

STATEMENT OF FINANCIAL CONDITION AND
SUPPLEMENTAL INFORMATION

SunTrust Robinson Humphrey, Inc.
(A Wholly Owned Subsidiary of Truist Financial Corporation)
Unaudited as of June 30, 2020

SunTrust Robinson Humphrey, Inc.
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Statement of Financial Condition

Unaudited as of June 30, 2020

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Statement of Financial Condition

Unaudited as of June 30, 2020
(In Thousands, Except Share Amounts)

Assets

Cash and cash equivalents	\$ 19,685
Securities segregated under Federal and other regulations	30,319
Deposits with clearing organizations	27,970
Receivables from brokers and dealers	17,794
Customer receivables	38,176
Due from related parties	19,407
Securities purchased under agreements to resell	758,148
Securities borrowed	368,960
Securities owned and derivatives:	
U.S. government and agency obligations	525,756
Corporate debt and other securities	451,700
State and municipal obligations	20,292
Derivatives	459
Total securities owned and derivatives (including encumbered securities of \$514,396)	<u>998,207</u>
Goodwill and other intangibles, net of accumulated amortization of \$2,293	148,059
Accrued interest and other income receivable	120,053
Net deferred tax assets	16,579
Right of use assets	47,438
Furniture, equipment, and leasehold improvements, less accumulated depreciation and amortization of \$2,258	12,547
Net receivables for unsettled securities transactions	190,577
Other assets	4,484
Total assets	<u><u>2,818,403</u></u>

Liabilities and shareholder's equity

Liabilities

Securities sold under agreements to repurchase	635,211
Securities sold but not yet purchased and derivatives	596,327
Lines of credit payable to related parties	125,000
Accrued interest payable and other liabilities	49,925
Accrued compensation and benefits	34,819
Income taxes payable to parent	24,125
Payables to brokers and dealers	26,491
Customer payables	36,652
Lease liabilities	49,577
Due to related parties	2,890
Total liabilities	<u>1,581,017</u>

Shareholder's equity:

Common stock, \$1 par value; 100,000 shares authorized, issued, and outstanding	100
Additional paid-in capital	1,158,744
Retained earnings	78,542
Total shareholder's equity	<u>1,237,386</u>
Total liabilities and shareholder's equity	<u><u>\$ 2,818,403</u></u>

The accompanying notes are an integral part of this financial statement.

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Statement of Changes in Shareholder's Equity

Unaudited as of June 30, 2020

(In Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 2020	\$ 100	\$ 1,135,168	\$ 599	\$ 1,135,867
Net Income			77,943	77,943
Purchase accounting		3,003		3,003
Capital Contribution from parent		20,573		20,573
Balance, June 30, 2020	<u>\$ 100</u>	<u>\$ 1,158,744</u>	<u>\$ 78,542</u>	<u>\$ 1,237,386</u>

The accompanying notes are an integral part of this financial statement.

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Notes to the Statement of Financial Condition

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1. Organization and Nature of Business

SunTrust Robinson Humphrey, 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 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.

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. The

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counterparties to these agreements typically are primary dealers of U.S. government securities and financial institutions. Collateral is valued daily, and additional collateral is obtained from or refunded to counterparties when appropriate.

Securities borrowed result from transactions with other broker-dealers or financial institutions and are recorded at the amount of cash collateral advanced. These amounts are included in securities borrowed in the statement of financial condition. 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 necessary.

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 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

Realized and unrealized gains and losses are recorded on a trade date basis. Unless otherwise indicated, trading assets 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 pricing models, as determined by management; except for short positions for which the last quoted ask price is used. Amounts receivable and payable for securities transactions that have not reached their contractual final settlement date are recorded net in net receivables for unsettled securities transactions on the statement of financial condition.

Securities sold but not yet purchased represent an obligation of the Company to deliver specified securities at a predetermined date and price. The Company will be obligated to acquire the required securities at prevailing market prices in the future to satisfy this obligation. For additional information on the Company's activities related to securities owned, securities sold but not yet purchased, and derivatives see Note 6, *Securities Purchased Under Agreements to Resell, Securities Borrowed, and Securities Sold Under Agreements to Repurchase*.

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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 for impairment and as events occur or circumstances change that would more-likely-than-not reduce the fair value below its carrying amount. There were no such impairments for the six months ended June 30, 2020. Other intangible assets, which are determined to have finite lives, are amortized over their useful lives based upon estimated economic benefits received.

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 the Parent. The method of allocating federal income tax expense is determined under tax allocation agreements between the Company 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.

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. For additional information on the Company's activities related to leases see Note 8, *Leases*.

Furniture, Equipment, and Leasehold Improvements

Furniture and equipment are recorded at historical cost. Depreciation is computed predominantly using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are recorded at historical cost. Amortization 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 not be recoverable. There were no such impairments for the six months ended June 30, 2020. For additional information on the Company's activities related to income furniture, equipment, and leasehold improvements see Note 9, *Furniture, Equipment, and Leasehold Improvements*.

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Related Party Transactions

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

Revenue Recognition

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 a customer obtains control of services, or the amount of costs incurred to obtain or fulfill a contract with a customer.

Corporate finance fees, which primarily include in-scope M&A, asset finance, investment services, and remarketing fees as well as out of scope loan syndication fees, are negotiated based on specific services offered. The execution of in scope services related to these fees represents the completion of the related performance obligations with payments for these services settling shortly after execution.

The Company assists corporate clients in raising capital by offering equity or debt securities to potential investors. Underwriting fees are recorded as the performance obligations are completed on the trade date when the Company, as a member of an underwriting syndicate, purchases the securities from the issuer and sells the securities to third party investors. Each member of the syndicate 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.

Commissions are earned primarily for trade execution services, which represent the Company's performance obligation. Commissions earned on the trade date are recognized at that point in time, with related expenses presented gross of commission revenue in outside processing and software in 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

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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*.

The Company has elected the practical expedient to exclude disclosure of unsatisfied performance obligations for contracts with an original expected length of one year or less. At June 30, 2020, the Company does not have any material contract assets or liabilities. The amount of receivables from contracts with customers was \$109 million recorded within accrued interest and other income receivable on the statement of financial condition relating to its revenue streams within the scope of ASC Topic 606.

3. Accounting Policies Recently Adopted and Pending Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. This ASU along with its subsequent related ASUs create and amend ASC Topic 326, Financial Instruments - Credit Losses, which replaces the incurred loss impairment methodology with a current expected credit loss methodology for financial instruments measured at amortized cost and other commitments to extend credit. For this purpose, expected credit losses reflect losses over the remaining contractual life of an asset, considering the effect of voluntary prepayments and considering available information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The resulting allowance for credit losses is deducted from the amortized cost basis of the financial assets to reflect the net amount expected to be collected on the financial assets. Additional quantitative and qualitative disclosures are required upon adoption. The Company adopted these ASUs on January 1, 2020, and it did not have an impact on its financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other*. This ASU amends ASC Topic 350, *Intangibles-Goodwill and Other*, to simplify the subsequent measurement of goodwill, by eliminating Step 2 from the goodwill impairment test. The amendments require an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The Company is a single reporting unit where all the assets and liabilities have been assigned to the single reporting unit. Entities should recognize an impairment charge for the amount by which the reporting unit's carrying amount exceeds its fair value, but the loss recognized should not exceed the total amount of goodwill allocable to that reporting unit. This ASU must be applied on a prospective basis. The Company adopted this ASU on January 1, 2020. The standard does not currently have an impact on the Company's financial statements; however, if subsequent to the adoption, the carrying amount of the reporting unit exceeds its respective fair value, the Company would be required to recognize an impairment charge for the amount by which carrying value exceeds the fair value.

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4. Subsequent Events

On August 1, 2020, BB&T Capital Markets, an institutional business of BB&T Securities which is a wholly owned subsidiary of TFC, merged into the Company. On that date, the new name of the Company became Truist Securities, Inc. The Company's primary operations remain unchanged upon the integration.

5. Securities Segregated Under Federal and Other Regulations

At June 30, 2020, a U.S. Treasury security with a fair value of \$30.3 million has been segregated in a special reserve account for the exclusive benefit of customers of the Company under SEC Rule 15c3-3.

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

Securities purchased under agreements to resell and securities sold under agreements to repurchase are collateralized primarily by U.S. government or agency securities. Securities borrowed are collateralized primarily by corporate securities. These securities purchased under agreements to resell, securities borrowed, and securities sold under agreements to repurchase are carried at the amounts at which the securities will be subsequently resold or repurchased. Securities borrowed are primarily used to cover firm short positions. Securities purchased under agreements to resell are used to cover firm short positions or are subsequently sold under agreements to repurchase to earn a spread. Securities sold under agreements to repurchase are primarily used to fund firm trading inventory. The Company takes possession of all securities purchased under agreements to resell and securities borrowed and performs appropriate margin evaluation on the acquisition date based on market volatility, as necessary. On the acquisition date of these securities, the Company and the related counterparty agree on the amount of collateral required to secure the principal amount loaned under these arrangements. The Company monitors collateral values daily and calls for additional collateral to be provided as warranted under the aforementioned agreement. 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.

The following is a summary of repurchase agreements and the fair market value of related collateral pledged as of June 30, 2020 (in thousands):

	Overnight maturities	Term ≤ 30 days	Total	Fair Market Value of Collateral
U.S. government and agency obligations	\$ 190,211	\$ 94,210	\$ 284,421	\$ 290,711
Corporate debt and other securities	150,000	200,790	350,790	378,906
Total collateral pledged	<u>\$ 340,211</u>	<u>\$ 295,000</u>	<u>\$ 635,211</u>	<u>\$ 669,618</u>

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Securities purchased under agreements to resell and securities sold under agreements to repurchase are governed by a master repurchase agreement. Under the terms of the master repurchase agreement, all transactions between the Company and the counterparty constitute a single business relationship such that in the event of default, the nondefaulting 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 June 30, 2020.

The following table includes the amount of collateral pledged or received related to exposures subject to enforceable Master Repurchase Agreements as of June 30, 2020. 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.

<i>(In thousands)</i>	Gross Amount	Amount Offset	Net Amount Presented in the Statement of Financial Condition	Held/Pledged Financial Instruments	Net Amount
Assets					
Securities purchased under agreements to resell	\$ 758,148	\$ -	\$ 758,148	\$ 755,381	\$ 2,767
Securities borrowed	368,960	-	368,960	357,929	11,031
Total Assets	\$ 1,127,108	\$ -	\$ 1,127,108	\$ 1,113,310	\$ 13,798
Liabilities					
Securities sold under agreements to repurchase	\$ 635,211	\$ -	\$ 635,211	\$ 635,211	\$ -
Total Liabilities	\$ 635,211	\$ -	\$ 635,211	\$ 635,211	\$ -

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 segregated under Federal and other regulations, and securities sold but not yet purchased, and 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

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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 pricing matrices, along with employing various modeling techniques such as discounted cash flow analyses, in arriving at the best estimate of fair value. 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 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. For fair values obtained from a third party, or those that include certain trader estimates of fair value, there is 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 differences in valuation approaches used, which 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 include 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.

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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 segregated under Federal and other regulations such as securities owned, securities sold but not yet purchased, and derivatives measured at fair value on a recurring basis:

<i>(In Thousands)</i>	Fair Value Measurements at June 30, 2020				
	Level 1	Level 2	Level 3	Netting Adjustments ¹	Total Assets / Liabilities
Securities segregated under Federal and other regulations:					
U.S. government and agency obligations	\$ -	\$ 30,319	\$ -	\$ -	\$ 30,319
Securities owned and derivatives:					
U.S. government and agency obligations	\$ -	\$ 525,756	\$ -	\$ -	\$ 525,756
Corporate debt and other securities	17,972	433,728	-	-	451,700
State and municipal obligations	-	20,292	-	-	20,292
Derivatives	-	915	-	(456)	459
Total securities owned and derivatives	\$ 17,972	\$ 980,691	\$ -	\$ (456)	\$ 998,207
Securities sold but not yet purchased and derivatives:					
U.S. government and agency obligations	\$ -	\$ 242,360	\$ -	\$ -	\$ 242,360
Corporate debt and other securities	174	353,535	-	-	353,709
Derivatives	-	1,019	-	(761)	258
Total securities sold but not yet purchased and derivatives	\$ 174	\$ 596,914	\$ -	\$ (761)	\$ 596,327

¹Amounts 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.

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 FFCB 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. These debt obligations are classified as level 2 in the fair value hierarchy. For SBA

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instruments, 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 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.

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.

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. The Company's other securities also include exchange-traded equity securities and money market mutual funds for which pricing is readily available and are therefore classified as level 1.

Derivatives

The Company records all contracts accounted for as derivatives at fair value in the securities owned and derivatives or securities sold but not yet purchased and derivatives in the

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accompanying 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 the International Swaps and Derivatives Association or other legally enforceable netting arrangements and meet accounting guidance for offsetting treatment.

To-Be-Announced (TBA) Securities

Transactions in mortgage-backed to-be-announced (TBA) securities are considered forward contracts and are accounted for as derivatives. Therefore, they are reflected in securities owned and derivatives and securities sold but not yet purchased and derivatives on the statement of financial condition. The unrealized gains and losses on these transactions are classified as level 2 in the fair value hierarchy. 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 June 30, 2020, the gross notional value of the derivatives was \$495 million. The gross fair value of derivative assets was \$903 thousand, less \$456 thousand of legally enforceable master netting agreements and no cash collateral held. The gross fair value of derivative liabilities was \$1 million, less \$456 thousand of legally enforceable master netting agreements and \$305 thousand of cash collateral pledged.

When-Issued Municipal (WIM) Securities

Transactions in when-issued municipal (WIM) securities are considered forward contracts and are accounted for as derivatives. Therefore, they are reflected in securities owned and derivatives and securities sold but not yet purchased and derivatives on the statement of financial condition. The unrealized gains and losses on these transactions are classified as level 2 in the fair value hierarchy. 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 June 30, 2020, the gross notional value of the WIM derivatives was \$5.9 million. The gross fair value of derivative assets was \$12 thousand. The gross fair value of WIM derivative liabilities was less than \$1 thousand.

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8. Leases

The Company leases certain office facilities under operating leases that expire through 2025, some of which have stated rate increases. All right-of-use assets include one or more renewal options for five years or less, and most of these leases also 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, association dues and index based rate increases, are expensed as they are incurred.

The weighted average remaining lease term for leases as of June 30, 2020 was 3.3 years. Minimum rental commitments on leases for each of the following years ending June 30, 2020 are as follows (in thousands):

	2021	15,115
	2022	16,305
	2023	12,645
	2024	6,423
	2025	641
	Thereafter	-
Total minimum lease payments	\$	<u>51,129</u>
	Less: Imputed interest	<u>1,552</u>
Present value of lease liabilities	\$	<u>49,577</u>

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 1.84% as of June 30, 2020. 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.

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9. Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements consisted of the following (in thousands):

	Useful Life	As of June 30, 2020
Leasehold improvements	1-30 years	\$ 10,390
Furniture and equipment	1-20 years	4,414
Construction-in-process		<u>1</u>
		14,805
Less: Accumulated depreciation		<u>2,258</u>
Total premises and equipment		<u>\$ 12,547</u>

10. Employee Benefits

At June 30, 2020, restricted stock units and phantom stock units were outstanding from equity-based compensation plans that have been approved by the Parent's shareholders and plans assumed from acquired entities. Those plans are intended to assist the Company in recruiting and retaining employees, directors and independent contractors and to align the interests of eligible participants with those of the Parent and its shareholders. All incentive awards are subject to clawback provisions.

The majority of outstanding awards and awards available to be issued relate to plans that allow for accelerated vesting of awards for holders who retire and have met all retirement eligibility requirements or in connection with certain other events. Until vested, certain of these awards are subject to forfeiture under specified circumstances.

Generally, grants to employees either cliff vest after three years or vest pro-rata annually over three years. Restricted stock units grants 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 shares on the grant date of the award and is amortized to compensation expense over the vesting period. Dividends are paid on awarded but unvested restricted stock. The Parent accrues and reinvests dividends in equivalent shares of the Parent's common stock for unvested restricted stock unit awards, which are paid out when the underlying restricted stock unit award vests. The Parent allocates restricted stock units and phantom stock units expense to the Company.

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Notes to the Statement of Financial Condition

Unaudited as of June 30, 2020

11. Transactions with Related Parties

Both the Parent and Truist Bank ("TB") provide certain services and staff support functions for their affiliates and the Company pays a fee for those services. The Company earned revenue from affiliates for providing certain corporate finance, underwriting, and trading services.

During 2020, the Company held certain debt securities issued by the Parent and its subsidiaries that were purchased by the Company in secondary markets. At June 30, 2020, \$54 million of these debt securities were included in securities owned and \$27.7 million of these debt securities were included in securities sold but not yet purchased in the statement of financial condition.

Balances with respect to related parties at June 30, 2020, are (in thousands):

Cash and cash equivalents	\$	19,685
Due from related parties		19,407
Securities owned		53,974
Securities sold but not yet purchased		27,714
Due to related parties		2,890
Lines of credit payable to related parties		125,000
Income tax payable to Parent		24,125

As of June 30, 2020, the Company had a \$300 million unsecured demand revolving line of credit with the Parent. The line of credit has a stated interest rate at the Parent's monthly average cost of funds, which was 1.08% at June 30, 2020, with interest due monthly. At June 30, 2020, 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 \$400 million committed unsecured line of credit with TB. The line of credit has a stated interest rate equal to one month LIBOR plus 2.0% per annum. The interest rate at June 30, 2020 was 2.16%, with interest due monthly. At June 30, 2020, 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 TB. The overdraft facility has a stated interest rate equal to TB'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 June 30, 2020, there were no outstanding borrowings under the facility.

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Notes to the Statement of Financial Condition

Unaudited as of June 30, 2020

13. Commitments and Contingencies

Litigation and Regulatory Matters

In the ordinary course of business, the Company is party to numerous civil claims and lawsuits and subject to regulatory examinations, investigations, and requests for information. Some of these matters involve claims for substantial amounts. The Company's experience has shown that the damages alleged by plaintiffs or claimants are often overstated, based on unsubstantiated legal theories, unsupported by facts, and/or bear no relation to the ultimate award that a court might grant. Additionally, the outcome of litigation and regulatory matters and the timing of ultimate resolution are inherently difficult to predict. These factors make it difficult for the Company to provide a meaningful estimate of the range of reasonably possible outcomes of claims in the aggregate or by individual claim. However, on a case-by-case basis, an accrual is established for those legal claims in which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. The actual costs of resolving these claims may be substantially higher or lower than the amounts accrued. This does not represent the Company's maximum loss exposure. For these, and other matters, where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the established liability that cannot be estimated.

Based on current knowledge, it is the opinion of management that liabilities arising from legal claims in excess of the amounts currently accrued, if any, will not, individually or in the aggregate, have a material impact on the Company's financial condition, comprehensive income, or cash flows. However, in light of the significant uncertainties involved in these matters and the large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's financial condition, comprehensive income, or cash flows for any given reporting period.

The following is a description of certain litigation and regulatory matters:

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, SunTrust Bank, and other lenders of the \$1.8 billion Millennium Health LLC f/k/a Millennium Laboratories LLC (Millennium) syndicated loan. The Trustee alleges 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. Initially, the Trustee brought claims for violation of the California Corporate Securities Law, the Massachusetts

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Unaudited as of June 30, 2020

Uniform Securities Act, the Colorado Securities Act, and the Illinois Securities Law, as well as negligent misrepresentation and sought 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 on April 12, 2019 and on May 22, 2020, the motion was granted and the Court found that the syndicated loan was not a security. On June 12, 2020, the Trustee filed a motion seeking leave to amend the complaint to file claims against the Company for aiding and abetting insiders' fraud, conspiracy to defraud investors, and negligent misrepresentations and that motion remains pending. As of June 30, 2020 and the issuance date of these financial statements, the matter was still on-going. However, no amounts have been paid or received other than ongoing attorney's fees. Based on the information available, the Company believes the matter will not have a material adverse effect on these financial statements.

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, the Company will indemnify the broker for amounts paid to purchase the security. The maximum potential liability could be equal to the aggregate trading volume of the customers' transactions during the settlement period; however, this amount cannot be estimated due to the volatility in daily trading volumes. The liability is minimized by the fact that, in the event of nonperformance by the customer, the underlying security would be transferred to the Company who would, in turn, immediately liquidate the position, limiting the loss exposure to the market fluctuation in the underlying price of the security. Additionally, the Company may seek recourse from the customer by reimbursing itself from any cash or securities in the defaulting customers' account. The Company believes that it is unlikely it will have to make material payments under this arrangement and has not recorded any loss or contingent liability in the financial statements for this indemnification. The clearing agreement expired May 2020 but is still in effect as the new agreement is in process.

The Company utilizes Fixed Income Clearing Corporation (FICC) for trade comparison, netting and settlement of fixed income securities. The SEC mandates that its members provide FICC with a committed liquidity resource (CCLF). FICC, a designated systematically important financial market utility, needs the CCLF to help meet its cash settlement obligations in the event of a default of the Government Securities Division (GSD) netting member to which FICC has the largest exposure in extreme but plausible market conditions. In the event of a GSD netting member default, FICC would first obtain liquidity through its other available non-CCLF liquidity resources. These resources include cash and securities in the GSD's clearing fund, uncommitted repurchase transactions using the securities that were destined for delivery to the defaulting netting member, and uncommitted bank loans. In the event that these other liquidity resources

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Unaudited as of June 30, 2020

were insufficient to meet FICC's clearing counterparty obligations to the GSD's non-defaulting netting members, FICC would initiate CCLF repurchase transactions with the GSD's non-defaulting netting members up to a pre-determined capped amount to make up the shortfall in liquidity and meet GSD's financial obligations as a central counterparty clearing house. To the extent that FICC initiates a CCLF transaction, the term of the repurchase will be overnight subject to 30 calendar day maximum duration for U.S. Treasuries and 60 calendar day maximum duration for mortgage-backed securities. FICC will use a rule-based approach to allocate CCLF obligations, with those netting members that place a higher liquidity burden on FICC responsible for a larger share of the CCLF. FICC apprises the Company of its share of the maximum funding need for CCLF on a monthly basis. The Company's CCLF requirement varies on a month to month basis and is based on GSD's peak liquidity needs from the previous six months, assuming that the potential defaulting netting member is also GSD's largest CCLF contributor. The Company believes that it is unlikely it will have to be counterparty to potential CCLF repurchase transactions under this agreement and has not recorded any contingent liability in the financial statements for this SEC rule change. As of June 30, 2020, the Company had a current CCLF requirement, from FICC, of \$169 million.

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 June 30, 2020, the Company had net capital, as defined, of \$704.6 million, which was \$703.5 million in excess of the required net capital.

Supplemental Information

SunTrust Robinson Humphrey, 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

June 30, 2020
(In Thousands)

Computation of net capital

Total shareholder's equity	\$ 1,237,386	
Total capital and allowable subordinated borrowings	1,237,386	
Deductions and/or charges:		
Nonallowable assets:		
Goodwill and other intangibles, net of accumulated amortization	148,059	
Accrued interest, receivables, and other assets	144,347	
Deferred taxes	16,579	
Furniture, equipment, and leasehold improvements, net of accumulated depreciation	13,942	
Total nonallowable assets	322,927	
Other deductions or charges	21,718	344,645
Net capital before haircuts on securities positions		892,741
Open contractual commitments	43,459	
Haircuts on securities:		
Corporate debt obligations	125,848	
U.S. government and agency obligations	14,444	
State and municipal obligations	1,276	
Stocks and warrants	26	
Other securities	3,092	188,145
Net capital		\$ 704,596

Computation of alternative net capital requirement

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)	1,088
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Excess net capital \$ 703,508

Net capital in excess of 5% of aggregate debit items or 120% of the net capital requirement if greater \$ 702,690

There are no material differences between this computation and the Company's amended unaudited Financial and Operational Combined Uniform Single ("FOCUS") Report as of June 30, 2020, filed on July 24, 2020.

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

June 30, 2020
(In Thousands)

Credit balances:	
Customer-related fails to receive	\$ 36,652
Market value of short securities and credits in all suspense accounts over 30 calendar days	<u>20,488</u>
Total credit balances	<u>\$ 57,140</u>
Debit balances:	
Customer-related fails to deliver	<u>38,103</u>
Gross debits	38,103
Less 3%	<u>(1,143)</u>
Total debit balances	<u>\$ 36,960</u>
Reserve computation:	
Excess of total credits over total debits required to be on deposit in the "Reserve Bank Account"	<u>20,180</u>
Amount on deposit in the "Reserve Bank Account" at June 30, 2020	<u>\$ 30,319</u>

There are no material differences between this computation and the Company's amended unaudited Financial and Operational Combined Uniform Single ("FOCUS") Report as of June 30, 2020 filed on July 24, 2020.