013.</a>                          |
| 10.15*      | Form of Nonqualified Option Agreement (Senior Executive) for the BB&T Corporation 2012 Incentive Plan.   | <a href="#">Incorporated herein by reference to Exhibit 10.4 of the Quarterly Report on Form 10-Q, filed April 30, 2014.</a>                       |
| 10.16*      | Form of Director Restricted Stock Unit Agreement for the BB&T Corporation 2012 Incentive Plan.   | <a href="#">Incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q, filed May 2, 2013.</a>                          |
| 10.17*      | Form of Restricted Stock Unit Agreement (Performance-Based Vesting Component)(Senior Executive) for the BB&T Corporation 2012 Incentive Plan.                          | <a href="#">Incorporated herein by reference to Exhibit 10.3 of the Quarterly Report on Form 10-Q, filed April 30, 2014.</a>                       |
| 10.18*      | Form of LTIP Award Agreement for the BB&T Corporation 2012 Incentive Plan (effective 2019).  | <a href="#">Incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q, filed April 30, 2019.</a>                       |
| 10.19*      | Form of Performance Unit Award Agreement for the BB&T Corporation 2012 Incentive Plan (effective 2019).  | <a href="#">Incorporated herein by reference to Exhibit 10.3 of the Quarterly Report on Form 10-Q, filed April 30, 2019.</a>                       |
| 10.20*      | 2008 Amended and Restated Employment Agreement by and among BB&T Corporation, Branch Banking and Trust Co. and Daryl N. Bible.   | <a href="#">Incorporated herein by reference to Exhibit 10.22 of the Annual Report on Form 10-K, filed February 27, 2009.</a>                      |
| 10.21*      | 2008 Amended and Restated Employment Agreement by and among BB&T Corporation, Branch Banking and Trust Co. and Clarke R. Starnes, III.                                 | <a href="#">Incorporated herein by reference to Exhibit 10.27 of the Annual Report on Form 10-K, filed February 27, 2009.</a>                      |
| 10.22*      | 2016 Employment Agreement by and among BB&T Corporation, Branch Banking and Trust Company and David H. Weaver.   | <a href="#">Incorporated herein by reference to Exhibit 10.39 of the Annual Report on Form 10-K, filed February 25, 2016.</a>                      |
| 10.23*      | 2016 Employment Agreement by and among BB&T Corporation, Branch Banking and Trust Company and Brant J. Standridge.   | <a href="#">Incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q, filed October 24, 2016.</a>                     |
| 10.24*      | 2016 Employment Agreement by and among BB&T Corporation, Branch Banking and Trust Company and Dontá L. Wilson.   | <a href="#">Incorporated herein by reference to Exhibit 10.3 of the Quarterly Report on Form 10-Q, filed October 24, 2016.</a>                     |
| 10.25*      | Amended and Restated Employment Agreement by and among BB&T Corporation, Branch Banking and Trust Co. and Kelly S. King dated as of February 7, 2019.                  | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed February 13, 2019.</a>                       |
| 10.26*      | Form of Notice of Term Non-Renewal under Employment Agreements   | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed March 6, 2019.</a>                           |
| 10.27*      | Form of Synergy Incentive Award Letter with each of Daryl N. Bible and Clarke R. Starnes, III  | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed June 3, 2019.</a>                            |
| 10.28*      | Form of First Amendment to Employment Agreement with each of Daryl N. Bible and Clarke R. Starnes, III   | <a href="#">Incorporated herein by reference to Exhibit 10.4 of the Current Report on Form 8-K, filed June 3, 2019.</a>                            |
| 10.29*      | First Amendment to 2016 Employment Agreement with Brant J. Standridge  | <a href="#">Incorporated herein by reference to Exhibit 10.9 of the Quarterly Report on Form 10-Q, filed July 31, 2019.</a>                        |
| 10.30*      | First Amendment to 2016 Employment Agreement with David H. Weaver  | <a href="#">Incorporated herein by reference to Exhibit 10.10 of the Quarterly Report on Form 10-Q, filed July 31, 2019.</a>                       |
| 10.31*      | First Amendment to 2016 Employment Agreement with Dontá L. Wilson  | <a href="#">Incorporated herein by reference to Exhibit 10.11 of the Quarterly Report on Form 10-Q, filed July 31, 2019.</a>                       |
| 10.32*      | Form of Synergy Incentive Award Letter with each of Brant J. Standridge, David H. Weaver and Dontá L. Wilson   | <a href="#">Incorporated herein by reference to Exhibit 10.14 of the Quarterly Report on Form 10-Q, filed July 31, 2019.</a>                       |
| 10.33*      | SunTrust Banks, Inc. 2009 Stock Plan, as amended and restated as of August 11, 2015  | <a href="#">Incorporated by reference to Exhibit 10.1 to SunTrust's Current Report on Form 8-K, filed August 13, 2015.</a>                         |
| 10.34*      | Form of Nonqualified Stock Option Agreement  | <a href="#">Incorporated by reference to Exhibit 10.1.1 to SunTrust's Registration Statement No. 333-158866 on Form S-8, filed April 28, 2009.</a> |
| 10.35*      | Form of Nonqualified Stock Option Award Agreement with clawback under the SunTrust Banks, Inc. 2009 Stock Plan   | <a href="#">Incorporated by reference to Exhibit 10.29 of SunTrust's Annual Report on Form 10-K, filed February 24, 2012.</a>                      |
| 10.36*      | Form of Performance Vested Restricted Stock Unit Award Agreement, 2018, Type I   | <a href="#">Incorporated herein by reference to Exhibit 10.18 of SunTrust's Annual Report on Form 10-K, filed February 23, 2018.</a>               |

| <b>Exhibit No.</b> | <b>Description</b>  | <b>Location</b>  |
|--------------------|---|--|
| 10.37*             | Form of Performance Vested Restricted Stock Unit Award Agreement, 2018, Type II   | <a href="#">Incorporated herein by reference to Exhibit 10.19 of SunTrust's Annual Report on Form 10-K, filed February 23, 2018.</a> |
| 10.38*             | Form of Time Vested Restricted Stock Unit Award Agreement, 2018, Type I   | <a href="#">Incorporated herein by reference to Exhibit 10.20 of SunTrust's Annual Report on Form 10-K, filed February 23, 2018.</a> |
| 10.39*             | Form of Time Vested Restricted Stock Unit Award Agreement, 2018, Type II  | <a href="#">Incorporated herein by reference to Exhibit 10.21 of SunTrust's Annual Report on Form 10-K, filed February 23, 2018.</a> |
| 10.40*             | Form of Time Vested Restricted Stock Unit Award Agreement, 2018, Type III   | <a href="#">Incorporated herein by reference to Exhibit 10.22 of SunTrust's Annual Report on Form 10-K, filed February 23, 2018.</a> |
| 10.41*             | Form of Time Vested Restricted Stock Unit Award Agreement, 2018, Type IV  | <a href="#">Incorporated herein by reference to Exhibit 10.23 of SunTrust's Annual Report on Form 10-K, filed February 23, 2018.</a> |
| 10.42*             | SunTrust Banks, Inc. ERISA Excess Retirement Plan, amended and restated effective as of January 1, 2011                                     | <a href="#">Incorporated herein by reference to Exhibit 10.8 to SunTrust's Quarterly Report on Form 10-Q, filed August 9, 2011.</a>  |
| 10.43*             | Further amended by Amendment Number One, effective as of January 1, 2012  | <a href="#">Incorporated herein by reference to Exhibit 10.10 to SunTrust's Annual Report on Form 10-K, filed February 24, 2012.</a> |
| 10.44*             | Executive Severance Plan, amended and restated January 1, 2019  | <a href="#">Incorporated herein by reference to Exhibit 10.8 to SunTrust's Annual Report on Form 10-K, filed February 22, 2019.</a>  |
| 10.45*             | SunTrust Banks, Inc. 2018 Omnibus Incentive Compensation Plan   | <a href="#">Incorporated herein by reference to Appendix B to SunTrust's definitive Proxy Statement, filed March 9, 2018.</a>        |
| 10.46*             | Form of Non-employee Director Restricted Stock Award Agreement  | <a href="#">Incorporated herein by reference to Exhibit 10.2 to SunTrust's Quarterly Report on Form 10-Q, filed May 4, 2018.</a>     |
| 10.47*             | Form of Performance-Vested Restricted Stock Unit Award Agreement, Type I  | <a href="#">Incorporated herein by reference to Exhibit 10.3 to SunTrust's Quarterly Report on Form 10-Q, filed May 4, 2018.</a>     |
| 10.48*             | Form of Performance-Vested Restricted Stock Unit Award Agreement, Type II   | <a href="#">Incorporated herein by reference to Exhibit 10.4 to SunTrust's Quarterly Report on Form 10-Q, filed May 4, 2018.</a>     |
| 10.49*             | Form of Time-Vested Restricted Stock Unit Award Agreement, Type I   | <a href="#">Incorporated herein by reference to Exhibit 10.5 to SunTrust's Quarterly Report on Form 10-Q, filed May 4, 2018.</a>     |
| 10.50*             | Form of Time-Vested Restricted Stock Unit Award Agreement, Type II  | <a href="#">Incorporated herein by reference to Exhibit 10.6 to SunTrust's Quarterly Report on Form 10-Q, filed May 4, 2018.</a>     |
| 10.51*             | Form of Time-Vested Restricted Stock Unit Award Agreement, Type III   | <a href="#">Incorporated herein by reference to Exhibit 10.7 to SunTrust's Quarterly Report on Form 10-Q, filed May 4, 2018.</a>     |
| 10.52*             | Form of Time-Vested Restricted Stock Unit Award Agreement, Type IV  | <a href="#">Incorporated herein by reference to Exhibit 10.8 to SunTrust's Quarterly Report on Form 10-Q, filed May 4, 2018.</a>     |
| 10.53*             | 2019 Employment Agreement by and among BB&T Corporation, Branch Banking and Trust Company and William H. Rogers, Jr.                        | <a href="#">Incorporated herein by reference to Exhibit 10.90 of the Annual Report on Form 10-K, filed March 3, 2020.</a>            |
| 10.54*             | Form of Restricted Stock Unit Agreement (Non-Employee Directors) for the Truist Financial Corporation 2012 Incentive Plan (effective 2020). | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q, filed May 8, 2020.</a>            |
| 10.55*             | Form of Restricted Stock Unit Agreement (Category 2 Employee) for the Truist Financial Corporation 2012 Incentive Plan (effective 2021).    | <a href="#">Incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q, filed May 3, 2021.</a>            |
| 10.56*             | Form of Restricted Stock Unit Agreement (Senior Executive) for the Truist Financial Corporation 2012 Incentive Plan (effective 2021).       | <a href="#">Incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q, filed May 3, 2021.</a>            |
| 10.57*             | Form of LTIP Award Agreement for the Truist Financial Corporation 2012 Incentive Plan (effective 2021).                                     | <a href="#">Incorporated herein by reference to Exhibit 10.3 of the Quarterly Report on Form 10-Q, filed May 3, 2021.</a>            |
| 10.58*             | Form of Performance Unit Award Agreement for the Truist Financial Corporation 2012 Incentive Plan (effective 2021).                         | <a href="#">Incorporated herein by reference to Exhibit 10.4 of the Quarterly Report on Form 10-Q, filed May 3, 2021.</a>            |
| 10.59*             | Truist Financial Corporation Nonqualified Defined Contribution Plan   | <a href="#">Incorporated herein by reference to Exhibit 10.62 of the Annual Report on Form 10-K, filed February 24, 2021.</a>        |
| 10.60*             | Master Trust Agreement (NonQualified Plans) between Truist Financial Corporation and Fidelity Management Trust Company                      | <a href="#">Incorporated herein by reference to Exhibit 10.63 of the Annual Report on Form 10-K, filed February 24, 2021.</a>        |
| 10.61*             | Truist Financial Corporation 401(k) Savings Plan  | <a href="#">Incorporated herein by reference to Exhibit 10.64 of the Annual Report on Form 10-K, filed February 24, 2021.</a>        |

| Exhibit No. | Description  | Location   |
|-------------|--|--|
| 10.62*      | First Amendment to the Truist Financial Corporation 401(k) Savings Plan (August 1, 2020 Restatement)   | <a href="#">Filed herewith</a>   |
| 10.63*      | Second Amendment to the Truist Financial Corporation 401(k) Saving Plan (August 1, 2020 Restatement)   | <a href="#">Filed herewith</a>   |
| 10.64*      | SunTrust Banks, Inc. Directors Deferred Compensation Plan, amended and restated as of January 1, 2009  | <a href="#">Incorporated by reference to Exhibit 10.1 to the SunTrust Current Report on Form 8-K, filed January 7, 2009.</a>         |
| 10.65*      | Amendment Number One to the SunTrust Banks, Inc. Directors Deferred Compensation Plan, effective as of January 1, 2018   | <a href="#">Incorporated herein by reference to Exhibit 10.14 of SunTrust's Annual Report on Form 10-K, filed February 22, 2019.</a> |
| 10.66*      | First Amendment to BB&T Corporation Amended and Restated Non-Employee Directors' Deferred Compensation Plan (Amended and Restated January 1, 2005)                             | <a href="#">Incorporated herein by reference to Exhibit 10.69 of the Annual Report on Form 10-K, filed February 24, 2021.</a>        |
| 10.67*      | 2020 Amendment to the Truist Financial Corporation Amended and Restated Non-Employee Directors' Deferred Compensation Plan   | <a href="#">Filed herewith.</a>  |
| 10.68*      | Employment Agreement by and between Truist Insurance Holdings, Inc. and John Howard Employment Agreement   | <a href="#">Filed herewith.</a>  |
| 10.69*      | Qualified Trust Agreement between Truist Financial Corporation and Fidelity Management Trust Company (July 15, 2020)   | <a href="#">Incorporated herein by reference to Exhibit 10.65 of the Annual Report on Form 10-K, filed February 24, 2021.</a>        |
| 10.70*      | First Amendment to Qualified Trust Agreement between Truist Financial Corporation and Fidelity Management Trust Company (July 15, 2020)  | <a href="#">Incorporated herein by reference to Exhibit 10.66 of the Annual Report on Form 10-K, filed February 24, 2021.</a>        |
| 11          | Statement re computation of earnings per share.  | <a href="#">Filed herewith as Computation of EPS note to the consolidated financial statements.</a>                                  |
| 21†         | Subsidiaries of the Registrant.  | <a href="#">Filed herewith.</a>  |
| 22†         | List of Subsidiary Issuers of Guaranteed Securities.   | <a href="#">Filed herewith.</a>  |
| 23†         | Consent of Independent Registered Public Accounting Firm.  | <a href="#">Filed herewith.</a>  |
| 31.1        | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.    | <a href="#">Filed herewith.</a>  |
| 31.2        | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.    | <a href="#">Filed herewith.</a>  |
| 32          | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | <a href="#">Filed herewith.</a>  |
| 101.INS     | XBRL Instance Document – the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.                | Filed herewith.  |
| 101.SCH     | XBRL Taxonomy Extension Schema.  | Filed herewith.  |
| 101.CAL     | XBRL Taxonomy Extension Calculation Linkbase.  | Filed herewith.  |
| 101.LAB     | XBRL Taxonomy Extension Label Linkbase.  | Filed herewith.  |
| 101.PRE     | XBRL Taxonomy Extension Presentation Linkbase.   | Filed herewith.  |
| 101.DEF     | XBRL Taxonomy Definition Linkbase.   | Filed herewith.  |
| 104         | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits101).   | Filed herewith.  |
| †           | Exhibit filed with the SEC and available upon request.   |  |
| *           | Management compensatory plan or arrangement.   |  |

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, as of February 22, 2022:

Truist Financial Corporation  
(Registrant)

/s/ William H. Rogers Jr.

William H. Rogers Jr.  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated:

|   |  |                   |
|---|--|-------------------|
| <u>/s/ William H. Rogers Jr.</u><br>William H. Rogers Jr. | President and Chief Executive Officer  | February 22, 2022 |
| <u>/s/ Daryl N. Bible</u><br>Daryl N. Bible               | Senior Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | February 22, 2022 |
| <u>/s/ Cynthia B. Powell</u><br>Cynthia B. Powell         | Executive Vice President and Corporate Controller<br>(Principal Accounting Officer)          | February 22, 2022 |
| <u>/s/ Kelly S. King</u><br>Kelly S. King                 | Chairman of the Board  | February 22, 2022 |
| <u>Jennifer S. Banner</u>                                 | Director   |                   |
| <u>/s/ K. David Boyer, Jr.</u><br>K. David Boyer, Jr.     | Director   | February 22, 2022 |
| <u>/s/ Agnes Bundy Scanlan</u><br>Agnes Bundy Scanlan     | Director   | February 22, 2022 |
| <u>/s/ Anna R. Cablik</u><br>Anna R. Cablik               | Director   | February 22, 2022 |
| <u>/s/ Dallas S. Clement</u><br>Dallas S. Clement         | Director   | February 22, 2022 |
| <u>/s/ Paul D. Donahue</u><br>Paul D. Donahue             | Director   | February 22, 2022 |
| <u>/s/ Patrick C. Graney III</u><br>Patrick C. Graney III | Director   | February 22, 2022 |
| <u>/s/ Linnie M. Haynesworth</u><br>Linnie M. Haynesworth | Director   | February 22, 2022 |
| <u>/s/ Easter A. Maynard</u><br>Easter A. Maynard         | Director   | February 22, 2022 |
| <u>/s/ Donna S. Morea</u><br>Donna S. Morea               | Director   | February 22, 2022 |
| <u>/s/ Charles A. Patton</u><br>Charles A. Patton         | Director   | February 22, 2022 |
| <u>/s/ Nido R. Qubein</u><br>Nido R. Qubein               | Director   | February 22, 2022 |
| <u>/s/ David M. Ratcliffe</u><br>David M. Ratcliffe       | Director   | February 22, 2022 |
| <u>/s/ Frank P. Scruggs, Jr.</u><br>Frank P. Scruggs, Jr. | Director   | February 22, 2022 |
| <u>/s/ Christine Sears</u><br>Christine Sears             | Director   | February 22, 2022 |
| <u>/s/ Thomas E. Skains</u><br>Thomas E. Skains           | Director   | February 22, 2022 |
| <u>/s/ Bruce L. Tanner</u><br>Bruce L. Tanner             | Director   | February 22, 2022 |
| <u>/s/ Thomas N. Thompson</u><br>Thomas N. Thompson       | Director   | February 22, 2022 |
| <u>/s/ Steven C. Voorhees</u><br>Steven C. Voorhees       | Director   | February 22, 2022 |