

FINANCIAL STATEMENTS AND SUPPLEMENTAL  
INFORMATION

Truist Securities, Inc.  
(A Wholly Owned Subsidiary of Truist Financial Corporation)  
Year Ended December 31, 2022  
With Report of Independent Registered Public Accounting Firm

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

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PART III

FACING PAGE

Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/2022 AND ENDING 12/31/2022  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Truist Securities, Inc.

TYPE OF REGISTRANT (check all applicable boxes):

- Broker-dealer     Security-based swap dealer     Major security-based swap participant  
 Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

3333 Peachtree Road, NE., Atlanta Financial Center, South Tower 9th floor

(No. and Street)

Atlanta

Georgia

30326

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Donald Morris

404-502-2982

donald.morris@truist.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

PricewaterhouseCoopers, LLP

(Name – if individual, state last, first, and middle name)

1075 Peachtree St NE

Atlanta

Georgia 30309

(Address)

(City)

(State)

(Zip Code)

October 20, 2003

238

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

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OATH OR AFFIRMATION

I, Donald Morris, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Truist Securities, Inc., as of 12/31, 2022, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

MARK SHERLING
NOTARY PUBLIC
Clayton County
State of Georgia
My Comm. Expires Oct. 20, 2025

Signature: [Handwritten Signature]
Title: Chief Financial Officer

Mark Sherling
Notary Public

This filing\*\* contains (check all applicable boxes):

- (a) Statement of financial condition.
(b) Notes to consolidated statement of financial condition.
(c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income...
(d) Statement of cash flows.
(e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
(f) Statement of changes in liabilities subordinated to claims of creditors.
(g) Notes to consolidated financial statements.
(h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
(i) Computation of tangible net worth under 17 CFR 240.18a-2.
(j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
(k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
(l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
(m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
(n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
(o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
(p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
(q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
(r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(t) Independent public accountant's report based on an examination of the statement of financial condition.
(u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
(v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
(y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
(z) Other:

\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

Truist Securities, Inc.  
(A Wholly Owned Subsidiary of Truist Financial Corporation)

Financial Statements and Supplemental Information

Year Ended December 31, 2022

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholder of Truist Securities, Inc.

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of financial condition of Truist Securities, Inc. (the “Company”) as of December 31, 2022, and the related statements of comprehensive income, of changes in shareholder’s equity and of cash flows for the year then ended, including the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. 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 audit of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the 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 financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### ***Supplemental Information***

The accompanying Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission, the Computation of Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission, and Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission as of December 31, 2022 (collectively, the “supplemental information”) has been subjected to audit procedures performed in conjunction with the audit of the Company’s financial statements. The supplemental information is the responsibility of the Company’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented



in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*PricewaterhouseCoopers LLP*

Atlanta, Georgia  
February 28, 2023

We have served as the Company's auditor since 2019.

Truist Securities, Inc.  
(A Wholly Owned Subsidiary of Truist Financial Corporation)

Statement of Financial Condition

As of December 31, 2022  
(In Thousands, Except Share Amounts)

<b>Assets</b>	
Cash and cash equivalents	\$ 82,168
Deposits with clearing organizations	65,292
Receivables from brokers and dealers	36,959
Customer receivables	21,326
Due from related parties	25
Securities purchased under agreements to resell	2,319,780
Securities borrowed	672,289
Securities owned and derivatives (including encumbered securities of \$1,328,106)	2,283,639
Goodwill and other intangibles, net of accumulated amortization of \$5,520	175,407
Accrued interest and other income receivable	47,962
Income taxes receivable from parent	676
Net deferred tax assets	28,942
Right of use assets	8,092
Fixed assets, less accumulated depreciation and amortization of \$18,806	6,158
Net receivables for unsettled securities transactions	111,980
Other assets	10,025
Total assets	<u><u>5,870,720</u></u>
<b>Liabilities and shareholder's equity</b>	
<b>Liabilities</b>	
Securities sold under agreements to repurchase	2,128,319
Securities sold but not yet purchased and derivatives	1,384,063
Lines of credit payable to related parties	125,000
Accrued interest payable and other liabilities	25,785
Accrued compensation and benefits	86,407
Payables to brokers and dealers	16,719
Customer payables	34,335
Lease liabilities	8,596
Due to related parties	1,531
Total liabilities	<u>3,810,755</u>
<b>Shareholder's equity</b>	
Common stock, \$1 par value; 100,000 shares authorized, issued, and outstanding	100
Additional paid-in capital	1,273,263
Retained earnings	786,602
Total shareholder's equity	<u>2,059,965</u>
Total liabilities and shareholder's equity	<u><u>\$ 5,870,720</u></u>

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

Truist Securities, Inc.  
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Statement of Comprehensive Income

Year Ended December 31, 2022  
(In Thousands)

<b>Revenues</b>	
Corporate finance fees	\$ 311,012
Underwriting fees	162,976
Interest	141,706
Commissions	54,689
Trading gains, net of losses	36,167
Total revenues	<u>706,550</u>
<b>Expenses</b>	
Compensation and benefits	292,052
Interest	85,940
Outside processing and software	53,196
Fees paid to related parties	51,468
Occupancy and equipment	21,783
Investment banking deal expenses	9,392
Other	20,518
Total expenses	<u>534,349</u>
Income before income taxes	172,201
Provision for income taxes	37,504
Net income	<u>\$ 134,697</u>
Other comprehensive income	<u>–</u>
Total comprehensive income	<u>\$ 134,697</u>

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



Truist Securities, Inc.  
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Statement of Changes in Shareholder's Equity

Year Ended December 31, 2022  
(In Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 2021	\$ 100	\$ 1,235,020	\$ 651,905	\$ 1,887,025
Net income	-	-	134,697	134,697
Non-cash contribution from the Parent	-	38,243	-	38,243
Balance, December 31, 2022	\$ 100	\$ 1,273,263	\$ 786,602	\$ 2,059,965

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

Truist Securities, Inc.  
(A Wholly Owned Subsidiary of Truist Financial Corporation)

Statement of Cash Flows

Year Ended December 31, 2022  
(In Thousands)

<b>Operating activities</b>	
Net income	\$ 134,697
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	4,982
Amortization of intangibles	1,935
Deferred tax expense (benefit)	2,657
Equity-based compensation expense	38,243
Net change in operating assets and liabilities:	
Securities owned	(236,763)
Securities purchased under agreements to resell and securities borrowed	836,078
Securities sold but not yet purchased	(173,516)
Securities sold under agreements to repurchase	(305,096)
Accrued compensation and benefits	(22,305)
Net payable (receivable) for unsettled securities transactions	(232,687)
Other assets and liabilities	(16,007)
Net cash provided by operating activities	<u>32,218</u>
<b>Investing activities</b>	
Capital expenditures	<u>(523)</u>
Net cash used in investing activities	(523)
<b>Financing activities</b>	
Net cash provided by financing activities	<u>-</u>
Net change in cash and cash equivalents	31,695
Cash and cash equivalents, beginning of year	50,473
Cash and cash equivalents, end of year	<u>\$ 82,168</u>
<b>Supplemental cash flow information</b>	
Cash paid:	
Interest	\$ 80,523
Income taxes paid to Parent	\$ 59,922
Lease payments	\$ 8,642

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

Truist Securities, Inc.  
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Notes to Financial Statements

December 31, 2022

**1. Organization and Nature of Business**

Truist Securities, Inc. (the Company) is a wholly owned subsidiary of Truist Financial Corporation (the Parent). The Company's operations consist of buying and selling securities for its customers and its own account and certain underwriting and other brokerage activities. The Company's corporate finance function arranges public and private debt and equity placement services and other products for its customers. In addition, the Company is an active underwriter of debt for municipalities and not-for-profit institutions. The Company is registered with the Securities and Exchange Commission (SEC) as a broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA).

The Company self-clears fixed-income transactions. The Company introduces equity transactions on a fully disclosed basis through a third-party clearing broker.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("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 period. Actual results could vary from those estimates.

**Cash and Cash Equivalents**

The Company has defined cash and cash equivalents as highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business. The carrying amounts of cash and cash equivalents approximate their fair values.

**Deposits with Clearing Organizations**

Participants in clearing organizations are required to maintain a minimum cash deposit as part of their daily clearing fund requirement. The calculation of the amount required to be on deposit is based on the outstanding trades through the clearing organization.

**Goodwill and Other Intangibles**

The Company principally operates in one segment where all the assets and liabilities have been assigned to the single reporting unit. The Company tests goodwill on an annual basis on October 1 for impairment and as events occur or circumstances change that would more-likely-than-not

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Notes to Financial Statements (continued)

December 31, 2022

reduce the fair value below its carrying amount. There were no such impairments for the year ended December 31, 2022. The Company has identified intangible assets, other than goodwill, with finite lives that are amortized over their useful lives based upon the estimated economic benefits received and are carried at amortized cost. The following table presents the changes in the carrying amount of goodwill and other intangibles for the year ended December 31, 2022:

<i>(In thousands)</i>	<b>Goodwill</b>	<b>Intangibles</b>	<b>Total</b>
Balance, December 31, 2021	\$ 169,927	\$ 7,415	\$ 177,342
Amortization	-	(1,935)	(1,935)
Balance, December 31, 2022	<u>\$ 169,927</u>	<u>\$ 5,480</u>	<u>\$ 175,407</u>

### Collateralized Securities Transactions

Securities purchased under agreements to resell and securities sold under agreements to repurchase are carried at the contractual amounts at which the securities will be subsequently resold or repurchased. It is the Company's policy to take possession of or control of securities purchased under agreements to resell at the time these agreements are entered into. Similarly, the Company is generally required to provide securities to counterparties in order to collateralize securities sold under agreements to repurchase. This collateral is valued daily and the Company or the counterparty may be required to deposit additional securities or return securities pledged when appropriate. The counterparties to these agreements typically are primary dealers of U.S. government securities and financial institutions.

Securities borrowed result from transactions with other broker-dealers or financial institutions and are recorded at the amount of cash collateral advanced. Securities borrowed transactions require the Company to deposit cash with the lender. The Company monitors the fair value of securities borrowed on a daily basis, with additional collateral obtained or refunded as warranted under the respective agreements.

The Company has policies and procedures to manage market risk associated with client trading and assumes a limited degree of market risk by managing the size and nature of its exposure.

Interest accrued on securities purchased under agreements to resell and securities borrowed transactions is included in accrued interest and other income receivable in the statement of financial condition and interest income in the statement of comprehensive income. Interest accrued on securities sold under agreements to repurchase is included in accrued interest payable and other liabilities on the statement of financial condition and interest expense in the statement of comprehensive income. The carrying amount of collateralized securities transactions is deemed to be a reasonable estimate of their fair value. For additional information on the Company's activities

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Notes to Financial Statements (continued)

December 31, 2022

related to collateralized securities transactions see Note 6, *Securities Purchased Under Agreements to Resell, Securities Borrowed, and Securities Sold Under Agreements to Repurchase*.

**Securities Owned, Securities Sold But Not Yet Purchased, And Derivatives**

Unless otherwise indicated, securities are priced by the trading desk and independently validated against pricing received from third party pricing sources. Equity securities owned are valued at the last reported price on the exchange that they trade. Securities not readily marketable are valued at their estimated fair value based on quoted bid prices or using pricing models, as determined by management. Realized and unrealized gains and losses are included in trading gains, net of losses, in the statement of comprehensive income. Realized gains on the sales of securities are generally determined based on the sale of positions held on a first-in, first-out basis. Amounts receivable and payable for regular-way securities transactions that have not reached their contractual final settlement date are recorded in net receivables for unsettled securities transactions on the statement of financial condition.

Securities sold but not yet purchased (“short sales”) represent an obligation of the Company to purchase the required securities in the future at prevailing market prices in order to make delivery and are therefore carried at fair value. The Company is exposed to market risk for these short sales because the security’s market value may exceed the amount recognized in the statement of financial condition. To manage this market risk, the Company actively manages its market exposure and may hold financial instruments that can be used to hedge these obligations. For additional information on the Company’s activities related to securities owned, securities sold but not yet purchased, and derivatives see Note 7, *Fair Value of Financial Instruments*.

**Leases**

The Company leases certain assets, consisting primarily of real estate, and assesses at contract inception whether a contract is, or contains, a lease. A right-of-use asset and lease liability is recorded on the balance sheet for all leases except those with an original lease term of twelve months or less. There were no material impairments for the year ended December 31, 2022. For additional information on the Company’s activities related to leases see Note 8, *Leases*.

**Fixed Assets**

Fixed assets are recorded at historical cost. Depreciation of furniture and equipment is computed predominantly using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the economic useful life of the improvement or the term of the lease. The Company reviews its long-lived assets, primarily leasehold improvements and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may

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Notes to Financial Statements (continued)

December 31, 2022

not be recoverable. There were no such impairments for the year ended December 31, 2022. For additional information on the Company's activities related to fixed assets see Note 9, *Fixed Assets*.

### **Related Party Transactions**

Both the Parent and Truist Bank ("the Affiliate Bank") provide certain services and staff support functions for their affiliates, and the Company pays a fee for those services. The Company earns revenue from affiliates for providing certain corporate finance, underwriting, and trading services. For additional information on the Company's related party transactions see Note 11, *Transactions with Related Parties*.

### **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. 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. 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 deferred tax assets or liabilities 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 deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. 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. Interest and penalties related to the Company's tax positions are recognized as a component of the provision for income taxes.

The Company's operating results are included in the consolidated federal income tax return and various consolidated or combined state income tax returns filed by Parent. The method of allocating federal income tax expense is determined under tax allocation agreements between the Company and the Parent. The allocation agreements specify that the Company's income taxes are calculated as if the Company filed separate income tax returns with appropriate adjustments to properly reflect the impact of a consolidated filing. Payments to tax authorities are made by Parent. Additionally, the Company files its own separate state income tax returns in certain jurisdictions. For additional information on the Company's activities related to income taxes, see Note 12, *Income Taxes*.

### **Credit Losses**

The Company accounts for estimated credit losses on financial assets measured on an amortized cost basis in accordance with ASC Topic 326-20. This topic requires the Company to estimate expected credit losses over the life of its financial assets as of the reporting date based on relevant

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Notes to Financial Statements (continued)

December 31, 2022

information about past events, current conditions, and reasonable and supportable forecasts. No expected credit losses have been recorded under ASC Topic 326-20 for the year ended December 31, 2022. Below is a description of the various types of financial assets that are within the scope of ASC Topic 326-20.

*Receivables*

The Company's receivables include amounts from underwriting and corporate finance activity, securities failed to deliver and other receivables with customers and broker-dealers, accrued interest, as well as cash deposits with clearing organizations. These amounts are short-term in nature. The Company also presents a net amount payable for unsettled securities transactions. As noted in ASC 940-320-05-4, the risk of nonperformance of regular-way settling trades is minimal, given the following: (a) they are fully collateralized on the trade date, (b) the period of time between trade and settlement date is reasonably short, and (c) most securities are affirmed by both parties to the trade and settle net through a clearing entity. Accordingly, receivables and payables arising from these unsettled regular-way transactions may be recorded net. The Company continually reviews the credit quality of its counterparties and monitors the aging of receivables.

*Securities purchased under agreements to resell and securities borrowed.*

Securities purchased under agreement to resell and securities borrowed transactions require the Company to deliver cash in exchange for securities. Interest on such contract amounts is accrued and is included in the statement of financial condition in accrued interest and other income receivable. The Company has established policies and procedures for mitigating credit risk on these transactions that include (a) reviewing and establishing limits for credit exposure, (b) monitoring the market value of securities purchased or borrowed and obtaining additional collateral as necessary to ensure appropriate collateralization, and (c) continually assessing the creditworthiness of counterparties. Where eligible, the Company applies the collateral maintenance practical expedient in estimating any allowance for credit losses. The Company determines if it is eligible for the collateral maintenance practical expedient and considers the credit quality of these assets and the related need for an allowance for credit losses. These determinations and considerations are based on several factors: the daily revaluation of the underlying collateral used to secure the contract amounts, the counterparty's continuing ability to meet additional collateral requests, and the Company's right to sell the securities collateralizing the contract amounts when additional collateral requests are not met by the counterparty or the contract amounts are not returned on demand. Where not eligible for this practical expedient, any potential expected credit losses would be limited to the Company's net exposure after consideration of the market value of collateral. The majority of this net exposure has an open or overnight maturity, which provides the Company with the option to either re-price or close out transactions on a daily basis. The option mitigates any risk extending beyond one day. For more information on these transactions, see Note 6, *Securities Purchased Under Agreements to Resell, Securities Borrowed, and Securities Sold Under Agreements to Repurchase*.

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Notes to Financial Statements (continued)

December 31, 2022

**Revenue Recognition**

The following table reflects the Company's total revenue disaggregated by the amount that is in scope and out of scope of ASC Topic 606. The commentary following the table describes the Company's accounting policies for recognizing revenue, including the nature and timing of each revenue stream. The Company's contracts with customers generally do not contain terms that require significant judgment to determine the amount of revenue to recognize, the timing of when performance obligations to the customer are satisfied, or the amount of costs incurred to obtain or fulfill a contract with a customer.

	Year Ended December 31, 2022		
	<i>(in thousands)</i>		
	<b>In Scope</b>	<b>Out of Scope</b>	<b>Total</b>
Corporate finance fees	\$ 103,827	\$ 207,185	\$ 311,012
Underwriting fees	162,976	-	162,976
Interest	-	141,706	141,706
Commissions	54,689	-	54,689
Trading gains, net of losses	-	36,167	36,167
Total revenues	<u>\$ 321,492</u>	<u>\$ 385,058</u>	<u>\$ 706,550</u>

Corporate finance fees, which primarily include in-scope advisory as well as out of scope loan syndication fees, are negotiated based on specific services offered. Revenue is recognized for in scope services at the point in time that the Company's performance obligation under the contract is complete upon closing of the transaction. Revenue is recognized for the out of scope services at the point in time that the transaction closes. Payments for these services are settled shortly after closing. Revenue and expense are presented gross on the statement of comprehensive income. Retainers and other fees received from customers prior to recognizing revenue are recorded as contract liabilities.

Underwriting fees are primarily based on the issuance price and quantity of the underlying instruments, and the execution of the client's transaction on the trade date represents the completion of the performance obligation. The Company recognizes revenue at this point in time as there are no significant actions which the Company needs to take subsequent to this date and the issuer obtains the control and benefit of the capital markets offering at that point. The Company acts in a principal capacity in these transactions as it 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 expense is presented gross of underwriting fees as investment banking deal expenses on the statement of comprehensive income. The transaction price is based on a percentage of the total transaction amount and payments are settled shortly after the trade date.



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Notes to Financial Statements (continued)

December 31, 2022

Commissions are earned primarily for trade execution services, which represent the Company's performance obligation. The Company satisfies its performance obligation on the trade date, and therefore recognizes commissions revenue on that date. Revenue and expense are presented gross on the statement of comprehensive income. Payments are settled shortly after trade date.

The Company recognizes trading gains, net of losses, from the purchase and sale of securities. The Company also recognizes trading gains, net of losses, as a result of changes in the fair value of securities. The Company's securities owned, securities owned but not yet purchased, and derivatives include various types of debt and equity securities. For additional information see section regarding securities owned, securities sold but not yet purchased, and derivatives in Note 2, *Summary of Significant Accounting Policies*, and Note 7, *Fair Value of Financial Instruments*.

As of December 31, 2022, the Company did not have any material contract assets or liabilities.

### **3. Accounting Policies Recently Adopted and Pending Accounting Pronouncements**

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

### **4. Subsequent Events**

The Company evaluated subsequent events through the date its financial statements were issued. Based upon this evaluation no material events or transactions occurred that require recognition or disclosure in these financial statements.

### **5. Securities Segregated Under Federal and Other Regulations**

The Company is subject to SEC Rule 15c3-3 which requires the Company to segregate cash or qualified securities in an account for the exclusive benefit of customers. At December 31, 2022, a U.S. Treasury security with a fair value of \$29.9 million was segregated in a special reserve account for the exclusive benefit of the Company's customers and is included within securities owned and derivatives on the statement of financial condition.

### **6. Securities Purchased Under Agreements to Resell, Securities Borrowed, and Securities Sold Under Agreements to Repurchase**

Securities purchased under agreements to resell are collateralized primarily by U.S. government or agency securities. Securities borrowed are collateralized primarily by corporate securities. Securities sold under agreements to repurchase are collateralized primarily by U.S. government, agency, and corporate debt securities. These securities purchased under agreements to resell, securities borrowed, and securities sold under agreements to repurchase are carried at the amounts

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at which the securities will be subsequently resold or repurchased. Securities purchased under agreements to resell and securities borrowed are primarily used to cover firm short positions. Securities sold under agreements to repurchase are primarily used to fund firm securities inventory.

The following is a summary of securities sold under agreements to repurchase and the fair market value of related collateral pledged as of December 31, 2022 (in thousands):

	<b>Overnight Maturities</b>	<b>Term &lt; 30 days</b>	<b>Total</b>	<b>Fair Market Value of Collateral</b>
U.S. government and agency obligations	\$ 1,411,746	\$ 25,693	\$ 1,437,439	\$ 1,463,333
Corporate debt and other securities	641,073	49,807	690,880	722,726
<b>Total</b>	<b>\$ 2,052,819</b>	<b>\$ 75,500</b>	<b>\$ 2,128,319</b>	<b>\$ 2,186,059</b>

Securities purchased under agreements to resell and securities sold under agreements to repurchase are governed by a master repurchase agreement. Securities borrowed are governed by a master securities lending agreement. Under the terms of these agreements, all transactions between the Company and the counterparty constitute a single business relationship such that in the event of default, the non-defaulting party is entitled to set off claims and apply property held by that party in respect of any transaction against obligations owed. Any payments, deliveries, or other transfers may be applied against each other and netted. These amounts are limited to the contract asset/liability balance, and accordingly, do not include excess collateral received/pledged. None of the Company's repurchase and reverse repurchase transactions met the right of setoff criteria at December 31, 2022.

The following table includes the amount of collateral pledged or received related to exposures subject to these agreements as of December 31, 2022. While these agreements are typically over-collateralized, GAAP requires disclosure in this table to limit the amount of such collateral to the amount of the related recognized asset or liability for each counterparty.

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<i>(In thousands)</i>	<b>Gross Amount</b>	<b>Amount Offset</b>	<b>Net Amounts Presented in the Statement of Financial Condition</b>	<b>Held/Pledged Financial Instruments</b>	<b>Net Amount</b>
<b>Assets</b>					
Securities purchased under agreements to resell	\$ 2,319,780	\$ -	\$ 2,319,780	\$ 2,307,530	\$ 12,250
Securities borrowed	672,289	-	672,289	650,820	21,469
<b>Total Assets</b>	<b>\$ 2,992,069</b>	<b>\$ -</b>	<b>\$ 2,992,069</b>	<b>\$ 2,958,350</b>	<b>\$ 33,719</b>
<b>Liabilities</b>					
Securities sold under agreements to repurchase	\$ 2,128,319	\$ -	\$ 2,128,319	\$ 2,128,319	\$ -
<b>Total Liabilities</b>	<b>\$ 2,128,319</b>	<b>\$ -</b>	<b>\$ 2,128,319</b>	<b>\$ 2,128,319</b>	<b>\$ -</b>

## 7. Fair Value of Financial Instruments

The Company's recurring fair value measurements are based on a requirement to carry certain assets and liabilities at fair value. The carrying value of financial instruments presented on the statement of financial condition that are not measured at fair value approximates fair value. Assets and liabilities that are required to be measured at fair value on a recurring basis include securities owned, securities sold but not yet purchased, and derivatives; and they are classified on the basis of the measurement inputs employed as level 1, 2, or 3 within the fair value hierarchy as follows:

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 and significant value drivers are observable in active markets

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable

Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. The assumptions used to estimate the value of an instrument have varying degrees of impact to the overall fair value of the asset or liability. This process involves gathering multiple sources of information including broker quotes, values provided by pricing services, trading activity in other identical or similar securities, market indices, and data from the FINRA Trade Reporting and Compliance Engine ("TRACE"). When observable market prices for the asset or liability are not available, the Company employs various modeling techniques, such as discounted cash flow analyses, to estimate fair value. Models used to produce material financial reporting information are validated prior to use and following any material

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change in methodology. Their performance is monitored at least quarterly, and any material deterioration in model performance is escalated.

The Company has formal processes and controls in place to support the appropriateness of its fair value estimates, including an independent price validation function that provides oversight for these estimates. For level 2 instruments and certain level 3 instruments the validation generally involves evaluating pricing received from two or more third party pricing sources that are widely used by market participants. The Company evaluates this pricing information from both a qualitative and quantitative perspective and determines whether any pricing differences exceed acceptable thresholds. If thresholds are exceeded, the Company assesses the differences between the valuation approaches used. The assessment may include contacting a pricing service to gain further insight into the valuation of a particular security or class of securities to resolve the pricing variance, which could result in an adjustment to the price used for financial reporting purposes.

The Company classifies instruments within level 2 in the fair value hierarchy when it determines that external pricing sources estimated fair value using prices for similar instruments trading in active markets. A wide range of quoted values from pricing sources may imply a reduced level of market activity and indicate that significant adjustments to price indications have been made. In such cases, the Company evaluates whether the asset or liability should be classified as level 3.

Determining whether to classify an instrument as level 3 involves judgment and is based on a variety of subjective factors, including whether a market is inactive. A market is considered inactive if significant decreases in the volume and level of activity for the asset or liability have been observed.

The following table presents securities owned, securities sold but not yet purchased, and derivatives measured at fair value on a recurring basis:

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<i>(in thousands)</i>	Fair Value Measurements at December 31, 2022				
	Level 1	Level 2	Level 3	Netting Adjustments <sup>1</sup>	Total Assets/Liabilities
<b>Securities owned and derivatives:</b>					
U.S. government and agency obligations	\$ -	\$ 1,156,071	\$ -	\$ -	\$ 1,156,071
Corporate debt and other securities	1,503	671,039	-	-	672,542
State and municipal obligations	-	421,574	-	-	421,574
Commercial paper	-	29,124	-	-	29,124
Derivatives	-	8,340	-	(4,012)	4,328
Total securities owned and derivatives	\$ 1,503	\$ 2,286,148	\$ -	\$ (4,012)	\$ 2,283,639
 <b>Securities sold but not yet purchased and derivatives:</b>					
U.S. government and agency obligations	\$ -	\$ 697,975	\$ -	\$ -	\$ 697,975
Corporate debt and other securities	22,695	661,971	-	-	684,666
Derivatives	-	1,760	-	(338)	1,422
Total securities sold but not yet purchased and derivatives	\$ 22,695	\$ 1,361,706	\$ -	\$ (338)	\$ 1,384,063

<sup>1</sup>Amounts represent offsetting cash collateral received from, and paid to, the same derivative counterparties, and the impact of netting derivative assets and derivative liabilities when a legally enforceable master netting agreement or similar agreement exists.

Trading gains, net of losses, in the statement of comprehensive income includes \$7.8 million of net gains on positions still held as of December 31, 2022.

***U.S. government and agency obligations***

The Company classifies U.S. Treasury securities as level 2. Securities issued by federal agencies consist of debt obligations issued directly by Fannie Mae, Freddie Mac, FHLB, and FFCEB in addition to debt obligations collateralized by loans that are guaranteed by the Small Business Administration (SBA) and are, therefore, backed by the full faith and credit of the U.S. government. For these debt obligations, the Company estimated fair value based on pricing from observable trading activity for similar securities or obtained fair values from a third party pricing service; accordingly, the Company has classified these instruments as level 2.

Securities issued by GSEs such as Fannie Mae and Freddie Mac are not explicitly guaranteed by the U.S. government; however, the GSEs carry an implied rating commensurate with that of U.S. government obligations and may be required to maintain such rating through its agency agreement. In certain instances, the U.S. Treasury owns the senior preferred stock of these enterprises and has made a commitment under that stock purchase agreement to provide these GSEs with funds to maintain a positive net worth.

Pass-through securities and collateralized mortgage obligations issued by GSEs and U.S. government agencies, such as Fannie Mae, Freddie Mac, and Ginnie Mae each contain a guarantee

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by the issuing GSE or agency. For agency mortgage-backed securities, the Company estimated fair value based on pricing from observable trading activity for similar securities or obtained fair values from a third party pricing service; accordingly, the Company has classified these as level 2.

***Corporate debt and other securities***

Corporate debt and other securities are predominantly debt obligations of domestic corporations and non-agency ABS securities that are classified as level 2. The Company estimates the fair value of these securities based on observable pricing from executed trades of similar instruments. Also, the Company's other securities include exchange-traded equity securities for which pricing is readily available in active markets and are therefore classified as level 1.

***State and municipal obligations***

The Company's investments in U.S. state and municipal obligations 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 and are predominantly highly rated. Holdings are geographically dispersed with no significant concentrations in any one state or municipality. The Company derives value for these obligations based on trading activity in secondary markets and new issue pricings in the primary market. These obligations are classified as level 2 in the fair value hierarchy.

***Commercial paper***

The Company trades commercial paper (CP) that is generally short-term in nature (less than 30 days) and highly rated. The Company estimates the fair value of the CP based on observable pricing from executed trades of similar instruments and it is, therefore, classified as level 2 in the fair value hierarchy.

***Derivatives***

The Company records all contracts accounted for as derivatives at fair value in securities owned and derivatives or securities sold but not yet purchased and derivatives in the statement of financial condition. Accounting for changes in the fair value of a derivative is dependent upon whether or not it has been designated in a formal, qualifying hedging relationship. None of the Company's derivatives have been designated in a formal, qualifying hedging relationship. The Company offsets all outstanding 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 legally enforceable netting arrangements and that meet accounting guidance for offsetting treatment.

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*To-Be-Announced (TBA) Securities*

Transactions in mortgage-backed to-be-announced (TBA) securities are considered forward contracts and are accounted for as derivatives. Within the statement of financial condition, the unrealized gains on these transactions are reflected in securities owned and derivatives and the losses on these transactions are reflected in securities sold but not yet purchased and derivatives. These gains and losses are classified as level 2 in the fair value hierarchy and reflected within trading gains, net of losses, on the statement of comprehensive income. These instruments are used to meet the needs of customers and manage market risks, and they are subject to varying degrees of market and counterparty credit risk. The Company estimates fair value on these securities based on pricing from observable trading activity of similar securities or from a third party pricing service. At December 31, 2022, the gross notional amount of these derivatives was \$682.8 million. The gross fair value of derivative assets was \$7.2 million, less \$338 thousand of legally enforceable master netting agreements and \$3.7 million cash collateral held. The gross fair value of derivative liabilities was \$568 thousand, less \$338 thousand of legally enforceable master netting agreements and no cash collateral pledged. The amount of gains, net of losses, recognized in income was \$71.1 million for the year ended December 31, 2022.

*Securities settling beyond regular way*

Transactions in securities set to settle beyond regular-way are considered forward contracts and are accounted for as derivatives. Within the statement of financial condition, the unrealized gains on these transactions are reflected in securities owned and derivatives and the losses on these transactions are reflected in securities sold but not yet purchased and derivatives. These gains and losses are classified as level 2 in the fair value hierarchy and reflected within trading gains, net of losses, on the statement of comprehensive income. These instruments are used to meet the needs of customers and manage market risks, and they are subject to varying degrees of market and counterparty credit risk. The Company estimates fair value on these securities based on pricing from observable trading activity of similar securities or from a third party pricing service. At December 31, 2022, the gross notional amount of these derivatives was \$256.7 million. The gross fair value of these derivative assets was \$1.1 million. The gross fair value of these derivative liabilities was \$1.1 million. The amount of losses, net of gains, recognized in income was \$34.0 million for the year ended December 31, 2022.

*Swaps*

Transactions in swaps are accounted for as derivatives. Within the statement of financial condition, the unrealized gains on these transactions are reflected in securities owned and derivatives and the losses on these transactions are reflected in securities sold but not yet purchased and derivatives. These gains and losses are classified as level 2 in the fair value hierarchy and reflected within trading gains, net of losses, on the statement of comprehensive income. These instruments are used to manage market risks and are subject to varying degrees of market and counterparty credit risk.

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The Company estimates fair value on these securities based on pricing from observable trading activity of similar securities or from a third party pricing service. At December 31, 2022, the gross notional amount of these derivatives was \$140 million. The gross fair value of the associated derivative liabilities was and \$94 thousand as of December 31, 2022. The amounts of losses, net of gains, recognized in income was \$797 thousand for the year ended December 31, 2022.

**8. Leases**

The Company leases certain office facilities under operating leases that expire through 2025, some of which have stated rate increases. Generally, the right-of-use assets do not include renewal options and do include lessee termination options. At lease commencement, the Company assesses whether it is reasonably certain to exercise a renewal option, or reasonably certain not to exercise a termination option, by considering various economic factors. Options that are reasonably certain of being exercised are factored into the determination of the lease term, and related payments are included in the calculation of the right-of-use asset and lease liability. The Company accounts for each separate lease component of a contract and its associated non-lease components as a single lease component for all of its real estate leases. Variable costs, such as maintenance expenses, property and sales taxes, and association dues, are expensed as they are incurred. The following table presents lease expense for the year ended December 31, 2022 (in thousands):

Operating	\$ 13,745
Variable	2,843
Short-term lease expense	1,852
Sublease lease income	<u>(6,354)</u>
Total lease expense	<u>\$ 12,086</u>

The weighted average remaining lease term for leases as of December 31, 2022 was 1.45 years. Minimum rental commitments on leases for each of the following years ending December 31 are as follows (in thousands):

2023	\$ 6,244
2024	2,611
2025	169
2026	-
2027	-
Thereafter	<u>-</u>
Total minimum lease payments	9,024
Less: Imputed interest	<u>428</u>
Present value of lease liabilities	<u>\$ 8,596</u>



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The Company uses its incremental borrowing rate to calculate the present value of lease payments when the interest rate implicit in the lease is not disclosed. The weighted average discount rate used to calculate the net present value of the future lease payments that determine the lease liability was 1.87% as of December 31, 2022. The right-of-use asset and lease liability are not remeasured as a result of any subsequent change in the index or rate unless remeasurement is required for another reason.

**9. Fixed Assets**

Fixed assets consisted of the following (in thousands):

	<b>Useful Life</b>	<b>As of December 31, 2022</b>
Leasehold improvements	1-30 years	\$ 16,153
Furniture and equipment	1-20 years	8,811
		<u>24,964</u>
Less: Accumulated depreciation and amortization		(18,806)
Total fixed assets		<u>\$ 6,158</u>

The related depreciation expense was \$5.0 million for the year ended December 31, 2022. These are respectively included in occupancy and equipment and outside processing and software in the statement of comprehensive income. There were no impairments to fixed assets for the year ended December 31, 2022.

**10. Employee Benefits**

At December 31, 2022, restricted stock units were outstanding from equity-based compensation plans that have been approved by the Parent's shareholders. Those plans are intended to assist the Company in recruiting and retaining employees and directors and to align the interests of eligible participants with those of the Parent and its shareholders. All incentive awards are subject to clawback provisions.

All awards allow for accelerated vesting for holders who retire and have met all retirement eligibility requirements or in connection with certain other events. Until vested, awards are subject to forfeiture under specified circumstances.

Generally, grants to employees vest pro-rata annually over three years. Restricted stock units granted may be subject to one or more criteria, including employment, performance, or other conditions. Compensation cost for restricted stock units is generally equal to the fair value of the

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shares on the grant date of the award and is amortized to compensation expense over the vesting period. The Company's restricted stock unit expense for the year ending December 31, 2022 was \$38.1 million, which is included in compensation and benefits expense in the statement of comprehensive income. At December 31, 2022, there was \$39.2 million of unrecognized stock-based compensation expense related to nonvested restricted stock units.

The Company's expense related to other employee benefits for the year ending at December 31, 2022 was \$13.2 million, which is included in compensation and benefits expense in the statement of comprehensive income.

### 11. Transactions with Related Parties

Both the Parent and the Affiliate Bank provide certain services and staff support functions for their affiliates and the Company pays a fee for those services. The cost of these services allocated to the Company for the period ending December 31, 2022 was \$51.5 million, which is included in fees paid to related parties in the statement of comprehensive income. The Company earns revenue from affiliates for providing certain corporate finance, underwriting, and trading services. For such activities in 2022, the Company earned \$11.1 million in revenue, which is included in the respective line items in the statement of comprehensive income. The Company has a fee sharing agreement in regard to syndicated finance fees with the Affiliate Bank in instances where the Affiliate Bank has underwritten certain transactions.

Balances with respect to related parties at December 31, 2022, are (in thousands):

Cash held at the Affiliate Bank	82,168
Due from related parties	25
Income tax receivable from Parent	676
Securities of related parties owned	35,945
Securities of related parties sold but not yet purchased	53,729
Due to related parties	1,531
Line of credit payable to the Parent	125,000

As of December 31, 2022, the Company had a \$400 million unsecured demand revolving line of credit with the Parent. The line of credit has a stated interest rate equal to 30 day SOFR Average plus 0.01% which was 1.05% at December 31, 2022, with interest due monthly. At December 31, 2022, the outstanding balance on this unsecured line of credit was \$125 million and is included in lines of credit payable to related parties in the statement of financial condition.

The Company also has a \$500 million committed unsecured line of credit with the Affiliate Bank. The line of credit has a stated interest rate equal to SOFR plus 1.75% plus a credit spread adjustment of 0.10% per annum, which was 5.62% at December 31, 2022, with interest due

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monthly. At December 31, 2022, there was no outstanding balance included in lines of credit payable to related parties in the statement of financial condition.

The Company also has a \$5 million overdraft facility note with the Affiliate Bank. The overdraft facility has a stated interest rate equal to the Affiliate Bank's overnight cost of funds at the date of advance plus ten basis points. Advances and accrued interest under the facility are due the following business day. At December 31, 2022, there were no outstanding borrowings under the facility.

## 12. Income Taxes

The components of the provision for income taxes included in the statement of comprehensive income as determined in accordance with ASC Topic 740, *Income Taxes*, for the year ended December 31, 2022 are presented in the following table (in thousands):

	Current	Deferred	Total
Federal	\$ 30,709	\$ 1,866	\$ 32,575
State	4,138	791	4,929
Total provision for income taxes	<u>\$ 34,847</u>	<u>\$ 2,657</u>	<u>\$ 37,504</u>

A reconciliation of the provision for income taxes at the statutory federal income tax rate to the Company's actual provision for income taxes is presented in the following table (in thousands):

Federal income tax at statutory rate	\$ 36,162
State and local income taxes, net of federal tax benefit	3,894
Equity based compensation	(884)
Tax exempt interest	(1,386)
Other, net	(282)
Total provision for income taxes	<u>\$ 37,504</u>

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. These assets and liabilities are measured using the enacted federal and state tax rates expected to apply in the periods in which the DTAs ("Deferred Tax Assets") or DTLs ("Deferred Tax Liabilities") are expected to be realized. The net deferred income tax asset is recorded in the statement of financial condition. The significant DTAs and DTLs as of December 31, 2022 net of the federal impact for state taxes are presented in the following table (in thousands):

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Deferred tax assets:	
Employee compensation and benefits	\$ 31,398
Depreciation	3,820
Operating lease liability	2,376
Other assets	1,566
Total gross deferred tax assets	<u>39,160</u>
Valuation allowance	-
Total DTAs net of valuation allowance	<u>39,160</u>
Deferred tax liabilities:	
Goodwill	6,576
ROU assets	1,892
Other liabilities	1,750
Total deferred tax liabilities	<u>10,218</u>
Net deferred tax asset (liability)	<u>\$ 28,942</u>

A valuation allowance is not required for the federal and state deferred tax assets because the Company believes it is more-likely-than-not that these assets will be realized.

No unrecognized tax benefits have been recorded under ASC Topic 740-10, *Income Taxes*, and no corresponding interest or penalties have been accrued. The Company continually evaluates the unrecognized tax benefits associated with its uncertain tax positions. The Company does not expect a significant change in its unrecognized tax benefits within twelve months of this reporting date.

The Parent's federal income tax returns, in which the Company is included, are no longer subject to assessment by the IRS for taxable years prior to 2019. With limited exceptions, the various consolidated or combined state income tax returns filed by the Parent, in which the company is included, along with the Company's separate income tax returns, are no longer subject to assessment by state and local taxing authorities for taxable years prior to 2016.

On August 16, 2022, the U.S. Inflation Reduction Act of 2022 was signed into law effective for tax years beginning after December 31, 2022. The Company continues to analyze the impacts of the Inflation Reduction Act on its future results of operations but does not currently expect that the Inflation Reduction Act will have a material impact on its financial statements.

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### 13. Commitments and Contingencies

#### *Litigation and Regulatory Matters*

The Company is routinely named as a defendant in or a party to numerous actual or threatened legal proceedings, including civil litigation and regulatory investigations or enforcement matters, 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 many class members and can involve claims for substantial or indeterminate alleged damages or for injunctive or other relief. Investigations may involve both formal and informal proceedings, by both governmental agencies and self-regulatory organizations and could result in fines, penalties, restitution, and/or alterations in the Company's business practices. 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 and the timing of such resolution is uncertain and inherently difficult to predict. It is possible that the ultimate resolution of these matters including those described below, if unfavorable, may be material to the consolidated financial position, consolidated results of operations, or consolidated cash flows of the Company, or cause significant reputational consequences.

The Company 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 the Company has accrued. Accruals for legal matters are based on management's best judgment after consultation with counsel and others. For certain matters, the Company may be unable to estimate the loss or range of loss, even if it believes that a loss is probable, until developments in the case provide additional information sufficient to support such an estimate and the Company does not establish accruals for such matters.

The following is a description of a certain legal proceeding in which the Company is involved:

#### *Millennium Lender Claim Trust*

In August 2017, the Trustee of the Millennium Lender Claim Trust filed a suit in the New York State Court against the Company and other lenders of the \$1.8 Billion Millennium Health LLC f/k/a Millennium Laboratories LLC (Millennium) syndicated loan. The Trustee alleged that the loan was actually a security and that defendants misrepresented or omitted to state material facts in the offering materials and communications provided concerning the legality of Millennium's sales, marketing, and billing practices and the known risks posed by a pending government investigation into the illegality of such practices. The Trustee brought claims for violation of the California Corporate Securities Law, the Massachusetts Uniform Securities Act, the Colorado Securities Act, and the Illinois Securities Law, as well as negligent misrepresentation and sought

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rescission of sales of securities as well as unspecified rescissory damages, compensatory damages, punitive damages, interest, and attorneys' fees and costs. The defendants removed the case to the U.S. District Court for the Southern District of New York and the Trustee's motion to remand the case back to state court was denied. The defendants filed a motion to dismiss the claims which motion was granted on May 22, 2020 with the judge finding that the syndicated loan was not a security and that the misrepresentation claims failed because the loan agreement clearly held that a lender should do its own due diligence and not rely on any representations. However, Plaintiff was given leave to file an amended complaint. On June 12, 2020, the Trustee filed a motion to amend its complaint seeking to bring fraud claims and a negligent misrepresentation claim. Specifically, the claims the Trustee sought to assert against the Company were Aiding and Abetting the Insiders' Fraud, Conspiracy to Defraud Investors, and Negligent Misrepresentation. On December 1, 2020, the magistrate judge recommended that the motion to amend the complaint be denied because the proposed claims were subject to dismissal based on the court's prior order as well as the disclaimers included in the syndicated loan agreement that lenders should not rely on the defendants and should do their own due diligence and on October 1, 2021, the court adopted the magistrate judge's recommendation and dismissed all claims and entered final judgment for the defendants. On October 28, 2021, the Trustee filed an appeal of the decision to dismiss the case in the Second Circuit Court of Appeals. The appeal has been fully briefed and we await the appeals court to either schedule oral argument or rule on the appeal. Although the matter is still on-going at this time, the Company believes, based on the information available, the matter will not have a material adverse effect on either the Company's statement of financial condition or statement of comprehensive income.

#### **14. Guarantees to Third Parties**

The Company uses a third-party clearing broker to clear and execute customers' equity securities transactions and to hold customer accounts. Under the agreement with the clearing broker, the Company agrees to indemnify the broker for losses that result from a customer's failure to fulfill its contractual obligations. As the clearing broker's rights to charge the Company have no maximum amount, the Company believes that the maximum potential obligation cannot be estimated. However, to mitigate exposure, the Company may seek recourse from the customer through cash or securities held in the defaulting customer's account. The Company believes it is unlikely it will have to make material payments under this arrangement and has not recorded any contingent liability in the financial statements for this indemnification. For the year ended December 31, 2022, the Company experienced no losses as a result of the indemnity.

The Company utilizes the Fixed Income Clearing Corporation ("FICC") for trade comparisons, netting and settlement of fixed income securities. As a Government Securities Division netting member, the Company has a commitment to the FICC to meet its financial obligations as a central counterparty clearing house in the event the FICC has insufficient liquidity recourses through a potential Capped Contingency Liquidity Facility ("CCLF") repurchase transaction. This commitment would be based on the Company's share of its liquidity burden on the FICC. The

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Company believes that it is unlikely it will have to be counterparty to a potential committed liquidity resource repurchase transaction under this agreement and has not recorded a liability in the financial statements.

**15. Net Capital Requirements**

The Company is subject to SEC Rule 15c3-1, which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by SEC Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, equal to the greater of the minimum dollar net capital requirement or 2% of aggregate debit balances arising from customer transactions, as defined. At December 31, 2022, the Company had net capital, as defined, of \$1.4 billion, which was \$1.4 billion in excess of the required net capital.

## Supplemental Information



Truist Securities, Inc.  
(A Wholly Owned Subsidiary of Truist Financial Corporation)

Schedule I  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission

December 31, 2022  
(In Thousands)

<b>Computation of net capital</b>		
Total shareholder's equity		\$ 2,059,965
Total capital and allowable subordinated borrowings		<u>2,059,965</u>
Deductions and/or charges:		
Nonallowable assets:		
Goodwill and other intangibles, net of accumulated depreciation	175,407	
Accrued interest, receivables, and other assets	38,611	
Deposits with clearing organizations	3,835	
Deferred taxes	28,942	
Fixed assets, net of accumulated depreciation	<u>6,796</u>	
Total nonallowable assets	253,591	
Other deductions or charges	<u>123,600</u>	377,191
Net capital before haircuts on securities positions		<u>1,682,774</u>
Open contractual commitments	197	
Haircuts on securities:		
Corporate debt obligations	242,586	
U.S. government and agency obligations	27,309	
State and municipal obligations	27,603	
Commercial paper	16	
Equity securities	3,404	
Other securities	11,741	
Swaps	1,973	314,829
<b>Net capital</b>		<u><u>\$ 1,367,945</u></u>
 <b>Computation of alternative net capital requirement</b>		
2% of aggregate debit items as shown in formula for reserve requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation or minimum net capital requirement (if greater)		1,033
<b>Excess net capital</b>		<u><u>\$ 1,366,912</u></u>
<b>Net capital in excess of 5% of aggregate debit items or 120% of the net capital requirement if greater</b>		<u><u>\$ 1,366,706</u></u>

*There are no material differences between this computation and the Company's unaudited Financial and Operational Combined Uniform Single ("FOCUS") Report as of December 31, 2022, filed on January 26, 2023.*

Truist Securities, Inc.  
(A Wholly Owned Subsidiary of Truist Financial Corporation)

**Schedule II**  
Computation of Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2022  
(In Thousands)

Credit balances:	
Customer-related fails to receive	\$ 40,865
Market value of short securities and credits in all suspense accounts over 30 calendar days	27,943
Total credit balances	68,808
Debit balances:	
Customer-related fails to deliver	20,928
Gross debits	20,928
Less 3%	(628)
Total debit balances	20,300
Reserve computation:	
Excess of total credits over total debits required to be on deposit in the "Reserve Bank Account"	\$ 48,508
Amount on deposit in the "Reserve Bank Account" at December 31, 2022	\$ 29,853
Amount of deposit on January 3, 2023	39,970
New amount in "Reserve Bank Account"	\$ 69,823

*There are no material differences between this computation and the Company's unaudited Financial and Operational Combined Uniform Single ("FOCUS") Report as of December 31, 2022, filed on January 26, 2023.*

Truist Securities, Inc.  
(A Wholly Owned Subsidiary of Truist Financial Corporation)

**Schedule III**  
Information Relating to Possession or Control Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2022

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3).

None

**A. Number of items**

None

2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

None

**B. Number of items**

None

*There are no material differences between this computation and the Company's unaudited Financial and Operational Combined Uniform Single ("FOCUS") Report as of December 31, 2022, filed on January 26, 2023.*