Enhancing BB&T’s Risk / Return Advantage in a ‘Disrupt or Die’ Environment
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Chief Risk Officer

Investor Day 2018
Key Takeaways

1. Consistent best in class risk adjusted returns

2. New risks are resulting from industry innovations

3. Adapting risk and control programs while taking advantage of current and future opportunities

4. BB&T will maintain its conservative through-the-cycle approach to credit risk, with a focus on diversification and granularity
BB&T’s Fundamental Approach to Risk Management
BB&T’s Consistent, Disciplined View of Risk Appetite...

**Through-the-Cycle Perspective:** Attractive returns generated by a business unit should not be entirely dependent on a growing economy.

**Low Variability and High Resiliency:** Favor business activities that do not have large swings in profitability and can bounce back quickly from a recession or stress period.

**Diversification and Granularity:** Cannot be overly dependent on a particular sector, loan type, business unit, or geography to generate revenues and earnings.

...consistently yields best in class risk adjusted returns
Consistently Lower Nonaccrual Loans and Operational Losses

Source: S&P Global, regulatory reports
Peers include BAC, CFG, COF, FITB, WFC, HBAN, KEY, MTB, PNC, RF, STI and USB
ABA Loss Data Sharing Consortium: BBT, BMO, BOKF, BPOP, CFG, CMA, DFS, FHN, FITB, FRC, HBAN, HWC, KEY, MS, MUFG, RF, SAN, STI, SYF, TCF, USAA, USB, ZION; BBT joined 2008
DFAST Results Support BB&T’s Best-in-Class Risk / Return Positioning

BB&T Risk / Return Positioning vs Peers (2018 DFAST)

Only bank in higher return / lower risk quadrant for each DFAST cycle (2014-2018)

Average Return
Average Risk
(Higher Return, Lower Risk)
(Lower Return, Lower Risk)
(Higher Return, Higher Risk)
(Lower Return, Higher Risk)

% Return
2017 Actual PPNR Less 2017 Actual Loss Rate
% Risk
(Difference between FRB Severely Adverse Stress Loss Rate and 2017 Actual Loss Rate)

CCAR Peers: CFG, FITB, HBAN, KEY, MTB, PNC, RF, STI, USB and WFC
Source: S&P Global, Dodd-Frank Act Stress Test 2018: Supervisory Stress Test Methodology and Results
Structural Innovation Requires Risk Management Programs To Adapt and Evolve
BB&T is Embracing Structural Changes That are Significantly Impacting the Banking Industry

Client Expectations

- Economics
- Regulatory Requirements
- Non-traditional Market Entrants
- Technological Capabilities
- Fintech Partnerships
- Demographics
BB&T’s Risk Management Framework Is Evolving to Take Advantage of These New Opportunities

Evolving Client and Market Participant Experience

- Journey led, proposition based products with integrated risk and controls

New Technology and Expanded Ecosystems

- Secure data-driven digital frameworks and monitoring techniques to identify and assess emerging risks utilizing platform approaches

Continuous Development

- Updated and integrated governance operating models and practices to enable and manage continuous development risks

Enterprise Risk Transformation

- Risk management capability transformation to enable and manage business transformation and new digital banking
Industry Innovation Introduces New and Emerging Risk Considerations...

- Change Risk
- Compliance Risk
- Credit Risk
- Cybersecurity Risk
- Data Risk
- Financial Crimes Risk
- Fraud Risk
- Privacy Risk
- Reputation Risk
- Strategic Risk
- Technology Risk
- Vendor Risk

...and requires comprehensive evaluation and rigorous control programs
Enhancing BB&T’s Risk and Control Programs
Prevalent in Nearly All Disrupt or Die Initiatives

Change Risk
- Changes in products/services/processes are evaluated comprehensively to ensure risk is managed within appetite
- Change risk management integrates risk specialties and risk centers of excellence
- Iterative approach supports speed to market

Vendor Risk
- Increasing use of vendors to deliver new products, services, and technologies
- Risks such as cyber and 4th party concentrations require enhanced risk management practices

Evaluation of proposed industry/shared utilities and consistent certification standards
Digitization and Adoption of New Technologies Require an Integrated View of Technology Risks

- Risk Governance
- Cyber Security
- Operational Resilience
- Application Development
- Digital Strategy
- Data Governance

- Advanced Behavioral Analysis
- Biometric Authentication
- Data Tokenization
- Next Generation Data Protection
- Encryption
- Innovative Authentication Options

*Established new independent Chief Technology Risk Officer role*
A Paradigm Shift Is Required for Managing Financial Crimes Related Risk

- Advanced Link Analysis
- Align Capabilities
- Automated Transaction Monitoring
- Data Enrichment
- Covert Sound-printing
- Improve Detection Capabilities
- Enterprise Authentication
- Machine Learning
- Integrated Case Management
- Robotic Process Automation
- Robust Client Risk Scoring
- Visual Metric Reporting

Convergence and greater integration of BSA/AML, Fraud, and Cyber Threat programs
Compliance Risk Requires Continuous, Data Driven Surveillance and Monitoring Systems

- Technology enabled surveillance allows Compliance to be more nimble to support the pace and degree of change
- Heightened awareness of privacy risk comes with digital, ‘always on’ products and services

Implementation of new enterprise GRC platform in progress
Maintaining Strong Culture and Ethical Conduct is Paramount to BB&T’s Success and Lowers Overall Risk Profile

- Culture and conduct risk are significant issues in the financial services industry
- BB&T’s long standing culture demands high ethical standards and is key to BB&T’s success
- **Culture and Conduct Risk Committee** serves as a consolidation point for existing efforts aimed at reputation risk, sales practices risk, culture, ethics, and conduct

_Culture > Informs > Leadership > Drives > Engagement > Produces > Results_
Maintaining Disciplined Approach to Credit Risk Management While Executing on Opportunities
BB&T’s Consistent, Disciplined Approach to Credit Risk Management...

Alignment of Vision / Mission / Values with consistent risk appetite

- Prudent risk appetite and risk selection
- Client selection and long-standing relationships
- Conservative, transaction based underwriting
- Disciplined account servicing and portfolio management
...Drives Consistent Loan Portfolio Outperformance; Especially Critical During Latter Stages of an Economic Cycle

Latter Stage Cycle Credit Dynamics

- Similarity in performance / increasing ‘herd’ mentality
- Fixation with loan and revenue growth
- Loosening underwriting standards
- When costly credit mistakes tend to be made

Risk Adjusted Loan Yield % (Yield – NCO)

Net Charge-Off (NCO) %

Tightening of peer performance occurred at ‘peak’ of last cycle
All-time tightest range for peers

Tightening of peer performance occurred at ‘peak’ of last cycle
No peer above 50bps post Q3 2015

Source: S&P Global, regulatory reports
Peers include CFG, CMA, FITB, WFC, HBAN, KEY, MTB, PNC, RF, STI, USB and ZION
Target Portfolio Mix Guides Diversified, Profitable Growth

### Loan Category & Growth to Achieve Target Mix

- **Consumer Other**
  - Indirect Retail, Wealth, Bankcard

- **C&I + OORE**
  - Corporate Banking, Community Banking, Floorplan, Leasing, Premium Finance

- **Commercial Real Estate**
  - IPP and ADC

- **Consumer Real Estate**
  - Mortgage, HELOC

- **Government**

### Metric & Impact of Achieving Target Mix

#### Through-the-Cycle Earnings and Returns

- **2007Q1**: 21%
- **2018Q3**: 4%
- **Target**: 3%

#### Variability

- **2007Q1**: 34%
- **2018Q3**: 12%
- **Target**: 11%

#### Resiliency

- **2007Q1**: 23%
- **2018Q3**: 15%
- **Target**: 18%

#### Diversification

- **2007Q1**: 11%
- **2018Q3**: 4%
- **Target**: 3%

### BB&T Loan Mix Comparison

Source: S&P Global, regulatory reports
Comprehensive Limits Framework...

- **Concentration Limits** – Enforce diversification, control concentration risk; guides progress towards target mix

- **Internal Lending Limits** - Enforce granularity, control idiosyncratic risk

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### Loan Category Limits
![Loan Category Limits](image1)

### C&I Sector Limits
![C&I Sector Limits](image2)

### CRE Property Type Limits
![CRE Property Type Limits](image3)

### Super Sector Limits
![Super Sector Limits](image4)

### Retail Business Unit Limits
![Retail Business Unit Limits](image5)

### Single Name Limits
![Single Name Limits](image6)

### Single Project Limits
![Single Project Limits](image7)
...Enforces Diversification of Total Loan Portfolio by Business Unit Loan Type and Geography

Total Loan Portfolio by Loan Type

- Retail $31B
- C&I $63B
- Mortgage $31B
- CRE $22B
- Total: $146B

Total Loan Portfolio by Geography

- Other 22%
- North Carolina 18%
- Florida 11%
- Virginia 9%
- Pennsylvania 8%
- Maryland 6%
- Texas 7%
- South Carolina 5%
- Georgia 7%
- Tennessee 2%
- Kentucky 2%
- California 3%
- Texas 7%
- South Carolina 5%
- Georgia 7%
- Virginia 9%
- Pennsylvania 8%
- Maryland 6%
- Tennessee 2%
- Kentucky 2%
- California 3%
- Florida 11%
- Other 22%

Note: Based on EOP balances 9/30/2018 excluding purchase credit impaired loans; C&I includes Leasing
Source: Company reports, regulatory reports
Portfolio balances in each state in the Other category are under 2% of the total
C&I Portfolios Are Well-Diversified and Client-Focused – $62.5B*

- Centered around Community Bank relationships
  - Average funded C&I loan < $1MM
  - SNCs = 9.8% of total loan outstandings
- Diversification and granularity:
  - Top 20 relationship commitments are only 35% of TCE
  - Covariant risks further monitored and managed at super-sector levels
- Disciplined client selection avoids:
  - Leveraged loan transactions only 0.7% of total loans
  - Second-lien structures
  - Term loan B tranches
  - Loans to fund dividend recaps and share repurchases
  - Bridge financing
  - Fully underwritten syndication risk

*Includes Bankcard Commercial, Equipment Finance, Premium Finance, Sheffield Commercial, and Commercial Equipment Capital
Chart excludes Bankcard Commercial not classified includes Premium Finance and Lease Financing
Note: Based on EOP balances 09/30/2018 excluding purchase credit impaired loans
CRE Portfolio is Intentionally Balanced and Granular – $21.5B*

- Direct lending to relationship-oriented sponsors
- Very granular portfolio:
  - Average CRE loan < $2 million
  - Largest single CRE loan < $70MM
  - Top 20 commitments = 6.2% of TCE
  - Top 10 MSAs combined < 40% of total CRE loans
- CRE-ADC and IPP lending limits 50-80% of C&I limits, respectively
- Single project limits further reduced based on MSA and loan type
- Modest exposure to regional malls (<$100MM), seniors and student
- Disciplined loan sizing utilizes conservative stressed interest rates and property-specific coverage ratios
- Avoid extended interest-only and non-recourse terms

*Includes Grandbridge Real Estate Capital

Note: Based on EOP balances 09/30/2018 excluding purchase credit impaired loans
Full Spectrum National Auto Platform – $12.0B*

Regional Acceptance Corporation (“RAC”) has provided consistent returns to BB&T through the credit cycle since its acquisition in 1997.

- Intensive underwriting process including client interview, employment/income verification and rigorous collateral assessment
- Auto Sector leadership is risk aware, data driven, and operational control minded
  - Deliver best in class auto finance program
  - Avoid score only adverse selection

### Origination Metrics

<table>
<thead>
<tr>
<th></th>
<th>RAC - Subprime</th>
<th>Dealer Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2018</td>
<td>9/30/2017</td>
<td>9/30/2018</td>
</tr>
<tr>
<td>Outstanding $’s (MM)</td>
<td>$5.0B</td>
<td>$4.0B</td>
</tr>
<tr>
<td>NCO (YTD)</td>
<td>5.82%</td>
<td>7.51%</td>
</tr>
<tr>
<td>Loan Margin</td>
<td>12.57%</td>
<td>14.67%</td>
</tr>
<tr>
<td>Average Term</td>
<td>69</td>
<td>69</td>
</tr>
<tr>
<td>Max Term</td>
<td>72</td>
<td>72</td>
</tr>
<tr>
<td>Average DTI</td>
<td>35.9%</td>
<td>35.7%</td>
</tr>
<tr>
<td>Average FICO</td>
<td>564</td>
<td>560</td>
</tr>
<tr>
<td>Average LTV - Line3</td>
<td>104.5%</td>
<td>105.2%</td>
</tr>
</tbody>
</table>

### RAC Loss History

- Regional Acceptance Corporation ("RAC") has provided consistent returns to BB&T through the credit cycle since its acquisition in 1997
- Intensive underwriting process including client interview, employment/income verification and rigorous collateral assessment

Note: Based on EOP balances 09/30/2018 excluding purchase credit impaired loans
Residential Mortgage and In-Bank Direct Retail Lending – $42.4B*

- Average FICO 754
- Very diversified portfolio:
  - No state greater than 19%
  - Correspondent Lending provides geographic diversification
- Jumbo exposures support Wealth strategy
- Pre-crisis vintages less than 15% of the portfolio

- Average FICO 757
- Branch originated portfolio
- Primarily real estate secured (HELOC) with originations under 85% LTV
- Wealth lending represents high growth segment
- Not participating in 3rd party unsecured lending

Based on EOP balances 09/30/2018, excluding loans held for sale and purchase credit impaired
Relationship Based Prime Bankcard Portfolio

- Average retail FICO 751
- 69% of Retail Bankcard commitments have 4 or more Bank products
- No active origination program for subprime credit cards
- No national delivery of credit cards to non-BB&T clients (no mass solicitations)

Note: Based on EOP balances 9/30/2018 excluding purchase credit impaired loans
## Specialized Lending: High Margin, Prime Based, Cycle Tested National Business Models Provide Diversified Growth Opportunities – $15.4B

<table>
<thead>
<tr>
<th>Business</th>
<th>Outstanding (Billions)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheffield Financial</td>
<td>$4.9B</td>
<td>• Manufacturer based small ticket finance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>─ Powersports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>─ Outdoor power equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>─ Trailers</td>
</tr>
<tr>
<td>BB&amp;T Equipment Finance</td>
<td>$3.0B</td>
<td>• Full range commercial equipment finance</td>
</tr>
<tr>
<td>AFCO/CAFO</td>
<td>$2.7B</td>
<td>• Commercial insurance premium finance</td>
</tr>
<tr>
<td>BB&amp;T Recreational Lending</td>
<td>$1.9B</td>
<td>• Marine and Recreational Vehicle finance</td>
</tr>
<tr>
<td>Grandbridge Real Estate Capital</td>
<td>$1.8B</td>
<td>• National commercial real estate finance and servicing</td>
</tr>
<tr>
<td>Commercial Equipment Capital</td>
<td>$1.1B</td>
<td>• Small ticket commercial equipment finance</td>
</tr>
</tbody>
</table>

Note: Based on EOP balances 9/30/2018 excluding purchase credit impaired loans; Sheffield Commercial, Equipment Finance, Premium Finance, and Commercial Equipment Capital are included in the total C&I balance, Grandbridge is included in total CRE balance.
BB&T is Adapting Its Proven Approach to Credit Risk Management to Execute on Current and Future Opportunities

**Maintaining** disciplined, consistent approach to credit risk management

Creating seamless end-to-end credit processes through **innovation and re-conceptualization**

**Investment bias** for businesses with proven through-the-cycle results

Careful evaluation of **alternative credit origination and delivery** areas
Risk Management: Now More Critical Than Ever
Key Takeaways

1. Consistent **best in class** risk adjusted returns

2. New **risks** are resulting from industry **innovations**

3. Adapting risk and control programs while **taking advantage** of current and future opportunities

4. BB&T will maintain its **conservative** through-the-cycle **approach** to credit risk, with a **focus** on **diversification** and **granularity**