

House Financial Services Committee

Written Statement of Kelly S. King

Chairman and Chief Executive Officer

BB&T Corporation

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Chairwoman Waters, Ranking Member McHenry and distinguished members of the Committee. Thank you for providing this opportunity to talk about the proposed merger between BB&T and SunTrust banks.

### **Benefits of the Merger for All Customers**

The combination of these two iconic franchises is a true merger of equals. Bringing together two companies with client-centric cultures and compatible business models will create a stronger organization that is strategically positioned to meet the evolving needs of customers. By bringing the best of both companies together, we will be creating the premier financial institution of the future.

Our goal is to produce a bold, transformative organization that delivers a smarter and easier client experience through technology and human connection while embracing new technologies. The combined company will maintain a culture of delivering superior customer service, preserve the community banking model and maintain close ties to our communities. Both of our institutions are strong, and together we can create tremendous value for our clients, associates, communities, and shareholders.

True to the heritage of both companies, the combined company will operate under a new name and brand, Truist. Truist will reflect what we stand for – a shared belief in building a better future for our clients and communities.

For more than ten years, I have been very proud to lead BB&T, a mission and a purpose-driven company that has honorably served our clients and the communities where we conduct business for more than 145 years.

Our mission at BB&T has long been a simple one: to make the world a better place to live.

We accomplish that objective by helping our clients achieve economic success and financial security; by creating a place where our associates can learn and grow and be fulfilled in their work; and by fostering investment and economic growth that support local communities.

SunTrust lives these values as well.

### **Commitment to Communities**

Our companies share a belief that our economic success is inextricably tied to the success of the communities in which we operate. For the last decade, BB&T's associates have participated in an annual community service effort called the BB&T Lighthouse Project. Since 2009, we have completed more than 12,000 community service projects, providing more than 640,000 volunteer hours, positively impacting

the lives of more than 18 million people. This is the type of spirit for bringing about positive change in our community that will guide and inform our new company.

Accordingly, BB&T and SunTrust recently announced a new Community Benefits Plan that would provide \$60 billion in loans and investments to low- and moderate-income borrowers and communities over three-years from 2020 to 2022.

The \$60 billion commitment includes \$31 billion for home mortgage loans to LMI borrowers, \$7.8 billion for lending to small businesses, \$17.2 billion in Community Development Lending to support affordable housing development, and \$3.6 billion in CRA Qualified Investments and Philanthropy. Additionally, the combined company plans to further the legacy institutions' commitments to underserved neighborhoods by seeking to open at least 15 new branches in LMI and majority-minority communities across its future footprint.

The support provided through the Truist Community Benefits Plan will benefit communities across the combined institution's footprint in Alabama, Arkansas, D.C., Florida, Georgia, Indiana, Kentucky, Maryland, Mississippi, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and West Virginia.

The Community Benefits Plan is a direct result of input received during listening sessions that BB&T and SunTrust hosted in metro and rural communities around the combined institution's forecasted geographies, as well as from comments shared during public meetings regarding the proposed merger. The Community Benefits Plan exemplifies what Truist will stand for and how it will support local communities in the years to come.

BB&T consistently receives an "Outstanding" rating from the FDIC during its annual evaluation of the bank's Community Reinvestment Act (CRA) performance. Additionally, the combined company will strive to maintain that rating while increasing the level of CRA lending, investment and service activities throughout the combined company's footprint, relative to the activity levels of BB&T and SunTrust Bank.

### **Investments in Technology and Innovation**

In our fast-changing world, we all expect things to work simply and quickly. Our clients' definition of quality service has changed, and there is a tremendous opportunity to combine BB&T and SunTrust's distinctive approaches to technology to build an organization that can combine touch and technology to create a high level of trust. I have called this approach T3. This level of personalized service will allow us to form even closer relationships with our clients and increase our ability to respond to their needs quickly and efficiently.

The merger will provide us with additional scale to make the investments in technology that will allow us to provide the digital services our clients expect.

We have pledged to invest an incremental \$100 million annually into innovation and technology to create a digital client experience that is second-to-none. A new Innovation and Technology Center in Charlotte will focus on creating an industry-leading digital experience to better serve the technological needs of clients. This commitment will enable the combined company to better compete with the largest banks, creating a more competitive and systemically stabilizing landscape.

These investments will also ensure that we retain our best-in-class cybersecurity and risk management systems, enabling us to continue to offer a safe and secure digital platform for our clients. Along with these expanded digital offerings, our clients will also have access to even more branches and 24/7 service through an expanded network of ATMs.

### **Diversity and Inclusion**

We understand that there remains a great deal of work to be done when it comes to the inequities that still exist in our communities and across our country. Our combined company will maintain our commitment to serving all communities fairly and equally when providing loans, investments, and other services. Everyone in this country deserves to be treated with dignity and respect.

Year after year, BB&T has been highly rated by the Human Rights Campaign on the Corporate Equality Index. In 2017 and 2018, BB&T was recognized as one of the “Best Places to Work for LGBT Equality.” BB&T’s diverse supplier spending was \$173 million in 2018, a 40% increase from the previous year. We operate more than 600 Multicultural Banking Centers throughout our Community Banking footprint, all with teams that reflect the diversity of their neighborhoods.

Our commitment to diversity and inclusion begins at the top of each of our organizations, and is reflected in our boards of directors and executive teams. BB&T’s executive management team includes among its thirteen members two women and one person of color, including the Chief Information Officer, the Treasurer, and the Chief Digital and Client Experience Officer. BB&T’s Chief Diversity Officer is an African-American woman who serves as Vice Chair of BB&T’s Executive Diversity & Inclusion Council, which includes all thirteen members of BB&T’s executive management team. BB&T’s Chief Diversity Officer drives all corporate strategy and programs supporting diversity and inclusion. BB&T’s fifteen-member Board of Directors includes five women (33%) and four (27%) members with diverse backgrounds.

Operating a diverse and inclusive organization is not just the right thing to do; it is a business imperative that creates more productive associates, allows us a clearer understanding of the diverse client base we serve, and ultimately yields better business results. Truist will build upon that legacy by continuing to foster a diverse and inclusive culture and workforce that creates opportunities for the organizations we support.

In furtherance of that commitment to equality, we are joining Congresswoman Alma Adams, Representative of the 12th District of North Carolina and a distinguished member of this committee, in announcing a partnership that will benefit historically black colleges and universities across the country.

The Partnership Challenge is a public commitment to establish strategic partnerships with HBCUs and an acknowledgement that HBCUs are an important part of our diversity and inclusion strategy. BB&T and SunTrust have great existing relationships with a number of HBCUs in our footprint, but the Partnership will provide an additional pathway to enhancing our relationships with key stakeholders and a forum to share best practices with other employers. In addition, we intend to host HBCU Chancellors and Presidents from across our geographic footprint at our state-of-the-art Leadership Institute in Greensboro. We are excited to host this “Leadership Forum,” where these university chief executives, at zero cost to them, will be exposed to a multi-day curriculum designed to enhance effectiveness in

leading complex organizations. Dates and program details have not been finalized, but we are targeting no later than 3<sup>rd</sup> quarter of 2020.

### **Products and Services**

BB&T and SunTrust currently do not have definitive plans to change any of the products and services they currently offer at the combined company following the consummation of the merger. Following the merger, the combined company will continue to serve “Main Street America” through our lending to local businesses, families, and students. Joining our two companies will enhance our scale and financial strength, and that means more mortgages for families and loans to small businesses – the economic drivers of neighborhoods and job creation.

An integration planning project currently underway involves mapping each companies' products and services to the other's to identify similarities and differences in the terms of their respective products and services. The respective companies, however, will not have access to certain information, such as nonpublic pricing, until after consummation of the merger.

### **Jobs and Integration Plans**

BB&T and SunTrust Bank are not in a position to make definitive decisions today regarding the future of existing branches after the two companies are combined; however, both banks have a demonstrated record of thoughtful analysis, including consideration of factors such as the convenience and needs of communities, in weighing potential branch consolidations and closures. Moreover, once combined, BB&T and SunTrust will seek to open at least 15 new branches in LMI and/or majority-minority communities to help ensure broad access to financial services across its future footprint.

Before any decision is made to consolidate or close branches, the combined entity will conduct a thorough analysis of a variety of factors and data points. The impact of any branch closing on a community and its local clients will be studied carefully to ensure minimal disruption. A branch closing decision will involve input from key stakeholders and compliance officials and also appropriate risk management oversight. The comprehensive review process includes an assessment of the potential impact from a fair banking perspective, examines for redlining concerns, considers CRA performance risk as it relates to services or distribution, monitors continued access to financial services for potentially impacted communities, and evaluates the business justification such as branch performance, branch redundancy, branch capacity, facility conditions and other key factors.

In our CRA and fair banking review process, BB&T currently performs in-depth analyses of all potential branch consolidation and closure actions that could potentially impact LMI, minority and/or rural communities, and utilizes data analytics and mapping technology to create a full picture of the potential community impact. This process is expected to continue in the combined entity.

The integration planning for the merger has begun, but is in early stages, including with respect to identifying anticipated effects on the workforce of SunTrust and BB&T. Both companies are committed to ensuring that the combined company will have appropriate leadership and staffing to continue providing a high level of service to all clients, operating in a safe and sound manner and maintaining the effectiveness of their business activities and operations.

## **Compensation and Accountability Practices**

We value each of our employees and provide compensation at the top of the market. Our employees are our greatest asset, and we want to attract and retain the best talent available. The median pay for BB&T employees was \$68,778 in 2019, and our lowest paid employee makes twice the federal minimum wage.

As the integration planning progresses, workforce-related aspects will become more certain. BB&T and SunTrust have each implemented a retention program with financial incentives to maintain appropriate management and staffing levels throughout the integration process. These retention programs are intended to retain critical staff at BB&T and SunTrust and to ensure an effective integration process and the success of the combined company.

Additionally, the benefits provided to employees that continue to work for the combined company will meet or exceed many industry standards. Currently, an integral part of BB&T's benefits package is a pension plan for its employees. Upon completion of the merger, most SunTrust employees who join BB&T will also be offered BB&T's pension plan, with years of service with SunTrust counting toward such plan's eligibility and vesting. The combination of the pension plan, the existing industry leading 401 (k) matches that each company offers, as well as the financial wellness programs and company-subsidized health care plans for employees, demonstrate the two companies' deep and ongoing commitment to the financial achievement of the employees of the combined company.

BB&T and SunTrust have committed to all performing customer-facing employees that they will have a position in the combined organization to ensure a highly effective client, employee and community transition. Moreover, any initial reductions in employment levels will be minimized whenever possible through attrition, retraining of employees and opportunities to seek other internal positions within the combined company. Additionally, any displaced employees will receive priority consideration for internal job opportunities and will be actively encouraged to apply for positions for which they are interested and qualified.

Employees who are displaced will receive a market-based severance package and will be offered outplacement services to assist in external job searches. BB&T and SunTrust also expect that the combined company will continue to grow, resulting in any initial employment losses being mitigated by other areas of new job opportunities. In addition, some employees may be asked to relocate, including to new or other operations centers. Any employees who are asked to relocate in-state or out-of-state will be offered competitive market relocation packages and services to mitigate any hardships.

Additionally, the combined company management is currently evaluating the possibility of re-shoring employees as part of the merger, effectively bringing back jobs to the US.

Our Board believes that the current structure of BB&T's incentive compensation recoupment practices is appropriate, effective, provides a balanced approach to risk management, and properly aligns the interests of our Executive Management and shareholders.

Our current Incentive Plan and award agreements contain language regarding clawbacks and make all awards under the Incentive Plan subject to recoupment, forfeiture, or reduction to the extent determined by the Compensation Committee as necessary to comply with applicable law and policies adopted by BB&T.

When determining incentive compensation, and consistent with regulatory guidance, the Compensation Committee evaluates our current risk environment and internal control positions relevant to incentive compensation and reviews an executive risk scorecard along with other reports provided by our Chief Risk Officer and our Chief Compliance Officer. The Compensation Committee also receives reports from our General Auditor, the head of BB&T's internal audit function, regarding the effectiveness of our overall system of internal controls.

To discourage imprudent risk-taking, we make all executive awards (cash and equity) subject to recoupment and also may utilize our executive risk scorecard to reduce incentive compensation for adverse risk outcomes.

My compensation is determined by the board and is directly related to the performance and long-term success of the Bank, which depends on the success of the communities we serve. While my total compensation of \$8.6m last year is consistent with what other CEOs are paid, I recognize that I am blessed to be generously compensated for leading BB&T.

### **Safety and Soundness**

We have a fundamental commitment to the safe and sound operation of the combined company. Individually, both BB&T and SunTrust have significant experience with the traditional banking business model. We use strong risk management practices and robust underwriting analytics, are deeply liquid and well capitalized, and have consistently demonstrated very strong results in our respective annual stress tests. While the merger will increase the total asset size of the legacy entities, such assets of the combined company will continue to be comprised of lower risk small- and middle market business loans, farm loans, student loans and mortgage loans. Indeed, in annual systemic risk testing BB&T and SunTrust have received scores in the teens (15 and 16, respectively) while other institutions received scores well over *four hundred*, making them more than twenty times riskier than our institutions.

We will draw from our experience and employ the best practices of both firms to ensure that the combined company continues to operate using strong risk management standards. Finally, notwithstanding recent regulatory changes for banking institutions of certain asset sizes, many changes previously applicable to BB&T and SunTrust as separate entities that would have eased some regulatory burden and the cost of compliance will not be applicable to the combined company upon completion of the merger. In fact, the sum total of regulations applicable to the combined company will increase significantly. We are positioned to address these new requirements and intend to faithfully adhere to them.

### **Investing in the Future**

There are necessarily many details that need to be addressed as this merger moves forward. For us, these considerations come back to our foundational mission of serving our clients and communities. Because we believe it is the single most important factor behind our long-term success, it is also the cornerstone of this merger.

What gets us out of bed in the morning is thinking about ways to serve our clients and make a real difference in their lives, families, and businesses. Our companies have a rich heritage of supporting local events, community groups, and nonprofit organizations by rolling up our sleeves. That will not change.

But to best serve our clients, we need to invest in the future – and that is one of the primary factors driving this merger. It is about creating the kinds of products, services, and experiences that not only meet the needs of our clients but exceed their expectations. And it is about increasing our scale and capabilities so that we can serve our communities in even more profound ways.

I am pleased to have the opportunity to testify before the committee, and I look forward to answering your questions.