Liquidity Coverage Ratio Disclosure

Truist Financial Corporation

December 31, 2019

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I. Introduction

Truist Financial Corporation (Truist) is a FHC headquartered in Charlotte, North Carolina. Truist conducts its business operations primarily through its bank subsidiary, Truist Bank and other non-bank subsidiaries.

Truist Financial Corporation is a purpose-driven financial services company committed to inspire and build better lives and communities. With 275 years of combined BB&T and SunTrust history, Truist serves approximately 10 million households with 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. Truist is the sixth-largest commercial bank in the U.S. with total assets of $473 billion as of December 31, 2019.

Truist Bank is a state non-member bank and is supervised by the Federal Deposit Insurance Corporation (FDIC) and North Carolina State Banking Commission, while Truist Financial Corporation is supervised by the Federal Reserve Board (FRB). Truist's non-bank subsidiaries are regulated and supervised by various other regulatory bodies, including the Securities and Exchange Commission and the Financial Industry Regulatory Authority.

II. Liquidity Coverage Ratio (LCR)

The U.S. Liquidity Coverage Ratio: Liquidity Risk Measurement Standards (the LCR Rule), was adopted in 2014 by the FRB, The Office of the Comptroller of the Currency (OCC), and the FDIC. Through Regulation WW, the FRB also implemented a modified version of the liquidity coverage ratio requirement (modified LCR) as an enhanced prudential standard for bank holding companies and savings and loan holding companies with $50 billion or more in total consolidated assets but not more than $250 billion that are not internationally active (a modified LCR holding company). As of December 31, 2019 Truist was considered to be a "modified LCR" holding company.

The LCR requires a covered company to maintain an amount of unencumbered high-quality liquid assets (HQLA) sufficient to meet its total net cash outflows over a prospective 30 calendar-day stress scenario, as calculated in accordance with the prescribed US LCR rule. The modified LCR applies a factor of 0.70 to total net cash outflows, in order to determine the required level of HQLA.

Truist is subject to the modified LCR requirements and to the LCR public disclosure requirements on a consolidated basis. On a quarterly basis Truist is required to disclose the average month-end modified LCR for the prior quarter. Truist also discloses quantitative and qualitative information on certain portions of its LCR components to facilitate an understanding of its liquidity profile and primary drivers of change.

In October 2019, the federal banking agencies adopted final rules for liquidity requirements that amend the full LCR such that bank holding companies with assets between $250 billion and $700 billion, and less than $75 billion in certain other risk related exposures, would be subject to a reduced LCR. Truist became a Category III institution effective January 1, 2020, after completing the merger of equals between BB&T and SunTrust on December 6, 2019. As a Category III institution Truist's LCR is subject to a reduced LCR factor of 0.85 of total net cash outflows. Truist's public disclosures for the four quarterly periods of 2020 will be based on a simple month-end average. Effective January 1, 2021, Truist's disclosures will be based on daily averages.

III. Primary Drivers of LCR

Truist's average U.S. LCR is driven by changes in total HQLA, including the composition of Level 1 and Level 2 assets, as well as changes in net cash outflows. Truist's LCR results for the fourth quarter are based on heritage BB&T results for the months of October and November and Truist's for December. For the quarterly period ending December 31, 2019, Truist's average month-end modified U.S. LCR was 165% compared to the regulatory minimum for such entities of 100%, which puts Truist in compliance with the rule.

Truist's average modified LCR increased twenty-six percentage points compared to the prior quarter. The primary driver of the increase in average LCR is attributable to various strategic balance sheet actions that were undertaken in preparation with the merger, including ensuring sufficient liquidity to meet any merger-related need and to prepare the Company for meeting the LCR requirements of a Category III bank. This included an increase in average weighted HQLA of approximately $18.5 billion partially offset by an increase in total net cash outflows of $7.4 billion, which primarily resulted from these strategic actions.

IV. U.S. LCR Quantitative Disclosure

The table below presents detail on Truist's consolidated average LCR, including HQLA, Cash Outflow & Cash Inflow, for the three months ended December 31, 2019. As per LCR rules for modified LCR holding companies, averages are calculated using month-end balances.

Three Months Ended December 31, 2019 (dollars in millions)	Average Unweighted Amount	Average Weighted Amount
HIGH-QUALITY LIQUID ASSETS		
1. Total eligible high-quality liquid assets (HQLA), of which:	$ 55,335	$ 52,122
2. Eligible level 1 liquid assets	34,233	34,186
3. Eligible level 2A liquid assets	21,102	17,936
4. Eligible level 2B liquid assets	—	—
CASH OUTFLOW AMOUNTS		
5. Deposit outflow from retail customers and counterparties, of which:	144,033	9,207
6. Stable retail deposit outflow	85,388	2,562
7. Other retail funding	51,047	5,116
8. Brokered deposit outflow	7,598	1,529
9. Unsecured wholesale funding outflow, of which:	63,234	24,178
10. Operational deposit outflow	24,471	6,057
11. Non-operational funding outflow	38,568	17,926
12. Unsecured debt outflow	195	195
13. Secured wholesale funding and asset exchange outflow	15,858	3,374
14. Additional outflow requirements, of which:	77,997	10,058
15. Outflow related to derivative exposures and other collateral requirements	402	402
16. Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	77,595	9,656
17. Other contractual funding obligations outflow	240	240
18. Other contingent funding obligations outflow	11,633	350
19. TOTAL CASH OUTFLOW	**$ 312,995**	**$ 47,407**
CASH INFLOW AMOUNTS		
20. Secured lending and asset exchange cash inflow	$ 601	$ 227
21. Retail cash inflow	1,300	650
22. Unsecured wholesale cash inflow	1,830	929
23. Other cash inflows, of which:	424	424
24. Net derivative cash inflow	73	73
25. Securities cash inflow	292	292
26. Broker-dealer segregated account inflow	59	59
27. Other cash inflow	—	—
28. TOTAL CASH INFLOW	**$ 4,155**	**$ 2,230**
		Average Amount[1]
29. HQLA AMOUNT		**$ 52,122**
30. TOTAL NET CASH OUTFLOW AMOUNT EXCLUDING THE MATURITY MISMATCH ADD-ON		**N/A**
31. MATURITY MISMATCH ADD-ON		**N/A**
32. TOTAL NET CASH OUTFLOW AMOUNT		**$ 31,623**
33. LIQUIDITY COVERAGE RATIO (%)		**165 %**

1 The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1-28 due to technical factors such as the application of the level 2 liquid asset caps, the total inflow cap, and the application of the 0.7 factor to total net cash outflows applied to the modified LCR requirement.

V. The Composition of Eligible HQLA

Eligible HQLA is the amount of unencumbered liquid assets that qualify for inclusion within the numerator based on the LCR Rule. The LCR Rule divides HQLA into Level 1 assets and Level 2 assets. Level 1 includes Federal Reserve Bank balances net of reserve requirements and the highest quality liquid and readily-marketable securities issued or guaranteed by either the Department of the Treasury or a U.S. government agency. Level 2 assets are further divided into categories designated A and B. Level 2A assets are subject to a 15% haircut and include certain securities issued or guaranteed by a U.S. government-sponsored enterprise or sovereign entity not eligible as Level 1, subject to certain restrictions in the LCR rule. Level 2B assets are subject to a 50% haircut and include certain corporate debt securities, certain U.S. municipal securities, and publicly traded common equities.

For the three months ended December 31, 2019, Truist's average weighted monthly HQLA was $52.1 billion, which includes $34.2 billion of eligible Level 1 assets and $17.9 billion of eligible Level 2 assets. Truist currently does not qualify any Level 2B assets as HQLA.

VI. Net Cash Outflows

Truist's net cash outflow and cash inflow amounts are calculated by multiplying average unweighted balances for assets, sources of funds, and obligations by standardized outflow and inflow rates as prescribed in the LCR rule. The largest drivers of Truist's weighted outflows are deposits, credit and liquidity commitments, and wholesale funding. Truist's cash inflow amounts are made up primarily of retail and wholesale loan inflows. As a modified LCR holding company, Truist is not subject to the maturity mismatch add-on at December 31, 2019.

VII. Concentration of Funding Sources

Deposits

Truist's primary source of funding is a diversified base of customer deposits. A significant portion of customer deposits are retail deposits, as defined in the LCR rule. These deposits are considered a stable source of funding. For the three months ended December 31, 2019, Truist had total average unweighted retail deposits of $144.0 billion. In addition, for the three months ended December 31, 2019, Truist had total average unweighted unsecured wholesale operational deposits of $24.5 billion, and total average unweighted unsecured wholesale non-operational funding of $38.6 billion. The remaining deposit base includes public fund deposits which are included within LCR Quantitative Disclosure table line 13, secured wholesale funding and asset exchange outflow.

Wholesale Funding

Access to capital markets wholesale funding is required to the extent asset growth is in excess of what can be funded with deposits. Short-term borrowings may include federal funds purchased, Eurodollar deposits, commercial paper, repurchase agreements, borrowings secured by high-grade assets, and other short-term borrowings. Long-term funding consists primarily of medium-term notes issued from Truist and bank notes and Federal Home Loan Bank advances issued through Truist Bank.

Wholesale funding is managed within liquidity policy tolerances, balance-sheet objectives, interest-rate risk considerations, and Truist's risk appetite. Management monitors wholesale funding to ensure appropriate maturity diversification and funding source concentrations.

VIII. Derivative Exposure

Truist uses derivatives primarily to manage the economic risk related to securities, commercial loans, MSRs and mortgage banking operations, long-term debt and other funding sources. Truist also enters into derivatives as a market maker to facilitate hedging transactions for its clients. Truist's total net cash outflows related to derivative exposures and other collateral requirements amounted to less than 1% of total net cash outflows for the fourth quarter of 2019.

IX. Liquidity Management

Liquidity Risk Management

Truist's liquidity objective is to meet demands for cash (including deposit withdrawals, payments, disbursements, debt maturity, interest, preferred and common stock dividends), while prudently managing funding costs. In order to accomplish this objective, Truist’s Corporate Treasury function assesses liquidity needs that may occur in both the normal course of business and during times of unusual, adverse events, considering both on and off-balance sheet arrangements and commitments that may impact liquidity in certain business environments.

Liquidity is monitored both at a consolidated level and at the legal-entity level, with particular focus on the bank, parent and broker-dealer entities. In this evaluation, Truist takes into account a legal-entity's capital position, balance sheet position and outlook, market conditions for financial firms, relative access to wholesale funding, complexity of the organization, and unique liquidity risks. This process ensures the Company's liquidity profile is consistent with its risk appetite. Truist's Corporate Treasury, working with the lines of business, is responsible for liquidity risk management.

Liquidity Risk Oversight

Truist's Board of Directors (the Board) is responsible for managing Truist’s Liquidity Risk. The Board Risk Committee (BRC) approves the liquidity risk appetite, Liquidity Risk Management Policy, and the Contingency Funding Plan. The BRC delegates management oversight of liquidity risk to the Market Risk, Liquidity and Capital Committee (MRLCC), which is chaired by the Chief Financial Officer and whose membership includes the Chief Risk Officer and other members of Executive Leadership.

As noted above, day to day management of funding and liquidity risk, including stress testing, is the responsibility of Corporate Treasury. Market and Liquidity Risk Management (MLRM), part of the Risk Management Organization, conducts independent oversight and governance of liquidity risk management activities. Further, Truist Audit Services conducts an independent assessment of the adequacy of internal controls, including procedural documentation, approval processes, reconciliations, and other mechanisms employed by Corporate Treasury and MLRM to ensure that liquidity risk is consistent with applicable policies, procedures, laws, and regulations.

For additional information, refer to the Funding Activities and Liquidity sections of the Truist Form 10-K and Form 10-Q