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June 3, 2019

VIA E-APPS

Mr. Adam M. Drimer
Assistant Vice President
Federal Reserve Bank of Richmond
701 East Byrd Street
Richmond, VA 23219

Re: Response to Additional Information Requests on the Application of BB&T Corporation to Acquire by Merger SunTrust Banks, Inc., SunTrust Bank Holding Company and SunTrust Bank

Dear Mr. Drimer:

This relates to the application (the "Application") that BB&T Corporation ("BB&T") submitted to the Board of Governors of the Federal Reserve System (the "Board") and the Federal Reserve Bank of Richmond (the "Reserve Bank," and together with the Board, the "Federal Reserve"), for prior approval to acquire by merger SunTrust Banks, Inc. ("SunTrust") and its subsidiary bank, SunTrust Bank, pursuant to sections 3(a)(3) and (5) of the Bank Holding

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Company Act, as amended (the “Proposed Transaction”). In particular, this submission responds to the requests for additional information that staff of the Board emailed to me on May 17, 2019 (the “AI Request”).

The items in the AI Request are repeated in the Appendix and Confidential Appendix in bold type with BB&T’s and SunTrust’s response following each item. Accompanying this letter and the appendices are: the Public Exhibits Volume and the Confidential Exhibits Volume.

Confidential Treatment Request. Confidential treatment is respectfully requested under the federal Freedom of Information Act, 5 U.S.C. § 552 (“FOIA”), and the Board’s implementing regulations for the information contained in the Confidential Exhibits Volumes (the “Confidential Materials”). The Confidential Materials include, for example, nonpublic pro forma financial information, information regarding the business strategies and plans, and certain personnel decisions of (i) BB&T and its subsidiary bank, Branch Banking and Trust Company (“Branch Bank”), and (ii) SunTrust and SunTrust Bank, and other information regarding additional matters of a similar nature, the public disclosure of which would result in substantial competitive harm to these companies and banks. None of this information is the type of information that would otherwise be made available to the public. Certain information in the Confidential Materials also includes private financial information of customers of BB&T, SunTrust or their affiliates or confidential supervisory information, both of which are statutorily protected from disclosure. Other exemptions from disclosure may also apply. In addition, potential investors could be influenced or misled by such information, which is not reported in any documents filed or to be filed in accordance with the disclosure requirements of applicable securities laws, as a result of which BB&T or SunTrust could be exposed to potential inadvertent violations of law or exposure to legal claims. Accordingly, confidential treatment is respectfully requested with respect to the Confidential Materials under 5 U.S.C. § 552(b) and the Board’s implementing regulations.

Please contact me or Richard K. Kim at (212) 403-1354 before any public release of any of this information pursuant to a request under FOIA or a request or demand for disclosure by any governmental agency, congressional office or committee, court or grand jury. Such prior notice is necessary so that BB&T, Branch Bank, SunTrust and SunTrust Bank may take appropriate steps to protect such information from disclosure.

* * * * *

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If you have any questions about this submission or confidential treatment request, please do not hesitate to contact me, Richard K. Kim or my colleague Amanda K. Allexon at (212) 403-1134.

Sincerely,



Patricia A. Robinson

Enclosures

cc:

Michael J. Dean, Federal Deposit Insurance Corporation
Ray Grace, North Carolina Office of the Commissioner of Banks
Kevin B. Hagler, Georgia Department of Banking and Finance

(by email)

Richard L. Packard, Federal Deposit Insurance Corporation
Patrick D. Brennan, North Carolina Office of the Commissioner of Banks
Oscar B. Fears, III, Georgia Department of Banking and Finance
Murali Ramachandran, Georgia Department of Banking and Finance
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Ellen M. Fitzsimmons, SunTrust Banks, Inc. and SunTrust Bank
A. Michelle Willis, SunTrust Banks, Inc. and SunTrust Bank
Matthew M. Guest, Wachtell, Lipton, Rosen & Katz
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Eric M. Feinstein, Wachtell, Lipton, Rosen & Katz
Mitchell S. Eitel, Sullivan & Cromwell LLP
Michael T. Escue, Sullivan & Cromwell LLP
Yael R. Tzipori, Sullivan & Cromwell LLP

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APPENDIX

- 1. Provide an updated workplan for integration planning activities, as well as an overall summary of the status of integration planning. The workplan should identify workstreams, participants, inputs, milestones, and decision points. Where appropriate, highlight the involvement of risk and compliance professionals in the integration planning process.**

For responsive information, please see Confidential Exhibit A.

- 2. In connection with the additional information response letter dated April 16, 2019 (“April 16 Letter”), BB&T and SunTrust indicated that they are considering engaging an experienced consulting firm to conduct an analysis of the banks’ branch networks to make initial recommendations for closures and consolidations. Provide an update on the banks’ efforts to identify potential branch closures and consolidations, including an update on discussions surrounding engaging a consulting firm to conduct this initial analysis. In addition, provide a copy of the overlap analysis performed by RBC Capital Markets, LLC and BB&T.**

BB&T and SunTrust anticipate that decisions with respect to branch consolidations and closings will not be made until after consummation of the Proposed Transaction.

Since the preliminary analysis mentioned in the April 16 Letter, BB&T has focused on refining the scope of the third-party consultant engagement and reviewing vendor proposals. BB&T and SunTrust currently are reviewing proposals from different third-party consultant firms to: (i) conduct an analysis of Branch Bank’s and SunTrust Bank’s respective branch and ATM networks and (ii) make recommendations on rationalizing and optimizing the branch and ATM networks of the combined bank. Selection of the third-party consultant firm is expected to occur in June. It is currently anticipated that the third-party consultant would complete its work and deliver a branch and ATM network optimization plan together with models supporting the plan’s recommendations late in the third quarter or early in the fourth quarter of 2019.

After receipt of the consultant’s recommendations, the combined company must validate the models and perform its own further analyses of the plan’s recommendations, taking into account all of the factors that BB&T and SunTrust each currently use in analyzing potential branch consolidations and closures, which were discussed in BB&T’s April 16 Letter. These factors include, but are not limited to, Community Reinvestment Act (“CRA”) performance and fair banking considerations, real estate and facilities analysis, and financial/business case factors. During this phase, regional leadership of the combined bank will also be consulted on the validity of recommendations. This internal analyses phase of the branch optimization process is expected to take an

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additional two to four months after consummation of the Proposed Transaction. Once such internal analyses are completed, recommendations of branch and ATM consolidations and closures will be provided to executive management of the combined company for review.

As requested, a copy of the preliminary branch overlap analysis conducted by RBC Capital Markets, LLC is provided in Confidential Exhibit B, and a copy of preliminary initial branch overlap analysis conducted by BB&T is provided in Confidential Exhibit C.

3. **In the April 16 Letter, BB&T provided a high-level overview of plans for the combined institution's approach to risk management. BB&T indicated that a more detailed enterprise risk management blueprint for the combined company would likely be available by the end of April. Provide this blueprint or indicate the date by which it will be made available to the Board.**

Management has completed the high-level blueprint design of the risk management organization for the combined company and bank. The blueprint is described below.

The overall organization of the *pro forma* risk framework is designed to ensure comprehensive risk management for the organization. Management also will have a governance and committee structure to provide formal oversight and governance of the risk framework and provide a mechanism for risk escalation to executive management and the board of directors. Additional information about the risk management organization is provided in Confidential Exhibit D.

The risk management organization will report to the Chief Risk Officer (the "CRO") and Deputy Chief Risk Officer (the "Deputy CRO"). Part of the executive management commitment to maintaining a strong risk management organization is utilizing the CROs from both BB&T and SunTrust in the combined company. The BB&T CRO, Clarke Starnes, will lead the new risk management organization of the combined company as its CRO and the SunTrust CRO, Ellen Koebler, will be the Deputy CRO. This results in a strong executive leadership team for the combined company's risk management organization. The CRO will report administratively to the Chief Executive Officer and will have direct reporting to the Risk Committee of the combined company's board of directors, consistent with the Federal Reserve's enhanced prudential standards set forth in Regulation YY.¹

In providing the risk functions designated in Confidential Exhibit D with direct reporting to the CRO and Deputy CRO, the blueprint for the combined company's risk

¹ 12 CFR 252.33(b)(3)(ii).

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organization is designed to ensure that these risk functions have appropriate stature in the organization to provide effective independent challenge and risk oversight. At the forefront of BB&T's and SunTrust's decision-making is the desire to build a comprehensive, highly integrated risk management organization that provides effective risk management that allows the combined company to take advantage of strategic opportunities while consistently meeting the regulatory requirements and supervisory expectations of a large banking organization and operating within the risk appetite parameters approved by the board of directors. Key tenets of the company's new risk management framework will be:

- *Strong risk management in the revenue-generating business units and corporate support functions.* For each line of business (“LOB”) and corporate support function, Business Unit Risk Managers (“BURMs”) will lead teams in core areas of risk and controls, effectiveness testing, monitoring, reporting, training and implementation where applicable and ensure business units operate within Enterprise Risk Policies and Procedures.
- *Business Unit Chief Risk Officers (“BU CROs”) aligned with the risk functions in the combined company's risk management organization to engage across the full spectrum of risks.* BU CROs will provide appropriate independent oversight, challenge, and governance of risk-taking activities while supporting achievement of business strategies.
- *Comprehensive enterprise risk management programs led by highly skilled risk program experts.* Risk Program Owners will be responsible for developing risk program policies and frameworks to be executed within established risk appetite and limits, provide oversight of program execution and authorize credit approvals.

4. In the April 16 Letter, BB&T noted that “management is considering whether to recommend to the combined company’s board of directors that . . . specific components of the overall compliance program, namely compliance with Bank Secrecy Act and Anti- Money Laundering [(“BSA/AML”)] legal requirements . . . should be managed as a stand-alone risk program with direct reporting and accountability to the [Chief Risk Officer (“CRO”)] and [board risk committee].” Provide an update on management’s views on this issue and explain how the BSA/AML compliance infrastructure will be organized at the combined institution. In your response, specifically address the following considerations:

- a. In its BHC Act application, BB&T noted that it has established a financial crimes function that centralizes BSA/AML and Office of Foreign Assets Control (“OFAC”) compliance activities, and that the roles of Chief Compliance Officer and BSA/AML/OFAC Officer were separated with each**

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reporting to the CRO. Will the combined institution maintain such a structure? If not, provide detail regarding reporting lines among management with respect to such activities.

In 2016, BB&T separated the BSA/AML/OFAC Officer role from the Chief Compliance Officer role, with both roles reporting to the CRO. Also in 2016, with the hire of a new and highly experienced BSA/AML Officer, BB&T created the Financial Crimes program to further centralize the BSA/AML and OFAC functions.

The roles and functions of the BSA/AML/OFAC Officer and the Chief Compliance Officer will continue to be separate and each will continue to report to the CRO at the combined company after consummation of the Proposed Transaction. Enterprise Compliance (headed by the Chief Compliance Officer) and the Financial Crimes program (headed by the BSA/AML/OFAC Officer) will each report directly to the CRO. In the combined company, the Financial Crimes program will continue to centralize BSA/AML/OFAC compliance, with the addition of fraud management, and eventually cyber investigations.

The Financial Crimes program will be a critical component of the overall combined institution's Compliance program. Given the importance of maintaining an effective risk management program and complying with all applicable laws and regulations, the Financial Crimes program's positioning directly under the CRO will signify the important stature of the program in the combined institution, as well as provide channels for direct executive management oversight. The Financial Crimes program will report to management-level risk committees and Financial Crimes program-related risks will be included in reporting with regard to overall compliance risk for the combined institution.

- b. In its BHC Act application, BB&T noted that its board of directors has a special purpose BSA/AML Oversight Committee to provide board-level oversight of BB&T's AML program. Will the board of the combined institution retain such a committee? If not, explain which board committee will provide oversight of the combined institution's BSA/AML/OFAC program. In addition, discuss planned reporting lines and escalation paths to the combined institution's board of directors with respect to BSA/AML/OFAC compliance activities.**

The Special Purpose BSA/AML Oversight Committee (the "Committee") will continue until after consummation of the Proposed Transaction for a period of time determined to be appropriate by the board of directors of the combined institution. At all times, BSA/AML/OFAC will be overseen by the combined

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company's risk function, with the BSA/AML/OFAC Officer reporting to the CRO and the CRO reporting to the Risk Committee of the board of directors as described above. Following consummation of the Proposed Transaction, the board of directors of the combined company will assess whether the Committee should continue to provide an additional layer of board oversight of BSA/AML/OFAC matters or whether the Committee should be dissolved, in which case the Risk Committee will remain the board committee providing oversight of BSA/AML/OFAC matters.

While the Committee remains in place, the BSA/AML/OFAC Officer will continue to report directly to the Committee. If the Committee is ultimately dissolved, the CRO will report on BSA/AML/OFAC matters directly to the Risk Committee (with the BSA/AML/OFAC Officer reporting directly to the CRO as provided above). BSA/AML/OFAC matters will also be included in the reporting of overall compliance risk by the Chief Compliance Officer to appropriate management committees, the Risk Committee of the board of directors and the full board of directors of the combined entity.

- 5. In the April 16 Letter, BB&T indicates that the combined company will adopt a comprehensive written statement that articulates its risk appetite and serves as the basis for the risk governance framework immediately upon consummation. When available, provide a draft of such statement to the Board.**

A draft of the risk appetite statement for the combined company will be provided to the Board when available. A summary of the high-level milestones for the development and adoption of the risk appetite statement is provided below:

June 2019

Executive management of BB&T and SunTrust will conduct a meeting with the boards of directors of BB&T and SunTrust on the risk framework expectations, board and management risk governance expectations, the design of the risk management framework and risk organizations, and risk appetite topics related to the use of a risk appetite framework by the combined company. Executive management of BB&T and SunTrust will also discuss with the respective boards' foundational risk appetite principles for the combined company based upon management communications about the merger of equals with investors and the existing risk appetite metrics currently used by each company. This discussion will help executive management develop the enterprise risk appetite framework for the combined company. Executive management has also established a high-level plan, described below, for the phased

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enterprise-wide implementation of the risk appetite framework after the closing of the Proposed Transaction. The expectation is that the development and implementation of the risk appetite framework will occur in two phases. The first phase will be immediately focused at the enterprise level with the second phase expanding to cover all LOBs and corporate support functions.

**Phase 1
post-close**

Executive management will propose an enterprise risk appetite framework for the combined company to the board of directors for approval. This framework will include an enterprise-level risk appetite statement that describes acceptable levels of exposure for each type of risk the combined company will manage. The enterprise risk appetite framework will also include the risk metrics used to monitor and report on the risk profile for the proposed company at the enterprise level.

**Phase 2
post-close**

Executive management will develop and propose to the board the comprehensive risk appetite framework for each LOB and corporate support function and the metrics for tracking their respective risk profiles, which will be aligned with the combined company's risk appetite statement. Once fully implemented, the combined company's risk appetite framework will enable effective quantitative and qualitative measurement and aggregation of exposure levels against the established risk appetite at the LOB and enterprise levels.

- 6. In the April 16 Letter, BB&T indicates that a high-level blueprint of the compliance risk management of the combined institution would likely be available by the end of April. Provide this blueprint or indicate the date by which it will be made available to the Board.**

Emma Waddell has been named Chief Compliance Officer of the combined company and, in that role, will report directly to the CRO. A high-level blueprint of the compliance risk management structure and organization for the combined company will be provided to the Board after Ms. Waddell has an opportunity to conduct more detailed planning, including selection of leaders who will be the officer's direct reports and developing the functional descriptions of their roles.

The Chief Compliance Officer's role at the combined company is under development but will include promoting a strong culture of compliance across the entire

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organization. This will include all business lines, support units, legal entities and jurisdictions of operation. The model for the Chief Compliance Officer position will align with the Federal Reserve's Supervisory Letter on "Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles," SR 08-8/CA 08-11, and the principles outlined in the compliance publications of the Basel Committee on Banking Supervision.

The Chief Compliance Officer will oversee the implementation of an enhanced firm-wide compliance risk management program that includes program oversight for compliance with all laws, rules and regulations and regulatory guidance, including compliance with policies and procedures. The Chief Compliance Officer and team will have responsibility for identifying, assessing, controlling, measuring, monitoring and reporting all compliance risks across the organization and measuring the risks to ensure they are aligned with the combined company's compliance risk appetite processes. In addition to reporting to the CRO, the Chief Compliance Officer will report to appropriate risk management committees, the combined company's Risk Committee and to the combined company's full board of directors.

7. Provide an overview of the planned governance structure of the combined institution's board of directors, including board committees and their respective mandates. Describe reporting lines and escalation paths from management and management committees to the board and board committees.

As previously disclosed, the combined company initially will have a board of 22 directors, with 11 from SunTrust and BB&T, including Mr. King and Mr. Rogers. The individual directors making up the full board of the combined company will be identified in the final proxy statement filed with the Securities Exchange Commission (the "SEC") requesting shareholder approval of the proposed merger. An integration group comprised of board leaders from each company has been meeting regularly for planning and integration purposes.

Each of BB&T and SunTrust has four core board committees, covering (i) compensation, (ii) audit, (iii) risk and (iv) nominating and governance matters. The combined company will maintain, at a minimum, these board committees, in accordance with New York Stock Exchange, SEC and Federal Reserve and other regulatory requirements, and will also maintain the Special Purpose BSA/AML Oversight Committee as described in response to Item 4(b) above. In addition, BB&T and SunTrust are exploring additional approaches to reflect the expected profile and risks of the combined company and bank, including the possibility of creating a technology committee to oversee technology strategy and related risk. The combined bank will also retain a trust committee and an audit committee in accordance with FDIC regulatory requirements and guidance.

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As discussed above in response to Item 3, the CRO will report administratively to the Chief Executive Officer and will have direct reporting to the Risk Committee of the combined company's board of directors. As noted in response to Item 4(b), while the Special Purpose BSA/AML Oversight Committee remains in place, the BSA/AML/OFAC Officer of the combined company will continue to regularly report to the Committee as well as the full board of directors, when necessary.

The mandates of each of these committees will derive from their committee charters as well as the articles of incorporation and bylaws of the combined company and related corporate governance guidelines. In connection with integration planning, board leaders from both companies have agreed that the combined company will design its governance structure based on best practices of similarly sized peers rather than relying on the structures in place at either BB&T or SunTrust on a standalone basis. Accordingly, new committee charters and corporate governance guidelines will be prepared for the combined company board's approval following completion of the merger; however, it is anticipated that the core concepts outlined in the existing companies' committee charters will carry through to the charters of the combined company in all material respects.

The proposed amendment to BB&T's bylaws setting forth, among other things, the composition of the combined company board following completion of the Proposed Transactions formed a part of the merger agreement between BB&T and SunTrust and was submitted to the Federal Reserve with the Application. In all other material respects, the articles of incorporation and bylaws currently in effect for BB&T will be in effect for the combined company as of the closing of the Proposed Transaction.

Reporting lines and escalation paths from management and management committees to the board of directors and board committees will be finalized as the structure of the combined company is finalized. Although BB&T and SunTrust executive management anticipate there may be some adjustments in reporting lines for certain roles, in the aggregate, they anticipate access by management to the board will be substantially similar to that which exists at SunTrust and BB&T today. For example, (i) the Chief Human Resources Officer and senior management compensation committees will interface with the Compensation Committee; (ii) the Chief Financial Officer and General Auditor will interface with the Audit Committee, (iii) the CRO and executive risk committees will interface with the Risk Committee and (iv) the Corporate Secretary will interface with the Nominating and Governance Committee. In addition, the risk and audit functions will continue to have the ability and expectation of direct interaction with the board or directors, as is the case for each of SunTrust and BB&T today.

Of course, the above plans cannot be implemented by the board of the combined company until the proposed merger is consummated.

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8. **BB&T noted that it expected to announce a high-level framework and the key individuals who would be responsible for the CRA and consumer compliance programs at the combined institution on April 30, 2019. Provide additional details regarding this framework and the key individuals who will be part of the CRA and consumer compliance programs or indicate the date by which this information will be made available to the Board.**

Sharon Jeffries-Jones will serve as the combined company's Director of CRA and Community Development and report directly to the combined company's Chief Legal Officer, Ellen Fitzsimmons. Ms. Jeffries-Jones currently serves as BB&T's Director of CRA and Community Development. Following this recent announcement, Ms. Jeffries-Jones has begun planning the combined bank's CRA compliance framework and senior leadership team. Information about the CRA compliance framework and identification of the CRA senior leadership team will be available when Ms. Jeffries-Jones has had an opportunity to conduct more detailed planning, including selection of leaders who will be her direct reports, the functional descriptions of their roles and other organizational planning aspects.

As discussed in the response to Item 6 above, Emma Waddell will serve as the combined company's Chief Compliance Officer and report directly to the combined company's CRO, Clarke Starnes. Ms. Waddell currently serves as the Chief Compliance Officer at SunTrust. Information about the compliance framework and selected senior leadership team will be provided to the Board after Ms. Waddell has had an opportunity to conduct more detailed planning, including selection of leaders who will be the officer's direct reports, the functional descriptions of their roles and other organizational planning aspects. The ongoing senior leadership selection process has identified a pool of highly qualified and experienced candidates who are being considered for the roles under development.

9. **In its BHC Act application, BB&T provided a high-level discussion of how the combined organization would prepare to meet additional regulatory requirements and expectations applying to bank holding companies with consolidated assets in excess of \$250 billion, including the requirements of SR 15-18 (Federal Reserve Supervisory Assessment of Capital Planning and Positions for LISCC Firms and Large and Complex Firms). Items noted included the organization's CCAR Enhancements Project, and the internal audit function's SR 15-18 preparation efforts. In view of proposed merger's immediate effect of increasing the organization's consolidated assets to more than \$400 billion, please provide a more detailed and up-to-date discussion of the organization's planning and preparedness efforts, including with respect to the allocation of resources. Provide supporting documentation as appropriate.**

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Risk Oversight of Compliance with Regulations Applicable to Banks with Total Assets Greater Than \$250 Billion

The Risk Integration Oversight team with members from BB&T and SunTrust has been established to provide second-line oversight of the merger of equals (“MOE”) integration activities. This is a dedicated team of risk professionals currently working on the initiatives on a full-time basis. The team coordinates risk coverage (including Compliance) of all merger integration activities of the Strategic Transformation Office, which is a team of BB&T and SunTrust members responsible for risk oversight and effective challenge of the planning and execution of the integration plan. The team monitors consistency in approach to risk identification and risk mitigation, and tracks progress in meeting higher regulatory expectations for the combined company. The team will document risk issues identified through the risk oversight activities and provide follow-up and escalation of risk issues until risks are remediated. A consolidated view of the plans, timelines, key risks and achievements will be shared regularly with the executive management and the board of directors of the combined company after consummation, and the respective executive management and boards of BB&T and SunTrust before consummation, of the Proposed Transaction. These plans will be shared confidentially with Board staff in meetings as part of the regular supervisory process.

Capital Planning Activities

Annually, BB&T undertakes efforts to improve its capital planning processes and control environment, including in connection with CCAR. The improvements undertaken in the past year include: process improvements, control enhancements, implementation of automation, documentation enhancements and employee training. Numerous enhancements were successfully implemented for CCAR 2019, with additional improvements scheduled to be implemented for CCAR 2020. With the total consolidated assets of the combined company projected to exceed \$250 billion, executive management is currently evaluating additional resource needs, process changes, and policy and procedure updates so that the combined company will be prepared to meet the additional regulatory requirements and expectations, including the requirements of the Federal Reserve’s Supervisory Letter on “Federal Reserve Supervisory Assessment of Capital Planning and Positions for LISC firms and Large and Complex Firms,” SR 15-18. Senior management is currently in the planning stages and focused on establishing the detailed plans to address relevant areas of work, including enhancements to documentation and governance, in addition to the plans to submit a combined capital plan and stress test results for CCAR 2020.²

² On May 7, 2019, BB&T, on behalf of BB&T and SunTrust, submitted a combined capital plan and stress test results to the Federal Reserve Board as part of the regulatory application process.

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Further, executive management is in the planning stages for a fully-integrated capital adequacy plan and stress test process. Upstream dependencies include selection of processes and systems which are to be used in the capital processes for the combined company for data aggregation and reporting needs that feed stress testing models and processes. Executive management has selected Moody's Analytics as the vendor and begun discussions around other process considerations to prepare for process convergence post-close. Consideration for model enhancements and requirements for the combined company have commenced, and model development will begin once key system and process decisions are finalized. Executive management expects that enhancements to risk identification, scenario development and production processes will be enhanced for CCAR 2020. These enhancement plans are still being developed. The process has begun to pull together the two processes to make them more integrated and complementary to each other.

Risk Oversight of Capital Planning

Senior management is conducting a review of the resources necessary to provide oversight of capital planning processes. The overall risk management organization will include a Corporate Functions CRO with responsibilities for the oversight of capital planning. This position will provide oversight and effective challenge by the second-line of defense to the capital planning process. Senior management's design of oversight enhancements will take into account the blueprint of the enterprise risk framework and risk management and risk oversight expectations to build a comprehensive and integrated capital oversight function that provides executive management and the board assurance of the effectiveness of controls for capital planning. Further determination of resources will be established as the organization design advances.

Audit Planning for SR 15-18

BB&T has implemented a robust and comprehensive Capital Adequacy Process ("CAP") audit program in alignment with requirements of the Federal Reserve's Supervisory Letters on "Supplemental Policy Statement on the Internal Audit Function and Its Outsourcing," SR 13-1, and "Federal Reserve Supervisory Assessment of Capital Planning and Positions for Large and Noncomplex Firms," SR 15-19. As part of this program, BB&T Audit Services has developed and documented a strategy outlining its comprehensive capital planning audit coverage. The strategy document establishes BB&T Audit's approach to evaluate all CAP processes and controls, including governance and oversight, supporting BB&T's CAP. The CAP audit program also includes a CAP audit universe, which includes all CAP-related processes. In addition to the CAP audit strategy and CAP audit universe, a CAP three-year audit plan is in place. The three-year plan outlines the timing of audits and reviews covering all CAP processes, and loss estimation models (credit and pre-provision net revenue).

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Reporting to the board and senior management includes a well-supported opinion of the capital planning process and a statement of the effectiveness of controls, governance and oversight, supporting capital planning. Reporting also includes areas of heightened risk and CAP process limitations. Reporting is conducted, at a minimum, four times per CAP cycle with a recent frequency of six times per CAP cycle.

In addition, an annual skills assessment process has been implemented to ensure the audit function has the collective capital planning skills necessary to execute the capital planning-related audit plan.

The audit requirements of the Federal Reserve's Supervisory Letter on "Federal Supervisory Assessment of Capital Planning and Positions for LISCC Firms and Large and Complex Firms," SR 15-18, will be reviewed and identified gaps will be documented along with associated remediation plans. The basis for the combined audit process will be the BB&T CAP audit process with potential enhancements from the SunTrust CAP audit process. The CAP audit strategy and CAP audit universe will be updated to include additional processes and controls, if any, within the combined entity. CAP Assurance Coverage policies, standards and procedures will be updated and employee skill assessments will be analyzed to confirm whether skills are adequate to provide effective coverage of the updated audit universe, processes and controls. The approach to identifying, rating, tracking and monitoring of issues and heightened risk for reporting to senior management and the board of directors will be consistent with current processes. BB&T and SunTrust will continue to focus on the need for quantitative skills in auditing the CAP. While these quantitative competencies currently exist within BB&T's and SunTrust's respective audit teams, they plan to evaluate and assess the potential need for additional quantitative skills to ensure appropriate audit coverage of CAP models. Additionally, the audit plan and engagements will address the heightened expectations noted in SR 15-18 with audits incorporating effective challenge and substantive testing to these requirements. Resources will be allocated based on the updated CAP audit universe and audit plan.

- 10. Provide the following information for insurance premium financing activities by BB&T and SunTrust:**
 - a. Total commissions and premiums, for property and casualty policies (differentiating between commercial and personal lines) and life insurance policies;**
 - b. Five largest customers, for property and casualty policies (differentiating between commercial and personal lines) and life insurance policies;**

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c. Three largest competitors, for property and casualty policies (differentiating between commercial and personal lines) and life insurance policies.

BB&T engages in insurance premium financing through certain subsidiaries of Branch Bank, including Prime Rate Premium Finance Corporation, Inc. and its subsidiaries, AFCO Credit Corporation, CAFO Holdings Company and Prime Rate Premium Finance of California Inc.³

At this time, BB&T does not engage in financing insurance premiums for life insurance and only a *de minimis* amount for personal property and casualty insurance. Therefore, the responses below relate to financing of premiums for commercial property insurance, unless otherwise stated.

- a. Please see Confidential Exhibit G.
- b. Please see Confidential Exhibit G.
- c. BB&T's three largest competitors in insurance premium financing are: Imperial PFS Corp. (privately owned), FIRST Insurance Funding (a division of Lake Forest Bank & Trust Company, N.A., which is a subsidiary of Wintrust Financial Corporation) and BankDirect Capital Finance, LLC (a division of Texas Capital Bank, N.A.).

11. You indicated that you were developing a community benefits plan in connection with the proposed merger. Please confirm that any such community benefits plan will be made publicly available when finalized.

BB&T and SunTrust will jointly and publicly announce the community benefits plan. They are diligently developing the community benefits plan with input from the listening sessions they held during March and April (in Winston-Salem, Philadelphia, Baltimore, Richmond, Ft. Lauderdale and Atlanta) and the public meetings jointly held by the Board and the FDIC on April 29 in Charlotte and on May 3 in Atlanta. The goal of BB&T and SunTrust is to publicly announce the community benefits plan by the end of June.

12. To the extent not already addressed in your letter submitted to the Federal Reserve Bank of Richmond dated April 23, 2019, please respond to the concerns raised at each of the public meetings held on April 25, 2019, at the Charlotte Branch of the Federal Reserve Bank of Richmond and on May 3, 2019, at the Federal Reserve Bank of Atlanta and to the concerns raised in written comments to the Board with respect to the proposed transaction.

³ AFCO Credit Corporation has one subsidiary, AFCO Acceptance Corporation, and CAFO Holdings Company has one subsidiary, CAFO Inc.

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Responsive information is found in BB&T's submissions to the Reserve Bank dated April 23, 2019 and May 20, 2019.

13. Confirm that SunTrust has provided, or intends to provide, prior notice for voluntary liquidation of SunTrust International Banking Company pursuant to 12 CFR 211.7.

SunTrust provided prior notice for the voluntary liquidation of SunTrust International Banking Company pursuant to 12 CFR 211.7 by letter dated May 30, 2019. The dissolution documents are prepared and ready for filing in July 2019 after the notice period expires.

14. Provide a detailed update on the status of technology integration planning, including additional information on data center and end-state application selection activities, and plans going forward. Describe BB&T's efforts to ensure a smooth technological transition for existing customers.

Responsive information is provided in Confidential Exhibit A.

15. Discuss BB&T's plan to integrate SunTrust's merchant banking activities into its business, as well as BB&T's plans to ensure compliance with applicable merchant banking regulations.

SunTrust's non-bank affiliate, SunTrust NLIP, Inc., presently conducts merchant banking activity and manages its portfolio company investments pursuant to 12 CFR 225.170 to meet SunTrust customers' solar tax equity financing needs. SunTrust does not otherwise engage in merchant banking activities. In connection with SunTrust's merchant banking activities, SunTrust established and maintains a formal merchant banking compliance program (the "MB Program") and associated policies and procedures. After consummation of the Proposed Transaction, SunTrust NLIP, Inc. will continue as the entity conducting merchant banking activities, unless and until a decision is made to change the merchant banking entity or otherwise restructure the merchant banking activities based on future operational needs. Due to the limited scope of SunTrust's current merchant banking activities and because the MB Program will be incorporated into the combined company's risk management framework (as described further below), the integration of SunTrust's merchant banking activities into the business of the combined company is expected to be straightforward from an operational and compliance perspective.

MB Program compliance oversight will be integrated into the high-level risk management framework provided in response to Item 6 above. The policies and procedures for measuring, monitoring, controlling, auditing and reporting on the risks of the MB Program will also be incorporated into the combined company's risk

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management processes, including its risk assessment process, for seamless performance of risk and compliance requirements. MB-related policies, procedures, internal limits and controls will continue in all substantive respects after consummation of the Proposed Transaction, with such adjustments to roles and responsibilities as may be necessary to align them to the management and operational structure of the combined company. These adjustments are in process of being identified through the integration workstream process.

- 16. Actual and pro forma financial information and capital calculations were provided as of December 31, 2018. Please provide the same financial information and capital calculations updated to reflect March 31, 2019 data, on parent company-only, consolidated holding company, and bank level bases. The financial statements submitted in response to this request should reflect the same level of detail as the financial statements provided in the original application, including relevant adjustments and explanatory footnotes.**

The requested information is provided in Exhibit 3 and Confidential Exhibit E.

- 17. For BB&T, provide actual and pro forma internally classified asset information (in dollar amount totals), as of March 31, 2019, on both a consolidated and bank level basis, comprised of the separate categories of substandard, doubtful, and loss (with relevant components of OREO, separately identified in each category).**

The requested information is provided in Exhibit 4 and Confidential Exhibit E.

- 18. For SunTrust, provide the same internally classified asset information as of March 31, 2019, as requested for BB&T above (pro forma information is not necessary).**

The requested information is provided in Exhibit 4 and Confidential Exhibit E.