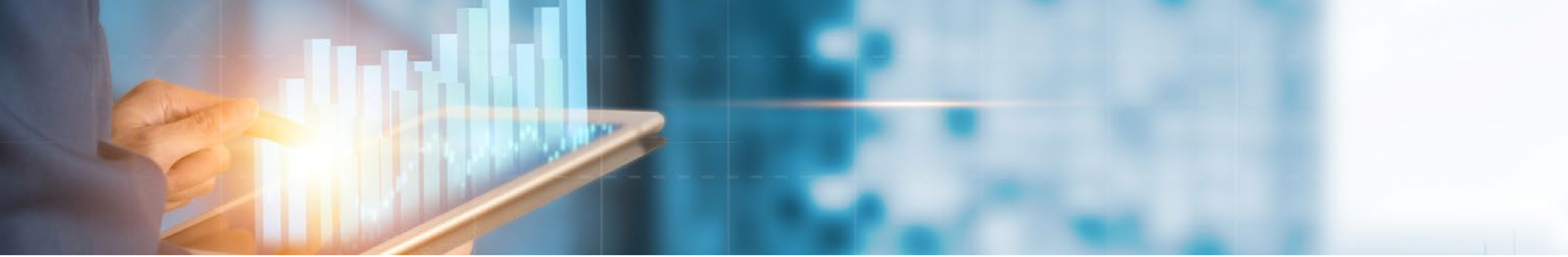
# Truist Financial Corporation

Dodd-Frank Act
Company-run Stress Test Disclosure
Supervisory Severely Adverse Scenario
2024

# Cautionary Note Regarding Forward-Looking Statements

This report 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 future performance of Truist under a hypothetical supervisory stress scenario. 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 or current 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 in this report are not intended to be a forecast or prediction 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 supervisory stress scenario and Dodd-Frank Act 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, 2023, 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. Any forward-looking statement made by Truist or on its behalf speaks only as of the date that it was made. Truist undertakes no obligation to revise or publicly update any forward-looking statement for any reason following the date of this report, except as required by applicable law or regulation.



# Fast Facts

Truist Financial Corporation is a purpose-driven financial services company committed to inspiring and building better lives and communities. As a leading U.S. commercial bank, Truist has leading market share in many of the high-growth markets across the country. Truist offers a wide range of products and services through our wholesale and consumer businesses, including consumer and small business banking, commercial banking, corporate and investment banking, wealth management, payments, and specialized lending businesses. Headquartered in Charlotte, North Carolina, Truist is a top-10 commercial bank with total assets of $535 billion as of March 31, 2024. Truist Bank, Member FDIC. Learn more at Truist.com.

- Headquarters: Charlotte, North Carolina
- ~15MM clients served across the U.S.
- 17 states + D.C. – our footprint includes seven of the top 10 fastest-growing markets in the U.S.
- 14 community banking regions, with certain lines of business operating nationally across the U.S.
- Top 10 U.S. commercial bank

- 1,900+ branches
- ~2,900 ATMs
- $535B total assets
- $308B loans
- $394B deposits

As of 3/31/24

# Overview

This document provides a discussion of the company-run stress test results for the Company's 2024 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.

In February 2024, Truist announced the sale of the remaining stake in Truist Insurance Holdings (TIH) and forecasted stress test results including and excluding the TIH sale. Following the completion of the sale in May 2024, Truist executed a strategic balance sheet repositioning of a portion of its available-for-sale investment securities portfolio.[1] Combined, these transactions resulted in a net 123 basis point increase to Truist's pro-forma CET1 ratio as of March 31, 2024. Consistent with the FR Y-14A instructions for the Supervisory Severely Adverse scenario with DFAST capital actions, this disclosure presents results that do not reflect the recent sale of TIH or the subsequent strategic balance sheet repositioning.

Truist's results reflect the following capital action assumptions, as prescribed by the Federal Reserve's Dodd-Frank Act stress testing (DFAST) rules[2] 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 $(7.0) billion over a nine-quarter period in the Supervisory Severely Adverse scenario driven by elevated unemployment levels, declines in real GDP, widening corporate debt yields, low short-term interest rates, and a fall in asset prices.

Projected changes in capital in the Supervisory Severely Adverse scenario were driven primarily by increases in the provision for credit losses. The effects of the Supervisory Severely Adverse scenario on net income include lower interest income, higher expenses, higher loan and lease losses contributing to increases in the provision for credit 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. A decrease in risk-weighted assets (RWA) partially offsets the decline in capital levels.

[1] For more details related to the sale of TIH, see Truist Investor Relations website "Truist Announces Agreement to Sell Remaining Stake in Truist Insurance Holdings" (February 20, 2024) https://ir.truist.com/events-and-presentation?item=66; "Truist completes sale of Truist Insurance Holdings and executes strategic balance sheet repositioning" (May 7, 2024) https://media.truist.com/2024-05-07-Truist-completes-sale-of-Truist-Insurance-Holdings-and-executes-strategic-balance-sheet-repositioning

[2] 12 CFR 252.56(b)

# Summary of Results

Capital projections and risk-weighted asset projections

| Projected stressed capital ratios through Q1 2026<br>*Supervisory Severely Adverse* | | | |
|---|---|---|---|
| | **Actual** | **Stressed Capital Ratios[1]** | |
| | **Q4 2023** | **Q1 2026** | **Minimum[2]** |
| **Truist Financial Corporation** | | | |
| Common Equity Tier 1 (%) | 10.1 % | 9.8 % | 9.0 % |
| Tier 1 Risk-based Capital Ratio (%) | 11.6 % | 11.6 % | 10.7 % |
| Total Risk-based Capital Ratio (%) | 13.7 % | 13.5 % | 12.8 % |
| Tier 1 Leverage Ratio (%) | 9.3 % | 8.6 % | 8.3 % |
| Supplementary Leverage Ratio (%) | 7.9 % | 7.5 % | 7.3 % |
| **Truist Bank** | | | |
| Common Equity Tier 1 (%) | 11.7 % | 12.1 % | 10.8 % |
| Tier 1 Risk-based Capital Ratio (%) | 11.7 % | 12.1 % | 10.8 % |
| Total Risk-based Capital Ratio (%) | 13.3 % | 13.6 % | 12.6 % |
| Tier 1 Leverage Ratio (%) | 9.2 % | 9.0 % | 8.4 % |
| Supplementary Leverage Ratio (%) | 7.9 % | 7.9 % | 7.4 % |

| Actual Q4 2023 and Projected Q1 2026 Risk-weighted Assets<br>*Supervisory Severely Adverse ($ in B)* | | |
|---|---|---|
| | **Actual** | **Projected** |
| | **Q4 2023** | **Q1 2026** |
| **Truist Financial Corporation** | | |
| Risk-weighted assets | $ 423.7 | $ 376.6 |

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 2024 to Q1 2026.

# Summary of Results

Profit and loss projections

| Projected losses, revenues, and net income before taxes through Q1 2026<br>*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] | $ 9.2 | 1.7 % | $ 11.5 | 2.2 % |
| *equals* | | | | |
| Net Interest Income | $ 26.5 | 5.0 % | $ 29.3 | 5.6 % |
| Noninterest Income | $ 16.8 | 3.1 % | $ 14.2 | 2.7 % |
| *less* | | | | |
| Noninterest Expense | $ 34.1 | 6.4 % | $ 31.9 | 6.1 % |
| Other Revenue | $ — | — % | $ — | — % |
| *less* | | | | |
| Provisions for Loan and Leases Losses[3] | $ (16.2) | (3.0)% | $ (16.2) | (3.1)% |
| Credit Losses on Investment Securities (AFS/HTM) | $ — | — % | $ — | — % |
| Trading and Counterparty Losses[4] | $ — | — % | $ — | — % |
| Other Gains/(Losses)[5] | $ — | — % | $ — | — % |
| Income Before Taxes[6] | $ (7.0) | (1.3)% | $ (4.7) | (0.9)% |

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.

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# Summary of Results

Loan loss projections

| Projected loan losses, by type of loan, Q1 2024-Q1 2026<br>*Supervisory Severely Adverse* | | | | |
|---|---|---|---|---|
| | **Truist Financial Corporation** | | **Truist Bank** | |
| | **Amount ($ in billions)** | **Portfolio Loss Rates[1]** | **Amount ($ in billions)** | **Portfolio Loss Rates[1]** |
| Loan Losses | $ 13.4 | 4.6% | $ 13.4 | 4.5% |
| First Lien Mortgages, Domestic | $ 0.9 | 1.6% | $ 0.9 | 1.6% |
| Junior Liens and HELOCs, Domestic | $ 0.3 | 3.6% | $ 0.3 | 3.6% |
| Commercial and Industrial[2] | $ 4.3 | 5.1% | $ 4.3 | 4.9% |
| Commercial Real Estate | $ 2.5 | 5.3% | $ 2.5 | 5.1% |
| Credit Card | $ 0.7 | 20.9% | $ 0.7 | 20.9% |
| Other Consumer[3] | $ 3.8 | 8.8% | $ 3.8 | 8.7% |
| 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 loans originated under the Payroll Protection Program.
2 Commercial and Industrial loans include small and medium enterprise loans and corporate cards and exclude loans originated under the Payroll Protection Program.
3 Other consumer loans includes automobile loans.

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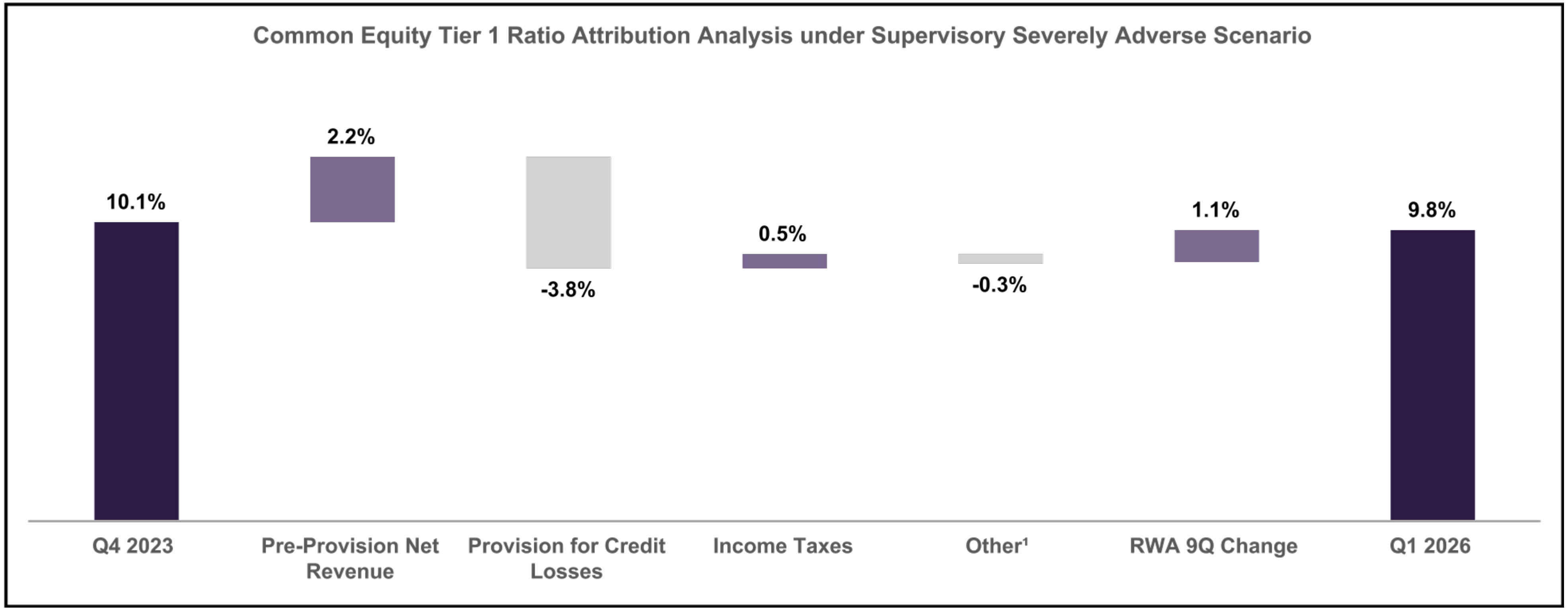
# Key Drivers of Truist's CET1 Ratio

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 DFAST capital action assumptions, which exclude common stock dividend payments and share repurchases.




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

# 2024 Stress Test Supervisory Severely Adverse Scenario

The Supervisory Severely Adverse scenario is characterized by a severe global recession, including prolonged declines in both residential and commercial real estate prices, which spill over into the corporate sector and affect investment sentiment.

## Principal economic factors that drive the Supervisory Severely Adverse scenario as outlined by the FRB

- U.S. real GDP – Real GDP declines nearly 8.5 percent from the fourth quarter of 2023 to its trough in the first quarter of 2025, before recovering.
- US unemployment rate – Unemployment climbs to a peak of 10 percent in the third quarter of 2025, a roughly 6.3 percentage point increase relative to its fourth-quarter 2023 level.
- U.S. inflation – CPI inflation falls from 2.8 percent at the end of 2023 to 1.3 percent in the third quarter of 2024 and then gradually increases to 1.6 percent by the end of the scenario.
- Real estate prices – House prices fall sharply through the third quarter of 2025, reaching a trough that is about 36 percent below their level in the fourth quarter of 2023. Commercial real estate prices experience a slightly larger decline, reaching a level in the fourth quarter of 2025 that is about 40 percent below the level at the end of 2023.
- Short-term and long-term rates – Short-term interest rates fall significantly to near zero by the third quarter of 2024 and remain there for the remainder of the scenario. Long-term interest rates fall by 3.7 percentage points to 0.8 percent by the second quarter of 2024, and then gradually rise in late 2024 to about 1.5 percent by the end of the scenario.
- Debt spreads – Investment grade corporate debt spreads widen to 5.8 percentage points by the fourth quarter of 2024, an increase of 4.1 percentage points relative to the fourth quarter of 2023. Corporate bond spreads then gradually decline to 2.3 percentage points by the end of the scenario.
- Equity markets – Equity prices fall 55 percent from the fourth quarter of 2023 through the fourth quarter of 2024, accompanied by a rise in the U.S. Market Volatility Index (VIX), which reaches a peak value of 70 in the second quarter of 2024, then declines to about 32 at the end of the scenario.

Additional information about the supervisory scenarios is available at https://www.federalreserve.gov/publications/files/2024-stress-test-scenarios-20240215.pdf

# Key Risks Addressed in the 2024 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 Truist. |
| 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. |
| Liquidity Risk | The risk that Truist is unable, or that market participants perceive Truist to be unable, to meet financial obligations at a reasonable cost and in a timely manner. |
| Operational Risk | The risk of loss associated with 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 risk associated with the disruption or failure of technology that negatively impacts business operations. |
| Strategic Risk | The risk to earnings, capital, franchise value, stakeholder confidence and human capital arising from ineffective strategy, inability to adapt to changes in operating environment, adverse business decisions or improper execution of strategic initiatives. |
| Reputational Risk | The risk to current or future earnings, capital and resilience arising from negative publicity or stakeholder opinion, whether real or perceived, regarding Truist's business practices, products, services, transactions, or other activities undertaken by Truist, its representatives, or its partners that may adversely impair Truist’s brand and public confidence, relationship with clients, teammates, stakeholders, or communities, and can lead to material litigation costs, regulatory penalties, and diminished franchise value. |

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# Stress Test Methodologies

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

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 and Net Interest Income

- The balance sheet and associated net interest income are fully estimated under stressed conditions, and reflect scenario specific changes to the balance sheet across all assets, liabilities, and equity using a combination of econometric models, other quantitative methods, and qualitative assessments.
- Loan and deposit average balances are projected by category using models based on historical relationships with macroeconomic variables in the scenario, as well as certain qualitative assessments and overlays which take into consideration factors such as expected pipelines, strategic initiatives, and subject-matter expert insights to align outcomes with scenario conditions.
- Truist uses qualitative management reviews at various stages of the forecasting process to ensure balance sheet results are consistent with expectations based on interest rates and other macroeconomic variables for each scenario.
- Liquidity levels are assessed and consider scenario specific factors, including Truist's credit rating forecast. In addition, the pricing and availability of wholesale funding resources are evaluated for each scenario.

## 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 methodologies:
  - 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 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. 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.
- Quarterly loss forecasts and expected life time loss forecast combine to forecast provision and allowance for credit losses, consistent with the CECL accounting standard.

# Stress Test Methodologies

| | |
|---|---|
| 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.<br>– Subject matter experts 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.<br>– Net interest income and provision for credit losses are consolidated with noninterest income and expense results to produce the net income before taxes.<br>– Income taxes and other components of net income, such as income attributable to minority interests, are incorporated to determine after-tax net income. |
| Capital | – Capital is calculated from upstream forecasts according to regulatory capital requirements.<br>– Truist Financial Corporation and Truist Bank made the AOCI opt-out election and therefore do not include AOCI in CET1 capital.<br>– 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.<br>– Capital ratios presented in this disclosure reflect capital action assumptions provided within the DFAST rule, which exclude common stock dividends and share repurchases. |
| RWA | – Projections for RWA are based on quarterly balance sheet projections and regulatory risk weights calculated under the current regulatory capital framework.<br>– Leverage assets are also projected based on quarterly balance sheet projections, and supplementary leverage assets are projected based on quarterly projections for on- and off-balance sheet exposures. |

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