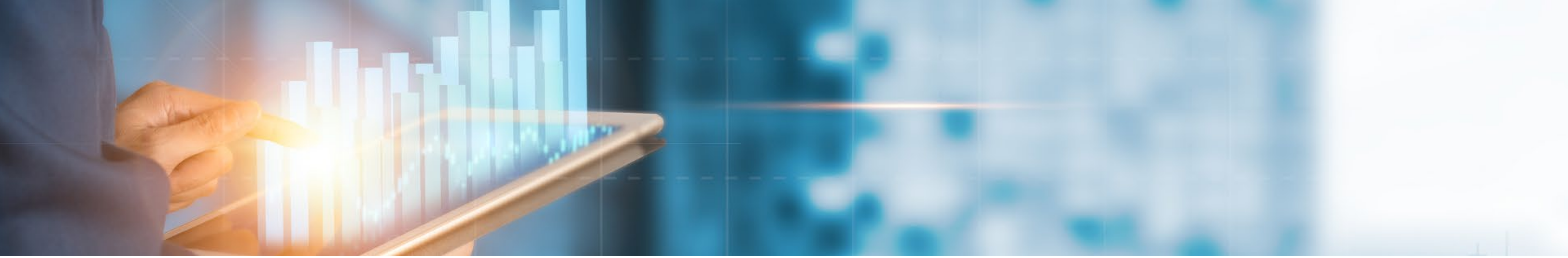
Truist Financial Corporation

Dodd-Frank Act
Company-run Stress Test Disclosure
Supervisory Severely Adverse Scenario
2022

Cautionary statements

This report contains certain 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 under hypothetical Supervisory stress scenarios. 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 relate to future results and occurrences, and therefore are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. The results presented here are not intended to be a forecast of Truist's expected future economic or financial performance and actual results could differ materially. The results in this report reflect theoretical performance under the prescribed hypothetical scenario and DFA stress testing rules. Truist's future financial results will be influenced by actual economic and financial conditions and various other factors, including the risk factors described in Truist's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as updated by its Quarterly Reports on Form 10-Q, and its other reports filed with the Securities and Exchange Commission, and available at www.sec.gov. Truist undertakes no obligation to revise or publicly update any forward-looking statements for any reason following the date of this report, except as required by law or regulation.



Fast facts

Truist Financial Corporation ("Truist" or the "Company") is a purpose-driven financial services company committed to inspiring and building better lives and communities. Truist has leading market share in many high-growth markets in the country, and 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. For additional information about the Company, please visit https://www.truist.com/who-we-are/about-truist.

- Headquarters: Charlotte, North Carolina
- 15MM clients we serve across the U.S.
- 17 states + D.C. – our footprint includes seven of the top 10 fastest-growing markets in the U.S.
- 21 community banking regions, with certain lines of business operating nationally across the U.S.
- 7th largest U.S. commercial bank
- 2,100+ branches
- ~3,000 ATMs
- $544B total assets
- $294B loans
- $428B deposits
- Truist Insurance Holdings: 7th largest in the world, 6th largest broker in the U.S. with a nationwide presence

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As of 3/31/22

Overview

This document provides a discussion of the company-run stress test results for the Company's 2022 capital plan submission under the hypothetical macroeconomic Severely Adverse scenario determined by The Federal Reserve Board. This disclosure is separate from the Federal Reserve Board's release of stress test results.

Truist's results reflect the following capital action assumptions, as prescribed by the Federal Reserve's DFAST rules over the stress period

– Exclude dividends on any instruments that qualify as common equity tier 1 capital (CET1);
– Include payments on instruments that qualify as additional tier 1 or tier 2 capital equal to the stated dividend, interest or principal due on such instrument;
– Exclude redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and
– Exclude issuances of common stock or preferred stock.

Summary of Results

Truist's performance under the Supervisory Severely Adverse scenario indicates that the Company would maintain capital levels sufficient to withstand the prescribed severe recession. Results show a net loss of income before taxes of $(743) million over a nine-quarter period in the Supervisory Severely Adverse scenario driven by elevated unemployment levels, declines in real GDP, steep declines in commercial real estate values, widening corporate debt yields, low short-term interest rates, and a combination of other stressed economic factors.

Projected changes in capital in the Supervisory Severely Adverse scenario were driven primarily by increases in the provision for credit losses and decreases in fee income. The effects of the Supervisory Severely Adverse scenario on net income include higher expenses, higher loan and lease losses, increased operating losses, and broadly lower fee income. Consequently, capital levels were reduced by the decline in net income from the factors noted above. An increase in risk-weighted assets (RWA) also contributes to the decline in capital levels.

Summary of results

Capital projections and risk-weighted asset projections

Projected stressed capital ratios through Q1 2024 *Supervisory Severely Adverse*			
	Actual	Stressed Capital Ratios[1]	
	Q4 2021	Q1 2024	Minimum[2]
Truist Financial Corporation			
Common Equity Tier 1 (%)	9.6%	9.2%	8.8%
Tier 1 Risk-based Capital Ratio (%)	11.3%	10.8%	10.5%
Total Risk-based Capital Ratio (%)	13.2%	13.1%	12.8%
Tier 1 Leverage Ratio (%)	8.7%	7.7%	7.6%
Supplementary Leverage Ratio (%)	7.4%	6.8%	6.8%
Truist Bank			
Common Equity Tier 1 (%)	10.5%	10.4%	9.9%
Tier 1 Risk-based Capital Ratio (%)	10.5%	10.4%	9.9%
Total Risk-based Capital Ratio (%)	12.0%	12.4%	12.0%
Tier 1 Leverage Ratio (%)	8.0%	7.3%	7.2%
Supplementary Leverage Ratio (%)	6.9%	6.5%	6.4%

Actual Q4 2021 and Projected Q1 2024 Risk-weighted Assets *Supervisory Severely Adverse ($ in B)*		
	Actual Q4 2021	Projected Q1 2024
Truist Financial Corporation		
Risk-weighted assets	$ 390.9	$ 395.0
Truist Bank		
Risk-weighted assets	380.1	384.1

1 The Truist Financial Corporation and Truist Bank capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule, which excludes common dividends and share repurchases.
2 Minimum capital ratios presented are for the period Q1 2022 to Q1 2024.

Summary of results

Profit and loss projections

Projected losses, revenues, and net income before taxes through Q1 2024 *Supervisory Severely Adverse ($ in B)*				
	Truist Financial Corporation		**Truist Bank**	
	Amount	Percent of Average Assets[1]	Amount	Percent of Average Assets[1]
Pre-provision Net Revenue[2]	$ 12.4	2.2%	$ 11.4	2.1%
Other Revenue	$ -	0.0%	$ -	0.0%
Provisions[3]	$ (12.7)	-2.3%	$ (11.0)	-2.0%
Realized Gains/(Losses) on Securities (AFS/HTM)	$ (0.0)	0.0%	$ (0.0)	0.0%
Trading and Counterparty Losses[4]	$ -	0.0%	$ -	0.0%
Other Gains/(Losses)[5]	$ (0.4)	-0.1%	$ (0.4)	-0.1%
Income Before Taxes[6]	$ (0.7)	-0.1%	$ (0.0)	0.0%

1 Calculated on a cumulative basis over the 9-quarter period (not annualized).
2 Pre-provision net revenue includes losses from operational risk events and mortgage put-back expenses for Truist Financial Corporation and operational risk events and other real estate owned (OREO) costs for Truist Bank.
3 Provisions include provision expense for both loan and lease losses and securities under ASU 2016-13.
4 Truist Financial Corporation and Truist Bank are not subject to the global market shock component of the stress test.
5 Other Gains/(Losses) includes losses on loans held for sale.
6 Totals may not reconcile due to rounding.

Summary of results

Loan loss projections

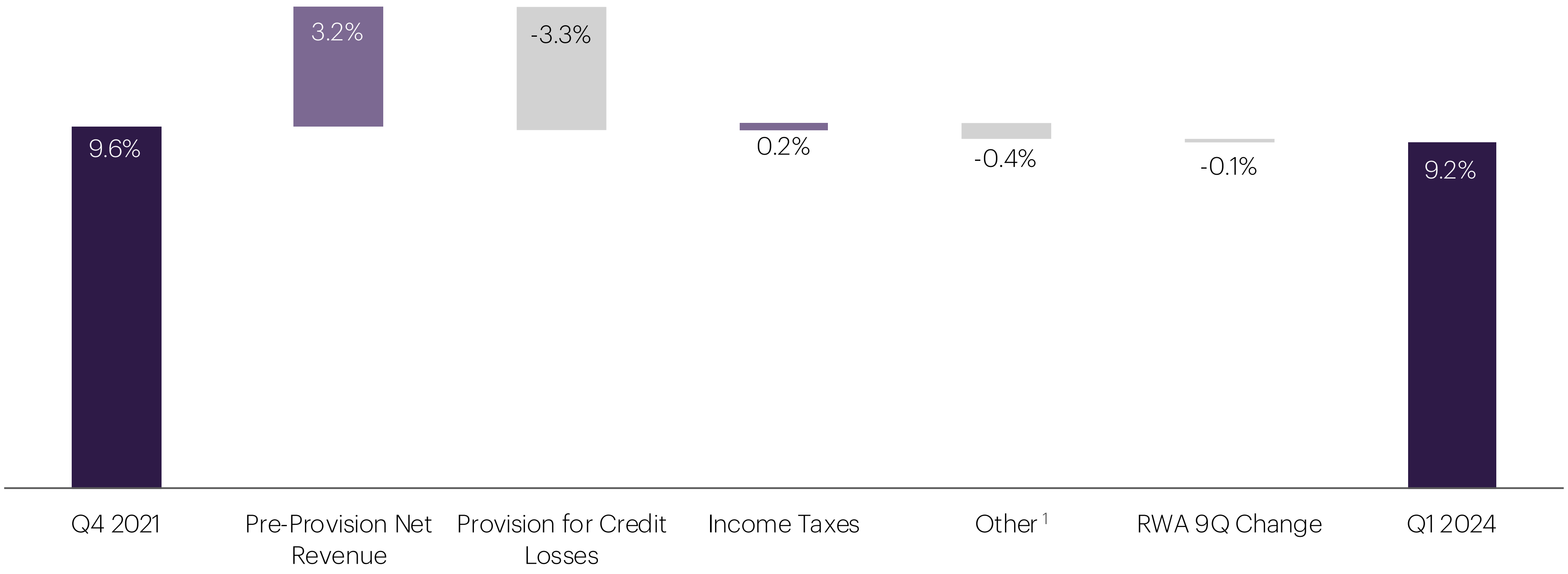
Projected loan losses, by type of loan, Q1 2022-Q1 2024 *Supervisory Severely Adverse*	**Truist Financial Corporation**		**Truist Bank**	
	Amount ($ in billions)	Portfolio Loss Rates[1]	Amount ($ in billions)	Portfolio Loss Rates[1]
Loan Losses	$ 10.2	3.4%	$ 9.3	3.2%
First Lien Mortgages, Domestic	$ 0.4	0.8%	$ 0.4	0.8%
Junior Liens and HELOCs, Domestic	$ 0.2	1.6%	$ 0.2	1.6%
Commercial and Industrial[2]	$ 3.1	4.5%	$ 3.1	4.5%
Commercial Real Estate	$ 1.7	3.1%	$ 1.7	3.1%
Credit Card	$ 0.6	17.3%	$ 0.6	17.3%
Other Consumer[3]	$ 3.2	6.0%	$ 2.3	4.7%
Other Loans	$ 0.9	1.7%	$ 0.9	1.7%

1 Cumulative loss rates over the 9-quarter period. Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair value option and the PPP loans.
2 Commercial and Industrial loans include small and medium enterprise loans and corporate cards and exclude PPP loans.
3 Other consumer loans include student loans and automobile loans.

Key drivers of Truist's CET1 ratio

The chart below shows significant impacts to Truist's CET1 capital ratio under the Supervisory Severely Adverse scenario. The capital ratios in this disclosure are based on the Dodd-Frank Act Stress Test (DFAST) capital action assumptions, which exclude common stock dividend payments and share repurchases.

Common Equity Tier 1 Ratio Attribution Analysis under Supervisory Severely Adverse Scenario



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1 Other includes CECL phase-in adjustments, net income attributable to minority interests, losses on held for sale, changes in equity related to equity-based compensation, preferred dividends, and regulatory deductions.

2022 stress test supervisory severely adverse scenario

The Supervisory Severely Adverse scenario is characterized by a severe global recession accompanied by a period of heightened stress in commercial real estate and corporate debt markets.

Principal economic factors that drive the Supervisory Severely Adverse scenario

- **U.S. real GDP** – Real GDP declines 3½ percent from the fourth quarter of 2021 to its trough in the first quarter of 2023.
- **US unemployment rate** – Unemployment climbs to a peak of 10 percent in Q3 2023, a 5¾ percentage point increase relative to its fourth-quarter 2021 level.
- **U.S. inflation** – CPI inflation falls from an annual rate of 8¼ percent at the end of 2021 to an annual rate of about 1¼ percent in the third quarter of 2022 and then gradually increases above 1½ percent by the end of the scenario.
- **Real estate prices** – House prices decline 29 percent from the end of 2021 to their trough at the end of 2023. Commercial real estate prices experience larger declines, reaching a level in the fourth quarter of 2023 that is nearly 40 percent below the level at the end of 2021.
- **Short-term and long-term rates** – Short-term treasury rates remain near zero throughout the scenario and long-term rates drop to ¾ percent during the first quarter of 2022 and remain unchanged in the second and third quarters of 2022, after which they gradually rise to 1½ percent by the end of the scenario.
- **Debt spreads** – Investment grade corporate debt spreads widen to 5¾ percentage points by mid-2022, an increase of close to 4¾ percentage points relative to the fourth quarter of 2021.
- **Equity markets** – Equity prices fall 55 percent from the fourth quarter of 2021 through the fourth quarter of 2022, accompanied by a rise in the VIX, which reaches a peak value of 75 in the second quarter of 2022.

Additional information about the supervisory scenarios is available at https://www.federalreserve.gov/newsevents/pressreleases/bcreg20220210a.htm

Key risks addressed in the 2022 stress test

Truist administers its company-run stress tests through its Internal Capital Adequacy Assessment Process (ICAAP). The Company maintains a risk management framework for identifying, assessing, and measuring its eight major risk classifications. Truist administers its company-run stress tests in accordance with the Supervisory Severely Adverse scenario, which estimates the impact of the risk types below to its financial performance and specifically, the impact to the balance sheet, net income, and capital levels.

Credit Risk	The risk to current or anticipated earnings or capital arising from the default, unwillingness of a borrower, obligor, or counterparty such that an obligation will not be repaid on time and/or in full or the client and/or counterparty will fail to perform on an obligation to the Company
Market Risk	The risk to current or anticipated earnings, capital, or economic value arising from changes in interest rates, spreads or prices of financial instruments, and the corresponding impact on the composition of the balance sheet and/or trading and fair value positions. The primary generators of market risk at Truist are structural interest rate risk within the balance sheet as well as trading and fair value exposures.
Liquidity Risk	The risk of the Company's inability (or perceived inability) to meet its obligations at a reasonable cost without jeopardizing its financial condition or overall safety and soundness by maintaining an adequate level of liquidity to efficiently meet both expected and unexpected cash flow needs. Truist is largely exposed to three types of liquidity risk: Structural, Market, and Contingency. Structural liquidity risk results from the financial intermediation process of making loans and accepting deposits. Market liquidity risk results from constraints around market access or converting assets into cash. Contingency liquidity risk arises from adverse liquidity events which would include credit, market, operational, legal, and reputational risk events.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events.
Compliance Risk	The risk of legal or regulatory sanctions, financial loss, or damage to reputation as a result of noncompliance with (i) applicable laws, regulations, rules and other regulatory requirements (including but not limited to the risk of consumers experiencing economic loss or other legal harm as a result of noncompliance with consumer protection laws, regulations and requirements); (ii) internal policies and procedures, standards of best practice or codes of conduct; and (iii) principles of integrity and fair dealing applicable to Truist's activities and functions.
Technology Risk	The business risk associated with the use, ownership, operation, involvement, influence and adoption of information technology within the enterprise
Strategic Risk	The risk of financial loss, diminished stakeholder confidence, or negative impact to human capital resulting from ineffective strategy setting and/or execution.
Reputational Risk	The risk to 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 the Company, its representatives, or its partners.

Stress test methodologies

Truist's methodologies define the relationship between macroeconomic variables assumed by the scenario to estimate outcomes for the scenario. The stress testing process relies on a combination of stressed macroeconomic scenarios, portfolio conditions, econometric models, other quantitative methods, and qualitative assessments to produce the stressed outcomes.

To ensure adequate governance and promote effective review and challenge, management conducts internal challenge meetings for the critical steps of the stress testing process, including the balance sheet, credit loss, and income statement forecasts. The challenge meetings include subject matter experts from across the organization, including finance, risk management and the business units to ensure robust review and challenge of key assumptions, methodologies, and results. Truist applies overlays to the modeled results accordingly to ensure the final projections align with the conditions of the scenario.

Balance Sheet	– The balance sheet and net interest income under stressed economic conditions are projected for loans, securities, deposits, and borrowings based on a combination of econometric models, other quantitative methods, and qualitative assessments. – Models and other quantitative methods are used to project average outstanding balances for each loan and deposit category based on historical relationships with macroeconomic variables in the scenario. – Qualitative assessments take into consideration the loan production pipeline, expected Truist initiatives, outcomes expected as a result of scenario macroeconomics and rate forecasts, and management's strategies based on scenario conditions. – Truist uses qualitative reviews of interest rate levels and other macroeconomic variables to ensure balance sheet results are consistent with the prescribed scenario being modeled. – Liquidity management takes into consideration the qualitative factors relevant to the scenario for Truist's credit rating forecast. In addition, the pricing and availability of wholesale funding resources are evaluated for each scenario.
Income Statement	– Projected noninterest income and expense for Truist results from the use of a combination of econometric models, other quantitative methods, and qualitative assessments. – The business units review modeled results and other quantitative estimates and provide overlays as needed to address model limitations or potential outcomes not captured under a stress scenario. Overlays related to anticipated management actions that cannot be otherwise modeled may also be applied. – In addition, merger expenses and planned cost savings are included in the forecasted estimates, with merger expenses expected to end and savings fully phased-in by the end of 2022.
RWA	– Projections for RWA are based on quarterly balance sheet projections and regulatory risk weights calculated under the current regulatory capital framework. – Leverage assets are also projected based on quarterly balance sheet projections, and supplementary leverage assets are projected based on quarterly projections of on- and off-balance sheet exposures.

Stress test methodologies

Capital	– Capital is calculated from upstream forecasts according to the Basel III Regulatory Capital Rule. – Truist Financial Corporation and Truist Bank made the AOCI opt-out election and therefore do not include AOCI in CET1 capital. – Truist Financial Corporation and Truist Bank elected the five-year CECL transition option, which delayed for two years CECL's effect on regulatory capital followed by a three-year transition period. – Capital ratios presented in this disclosure reflect capital action assumptions provided within the Dodd-Frank Act (DFA) stress testing rule, which exclude common stock dividends and share repurchases.

Provision for Credit Loss	– Projected portfolio balances from the balance sheet forecast, the stressed macroeconomic scenarios, and the current loan portfolio composition are utilized in the credit loss forecasting models as primary inputs.
	– Macroeconomic variables affect loan and lease loss forecasts through one of two methodologies, both of which are commonly used in the banking industry:
	  – An expected loss approach with probability of default, loss given default, and exposure at default parameters estimated separately.
	  – A net charge-off framework where charge-offs are forecast as a percentage of balances.
	– The approach applies at either a portfolio or segmented portfolio level.
	– For purposes of stress testing, Truist segments the portfolios between wholesale and retail loans. The methodologies and key macroeconomic variables used to calculate loan loss projections are as follows:
	  – **Wholesale Portfolios** – Truist's segments wholesale portfolios across the commercial credit products including Commercial and Industrial (C&I) and Commercial Real Estate (CRE). The wholesale loss forecasting models use expected loss approaches that forecast milestones in a loan's lifecycle including borrower default, exposure at default, and loss given default. Truist estimates default risk via forecasts of borrower credit deterioration trained on macroeconomic conditions. The primary macroeconomic drivers for the C&I portfolio include unemployment, the unemployment rate, real GDP, energy prices, and credit spreads. For CRE, the primary macroeconomic drivers include the unemployment rate, CRE property prices, real GDP, housing prices, new home supply and credit spreads. Specialized wholesale business units and products with relatively low historical losses utilize the core C&I and CRE wholesale models.
	  – **Retail Portfolios** – The retail portfolios include residential mortgage, home equity line of credit (HELOC), revolving credit, prime and subprime auto finance, and other loans originated by direct and indirect retail subsidiaries. Retail portfolio models use expected loss frameworks estimated with loan-level characteristics. The retail portfolio models forecast milestones in a loan's lifecycle including default, exposure at default, and loss given default. Net charge-off frameworks to estimate loss rates based on macroeconomic drivers and portfolio risk distributions are utilized to estimate losses. Key macroeconomic drivers for retail loss forecasts include trends in unemployment, home price indices, consumer confidence index, and used car prices.
	– Quarterly loss forecasts and expected life time loss forecast combine to forecast provision and reserves, consistent with the CECL accounting standard.

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To inspire and build better lives and communities