BB&T CORP
Form 10-Q
August 09, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2010

Commission file number: 1-10853

BB&T CORPORATION

(Exact name of registrant as specified in its charter)

North Carolina	**56-0939887**

(State of Incorporation)	(I.R.S. Employer Identification No.)
200 West Second Street **Winston-Salem, North Carolina**	**27101** **(Zip Code)**

(Address of Principal Executive Offices)

(336) 733-2000

(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

At July 31, 2010, 692,955,207 shares of the Registrant s common stock, $5 par value, were outstanding.

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BB&T CORPORATION

FORM 10-Q

June 30, 2010

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Item 1. Financial Statements

BB&T CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in millions, except per share data, shares in thousands)

	June 30, 2010	December 31, 2009
Assets		
Cash and due from banks	**$ 1,270**	$ 1,584
Interest-bearing deposits with banks	**931**	667
Federal funds sold and securities purchased under resale agreements or similar arrangements	**308**	398
Segregated cash due from banks	**255**	270
Trading securities at fair value	**587**	636
Securities available for sale at fair value ($1,369 and $1,201 covered by FDIC loss share at June 30, 2010 and December 31, 2009, respectively)	**23,662**	33,253
Loans held for sale ($2,044 and $2,551 at fair value at June 30, 2010 and December 31, 2009, respectively)	**2,171**	2,551
Loans and leases ($7,177 and $8,019 covered by FDIC loss share at June 30, 2010 and December 31, 2009, respectively)	**102,548**	103,656
Allowance for loan and lease losses	**(2,723)**	(2,600)
Loans and leases, net of allowance for loan and lease losses	**99,825**	101,056
FDIC loss share receivable	**2,230**	3,062
Premises and equipment	**1,835**	1,583
Goodwill	**6,067**	6,053
Core deposit and other intangible assets	**569**	640
Residential mortgage servicing rights at fair value	**665**	832
Other assets ($222 and $215 of foreclosed property and other assets covered by FDIC loss share at June 30, 2010 and December 31, 2009, respectively)	**14,708**	13,179
Total assets	**$ 155,083**	$ 165,764
Liabilities and Shareholders Equity		
Deposits:		
Noninterest-bearing deposits	**$ 19,767**	$ 18,945
Interest checking	**3,760**	3,420
Other client deposits	**49,989**	52,097
Client certificates of deposit	**27,599**	32,298
Other interest-bearing deposits	**3,336**	8,205
Total deposits	**104,451**	114,965
Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**6,080**	8,106
Long-term debt	**22,086**	21,376
Accounts payable and other liabilities	**5,726**	5,076
Total liabilities	**138,343**	149,523

Commitments and contingencies (Note 13)		
Shareholders equity:		
Preferred stock, liquidation preference of $1,000,000 per share		
Common stock, $5 par	**3,464**	3,449
Additional paid-in capital	**5,720**	5,620
Retained earnings	**7,729**	7,539
Accumulated other comprehensive loss, net of deferred income taxes of $(147) at June 30, 2010 and $(257) at December 31, 2009	**(237)**	(417)
Noncontrolling interest	**64**	50
Total shareholders equity	**16,740**	16,241
Total liabilities and shareholders equity	**$ 155,083**	$ 165,764
Common shares outstanding	**692,777**	689,750
Common shares authorized	**2,000,000**	1,000,000
Preferred shares authorized	**5,000**	5,000

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

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BB&T CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in millions, except per share data, shares in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Interest Income				
Interest and fees on loans and leases	**$ 1,525**	$ 1,336	**$ 2,965**	$ 2,658
Interest and dividends on securities	**291**	299	**627**	651
Interest on other earning assets	**3**	5	**6**	10
Total interest income	**1,819**	1,640	**3,598**	3,319
Interest Expense				
Interest on deposits	**241**	320	**500**	666
Interest on federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**6**	17	**11**	40
Interest on long-term debt	**212**	165	**413**	329
Total interest expense	**459**	502	**924**	1,035
Net Interest Income	**1,360**	1,138	**2,674**	2,284
Provision for credit losses	**650**	701	**1,225**	1,377
Net Interest Income After Provision for Credit Losses	**710**	437	**1,449**	907
Noninterest Income				
Insurance income	**287**	281	**540**	533
Service charges on deposits	**164**	168	**328**	324
Mortgage banking income	**110**	184	**199**	372
Investment banking and brokerage fees and commissions	**91**	92	**170**	174
Other nondeposit fees and commissions	**63**	53	**128**	106
Checkcard fees	**70**	57	**131**	106
Bankcard fees and merchant discounts	**45**	39	**85**	74
Trust and investment advisory revenues	**39**	33	**77**	65
Income from bank-owned life insurance	**31**	25	**62**	48
FDIC loss share income, net	**(78)**		**(73)**	
Other income	**(2)**	42	**20**	53
Securities gains, net				
Realized gains, net	**224**	20	**227**	206
Other-than-temporary impairments	**(37)**	(78)	**(49)**	(114)
Less non-credit portion recognized in other comprehensive income	**32**	77	**38**	77
Total securities gains, net	**219**	19	**216**	169
Total noninterest income	**1,039**	993	**1,883**	2,024
Noninterest Expense				
Personnel expense	**649**	623	**1,295**	1,223
Foreclosed property expense	**240**	60	**418**	96
Occupancy and equipment expense	**158**	128	**296**	257

Professional services	**86**	64	**158**	117
Regulatory charges	**46**	106	**91**	139
Loan processing expenses	**47**	34	**82**	63
Amortization of intangibles	**32**	24	**64**	49
Merger-related and restructuring charges, net	**38**	(1)	**55**	11
Other expenses	**204**	143	**382**	295
Total noninterest expense	**1,500**	1,181	**2,841**	2,250
Earnings				
Income before income taxes	**249**	249	**491**	681
Provision for income taxes	**25**	41	**73**	155
Net income	**224**	208	**418**	526
Noncontrolling interest	**14**	4	**20**	10
Dividends and accretion on preferred stock		83		124
Net income available to common shareholders	**$ 210**	$ 121	**$ 398**	$ 392
Earnings Per Common Share				
Basic	**$ .30**	$ .20	**$ .58**	$ .67
Diluted	**$ .30**	$ .20	**$ .57**	$ .67
Cash dividends declared	**$ .15**	$ .15	**$ .30**	$ .62
Weighted Average Shares Outstanding				
Basic	**692,113**	602,726	**691,456**	581,382
Diluted	**701,322**	608,797	**700,223**	586,256

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

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BB&T CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

For the Six Months Ended June 30, 2010 and 2009

(Dollars in millions, except per share data, shares in thousands)

	Shares of Common Stock	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Shareholders Equity
Balance, January 1, 2009	559,248	$ 3,082	$ 2,796	$ 3,510	$ 7,381	$ (732)	$ 44	$ 16,081
Add (Deduct):								
Comprehensive income (loss):								
Net income					516		10	526
Net change in other comprehensive income (loss)						2		2
Total comprehensive income (loss) (Note 10)					516	2	10	528
Stock issued:								
In purchase acquisitions	96		1	1				2
In connection with stock option exercises and other employee benefits, net of cancellations	100							
In connection with dividend reinvestment plan	2,374		12	38				50
In common stock offering	86,250		431	1,242				1,673
Redemption of preferred stock		(3,134)						(3,134)
Cash dividends declared on common stock, $.62 per share					(363)			(363)
Cash dividends accrued on preferred stock					(73)			(73)
Equity-based compensation expense				36				36
Other, net		52		1	(52)		(9)	(8)
Balance, June 30, 2009	648,068	$	$ 3,240	$ 4,828	$ 7,409	$ (730)	$ 45	$ 14,792
Balance, January 1, 2010	689,750	$	$ 3,449	$ 5,620	$ 7,539	$ (417)	$ 50	$ 16,241
Add (Deduct):								
Comprehensive income (loss):								
Net income					398		20	418
Net change in other comprehensive income (loss)						180		180
Total comprehensive income (loss) (Note 10)					398	180	20	598
Stock issued:								
In purchase acquisitions	57			2				2
In connection with stock option exercises and other employee benefits, net of cancellations	1,596		8	26				34
In connection with dividend reinvestment plan	515		3	13				16

In connection with 401(k) plan	859		4	22				26
Cash dividends declared on common stock, $.30 per share					(208)			(208)
Equity-based compensation expense				37				37
Other, net							(6)	(6)
Balance, June 30, 2010	692,777	$	$ 3,464	$ 5,720	$ 7,729	$ (237)	$ 64	$ 16,740

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

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BB&T CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in millions)

	For the Six Months Ended June 30,	
	2010	**2009**
Cash Flows From Operating Activities:		
Net income	**$ 418**	$ 526
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	**1,225**	1,377
Depreciation	**130**	109
Amortization of intangibles	**64**	49
Equity-based compensation	**37**	36
Discount accretion and premium amortization on long-term debt, net	**18**	33
Gain on sales of securities, net	**(216)**	(169)
Net decrease (increase) in trading securities	**49**	(146)
Net decrease (increase) in loans held for sale	**509**	(2,534)
Net decrease in FDIC loss share receivable	**703**	
Net increase in other assets	**(1,638)**	(1,212)
Net increase (decrease) in accounts payable and other liabilities	**514**	(3,576)
Decrease in segregated cash due from banks	**15**	112
Other, net	**245**	58
Net cash provided by (used in) operating activities	**2,073**	(5,337)
Cash Flows From Investing Activities:		
Proceeds from sales of securities available for sale	**14,087**	13,628
Proceeds from maturities, calls and paydowns of securities available for sale	**3,013**	4,492
Purchases of securities available for sale	**(6,588)**	(16,349)
Originations and purchases of loans and leases, net of principal collected	**(879)**	(117)
Net cash paid for divestitures	**(832)**	
Net cash paid in business combinations	**(6)**	(700)
Purchases of premises and equipment	**(326)**	(82)
Proceeds from sales of foreclosed property or other real estate held for sale	**451**	151
Other, net	**21**	2
Net cash provided by investing activities	**8,941**	1,025
Cash Flows From Financing Activities:		
Net (decrease) increase in deposits	**(9,618)**	3,565
Net (decrease) increase in federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**(2,027)**	1,843
Proceeds from issuance of long-term debt	**500**	1,058
Repayment of long-term debt	**(25)**	(705)
Net proceeds from common stock issued	**76**	1,723
Retirement of preferred stock		(3,134)
Cash dividends paid on common stock	**(207)**	(526)
Cash dividends paid on preferred stock		(93)
Other, net	**147**	75

Net cash (used in) provided by financing activities	**(11,154)**	3,806
Net Decrease in Cash and Cash Equivalents	**(140)**	(506)
Cash and Cash Equivalents at Beginning of Period	**2,649**	2,740
Cash and Cash Equivalents at End of Period	**$ 2,509**	$ 2,234
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	**$ 927**	$ 1,032
Income taxes	**782**	393
Noncash investing and financing activities:		
Transfers of loans to foreclosed property	**721**	831

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

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

NOTE 1. Basis of Presentation

General

In the opinion of management, the accompanying unaudited Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Shareholders Equity, and Consolidated Statements of Cash Flows of BB&T Corporation and subsidiaries (referred to herein as BB&T , the Corporation or the Company), are fair statements of BB&T s financial position at June 30, 2010 and December 31, 2009, BB&T s results of operations for the three and six month periods ended June 30, 2010 and 2009, and BB&T s changes in shareholders equity and cash flows for the six month periods ended June 30, 2010 and 2009. In the opinion of management, all normal recurring adjustments necessary for a fair statement of the interim period results have been made.

These consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q. The information contained in the financial statements and footnotes included in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 should be referred to in connection with these unaudited interim consolidated financial statements.

The accounting and reporting policies of BB&T and its subsidiaries are in accordance with accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities.

Nature of Operations

BB&T Corporation (BB&T , the Company or Parent Company) is a financial holding company organized under the laws of North Carolina. BB&T conducts operations through its principal bank subsidiary, Branch Banking and Trust Company (Branch Bank), BB&T Financial, FSB (BB&T FSB), a federally chartered thrift institution, and the Company s nonbank subsidiaries. Branch Bank has offices in North Carolina, South Carolina, Virginia, Maryland, Georgia, West Virginia, Tennessee, Kentucky, Florida, Alabama, Indiana, Texas and Washington, D.C. Branch Bank provides a wide range of banking services to individuals and businesses, and offers a variety of loans to businesses and consumers. Such loans are made primarily to individuals residing in the market areas described above or to businesses located within BB&T s geographic footprint. Branch Bank also markets a wide range of deposit services to individuals and businesses. Branch Bank offers, either directly, or through its subsidiaries, lease financing to businesses and municipal governments; factoring; discount brokerage services, annuities and mutual funds; life insurance, property and casualty insurance, health insurance and commercial general liability insurance on an agency basis and through a wholesale insurance brokerage operation; insurance premium financing; permanent financing arrangements for commercial real estate; loan servicing for third-party investors; direct consumer finance loans to individuals; trust and comprehensive wealth advisory services and association services. BB&T FSB and the direct nonbank subsidiaries of BB&T provide a variety of financial services including credit card lending, automobile lending, equipment financing, full-service securities brokerage, asset management and capital markets services.

Principles of Consolidation

The consolidated financial statements of BB&T include the accounts of BB&T Corporation and those subsidiaries that are majority owned by BB&T and over which BB&T exercises control. In consolidation, all significant intercompany accounts and transactions are eliminated. The results of operations of companies or assets acquired are included only from the dates of acquisition. All material wholly-owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

BB&T holds investments in certain legal entities that are considered variable interest entities (VIE s). VIE s are legal entities in which equity investors do not have sufficient equity at risk for the entity to independently finance its activities, or as a group, the holders of the equity investment at risk lack the power through voting or similar rights to direct the activities of the entity that most significantly impact its economic performance, or do not have the obligation to absorb the expected losses of the entity or the right to receive expected residual returns of the entity. Consolidation of a VIE is considered appropriate if a reporting entity holds a controlling financial interest in the VIE.

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BB&T evaluates its investments in VIE s to determine if a controlling financial interest is held. This evaluation gives appropriate consideration to the design of the entity and the variability that the entity was designed to pass along, the relative power of each of the parties to the VIE, and to BB&T s relative obligation to absorb losses or receive residual returns of the entity, in relation to such obligations and rights held by other parties to the VIE. BB&T has variable interests in certain entities that were not required to be consolidated, including affordable housing partnership interests, historic tax credit partnerships, other partnership interests and trusts that have issued capital securities. Please refer to Note 13 for additional disclosures regarding BB&T s significant variable interest entities.

BB&T accounts for unconsolidated partnership investments using the equity method of accounting. In addition to affordable housing partnerships, which represent the majority of unconsolidated investments in variable interest entities, BB&T also has investments and future funding commitments to venture capital and other entities. The maximum potential exposure to losses relative to investments in variable interest entities is generally limited to the sum of the outstanding balance, future funding commitments and any related loans to the entity. Loans to these entities are underwritten in substantially the same manner as are other loans and are generally secured.

BB&T has investments in certain entities for which BB&T does not have the controlling interest. For these investments, the Company records its interest using the equity method with its portion of income or loss being recorded in other noninterest income in the Consolidated Statements of Income. BB&T periodically evaluates these investments for impairment.

Reclassifications

Investments in Federal Home Loan Bank (FHLB) stock have been reclassified from securities available for sale to other assets in all periods presented. In certain other instances, amounts reported in prior periods consolidated financial statements have been reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported cash flows, shareholders equity or net income.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include the determination of the allowance for loan and lease losses and the reserve for unfunded lending commitments, determination of fair value for financial instruments, valuation of goodwill, intangible assets and other purchase accounting related adjustments, benefit plan obligations and expenses, and tax assets, liabilities and expense.

Changes in Accounting Principles and Effects of New Accounting Pronouncements

In June 2009, the FASB issued new guidance impacting *Transfers and Servicing*. The objective of this guidance is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement in transferred financial assets. This guidance is effective for financial asset transfers occurring after December 31, 2009. The adoption of this guidance was not material to BB&T s consolidated financial statements.

In June 2009, the FASB issued new guidance impacting C*onsolidation* of variable interest entities. The objective of this guidance is to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This guidance was effective as of January 1, 2010. The adoption of this guidance was not material to BB&T s consolidated financial statements.

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In February 2010, the FASB issued new guidance impacting *Fair Value Measurements and Disclosures*. The new guidance requires a gross presentation of purchases and sales of Level 3 activities and adds a new requirement to disclose transfers in and out of Level 1 and Level 2 measurements. The guidance related to the transfers between Level 1 and Level 2 measurements was effective for BB&T on January 1, 2010. The guidance that requires increased disaggregation of the level 3 activities is effective for BB&T on January 1, 2011. The new disclosures required by this guidance are included in Note 14 to these consolidated financial statements.

In March 2010, the FASB issued new guidance impacting *Receivables*. The new guidance clarifies that a modification to a loan that is part of a pool of loans that were acquired with deteriorated credit quality should not result in the removal of the loan from the pool. This guidance is effective for any modifications of loans accounted for within a pool in the first interim or annual reporting period ending after July 15, 2010. The adoption of this guidance is not expected to be material to BB&T s consolidated financial statements.

In July 2010, the FASB issued new guidance impacting *Receivables*. The new guidance requires additional disclosures that will allow users to understand the nature of credit risk inherent in a company s loan portfolios, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and changes and reasons for those changes in the allowance for credit losses. The new disclosures that relate to information as of the end of the reporting period is effective as of December 31, 2010, whereas the disclosures related to activity that occurred during the reporting periods is effective January 1, 2011.

NOTE 2. Business Combinations

Financial Institution Acquisitions

On August 14, 2009, Branch Bank entered into a purchase and assumption agreement with the Federal Deposit Insurance Corporation (FDIC) to acquire certain assets and assume substantially all of the deposits and certain liabilities of Colonial Bank, an Alabama state-chartered bank headquartered in Montgomery, Alabama (Colonial). As further discussed in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009, BB&T entered into loss sharing agreements with the FDIC related to certain loans, securities and other assets.

Branch Bank did not immediately acquire the real estate, banking facilities, furniture or equipment of Colonial as part of the purchase and assumption agreement. However, under the terms of the agreement, Branch Bank had the option through February 1, 2010 to acquire these assets from the FDIC at their fair market value as of the acquisition date. Prior to the exercise of this option, these banking facilities and equipment were leased from the FDIC on a month-to-month basis. During the first quarter, Branch Bank purchased real estate, banking facilities, furniture and equipment from the FDIC at a cost of approximately $210 million.

Branch Bank also had an option through February 1, 2010 to assume or repudiate certain lease agreements of Colonial. The repudiation or assumption of these lease agreements was finalized prior to the expiration of this option. The process to determine the fair value of the assumed lease obligations continued into the second quarter of 2010 during which BB&T recorded approximately $28 million of capital leases.

On January 15, 2010, BB&T sold certain Nevada branch locations and approximately $850 million in deposits that were acquired from Colonial.

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

NOTE 3. Securities

The amortized cost and approximate fair values of securities available for sale were as follows:

	June 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Securities available for sale:				
U.S. government-sponsored entities (GSE)	$ 56	$ 4	$	$ 60
Mortgage-backed securities issued by GSE	18,637	425	2	19,060
States and political subdivisions	2,132	67	166	2,033
Non-agency mortgage-backed securities	1,188		234	954
Equity and other securities	174	14	2	186
Covered securities	1,199	178	8	1,369
Total securities available for sale	$ 23,386	$ 688	$ 412	$ 23,662

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Securities available for sale:				
U.S. government-sponsored entities (GSE)	$ 2,090	$ 5	$ 60	$ 2,035
Mortgage-backed securities issued by GSE	26,649	231	210	26,670
States and political subdivisions	2,176	56	125	2,107
Non-agency mortgage-backed securities	1,339		317	1,022
Equity and other securities	196	22		218
Covered securities	1,166	47	12	1,201
Total securities available for sale	$ 33,616	$ 361	$ 724	$ 33,253

As of June 30, 2010, the fair value of covered securities included $1.1 billion of non-agency mortgage-backed securities and $309 million of municipal securities. As of December 31, 2009, the fair value of covered securities included $896 million of non-agency mortgage-backed securities and $305 million of municipal securities. All covered securities were acquired from Colonial and are covered by one of the FDIC loss share agreements, as further discussed in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009.

At June 30, 2010 and December 31, 2009, securities with carrying value of approximately $17.1 billion and $20.7 billion were pledged to secure municipal deposits, securities sold under agreements to repurchase, other borrowings, and for other purposes as required or permitted by law.

BB&T had certain investments in marketable debt securities and mortgage-backed securities issued by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) that exceeded ten percent of shareholders equity at June 30, 2010. The Fannie Mae investments had total amortized cost and fair values of $12.6 billion and $12.9 billion, respectively, at June 30, 2010, while Freddie Mac investments had total amortized cost and fair values of $5.0 billion and $5.1 billion, respectively.

At June 30, 2010 and December 31, 2009, non-agency mortgage-backed securities primarily consisted of residential mortgage-backed securities.

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

The gross realized gains and losses and other than temporary impairments recognized in income during the three and six months ended June 30, 2010 and 2009 are reflected in the following table:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in millions)			
Gross gains	$ 226	$ 20	$ 231	$ 206
Gross losses	(2)		(4)	
Net realized gains/(losses)	224	20	227	206
Other than temporary impairment (OTTI) recognized in net income	(5)	(1)	(11)	(37)
Net securities gains/(losses)	$ 219	$ 19	$ 216	$ 169

The amortized cost and estimated fair value of the securities portfolio at June 30, 2010, by contractual maturity, are shown in the accompanying table. The expected life of mortgage-backed securities will differ from contractual maturities because borrowers may have the right to prepay the underlying mortgage loans with or without prepayment penalties. For purposes of the maturity table, mortgage-backed securities, which are not due at a single maturity date, have been included in maturity groupings based on the contractual maturity.

	June 30, 2010 Available for Sale	
	Amortized Cost	Fair Value
	(Dollars in millions)	
Debt Securities:		
Due in one year or less	$ 67	$ 68
Due after one year through five years	70	75
Due after five years through ten years	568	590
Due after ten years	22,503	22,739
Total debt securities	23,208	23,472
Total securities with no stated maturity	178	190
Total securities	$ 23,386	$ 23,662

The following tables reflect the gross unrealized losses and fair values of BB&T s investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at the dates presented.

	June 30, 2010					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses

	(Dollars in millions)					
Securities:						
Mortgage-backed securities issued by GSE	$ 220	$ 2	$	$	$ 220	$ 2
States and political subdivisions	238	96	271	70	509	166
Non-agency mortgage-backed securities			938	234	938	234
Equity and other securities	32	2			32	2
Covered securities	50	8			50	8
Total	$ 540	$ 108	$ 1,209	$ 304	$ 1,749	$ 412

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	December 31, 2009					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in millions)					
Securities:						
U.S. government-sponsored entities (GSE)	$ 1,843	$ 60	$	$	$ 1,843	$ 60
Mortgage-backed securities issued by GSE	16,338	210	114		16,452	210
States and political subdivisions	409	65	274	60	683	125
Non-agency mortgage-backed securities	181	66	825	251	1,006	317
Equity and other securities	13		1		14	
Covered securities	94	12			94	12
Total	$ 18,878	$ 413	$ 1,214	$ 311	$ 20,092	$ 724

BB&T periodically evaluates available-for-sale securities for other-than-temporary impairment. Based on its evaluations during the second quarter of 2010, BB&T recognized $37 million of other-than-temporary impairments which related to non-agency mortgage-backed securities, and of that amount $5 million was recognized in net income and $32 million was recorded in other comprehensive income. Based on its evaluations during the second quarter of 2009, BB&T recorded $1 million of other-than-temporary impairments in net income related to certain debt and equity securities.

On June 30, 2010, BB&T held certain investment securities having continuous unrealized loss positions for more than 12 months. As of June 30, 2010, the unrealized losses on these securities totaled $304 million. All of these losses were in non-agency mortgage-backed and municipal securities. At June 30, 2010, all of the available-for-sale debt securities in an unrealized loss position, excluding those covered by FDIC loss sharing agreements, were investment grade with the exception of (a) bonds with an amortized cost of $3 million from one issuer of auction rate securities; (b) two municipal bonds with an amortized cost of $8 million; (c) sixteen non-agency mortgage-backed securities with an amortized cost of $923 million and (d) one non-agency commercial mortgage-backed security with an amortized cost of $25 million. At June 30, 2010, the total unrealized loss on these non-investment grade securities was $224 million. All of the non-investment grade securities referenced above were initially investment grade and have been downgraded since purchase. BB&T evaluated all of its debt securities for credit impairment. Based on its evaluation at June 30, 2010, BB&T determined that certain of the non-investment grade non-agency mortgage-backed securities had credit losses evident and recognized other-than-temporary impairments related to these securities. The decline in fair value related to credit losses was recognized in net income. BB&T s evaluation of the other debt securities with continuous unrealized losses indicated that there were no credit losses evident. Furthermore, as of the date of the evaluation, BB&T did not intend to sell, and it was more likely than not that the Company would not be required to sell, these debt securities before the anticipated recovery of the amortized cost basis. See the Summary Analysis Supporting Conclusions section below for further details regarding BB&T s below investment grade securities with significant unrealized losses.

BB&T conducts periodic reviews to identify and evaluate each investment that has an unrealized loss for other-than-temporary impairment. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses that are determined to be temporary in nature are recorded, net of tax, in accumulated other comprehensive income for available-for-sale securities.

Factors considered in determining whether a loss is temporary include:

- The financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer;

- BB&T s intent to sell and whether it is more likely than not that the Company will be required to sell these debt securities before the anticipated recovery of the amortized cost basis;

The length of the time and the extent to which the market value has been less than cost;

Whether the decline in fair value is attributable to specific conditions, such as conditions in an industry or in a geographic area;

Whether a debt security has been downgraded by a rating agency;

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Whether the financial condition of the issuer has deteriorated;

The seniority of the security;

Whether dividends have been reduced or eliminated, or scheduled interest payments on debt securities have not been made; and

Any other relevant available information.

For certain U.S. mortgage-backed securities (and in particular for non-agency Alt-A, Prime and other mortgage-backed securities that have significant unrealized losses as a percentage of amortized cost), credit impairment is assessed using a cash flow model that estimates the cash flows on the underlying mortgage pools, using security-specific structure information. The model estimates cash flows from the underlying mortgage loan pools and distributes those cash flows to the various tranches of securities, considering the transaction structure and any subordination and credit enhancements that exist in each structure. The cash flow model projects the remaining cash flows using a number of assumptions, including default rates, prepayment rates and recovery rates (on foreclosed properties).

Management reviews the result of the cash flow model, internal credit analysis and other market observable information in its estimation of possible future credit losses. If management does not expect to recover the entire amortized cost basis of a mortgage-backed security, the Company records other-than-temporary impairment equal to the amount of expected credit losses in the mortgage-backed security. The remaining amount of unrealized loss is recognized as a component of other comprehensive income.

Where a mortgage-backed security is not deemed to be credit impaired, management performs additional analysis to assess whether it intends to sell and it is more likely than not that the Company will be required to sell these debt securities before anticipated recovery of the amortized cost basis. In making this determination, BB&T considers its expected liquidity and capital needs, including its asset/liability management needs, forecasts, strategies and other relevant information.

Summary Analysis Supporting Conclusions

The following table presents a detailed analysis of non-investment grade securities with significant unrealized losses that are not covered by a loss sharing arrangement, as the majority of potential losses related to covered securities would be reimbursed by the FDIC. The expected underlying collateral losses represent losses on the underlying mortgage pools supporting BB&T s tranche. The benefits from subordination represent the amount of the expected losses the subordinate security holders are obligated to absorb prior to BB&T incurring a loss.

Non-investment grade securities with significant unrealized losses

As of June 30, 2010

(Dollars in millions)

Security	Amortized Cost	Fair Value	Unrealized Loss	Credit Rating Moody s	Credit Rating S&P	Credit Rating Fitch	Expected Underlying Collateral Losses	Benefit of Subordination
Securities with other-than-temporary impairment losses:								
RMBS 1	$ 57	$ 47	$ (10)		CCC	CC	$ 2	$ 2
RMBS 2	117	102	(15)		CCC	CCC	4	3
RMBS 3	150	121	(29)	Caa3	CC		9	2

RMBS 4	52	33	(19)	Caa2		C	3	2
RMBS 5	59	33	(26)	Caa1	CC	CC	2	2
RMBS 6	45	35	(10)	Caa2	CC		2	1
Securities without other-than-temporary impairment losses (1):								
RMBS 7	108	71	(37)	Caa2	CC		7	7
RMBS 8	115	70	(45)		CCC	CCC	6	6

(1) Additional benefits of subordination are available in excess of the expected underlying collateral losses.

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NOTE 4. Loans and Leases

The following table provides a breakdown of BB&T s loan portfolio as of June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
	(Dollars in millions)	
Loans and leases, net of unearned income:		
Commercial loans and leases	**$ 49,054**	$ 49,820
Sales finance loans	**6,863**	6,290
Revolving credit loans	**2,024**	2,016
Direct retail loans	**13,939**	14,283
Residential mortgage loans	**15,452**	15,435
Specialized lending loans	**7,954**	7,670
Other acquired loans	**85**	123
Total loans and leases held for investment (excluding covered loans)	**95,371**	95,637
Covered loans	**7,177**	8,019
Total loans and leases held for investment	**102,548**	103,656
Loans held for sale	**2,171**	2,551
Total loans and leases	**$ 104,719**	$ 106,207

Covered loans represent loans acquired from the FDIC subject to loss sharing agreements. Other acquired loans represent loans acquired from the FDIC that are not subject to loss sharing agreements.

The following table reflects the carrying value of all purchased impaired and nonimpaired loans as of June 30, 2010 and December 31, 2009:

	June 30, 2010			December 31, 2009		
	Purchased Impaired Loans	Purchased Nonimpaired Loans	Total	Purchased Impaired Loans	Purchased Nonimpaired Loans	Total
			(Dollars in millions)			
Residential mortgage loans	**$ 762**	**$ 748**	**$ 1,510**	$ 826	$ 806	$ 1,632
Commercial real estate loans	**2,501**	**2,271**	**4,772**	2,732	2,574	5,306
Commercial loans	**76**	**819**	**895**	94	987	1,081
Total covered loans	**3,339**	**3,838**	**7,177**	3,652	4,367	8,019
Other acquired loans	**8**	**77**	**85**	14	109	123
Total	**3,347**	**3,915**	**7,262**	3,666	4,476	8,142
Allowance for loan losses	**(14)**	**(3)**	**(17)**			
Net	**$ 3,333**	**$ 3,912**	**$ 7,245**	$ 3,666	$ 4,476	$ 8,142

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Changes in the carrying amount and accretable yield for purchased impaired and nonimpaired loans, excluding loans held for sale, were as follows for the six month period ended June 30, 2010:

	Purchased Impaired		Purchased Nonimpaired	
	Accretable Yield	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans
	(Dollars in millions)			
Balance at beginning of period	$ 889	$ 3,666	$ 1,301	$ 4,476
Additions				
Accretion	(220)	220	(187)	187
Reclassifications from nonaccretable balance, net	836		310	
Payments received, net		(539)		(748)
Balance at end of period	$ 1,505	$ 3,347	$ 1,424	$ 3,915

The outstanding unpaid principal balance for all purchased impaired loans as of June 30, 2010 and December 31, 2009 was $4.7 billion and $5.7 billion, respectively. The outstanding unpaid principal balance for all purchased nonimpaired loans as of June 30, 2010 and December 31, 2009 was $5.8 billion and $6.6 billion, respectively.

At June 30, 2010 and December 31, 2009, none of the purchased impaired or purchased nonimpaired loans were classified as nonperforming assets. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased loans. The allowance for credit losses related to the purchased loans results from decreased expectations of future cash flows for certain acquired loan pools.

The following table sets forth certain information regarding BB&T s impaired loans, excluding acquired impaired loans, that were evaluated for specific reserves:

	June 30, 2010	December 31, 2009 (1)
	(Dollars in millions)	
Total recorded investment impaired loans	**$ 3,545**	$ 2,305
Total recorded investment with no related valuation allowance	**314**	611
Total recorded investment with related valuation allowance	**3,231**	1,694
Allowance for loan and lease losses assigned to impaired loans	**(498)**	(278)
Net carrying value impaired loans	**$ 3,047**	$ 2,027

(1) Prior period amounts were revised in the first quarter of 2010 to reflect the retrospective application of more definitive regulatory guidance on troubled debt restructurings.

The following table provides a summary of BB&T s nonperforming and past due loans at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
	(Dollars in millions)	
Nonaccrual loans and leases (1) (2):		
Held for investment	**$ 2,770**	$ 2,713
Held for sale	**129**	5
Total nonaccrual loans and leases	**2,899**	2,718
Foreclosed real estate	**1,391**	1,451
Other foreclosed property	**37**	58
Total foreclosed property	**1,428**	1,509
Total nonperforming assets (excluding covered assets) (3)	**$ 4,327**	$ 4,227
Loans 90 days or more past due and still accruing (excluding covered loans) (4) (5)	**$ 360**	$ 319

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(1) Covered and other acquired loans are considered to be performing due to the application of the accretion method. Covered loans that are contractually past due are noted in footnote (5) below.
(2) Includes nonperforming restructurings totaling $480 million and $248 million at June 30, 2010 and December 31, 2009, respectively.
(3) Excludes foreclosed real estate totaling $176 million and $160 million as of June 30, 2010 and December 31, 2009, respectively, that are covered by FDIC loss sharing agreements.
(4) Excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase.
(5) Excludes loans totaling $1.5 billion and $1.4 billion past due 90 days or more as of June 30, 2010 and December 31, 2009, respectively, that are covered by FDIC loss sharing agreements.

The following table summarizes loans that continue to accrue interest under the terms of restructurings (performing restructurings):

	June 30, 2010	December 31, 2009
	(Dollars in millions)	
Performing restructurings: (1)		
Commercial loans and leases	**$ 1,099**	$ 413
Direct retail loans	**133**	132
Revolving credit loans	**60**	54
Residential mortgage loans	**668**	471
Specialized lending loans	**4**	
Total performing restructurings	**1,964**	1,070
Nonperforming restructurings (2)	**480**	248
Total restructurings (3)(4)	**$ 2,444**	$ 1,318

(1) Prior period amounts were revised in the first quarter of 2010 to reflect the retrospective application of more definitive regulatory guidance.
(2) Nonperforming restructurings are included in nonaccrual loan disclosures.
(3) All restructurings are considered impaired. The allowance for loan and lease losses attributable to these restructured loans totaled $353 million and $164 million at June 30, 2010 and December 31, 2009, respectively.
(4) Excludes restructured covered and other acquired loans accounted for under the accretion method.

Troubled debt restructurings (restructurings) can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accruing status, depending on the individual facts and circumstances of the borrower. In circumstances where the restructuring involves charging off a portion of the loan balance, BB&T typically classifies these restructurings as nonaccrual. Restructurings have most often occurred within BB&T s commercial, mortgage and consumer loan portfolios.

In connection with commercial restructurings, the decision to maintain a loan that has been restructured on accrual status is based on a current, well documented credit evaluation of the borrower s financial condition and prospects for repayment under the modified terms. This evaluation includes consideration of the borrower s current capacity to pay, which among other things may include a review of the borrower s current financial statements, an analysis of global cash flow sufficient to pay all debt obligations, and an evaluation of secondary sources of payment from the client and any guarantors. This evaluation also includes an evaluation of the borrower s current willingness to pay, which may include a review of past payment history, an evaluation of the borrower s willingness to provide information on a timely basis, and consideration of offers from the borrower to provide additional collateral or guarantor support. The credit evaluation also reflects consideration of the borrower s future capacity and willingness to pay, which may include evaluation of cash flow projections, consideration of the adequacy of collateral to cover all principal and interest and trends indicating improving profitability, collectability of receivables, etc.

The evaluation of mortgage and consumer loans includes an evaluation of the client s debt to income ratio, credit report, property value, loan vintage, and certain other client-specific factors that have impacted their ability to make timely principal and interest payments on the loan.

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BB&T had commitments totaling $81 million and $18 million at June 30, 2010 and December 31, 2009, respectively, to lend additional funds to clients with loans whose terms have been modified in restructurings.

NOTE 5. Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments

An analysis of the allowance for credit losses for the six months ended June 30, 2010 and 2009 is presented in the following table:

	For the Six Months Ended June 30,	
	2010	2009
	(Dollars in millions)	
Beginning Balance	$ 2,672	$ 1,607
Provision for credit losses	1,225	1,377
Loans and leases charged-off	(1,180)	(877)
Recoveries of previous charge-offs	63	38
Net loans and leases charged-off	(1,117)	(839)
Other changes, net	(27)	
Ending Balance	$ 2,753	$ 2,145
Allowance for loan and lease losses	$ 2,723	$ 2,110
Reserve for unfunded lending commitments	30	35
Allowance for credit losses	$ 2,753	$ 2,145

NOTE 6. Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill attributable to each of BB&T s operating segments for the six months ended June 30, 2010 are reflected in the table below. To date, there have been no goodwill impairments recorded by BB&T.

	Goodwill Activity by Operating Segment							
	Banking Network	Residential Mortgage Banking	Sales Finance	Specialized Lending	Insurance Services	Financial Services	All Other	Total
	(Dollars in millions)							
Balance, January 1, 2010	$ 4,569	$ 7	$ 93	$ 110	$ 1,056	$ 192	$ 26	$ 6,053
Contingent consideration					9			9
Other adjustments	11			(7)	1			5
Balance, June 30, 2010	$ 4,580	$ 7	$ 93	$ 103	$ 1,066	$ 192	$ 26	$ 6,067

The following table presents the gross carrying amounts and accumulated amortization for BB&T s identifiable intangible assets subject to amortization at the dates presented:

	Identifiable Intangible Assets					
	As of June 30, 2010			As of December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in millions)					
Identifiable intangible assets						
Core deposit intangibles	$ 626	$ (409)	$ 217	$ 633	$ (375)	$ 258
Other (1)	755	(403)	352	755	(373)	382
Totals	$ 1,381	$ (812)	$ 569	$ 1,388	$ (748)	$ 640

(1) Other identifiable intangibles are primarily customer relationship intangibles.

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NOTE 7. Loan Servicing

Residential Mortgage Banking Activities

The following table includes a summary of residential mortgage loans managed or securitized and related delinquencies and net charge-offs:

		June 30, 2010	December 31, 2009
		(Dollars in millions)	
Mortgage loans managed or securitized (1)		$ 20,819	$ 21,637
Less:	Loans securitized and transferred to securities available for sale	19	60
	Loans held for sale	1,981	2,524
	Covered mortgage loans	1,510	1,632
	Mortgage loans sold with recourse	1,857	1,986
Mortgage loans held for investment		$ 15,452	$ 15,435
Mortgage loans on nonaccrual status (2)		$ 389	$ 767
Mortgage loans 90 days past due and still accruing interest (2)		209	158
Mortgage loan net charge-offs (3)		282	275

(1) Balances exclude loans serviced for others, with no other continuing involvement.
(2) Includes amounts related to residential mortgage loans held for sale.
(3) Net charge-offs for June 30, 2010 reflect six months.

BB&T sold problem residential mortgages with a carrying value of $385 million from the mortgage loans held for investment portfolio and recorded write-downs on certain loans identified for sale during the second quarter of 2010. In connection with these actions, BB&T recorded $141 million of net charge-offs.

The unpaid principal balances of BB&T s total residential mortgage servicing portfolio were $77.9 billion and $73.6 billion at June 30, 2010 and December 31, 2009, respectively. The unpaid principal balances of residential mortgage loans serviced for others consist primarily of agency conforming fixed-rate mortgage loans and totaled $59.3 billion and $54.5 billion at June 30, 2010 and December 31, 2009, respectively. Mortgage loans serviced for others are not included in loans on the accompanying Consolidated Balance Sheets.

During the six months ended June 30, 2010 and 2009, BB&T sold residential mortgage loans from the held for sale portfolio with unpaid principal balances of $8.7 billion and $13.5 billion, respectively, and recognized pretax gains of $79 million and $159 million, respectively, which were recorded in noninterest income as a component of mortgage banking income. BB&T retained the related mortgage servicing rights and receives servicing fees.

At June 30, 2010 and 2009, the approximate weighted average servicing fee was .36% and .38%, respectively, of the outstanding balance of the residential mortgage loans. The weighted average coupon interest rate on the portfolio of mortgage loans serviced for others was 5.43% and 5.74% at June 30, 2010 and 2009, respectively. BB&T recognized servicing fees of $111 million and $87 million during the first six months of 2010 and 2009, respectively, as a component of mortgage banking income.

At June 30, 2010 and December 31, 2009, BB&T had $1.9 billion and $2.0 billion, respectively, of residential mortgage loans sold with recourse liability. In the event of nonperformance by the borrower, BB&T has maximum recourse exposure of approximately $655 million and $667 million as of June 30, 2010 and December 31, 2009, respectively. At June 30, 2010 and December 31, 2009, BB&T has recorded $6 million of reserves related to these recourse exposures.

In prior years, the Company securitized residential mortgage loans and retained the resulting securities available for sale. As of June 30, 2010, the fair value of the securities available for sale still owned by BB&T was $20 million and the remaining unpaid principal balance of the underlying loans totaled $19 million. Based on the performance of the underlying loans and general liquidity of the securities, the Company s recovery of the cost basis in the securities has not been significantly impacted by changes in interest rates, prepayment speeds or credit losses.

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Residential mortgage servicing rights are recorded on the Consolidated Balance Sheets at fair value with changes in fair value recorded as a component of mortgage banking income in the Consolidated Statements of Income for each period. BB&T uses various derivative instruments to mitigate the income statement effect of changes in fair value of its residential mortgage servicing rights due to changes in valuation inputs and assumptions. The following is an analysis of the activity in BB&T s residential mortgage servicing rights for the six month periods ended June 30, 2010 and 2009:

	Residential Mortgage Servicing Rights For the Six Months Ended June 30,	
	2010	2009
	(Dollars in millions)	
Carrying value, January 1,	$ 832	$ 370
Additions	122	218
Increase (decrease) in fair value:		
Due to changes in valuation inputs or assumptions	(227)	91
Other changes (1)	(62)	(64)
Carrying value, June 30,	$ 665	$ 615

(1) Represents the realization of expected net servicing cash flows, expected borrower payments and the passage of time

BB&T uses assumptions and estimates in determining the fair value of mortgage servicing rights. These assumptions include prepayment speeds, servicing costs and Option Adjusted Spread (OAS) commensurate with the risks involved and comparable to assumptions used by market participants to value and bid servicing rights available for sale in the market. At June 30, 2010, the sensitivity of the current fair value of the residential mortgage servicing rights to immediate 10% and 20% adverse changes in key economic assumptions are included in the accompanying table.

	Residential Mortgage Servicing Rights June 30, 2010 (Dollars in millions)
Fair value of residential mortgage servicing rights	$ 665
Composition of residential loans serviced for others:	
Fixed-rate mortgage loans	99%
Adjustable-rate mortgage loans	1
Total	100%
Weighted average life	4.4 yrs
Prepayment speed	17.4%
Effect on fair value of a 10% increase	$ (40)
Effect on fair value of a 20% increase	(76)
Weighted average discount rate	10.2%
Effect on fair value of a 10% increase	$ (28)
Effect on fair value of a 20% increase	(53)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of an adverse variation in a particular assumption on the fair value of the mortgage servicing rights is calculated without changing any other assumption; however, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which may magnify or counteract the effect of the change.

Commercial Mortgage Banking Activities

BB&T also arranges and services commercial real estate mortgages through Grandbridge Real Estate Capital, LLC (Grandbridge) the commercial mortgage banking subsidiary of Branch Bank. During the six months ended June 30, 2010

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and 2009, Grandbridge originated $908 million and $1.3 billion, respectively, of commercial real estate mortgages, primarily for third party investors. As of June 30, 2010 and December 31, 2009, Grandbridge s portfolio of commercial real estate mortgages serviced for others totaled $23.8 billion and $24.3 billion, respectively. Commercial real estate mortgage loans serviced for others are not included in loans on the accompanying Consolidated Balance Sheets. Grandbridge had $4.1 billion and $4.0 billion in loans serviced for others that were covered by recourse provisions at June 30, 2010 and December 31, 2009, respectively. As of June 30, 2010 and December 31, 2009, Grandbridge s maximum exposure to loss for these loans was approximately $1.1 billion. BB&T has recorded $15 million and $12 million of reserves related to these recourse exposures at June 30, 2010 and December 31, 2009, respectively.

Commercial mortgage servicing rights are recorded as other assets on the Consolidated Balance Sheets at lower of cost or market and amortized in proportion to and over the estimated period that net servicing income is expected to be received based on projections of the amount and timing of estimated future net cash flows. The following is an analysis of the activity in BB&T s commercial mortgage servicing rights for the six months ended June 30, 2010 and 2009:

	Commercial Mortgage Servicing Rights For the Six Months Ended June 30,	
	2010	2009
	(Dollars in millions)	
Carrying value, January 1,	$ 101	$ 98
Additions	8	15
Amortization expense	(9)	(9)
Carrying value, June 30,	$ 100	$ 104

At June 30, 2010, the sensitivity of the current fair value of the commercial mortgage servicing rights to adverse changes in key economic assumptions are included in the accompanying table.

	Commercial Mortgage Servicing Rights June 30, 2010 (Dollars in millions)
Fair value of commercial mortgage servicing rights	$ 114
Weighted average life	7.4 yrs
Prepayment speed	0.4%
Effect on fair value of a 10% increase	$ (1)
Effect on fair value of a 15% increase	(1)
Weighted average discount rate	12.5%
Effect on fair value of a 25% increase	$ (9)
Effect on fair value of a 50% increase	(17)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of an adverse variation in a particular assumption on the fair value of the mortgage servicing rights is calculated without changing any other assumption; however, changes in one factor may result in changes in another (for example, increases in market interest rates may result in increased value of escrow deposits), which may magnify or counteract the effect of the change.

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NOTE 8. Long-Term Debt

	June 30, 2010	December 31, 2009
	(Dollars in millions)	
Parent Company		
3.10% Senior Notes Due 2011	$ 250	$ 250
3.85% Senior Notes Due 2012	1,000	1,000
3.38% Senior Notes Due 2013	500	500
5.70% Senior Notes Due 2014	509	509
3.95% Senior Notes Due 2016	499	
6.85% Senior Notes Due 2019	538	538
6.50% Subordinated Notes Due 2011 (1)	610	610
4.75% Subordinated Notes Due 2012 (1)	489	489
5.20% Subordinated Notes Due 2015 (1)	932	932
4.90% Subordinated Notes Due 2017 (1,3)	338	336
5.25% Subordinated Notes Due 2019 (1,3)	586	586
Branch Bank		
Floating Rate Subordinated Notes Due 2016 (1,8)	350	350
Floating Rate Subordinated Notes Due 2017 (1,8)	261	261
4.875% Subordinated Notes Due 2013 (1)	222	222
5.625% Subordinated Notes Due 2016 (1)	386	386
Federal Home Loan Bank Advances to Branch Bank (4)		
Varying maturities to 2034	10,535	10,541
Junior Subordinated Debt to Unconsolidated Trusts (2)		
5.85% BB&T Capital Trust I Securities Due 2035	514	514
6.75% BB&T Capital Trust II Securities Due 2036	598	598
6.82% BB&T Capital Trust IV Securities Due 2077 (5)	600	600
8.95% BB&T Capital Trust V Securities Due 2068 (6)	450	450
9.60% BB&T Capital Trust VI Securities Due 2069	575	575
8.10% BB&T Capital Trust VII Securities Due 2069	350	350
Other (7)	182	182
Other Long-Term Debt	127	98
Fair value hedge-related basis adjustments	685	499
Total Long-Term Debt	$ 22,086	$ 21,376

(1) Subordinated notes that qualify under the risk-based capital guidelines as Tier 2 supplementary capital, subject to certain limitations.
(2) Securities that qualify under the risk-based capital guidelines as Tier 1 capital, subject to certain limitations.
(3) These fixed rate notes were swapped to floating rates based on LIBOR. At June 30, 2010, the effective rates paid on these borrowings ranged from .84% to 1.09%.
(4) $800 million of these advances were swapped to a floating rate based on LIBOR. At June 30, 2010, the weighted average cost of these advances was 3.28% including the effect of the swapped portion, and the weighted average maturity was 6.7 years.
(5) These securities are fixed rate through June 12, 2037 and then switch to a floating rate based on LIBOR.
(6) $360 million of this issuance was swapped to a floating rate based on LIBOR. At June 30, 2010 the effective rate on the swapped portion was 3.91%.
(7) These securities were issued by companies acquired by BB&T. At June 30, 2010, the effective rate paid on these borrowings ranged from 2.24% to 10.07%. These securities have varying maturities through 2035.

(8) These floating-rate securities are based on LIBOR and had an effective rate of .83% as of June 30, 2010.

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NOTE 9. Shareholders Equity

Common Stock

As of June 30, 2010, the authorized common stock of BB&T consists of two billion shares with a $5 par value. There were 693 million and 690 million common shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively.

Preferred Stock

The authorized preferred stock of BB&T consists of five million shares. There were no preferred shares outstanding at June 30, 2010 or December 31, 2009.

Equity-Based Plans

BB&T has options, restricted shares of common stock and restricted share units outstanding from the following equity-based compensation plans: the 2004 Stock Incentive Plan (2004 Plan), the 1995 Omnibus Stock Incentive Plan, the Non-Employee Directors Stock Option Plan, and plans assumed from acquired entities. All plans generally allow for accelerated vesting of awards for holders who retire and have met all retirement eligibility requirements and in connection with certain other events. BB&T s shareholders have approved all equity-based compensation plans with the exception of plans assumed from acquired companies. As of June 30, 2010, the 2004 Plan is the only plan that has awards available for future grants. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for further disclosures related to equity-based awards issued by BB&T.

BB&T measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants awarded during the first six months of 2010 and 2009. Substantially all of BB&T s option awards are granted in February of each year. Therefore, the assumptions noted below are weighted accordingly.

	June 30,	
	2010	**2009**
Assumptions:		
Risk-free interest rate	2.0%	3.1%
Dividend yield	5.4	6.0
Volatility factor	36.0	29.1
Expected life	7.2 yrs	7.1 yrs
Fair value of options per share	$ 5.60	$ 2.59

BB&T measures the fair value of restricted shares based on the price of BB&T s common stock on the grant date and the fair value of restricted share units based on the price of BB&T s common stock on the grant date less the present value of expected dividends that are foregone during the vesting period.

The following table details the activity during the first six months of 2010 related to stock options awarded by BB&T:

	For the Six Months Ended June 30, 2010	
	Options	**Wtd. Avg. Exercise Price**
Outstanding at beginning of period	42,535,819	$ 35.40
Granted	4,652,250	27.75

Exercised	(1,517,103)	28.59
Forfeited or expired	(491,174)	34.06
Outstanding at end of period	45,179,792	35.04
Exercisable at end of period	32,778,383	$ 36.84

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The following table details the activity during the first six months of 2010 related to restricted shares and restricted share units awarded by BB&T:

	For the Six Months Ended June 30, 2010	
	Shares/Units	Wtd. Avg. Grant Date Fair Value
Nonvested at beginning of period	10,861,433	$ 19.36
Granted	3,403,231	23.74
Vested	(150,913)	23.28
Forfeited	(319,368)	19.53
Nonvested at end of period	13,794,383	20.39

NOTE 10. Accumulated Other Comprehensive Income (Loss)

The balances in accumulated other comprehensive loss at June 30, 2010 and December 31, 2009 are shown in the following table.

	As of June 30, 2010			As of December 31, 2009		
	Pre-Tax Amount	Deferred Tax Expense (Benefit)	After-Tax Amount	Pre-Tax Amount	Deferred Tax Expense (Benefit)	After-Tax Amount
	(Dollars in millions)					
Unrecognized net pension and postretirement costs	**$ (454)**	**$ (172)**	**$ (282)**	$ (447)	$ (169)	$ (278)
Unrealized net (losses) gains on cash flow hedges	**(42)**	**(16)**	**(26)**	173	66	107
Unrealized net gains (losses) on securities available for sale	**276**	**105**	**171**	(363)	(138)	(225)
FDIC s share of unrealized net gains on securities available for sale under the loss share agreements (1)	**(156)**	**(59)**	**(97)**	(30)	(11)	(19)
Foreign currency translation adjustment	**(8)**	**(5)**	**(3)**	(7)	(5)	(2)
Total	**$ (384)**	**$ (147)**	**$ (237)**	$ (674)	$ (257)	$ (417)

(1) Certain securities available for sale are covered by loss sharing agreements with the FDIC. The securities covered by the loss share agreements reflected a net unrealized pretax gain of $170 million and $35 million as of June 30, 2010 and December 31, 2009, respectively. The FDIC s share of this net unrealized pretax gain, upon sale, would have been $156 million and $30 million as of June 30, 2010 and December 31, 2009, respectively, and was recorded as a reduction in other comprehensive income.

As of June 30, 2010 and December 31, 2009, unrealized net losses on securities available for sale included $130 million and $114 million, respectively, of pre-tax losses related to other-than-temporarily impaired non-agency mortgage-backed securities where a portion of the loss was recognized in net income.

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The following tables reflect the components of total comprehensive income for the three and six month periods ended June 30, 2010 and 2009.

	Three Months Ended June 30, 2010		
	Pre-Tax	Tax Effect	After-Tax
	(Dollars in millions)		
Comprehensive income:			
Net income	**$ 249**	**$ 25**	**$ 224**
Other comprehensive income:			
Unrealized net holding gains (losses) arising during the period on securities available for sale	**551**	**209**	**342**
Reclassification adjustment for losses (gains) on securities available for sale included in net income	**(219)**	**(83)**	**(136)**
Net change in amounts attributable to the FDIC under the loss share agreements	**(82)**	**(31)**	**(51)**
Net change in unrecognized gains (losses) on cash flow hedges	**(145)**	**(55)**	**(90)**
Net change in foreign currency translation adjustment	**(1)**	**1**	**(2)**
Net change in pension and postretirement liability	**(13)**	**(5)**	**(8)**
Total comprehensive income	**$ 340**	**$ 61**	**$ 279**

	Three Months Ended June 30, 2009		
	Pre-Tax	Tax Effect	After-Tax
	(Dollars in millions)		
Comprehensive income:			
Net income	$ 249	$ 41	$ 208
Other comprehensive income:			
Unrealized net holding gains (losses) arising during the period on securities available for sale	(134)	(51)	(83)
Reclassification adjustment for losses (gains) on securities available for sale included in net income	(19)	(7)	(12)
Net change in unrecognized gains (losses) on cash flow hedges	58	22	36
Net change in foreign currency translation adjustment	1	(2)	3
Net change in pension and postretirement liability	15	6	9
Total comprehensive income	$ 170	$ 9	$ 161

	Six Months Ended June 30, 2010		
	Pre-Tax	Tax Effect	After-Tax
	(Dollars in millions)		
Comprehensive income:			
Net income	**$ 491**	**$ 73**	**$ 418**
Other comprehensive income:			
Unrealized net holding gains (losses) arising during the period on securities available for sale	**855**	**325**	**530**
Reclassification adjustment for losses (gains) on securities available for sale included in net income	**(216)**	**(82)**	**(134)**
Net change in amounts attributable to the FDIC under the loss share agreements	**(126)**	**(48)**	**(78)**
Net change in unrecognized gains (losses) on cash flow hedges	**(215)**	**(82)**	**(133)**
Net change in foreign currency translation adjustment	**(1)**		**(1)**

Net change in pension and postretirement liability	**(7)**	**(3)**	**(4)**
Total comprehensive income	**$ 781**	**$ 183**	**$ 598**

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	Six Months Ended June 30, 2009		
	Pre-Tax	Tax Effect	After-Tax
	(Dollars in millions)		
Comprehensive income:			
Net income	$ 681	$ 155	$ 526
Other comprehensive income:			
Unrealized net holding gains (losses) arising during the period on securities available for sale	69	24	45
Reclassification adjustment for losses (gains) on securities available for sale included in net income	(169)	(64)	(105)
Net change in unrecognized gains (losses) on cash flow hedges	72	28	44
Net change in foreign currency translation adjustment	(1)	(2)	1
Net change in pension and postretirement liability	28	11	17
Total comprehensive income	$ 680	$ 152	$ 528

NOTE 11. Income Taxes

BB&T s provision for income taxes was $25 million and $41 million for the three months ended June 30, 2010 and 2009, respectively. The provision for income taxes was $73 million and $155 million for the six months ended June 30, 2010 and 2009, respectively. The effective tax rates for the three months ended June 30, 2010 and 2009 were 10.0% and 16.5%, respectively. The effective tax rates for the six months ended June 30, 2010 and 2009 were 14.9% and 22.8%, respectively. The lower effective tax rates are primarily the result of an increase in tax credits and a relatively equal level of tax-exempt income on a lower level of pre-tax income.

The IRS has completed its federal income tax examinations of BB&T through 2006. In connection with the settlement agreement with the IRS regarding its leveraged lease transactions, BB&T is entitled to federal income tax refunds for tax years 1998-2006. During the first six months of 2010, BB&T received federal tax refunds including interest of approximately $354 million for tax years 1998-2005 and expects to receive additional federal tax refunds of approximately $25 million for tax year 2006 later in 2010. In February 2010, BB&T received an IRS statutory notice of deficiency for tax years 2002-2007 asserting a liability for taxes, penalties and interest of approximately $892 million related to the disallowance of foreign tax credits and other deductions claimed by a deconsolidated subsidiary in connection with a financing transaction. Management has consulted with outside counsel and continues to believe that BB&T s treatment of this transaction was in compliance with applicable tax laws and regulations. BB&T paid the disputed tax, penalties and interest, and filed a lawsuit seeking a refund in the U.S. Court of Federal Claims in March 2010. Management believes the Company s current reserves for this matter are adequate, although the final outcome is uncertain. Final resolution of this matter is not expected to occur within the next twelve months. Various years remain subject to examination by state taxing authorities.

NOTE 12. Benefit Plans

BB&T provides various benefit plans to substantially all employees, including employees of acquired entities. Employees of acquired entities generally participate in existing BB&T plans after consummation of the business combination. The plans of acquired institutions are typically merged into the BB&T plans after consummation of the mergers, and, under these circumstances, credit is usually given to these employees for years of service at the acquired institution for vesting and eligibility purposes. The Colonial transaction, as an asset purchase, was handled differently from typical mergers. The retirement plans of Colonial were not assumed by BB&T, and as such, were not merged into the BB&T plans. Credit for years of service with Colonial, where given, was determined on a plan-by-plan basis with regard to the participation of former Colonial employees in BB&T s plans. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for descriptions and disclosures about the various benefit plans offered by BB&T.

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The following table summarizes the components of net periodic benefit cost recognized for BB&T s pension plans for the three and six month periods ended June 30, 2010 and 2009, respectively:

	Pension Plans			
	Qualified For the Three Months Ended June 30,		Nonqualified For the Three Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in millions)			
Service cost	$ 20	$ 19	$ 1	$ 1
Interest cost	21	19	2	2
Estimated return on plan assets	(45)	(35)		
Amortization and other	6	14		
Net periodic benefit cost	$ 2	$ 17	$ 3	$ 3

	Pension Plans			
	Qualified For the Six Months Ended June 30,		Nonqualified For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in millions)			
Service cost	$ 40	$ 38	$ 2	$ 2
Interest cost	42	38	4	4
Estimated return on plan assets	(89)	(71)		
Amortization and other	11	28	1	1
Net periodic benefit cost	$ 4	$ 33	$ 7	$ 7

BB&T makes contributions to the qualified pension plan in amounts between the minimum required for funding standard accounts and the maximum amount deductible for federal income tax purposes. Discretionary contributions of $61 million and $422 million were made to the qualified pension plan in the first quarters of 2010 and 2009, respectively. Management currently has no plans to make any additional contributions to the qualified pension plan in 2010; however, management may elect to make additional contributions during 2010 if deemed appropriate.

NOTE 13. Commitments and Contingencies

BB&T utilizes a variety of financial instruments to meet the financing needs of clients and to reduce exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, letters of credit and financial guarantees and derivatives. BB&T also has commitments to fund certain affordable housing investments and contingent liabilities of certain sold loans.

Commitments to extend, originate or purchase credit are primarily lines of credit to businesses and consumers and have specified rates and maturity dates. Many of these commitments also have adverse change clauses, which allow BB&T to cancel the commitment due to deterioration in the borrowers creditworthiness.

Letters of credit and financial guarantees written are unconditional commitments issued by BB&T to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper issuance, bond financing and similar transactions, the majority of which are to tax exempt entities. The credit risk involved in the issuance of these guarantees is essentially the same as that involved in extending loans to clients and as such, the instruments are collateralized when necessary.

As of June 30, 2010 and December 31, 2009, BB&T had issued letters of credit totaling $7.8 billion and $8.0 billion, respectively. The carrying amount of the liability for such guarantees was $36 million and $40 million at June 30, 2010 and December 31, 2009, respectively.

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A derivative is a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or referenced interest rate. These instruments include interest-rate swaps, swaptions, caps, floors, collars, financial forward and futures contracts, when-issued securities, foreign exchange contracts and options written and purchased. BB&T uses derivatives primarily to manage risk related to securities, business loans, Federal Funds purchased, other overnight funding, long-term debt, mortgage servicing rights, mortgage banking operations and certificates of deposit. BB&T also uses derivatives to facilitate transactions on behalf of its clients. BB&T held a variety of derivative financial instruments with notional values of $64.2 billion and $66.2 billion at June 30, 2010 and December 31, 2009, respectively. These instruments were in a net gain position of $279 million and $283 million at June 30, 2010 and December 31, 2009, respectively.

In the ordinary course of business, BB&T indemnifies its officers and directors to the fullest extent permitted by law against liabilities arising from pending litigation. BB&T also issues standard representation and warranties in underwriting agreements, merger and acquisition agreements, loan sales, brokerage activities and other similar arrangements. Counterparties in many of these indemnification arrangements provide similar indemnifications to BB&T. Although these agreements often do not specify limitations, BB&T does not believe that any payments related to these guarantees would materially change the financial condition or results of operations of BB&T.

Merger and acquisition agreements of businesses other than financial institutions occasionally include additional incentives to the acquired entities to offset the loss of future cash flows previously received through ownership positions. Typically, these incentives are based on the acquired entity s contribution to BB&T s earnings compared to agreed-upon amounts. When offered, these incentives are typically issued for terms of three to five years. As certain provisions of these agreements do not specify dollar limitations, it is not possible to quantify the maximum exposure resulting from these agreements.

As previously discussed, BB&T entered into loss sharing agreements with the FDIC in connection with the Colonial acquisition. The provisions of the agreements may require a payment by BB&T to the FDIC on October 15, 2019. On that date, BB&T is required to pay the FDIC 55% of the excess, if any, of (i) $1 billion over (ii) the sum of (A) 25% of the total net amounts paid to BB&T under both of the loss sharing agreements (i.e., BB&T s payments received from the FDIC for losses, offset by BB&T s payments made to the FDIC for recoveries) plus (B) 20% of the deemed total cost to BB&T of administering the assets covered under the loss sharing agreements other than shared loss securities. The deemed total cost to BB&T of administering the covered assets is the sum of 2% of the average of the principal amount of shared loss loans and shared loss assets (other than the shared loss securities) based on the beginning and end of year balances for each of the 10 years during which the shared loss agreements are in effect. In addition, any payments made by either party with respect to the securities with a 95% loss share will be excluded from this calculation.

BB&T invests in certain affordable housing and historic building rehabilitation projects throughout its market area as a means of supporting local communities, and receives tax credits related to these investments. BB&T typically acts as a limited partner in these investments and does not exert control over the operating or financial policies of the partnerships. Branch Bank typically provides financing during the construction and development of the properties; however, permanent financing is generally obtained from independent third parties upon completion of a project. As of June 30, 2010 and December 31, 2009, BB&T had investments of $1.0 billion and $1.1 billion related to these projects, which are included as other assets on the Consolidated Balance Sheets. BB&T s outstanding commitments to fund affordable housing investments totaled $255 million and $371 million at June 30, 2010 and December 31, 2009, respectively, which are included as other liabilities on the Consolidated Balance Sheets. As of June 30, 2010 and December 31, 2009, BB&T had outstanding loan commitments to these funds of $135 million and $165 million, respectively. Of these amounts, $41 million and $73 million had been funded at June 30, 2010 and December 31, 2009, respectively, and were included in loans and leases on the Consolidated Balance Sheets. BB&T s maximum risk exposure related to these investments totaled $1.2 billion at June 30, 2010 and December 31, 2009.

BB&T has sold certain mortgage-related loans that contain recourse provisions. These provisions generally require BB&T to reimburse the investor for a share of any loss that is incurred after the disposal of the property. At June 30, 2010 and December 31, 2009, BB&T had $1.9 billion and $2.0 billion, respectively, of residential mortgage loans sold with recourse. In the event of nonperformance by the borrower, BB&T has maximum recourse exposure of approximately $655

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million and $667 million as of June 30, 2010 and December 31, 2009, respectively. In addition, BB&T has $4.1 billion and $4.0 billion in commercial loans serviced for others that were covered by recourse provisions at June 30, 2010 and December 31, 2009, respectively. As of June 30, 2010 and December 31, 2009, BB&T s maximum exposure to loss for these loans is approximately $1.1 billion. BB&T has recorded $21 million and $18 million of reserves related to these recourse exposures at June 30, 2010 and December 31, 2009, respectively.

BB&T has investments and future funding commitments to certain venture capital funds. As of June 30, 2010 and December 31, 2009, BB&T had investments of $272 million and $281 million related to these ventures, respectively. As of June 30, 2010 and December 31, 2009, BB&T had future funding commitments of $159 million and $183 million, respectively. BB&T s risk exposure relating to such commitments is generally limited to the amount of investments and future funding commitments made.

BB&T has made loan commitments to special purpose entities as a nontransferor lender. As of June 30, 2010 and December 31, 2009, BB&T had loan commitments to these entities totaling $190 million and $211 million, respectively. Of these amounts, $139 million and $160 million, respectively, had been funded and were included in loans and leases on the Consolidated Balance Sheets.

NOTE 14. Fair Value Disclosures

BB&T carries various assets and liabilities at fair value based on applicable accounting standards. In addition, BB&T has elected to account for prime residential mortgage and commercial mortgage loans held for sale at fair value in accordance with applicable accounting standards (the Fair Value Option). Accounting standards have established a framework for measuring fair value and defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. These standards also established a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities. Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities. Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

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Assets and liabilities measured at fair value on a recurring basis, including financial instruments for which BB&T has elected the Fair Value Option are summarized below:

	6/30/2010	Fair Value Measurements for Assets and Liabilities Measured on a Recurring Basis		
		Level 1	Level 2	Level 3
		(Dollars in Millions)		
Assets:				
Trading securities	$ 587	$ 243	$ 333	$ 11
Securities available for sale:				
U.S. government-sponsored entities (GSE)	60		60	
Mortgage-backed securities issued by GSE	19,060		19,060	
States and political subdivisions	2,033		1,897	136
Non-agency mortgage-backed securities	954		954	
Equity and other securities	186	128	50	8
Covered securities	1,369		551	818
Loans held for sale (4)	2,044		2,044	
Residential mortgage servicing rights	665			665
Derivative assets: (2)				
Interest rate contracts	1,364	6	1,309	49
Foreign exchange contracts	10		10	
Venture capital and similar investments (1)(2)	272			272
Total assets	**$ 28,604**	**$ 377**	**$ 26,268**	**$ 1,959**
Liabilities:				
Derivative liabilities: (2)				
Interest rate contracts	$ 1,085	$ 6	$ 1,078	$ 1
Foreign exchange contracts	10		10	
Short-term borrowed funds (3)	283		283	
Total liabilities	**$ 1,378**	**$ 6**	**$ 1,371**	**$ 1**

	12/31/2009	Fair Value Measurements for Assets and Liabilities Measured on a Recurring Basis		
		Level 1	Level 2	Level 3
		(Dollars in Millions)		
Assets:				
Trading securities	$ 636	$ 255	$ 288	$ 93
Securities available for sale:				
U.S. government-sponsored entities (GSE)	2,035		2,035	
Mortgage-backed securities issued by GSE	26,670		26,670	
States and political subdivisions	2,107		1,897	210
Non-agency mortgage-backed securities	1,022		1,022	
Equity and other securities	218	166	43	9
Covered securities	1,201		533	668
Loans held for sale	2,551		2,551	
Residential mortgage servicing rights	832			832
Derivative assets (2)	983	1	975	7

Venture capital and similar investments (1)(2)	281			281
Total assets	**$ 38,536**	**$ 422**	**$ 36,014**	**$ 2,100**
Liabilities:				
Derivative liabilities (2)	$ 700	$ 5	$ 668	$ 27
Short-term borrowed funds (3)	295		295	
Total liabilities	**$ 995**	**$ 5**	**$ 963**	**$ 27**

(1) Based on an analysis of the nature and risks of these investments, BB&T has determined that presenting these investments as a single class is appropriate.
(2) These amounts are reflected in other assets and other liabilities on the Consolidated Balance Sheets.
(3) Short-term borrowed funds reflect securities sold short positions.
(4) Excludes loans held for sale carried at the lower of cost or market.

The following discussion focuses on the valuation techniques and significant inputs used by BB&T in determining the Level 2 and Level 3 fair values of each significant class of assets and liabilities.

The fair values for available-for-sale and trading securities are generally based upon quoted market prices or observable market prices for similar instruments. BB&T generally utilizes a third-party pricing service in determining the fair value of its securities portfolio. The pricing service uses observable inputs when available including benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids and offers. For certain security types, additional inputs may be used, or some inputs may not be applicable. BB&T performs a review of pricing on actual trades executed in order to validate the fair values provided by this pricing service. BB&T also analyzes available third-party market data for a sample of securities to further validate these fair values. When market observable data is not available, which generally occurs due to the lack of liquidity for certain securities, the valuation of the security is subjective and may involve substantial judgment by management.

Specific valuation techniques and inputs used in determining the fair value of each significant class of assets and liabilities follows:

Trading securities: Trading securities are composed of all types of debt and equity securities, but the majority consists of debt securities issued by the U.S. Treasury, U.S. government-sponsored entities, or states and political subdivisions. The valuation techniques used for these investments are more fully discussed below.

U.S. government-sponsored entities (GSE) and Mortgage-backed securities issued by GSE: These are debt securities issued by government sponsored entities. BB&T s valuations are based on a market approach using observable inputs such as benchmark yields and securities, TBA prices, reported trades, issuer spreads, monthly payment information and collateral performance.

States and political subdivisions: These are debt securities issued by states and political subdivisions. BB&T s valuations are primarily based on a market approach using observable inputs such as benchmark yields, MSRB reported trades, material event notices and new issue data.

Non-agency mortgage-backed securities: BB&T s valuation for these debt securities is based on a market approach using observable inputs such as benchmark yields and securities, TBA prices, reported trades, monthly payment information and collateral performance.

Equity and other securities: These securities consist primarily of equities, mutual funds and corporate bonds. These securities are valued based on a review of quoted market prices for identical and similar assets as well as through the various other inputs discussed previously.

Covered securities: Covered securities are covered by FDIC loss sharing agreements and consist of re-remic non-agency mortgage-backed securities and municipal securities. These securities were priced primarily through broker-dealer quotes.

Loans held for sale: BB&T originates certain mortgage loans to be sold to investors. These loans are carried at fair value based on BB&T s election of the Fair Value Option. The fair value is primarily based on quoted market prices for securities backed by similar types of loans. The changes in fair value of these assets are largely driven by changes in interest rates subsequent to loan funding and changes in the fair value of servicing associated with the mortgage loan held for sale.

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Residential mortgage servicing rights: BB&T estimates the fair value of residential mortgage servicing rights (MSRs) using an option adjusted spread (OAS) valuation model to project MSR cash flows over multiple interest rate scenarios, which are then discounted at risk-adjusted rates. The OAS model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. When available, fair value estimates and assumptions are compared to observable market data and to recent market activity and actual portfolio experience.

Derivative assets and liabilities: BB&T uses derivatives to manage various financial risks. The fair values of derivative financial instruments are determined based on quoted market prices, dealer quotes and internal pricing models that are primarily sensitive to market observable data. The fair value of interest rate lock commitments, which are related to mortgage loan commitments, is based on quoted market prices adjusted for commitments that BB&T does not expect to fund and includes the value attributable to the net servicing fee.

Venture capital and similar investments: BB&T has venture capital and similar investments that are carried at fair value. In many cases there are no observable market values for these investments and therefore management must estimate the fair value based on a comparison of the operating performance of the company to multiples in the marketplace for similar entities. This analysis requires significant judgment and actual values in a sale could differ materially from those estimated.

Short-term borrowed funds: Short-term borrowed funds represent debt securities sold short. These are entered into through BB&T s brokerage subsidiary Scott & Stringfellow, LLC.

The tables below present reconciliations for the three and six months ended June 30, 2010 and 2009, respectively, for Level 3 assets and liabilities that are measured at fair value on a recurring basis.

	Fair Value Measurements Using Significant Unobservable Inputs						
For the Three Months Ended June 30, 2010	**Trading**	**States & Political Subdivisions**	**Equity & Other Securities**	**Covered Securities**	**Mortgage Servicing Rights**	**Net Derivatives**	**Venture Capital and Similar Investments**
				(Dollars in Millions)			
Balance at March 31, 2010	$ 19	$ 201	$ 9	$ 726	$ 875	$ 1	$ 261
Total realized and unrealized gains or losses:							
Included in earnings:							
Interest income				18			
Mortgage banking income					(263)	36	
Other noninterest income							6
Included in other comprehensive income (loss)		(2)	(1)	74			
Purchases, issuances and settlements	(8)	(46)			53	11	5
Transfers into Level 3							
Transfers out of Level 3		(17)					
Balance at June 30, 2010	$ 11	$ 136	$ 8	$ 818	$ 665	$ 48	$ 272
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at June 30, 2010	$	$	$	$ 18	$ (232)	$ 48	$ 4

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Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

	Fair Value Measurements Using Significant Unobservable Inputs					
For the Three Months Ended June 30, 2009	**Trading**	**Non-agency mortgage-backed securities**	**Equity & Other Securities**	**Mortgage Servicing Rights**	**Net Derivatives**	**Venture Capital and Similar Investments**
			(Dollars in Millions)			
Balance at March 31, 2009	$ 4	$ 1,034	$ 1	$ 365	$ 55	$ 190
Total realized and unrealized gains or losses:						
Included in earnings:						
Mortgage banking income				105	64	
Other noninterest income	(1)					(1)
Included in other comprehensive income (loss)		89				
Purchases, issuances and settlements		(75)		145	(119)	11
Transfers in and/or out of Level 3	11					
Balance at June 30, 2009	$ 14	$ 1,048	$ 1	$ 615	$	$ 200
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at June 30, 2009	$	$	$	$ 137	$	$ (2)

	Fair Value Measurements Using Significant Unobservable Inputs						
For the Six Months Ended June 30, 2010	**Trading**	**States & Political Subdivisions**	**Equity & Other Securities**	**Covered Securities**	**Mortgage Servicing Rights**	**Net Derivatives**	**Venture Capital and Similar Investments**
				(Dollars in Millions)			
Balance at January 1, 2010	$ 93	$ 210	$ 9	$ 668	$ 832	$ (20)	$ 281
Total realized and unrealized gains or losses:							
Included in earnings:							
Interest income				34			
Mortgage banking income					(289)	53	
Other noninterest income							9
Included in other comprehensive income (loss)		(1)	(1)	116			
Purchases, issuances and settlements	(6)	(56)			122	15	(18)
Transfers into Level 3							
Transfers out of Level 3	(76)	(17)					
Balance at June 30, 2010	$ 11	$ 136	$ 8	$ 818	$ 665	$ 48	$ 272
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at June 30, 2010	$	$	$	$ 34	$ (227)	$ 48	$ 3

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Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

	Fair Value Measurements Using Significant Unobservable Inputs					
For the Six Months Ended June 30, 2009	Trading	Non-agency mortgage-backed securities	Equity & Other Securities	Mortgage Servicing Rights	Net Derivatives	Venture Capital and Similar Investments
			(Dollars in Millions)			
Balance at January 1, 2009	$ 4	$ 1,098	$ 1	$ 370	$ 37	$ 182
Total realized and unrealized gains or losses:						
Included in earnings:						
Mortgage banking income				27	105	
Other noninterest income	(1)					(2)
Included in other comprehensive income (loss)		72				
Purchases, issuances and settlements	11	(122)		218	(142)	20
Transfers in and/or out of Level 3						
Balance at June 30, 2009	$ 14	$ 1,048	$ 1	$ 615	$	$ 200
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at June 30, 2009	$	$	$	$ 91	$	$ (3)

BB&T s policy is to recognize transfers in and transfers out of Levels 1, 2 and 3 as of the end of the reporting period. During the first six months of 2010, BB&T transferred $76 million of trading securities and $17 million of auction rate securities issued by municipalities, from Level 3 to Level 2 as a result of increased market activity for these securities. During the second quarter of 2009, BB&T transferred $11 million of trading securities into Level 3 from Level 2 as a result of decreased market activity for these securities. There were no significant transfers between Level 1 and Level 2 during the three and six months ended June 30, 2010 and 2009, respectively.

There were no gains or losses recognized as a result of the transfers of securities between Level 2 and Level 3 in either the three or six months ended June 30, 2010 or 2009, respectively.

BB&T has investments in venture capital funds and other similar investments that are measured at fair value based on the investment s net asset value. The significant investment strategies for these ventures are primarily equity and subordinated debt in privately-held middle market companies. The majority of these investments are not redeemable and have varying dates for which the underlying assets are expected to be liquidated by distribution through 2018. As of June 30, 2010, restrictions on the ability to sell the investments include, but are not limited to, consent of a majority member or general partner approval for transfer of ownership. There were no investments probable of sale for less than net asset value at June 30, 2010.

The net realized and unrealized gains (losses) reported for mortgage servicing rights assets are composed of a negative valuation adjustment of $232 million and the realization of expected residential mortgage servicing rights cash flows of $31 million for the quarter ended June 30, 2010. For the quarter ended June 30, 2009, the net realized and unrealized gains (losses) reported for mortgage servicing rights assets are composed of a positive valuation adjustment of $137 million and the realization of expected residential mortgage servicing rights cash flows of $32 million. BB&T uses various derivative financial instruments to mitigate the income statement effect of changes in fair value. During the three months ended June 30, 2010 and 2009, the derivative instruments produced gains of $241 million and losses of $114 million, respectively, which offset the valuation adjustments recorded.

For the six months ended June 30, 2010 and 2009, the net realized and unrealized gains (losses) reported for mortgage servicing rights assets are composed of a negative valuation adjustment of $227 million and a positive valuation adjustment of $91 million and the realization of expected residential mortgage servicing rights cash flows of $62 million and $64 million, respectively. The various derivative financial instruments used to mitigate the income statement effect of changes in fair value produced gains of $240 million and losses of $40 million for the six months ended June 30, 2010 and 2009, respectively, which offset the valuation adjustments recorded.

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The following table details the fair value and unpaid principal balance of loans held for sale at June 30, 2010 and December 31, 2009 that were elected to be carried at fair value.

	June 30, 2010			December 31, 2009		
	Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregate Unpaid Principal Balance	Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregate Unpaid Principal Balance
	(Dollars in millions)					
Loans held for sale reported at fair value						
Total (1)(2)	$ 2,044	$ 1,993	$ 51	$ 2,551	$ 2,544	$ 7
Nonaccrual loans	2	2		5	6	(1)
Loans 90 days or more past due and still accruing interest	2	2		2	2	

(1) The change in fair value is reflected in mortgage banking income.
(2) Excludes loans held for sale carried at the lower of cost or market.

Also, BB&T may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis. Assets measured at fair value on a nonrecurring basis for the periods ended June 30, 2010 and December 31, 2009 that were still held on the balance sheet at June 30, 2010 and December 31, 2009 totaled $2.7 billion and $2.4 billion, respectively. The June 30, 2010 amount consists of $1.3 billion of impaired loans, excluding covered loans, and $1.4 billion of foreclosed real estate, excluding covered foreclosed real estate, that were classified as Level 3 assets. The December 31, 2009 amount consists of $941 million of impaired loans, excluding covered loans, and $1.5 billion of foreclosed real estate, excluding covered foreclosed real estate, that were classified as Level 3 assets. During the three months ended June 30, 2010 and 2009, BB&T recorded $256 million and $111 million, respectively, in losses related to write-downs of impaired loans and $193 million and $27 million, respectively, in losses related to write-downs of foreclosed real estate. For the six months ended June 30, 2010 and 2009, BB&T recorded $415 million and $189 million, respectively, in losses related to write-downs of impaired loans and $318 million and $43 million, respectively, in losses related to write-downs of foreclosed real estate. These write-downs are generally based on the appraised value of the underlying collateral.

Additionally, accounting standards require the disclosure of the estimated fair value of financial instruments that are not recorded at fair value. A financial instrument is defined as cash, evidence of an ownership interest in an entity or a contract that creates a contractual obligation or right to deliver or receive cash or another financial instrument from a second entity. For the financial instruments that BB&T does not record at fair value, estimates of fair value are made at a point in time, based on relevant market data and information about the financial instrument. Fair values are calculated based on the value of one trading unit without regard to any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax ramifications, estimated transaction costs that may result from bulk sales or the relationship between various financial instruments. No readily available market exists for a significant portion of BB&T s financial instruments. Fair value estimates for these instruments are based on current economic conditions, currency and interest rate risk characteristics, loss experience and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the calculated fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. In addition, changes in assumptions could significantly affect these fair value estimates. The following methods and assumptions were used by BB&T in estimating the fair value of these financial instruments.

Cash and cash equivalents and segregated cash due from banks: For these short-term instruments, the carrying amounts are a reasonable estimate of fair values.

Loans receivable: The fair values for loans are estimated using discounted cash flow analyses, applying interest rates currently being offered for loans with similar terms and credit quality. The interest rates being offered by BB&T for new loans with similar terms and credit quality are

reflective of credit risk and liquidity spreads inherent in an orderly transaction in the current market. For commercial loans and leases, internal credit risk models are used to adjust discount rates for risk

migration since inception. For residential mortgage and other consumer loans, internal prepayment risk models are used to adjust contractual cash flows. Loans are aggregated into pools of similar terms and credit quality and discounted using a LIBOR based rate. The carrying amounts of accrued interest approximate fair values.

Deposit liabilities: The fair values for demand deposits, interest-checking accounts, savings accounts and certain money market accounts are, by definition, equal to the amount payable on demand at the reporting date, i.e., their carrying amounts. Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies current interest rates to aggregate expected maturities. In addition, nonfinancial instruments such as core deposit intangibles are not recorded at fair value. BB&T has developed long-term relationships with its customers through its deposit base and in the opinion of management, these items add significant value to BB&T.

Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds: The carrying amounts of Federal funds purchased, borrowings under repurchase agreements and short-term borrowed funds approximate their fair values.

Long-term debt: The fair values of long-term debt are estimated based on quoted market prices for the instrument if available, or for similar instruments if not available, or by using discounted cash flow analyses, based on BB&T s current incremental borrowing rates for similar types of instruments.

Contractual commitments: The fair values of commitments are estimated using the fees charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair values also consider the difference between current levels of interest rates and the committed rates. The fair values of guarantees and letters of credit are estimated based on the counterparties creditworthiness and average default rates for loan products with similar risks. The fair values of commitments to fund affordable housing investments are estimated using the net present value of future commitments.

The following is a summary of the carrying amounts and fair values of those financial assets and liabilities that BB&T has not recorded at fair value:

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in millions)			
Financial assets:				
Loans and leases, net of allowance for loan and lease losses (1)	**$ 99,952**	**$ 99,462**	$ 101,056	$ 100,794
Financial liabilities:				
Deposits	**104,451**	**103,140**	114,965	112,917
Long-term debt	**22,086**	**23,163**	21,376	21,018

(1) Includes loans held for sale carried at the lower of cost or market.

The following is a summary of the notional or contractual amounts and fair values of BB&T s off-balance sheet financial instruments as of the periods indicated:

	June 30, 2010		December 31, 2009	
	Notional/ Contract Amount	Fair Value	Notional/ Contract Amount	Fair Value
	(Dollars in millions)			

Contractual commitments:				
Commitments to extend, originate or purchase credit	**$ 37,539**	**$ 49**	$ 36,130	$ 48
Residential mortgage loans sold with recourse	**1,857**	**6**	1,986	6
Other loans sold with recourse	**4,107**	**15**	3,989	12
Letters of credit and financial guarantees written	**7,751**	**36**	7,999	40
Commitments to fund affordable housing investments	**255**	**244**	371	357

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NOTE 15. Derivative Financial Instruments

BB&T uses a variety of derivative instruments to manage interest rate and foreign exchange risks. These instruments consist of interest-rate swaps, swaptions, caps, floors, collars, financial forward and futures contracts, when-issued securities, foreign exchange contracts and options written and purchased. A derivative is a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or referenced interest rate. There are five areas of risk management: balance sheet management, mortgage banking operations, mortgage servicing rights, net investment in a foreign subsidiary and client-related and other risk management activities.

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The following tables set forth certain information concerning BB&T s derivative financial instruments and related hedged items as of the periods indicated:

Derivative Classifications and Hedging Relationships

	Hedged Item or Transaction	June 30, 2010 Notional Amount	Fair Value Gain (1)	Fair Value Loss (1)
		(Dollars in millions)		
Derivatives Designated as Cash Flow Hedges:				
Interest rate contracts:				
Receive fixed swaps	First forecasted interest receipts on commercial loans	$ 500	$ 5	$
Pay fixed swaps	First forecasted interest payments on 3 month LIBOR funding	6,250		(171)
Caps	First forecasted interest payments on 3 month LIBOR funding	200		
Total		6,950	5	(171)
Derivatives Designated as Net Investment Hedges:				
Foreign exchange contracts		73	4	
Total		73	4	
Derivatives Designated as Fair Value Hedges:				
Interest rate contracts:				
Receive fixed swaps	Individual fixed rate long-term debt issuances	2,110	211	
Receive fixed swaps	Long-term CD s	69		
Pay fixed swaps	Individual fixed rate municipal securities classified as available for sale	355		(98)
Total		2,534	211	(98)
Derivatives Not Designated as Hedges:				
Client-related and other risk management				
Interest rate contracts				
Receive fixed swaps		10,282	597	(3)
Pay fixed swaps		9,534	4	(606)
Other swaps		3,750	2	(6)
Option trades		376		
Swaptions		539	32	(32)
Futures contracts		1,334		
Collars		121	5	(6)
Foreign exchange contracts		406	6	(10)
Mortgage Banking				
Interest rate contracts				
Interest rate lock commitments		3,759	47	
Forward commitments		7,009	14	(89)

Swaptions	200	13	
Option trades	104		
Receive fixed swaps	25	1	
TBA/When issued securities	13		
Mortgage Servicing Rights			
Interest rate contracts			
Receive fixed swaps	1,240	132	
Pay fixed swaps	1,027		(44)
Swaptions	6,630	262	(25)
Futures contracts	3,693	5	(5)
When issued securities and Forward rate agreements	4,588	34	
Total	54,630	1,154	(826)
Total Derivatives	$ 64,187	$ 1,374	$ (1,095)

(1) Derivatives in a gain position are recorded as Other assets and derivatives in a loss position are recorded as Other liabilities on the Consolidated Balance Sheet.

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Derivative Classifications and Hedging Relationships

	Hedged Item or Transaction	December 31, 2009		
		Notional Amount	Fair Value Gain (1)	Fair Value Loss (1)
		(Dollars in millions)		
Derivatives Designated as Cash Flow Hedges:				
Interest rate contracts:				
Receive fixed swaps	First forecasted interest receipts on commercial loans	$ 1,000	$ 28	$
Pay fixed swaps	First forecasted interest payments on 3 month LIBOR funding	4,300	38	(26)
Caps	First forecasted interest payments on 3 month LIBOR funding	200		
Total		5,500	66	(26)
Derivatives Designated as Net Investment Hedges:				
Foreign exchange contracts		73		(1)
Total		73		(1)
Derivatives Designated as Fair Value Hedges:				
Interest rate contracts:				
Receive fixed swaps	Individual fixed rate long-term debt issuances	3,429	192	(43)
Receive fixed swaps	Long-term CD s	328	2	
Pay fixed swaps	Individual fixed rate municipal securities classified as available for sale	354		(50)
Total		4,111	194	(93)
Derivatives Not Designated as Hedges:				
Client-related and other risk management				
Interest rate contracts				
Receive fixed swaps		10,004	392	(32)
Pay fixed swaps		10,401	32	(369)
Other swaps		7,014	3	(3)
Option trades		922		
Swaptions		538	24	(24)
Futures contracts		611		
Collars		123	4	(5)
Foreign exchange contracts		373	7	(6)
Mortgage Banking				
Interest rate contracts				
Interest rate lock commitments		2,970	5	(19)
Forward commitments		4,662	48	(5)
Swaptions		200	11	
Option trades		340	1	(5)

TBA/When issued securities	30		
Futures contracts	50		(1)
Mortgage Servicing Rights			
Interest rate contracts			
Receive fixed swaps	1,968		(69)
Pay fixed swaps	654	4	
Swaptions	5,575	191	(2)
Futures contracts	4,631	1	(3)
When issued securities and Forward rate agreements	5,425		(37)
Total	56,491	723	(580)
Total Derivatives	$ 66,175	$ 983	$ (700)

(1) Derivatives in a gain position are recorded as Other assets and derivatives in a loss position are recorded as Other liabilities on the Consolidated Balance Sheet.

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Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

The following tables set forth certain information concerning the effect of BB&T s derivative financial instruments on the Consolidated Statements of Income for the periods indicated:

The Effect of Derivative Instruments on the Consolidated Statements of Income

for the Three Month Period Ended June 30, 2010

(Dollars in millions)

	Effective Portion			Ineffective Portion	
	Gain or (Loss) Recognized in OCI	Location of Amounts Reclassified from AOCI into Income	(Gain) or Loss Reclassified from AOCI into Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Cash Flow Hedges					
Interest rate contracts	$ (137)	Total interest income	$ (12)	Other noninterest income	$
		Total interest expense	4		
			$ (8)		
Derivatives Designated as Net Investment Hedges					
Foreign exchange contracts	$ 4		$		$

	Effective Portion		Ineffective Portion	
	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Fair Value Hedges				
Interest rate contracts	Total interest expense	$ 45	Other noninterest income	$ (2)
Interest rate contracts	Total interest income	(5)	Other noninterest expense	
Total		$ 40		$ (2)
Derivatives Not Designated as Hedges				
Client-related and other risk management				
Interest rate contracts	Other noninterest income	$ (3)		
Other derivatives	Other noninterest income			
Foreign exchange contracts	Other nondeposit fees and commissions	2		

Mortgage Banking			
Interest rate contracts	Mortgage banking income		(27)
Mortgage Servicing Rights			
Interest rate contracts	Mortgage banking income		241
Total		$	213

Note: All amounts for Other Comprehensive Income (OCI) and Accumulated Other Comprehensive Income (AOCI) are stated on a pre-tax basis.

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Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

The Effect of Derivative Instruments on the Consolidated Statements of Income

for the Three Month Period Ended June 30, 2009

(Dollars in millions)

	Effective Portion			Ineffective Portion	
	Gain or (Loss) Recognized in OCI	Location of Amounts Reclassified from AOCI into Income	(Gain) or Loss Reclassified from AOCI into Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Cash Flow Hedges					
Interest rate contracts	$ 69	Total interest income	$ (9)	Other noninterest income	$ 1
		Total interest expense	(2)		
			$ (11)		
Derivatives Designated as Net Investment Hedges					
Foreign exchange contracts	$ (1)		$		$

	Effective Portion		Ineffective Portion	
	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Fair Value Hedges				
Interest rate contracts	Total interest expense	$ 42	Other noninterest income	$2
Interest rate contracts	Total interest income	(5)	Other noninterest expense	
Total		$ 37		$2
Derivatives Not Designated as Hedges				
Client-related and other risk management				
Interest rate contracts	Other noninterest income	$ 6		
Other derivatives	Other noninterest income	(17)		
Foreign exchange contracts	Other nondeposit fees and commissions	(4)		
Mortgage Banking				

Interest rate contracts	Mortgage banking income	36
Mortgage Servicing Rights		
Interest rate contracts	Mortgage banking income	(114)
Total		$ (93)

Note: All amounts for Other Comprehensive Income (OCI) and Accumulated Other Comprehensive Income (AOCI) are stated on a pre-tax basis.

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Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

The Effect of Derivative Instruments on the Consolidated Statements of Income

for the Six Month Period Ended June 30, 2010

(Dollars in millions)

	Effective Portion			Ineffective Portion	
	Gain or (Loss) Recognized in OCI	Location of Amounts Reclassified from AOCI into Income	(Gain) or Loss Reclassified from AOCI into Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Cash Flow Hedges					
Interest rate contracts	$ (196)	Total interest income	$ (28)	Other noninterest income	$
		Total interest expense	9		
			$ (19)		
Derivatives Designated as Net Investment Hedges					
Foreign exchange contracts	$ 1		$		$

		Effective Portion		Ineffective Portion	
		Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Fair Value Hedges					
Interest rate contracts		Total interest expense	$ 97	Other noninterest income	$(1)
Interest rate contracts		Total interest income	(10)	Other noninterest expense	
Total			$ 87		$(1)
Derivatives Not Designated as Hedges					
Client-related and other risk management					
Interest rate contracts		Other noninterest income	$ (4)		
Other derivatives		Other noninterest income			
Foreign exchange contracts		Other nondeposit fees and commissions	3		
Mortgage Banking					
Interest rate contracts		Mortgage banking income	(47)		
Mortgage Servicing Rights					
Interest rate contracts		Mortgage banking income	240		

Total	$	192

Note: All amounts for Other Comprehensive Income (OCI) and Accumulated Other Comprehensive Income (AOCI) are stated on a pre-tax basis.

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Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

The Effect of Derivative Instruments on the Consolidated Statements of Income

for the Six Month Period Ended June 30, 2009

(Dollars in millions)

		Effective Portion		Ineffective Portion	
	Gain or (Loss) Recognized in OCI	Location of Amounts Reclassified from AOCI into Income	(Gain) or Loss Reclassified from AOCI into Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Cash Flow Hedges					
Interest rate contracts	$90	Total interest income	$ (15)	Other noninterest income	$ 1
		Total interest expense	(3)		
			$ (18)		
Derivatives Designated as Net Investment Hedges					
Foreign exchange contracts	$(3)		$		$

		Effective Portion		Ineffective Portion	
	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income		Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Fair Value Hedges					
Interest rate contracts	Total interest expense	$	80	Other noninterest income	$7
Interest rate contracts	Total interest income		(8)	Other noninterest expense	
Total		$	72		$7
Derivatives Not Designated as Hedges					
Client-related and other risk management					
Interest rate contracts	Other noninterest income	$	17		
Other derivatives	Other noninterest income		(20)		
Foreign exchange contracts	Other nondeposit fees and commissions		(3)		
Mortgage Banking					
Interest rate contracts	Mortgage banking income		42		
Mortgage Servicing Rights					
Interest rate contracts	Mortgage banking income		(40)		
Total		$	(4)		

Note: All amounts for Other Comprehensive Income (OCI) and Accumulated Other Comprehensive Income (AOCI) are stated on a pre-tax basis.

The majority of the balance sheet management derivatives are designated as cash flow or fair value hedges. BB&T s floating rate business loans, Federal funds purchased, other overnight funding, institutional and brokered certificates of deposit, other time deposits, medium-term bank notes and long-term debt expose it to variability in cash flows for interest payments. The risk management objective for these assets and liabilities is to hedge the variability in the interest payments. This objective is met by entering into interest rate swaps and interest rate collars and caps. Interest rate collars and caps fix the interest payments when interest rates on the hedged item exceed predetermined rates.

Cash Flow Hedges

At June 30, 2010 and December 31, 2009, BB&T had designated notional values of $7.0 billion and $5.5 billion, respectively, of derivatives as cash flow hedges. At June 30, 2010, these cash flow hedges reflected a net unrealized loss of $166 million, with instruments in a gain position reflecting a fair value of $5 million recorded in other assets and instruments in a loss position reflecting a fair value of $171 million recorded in other liabilities. At December 31, 2009, these cash flow hedges reflected a net unrealized gain of $40 million, with instruments in a gain position reflecting a fair value of $66 million recorded in other assets and instruments in a loss position reflecting a fair value of $26 million recorded in other liabilities.

For a qualifying cash flow hedge, the portion of changes in the fair value of the derivatives that have been highly effective are recognized in other comprehensive income until the related cash flows from the hedged item are recognized in earnings. The impact on earnings resulting from the ineffectiveness of cash flow hedges for the three and six months ended June 30, 2010 and 2009, was not material.

Accumulated other comprehensive income included $34 million and $54 million in unrecognized after-tax gains on interest rate swaps, caps and floors hedging variable interest payments on business loans at June 30, 2010 and December 31, 2009, respectively. These amounts included unrecognized after-tax gains on terminated swaps, caps and collars of $31 million and $29 million at June 30, 2010 and December 31, 2009, respectively. In addition, accumulated other comprehensive income included $63 million in net unrecognized losses and $50 million in net unrecognized after-tax gains on interest rate swaps, caps and floors hedging variable interest payments on funding at June 30, 2010 and December 31, 2009, respectively. These amounts included unrecognized after-tax gains on terminated hedges related to variable-rate funding of $44 million and $52 million at June 30, 2010 and December 31, 2009, respectively. Also included in accumulated other comprehensive income at June 30, 2010 and December 31, 2009 are unrecognized after-tax gains of $3 million on terminated interest rate swaps hedging variable interest payments on long-term debt.

The estimated net amount in accumulated other comprehensive income at June 30, 2010 that is expected to be reclassified into earnings within the next 12 months is a net after-tax gain of $2.5 million.

All of BB&T s cash flow hedges are hedging exposure to variability in future cash flows for forecasted transactions related to the payment of variable interest on then existing financial instruments. The maximum length of time over which BB&T is hedging its exposure to the variability in future cash flows for forecasted transactions related to variable interest payments on existing financial instruments at June 30, 2010 and December 31, 2009 is 7.1 years and 6.6 years, respectively.

Fair Value Hedges

At June 30, 2010 and December 31, 2009, BB&T had designated notional values of $2.5 billion and $4.1 billion, respectively, of derivatives as fair value hedges. These fair value hedges reflected a net unrealized gain of $113 million and $101 million at June 30, 2010 and December 31, 2009, respectively, with instruments in a gain position reflecting a fair value of $211 million and $194 million, respectively, recorded in other assets and instruments in a loss position reflecting a fair value of $98 million and $93 million, respectively, recorded in other liabilities.

For a qualifying fair value hedge, changes in the value of the derivatives that have been highly effective as hedges are recognized in current period earnings along with the corresponding changes in the fair value of the designated hedged item attributable to the risk being hedged. For the six months ended June 30, 2010, BB&T terminated certain fair value hedges relating to its long-term debt and received proceeds of $152 million. BB&T also terminated certain fair value hedges related to its long-term debt during the six months ended June 30, 2009 and received $74 million in proceeds. The proceeds from these terminations were included in cash flows from financing activities. The impact on earnings resulting from fair value hedge ineffectiveness was a $1 million loss and a $7 million gain during the six months ended June 30, 2010 and 2009, respectively.

Derivatives Not Designated As Hedges

BB&T also held $54.6 billion and $56.5 billion in notional value of derivatives not designated as hedges at June 30, 2010 and December 31, 2009, respectively. These instruments were in a net gain position with a net estimated fair value of $328 million and $143 million at June 30, 2010 and December 31, 2009, respectively. Changes in the fair value of these derivatives are reflected in current period earnings.

Derivatives not designated as a hedge include the notional amounts of $11.1 billion and $8.2 billion that have been entered into as risk management instruments for mortgage banking operations at June 30, 2010 and December 31, 2009, respectively. For mortgage loans originated for sale, BB&T is exposed to changes in market rates and conditions subsequent

to the interest rate lock and funding date. BB&T s risk management strategy related to its interest rate lock commitment derivatives and loans held for sale includes using mortgage-based derivatives such as forward commitments and options in order to mitigate market risk.

Derivatives not designated as a hedge include the notional amounts of $17.2 billion and $18.3 billion that have been entered into as risk management instruments for mortgage servicing rights at June 30, 2010 and December 31, 2009, respectively. For the six months ended June 30, 2010, the $240 million gain on these derivatives is offset by a negative $227 million valuation adjustment related to the mortgage servicing asset. For the six months ended June 30, 2009, the $40 million loss on these derivatives was offset by a positive $91 million valuation adjustment related to the mortgage servicing asset. For the quarter ended June 30, 2010, the $241 million gain on these derivatives was offset by a negative $232 million valuation adjustment related to the mortgage servicing asset. For the quarter ended June 30, 2009, the $114 million loss on these derivatives was offset by a positive $137 million valuation adjustment related to the mortgage servicing asset.

BB&T also held derivatives not designated as hedges with notional amounts totaling $26.3 billion and $30.0 billion at June 30, 2010 and December 31, 2009, respectively, as risk management instruments primarily to facilitate transactions on behalf of its clients, as well as activities related to balance sheet management.

Net Investment Hedges

At June 30, 2010 and December 31, 2009, BB&T had designated notional values of $73 million of derivatives as net investment hedges used to hedge the variability in a foreign currency exchange rate.

Derivatives Credit Risk

Credit risk related to derivatives arises when amounts receivable from a counterparty exceed those payable. BB&T controls the risk of loss by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide cash collateral to BB&T when their unsecured loss positions exceed certain negotiated limits. These bilateral limits are typically based on current credit ratings and vary with ratings changes. As of June 30, 2010 and December 31, 2009, BB&T had received cash collateral of approximately $158 million and $82 million, respectively. In addition, BB&T had posted collateral of $396 million and $138 million at June 30, 2010 and December 31, 2009, respectively. In the event that BB&T s credit ratings had been downgraded below investment grade, the amount of collateral posted would have increased by $24 million and $50 million as of June 30, 2010 and December 31, 2009, respectively. As of June 30, 2010 and December 31, 2009, BB&T had approximately $9 million and $26 million, respectively, of unsecured positions with derivative dealers. All of the derivative contracts to which BB&T is a party settle monthly, quarterly or semiannually. In the case of contracts with derivative dealers, BB&T only transacts with dealers that are national market makers with strong credit ratings. Further, BB&T has netting agreements with the dealers with which it does business. Because of these factors, BB&T s credit risk exposure related to derivatives contracts at June 30, 2010 and December 31, 2009 was not material.

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

NOTE 16. Computation of Earnings Per Common Share

BB&T s basic and diluted earnings per common share amounts for the three and six month periods ended June 30, 2010 and 2009, respectively, were calculated as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in millions, except per share data, shares in thousands)			
Basic Earnings Per Common Share:				
Net income available to common shareholders	**$ 210**	$ 121	**$ 398**	$ 392
Weighted average number of common shares	**692,113**	602,726	**691,456**	581,382
Basic earnings per common share	**$ .30**	$ .20	**$ .58**	$ .67
Diluted Earnings Per Common Share:				
Net income available to common shareholders	**$ 210**	$ 121	**$ 398**	$ 392
Weighted average number of common shares	**692,113**	602,726	**691,456**	581,382
Effect of dilutive outstanding equity-based awards	**9,209**	6,071	**8,767**	4,874
Weighted average number of diluted common shares	**701,322**	608,797	**700,223**	586,256
Diluted earnings per common share	**$ .30**	$ .20	**$ .57**	$ .67

For the three months ended June 30, 2010 and 2009, the number of anti-dilutive awards was 25.8 million and 39.1 million shares, respectively. For the six months ended June 30, 2010 and 2009, the number of anti-dilutive awards was 32.1 million and 39.3 million shares, respectively.

NOTE 17. Operating Segments

BB&T s operations are divided into seven reportable business segments: the Banking Network, Residential Mortgage Banking, Sales Finance, Specialized Lending, Insurance Services, Financial Services and Treasury. These operating segments have been identified based on BB&T s organizational structure. The segments require unique technology and marketing strategies and offer different products and services. While BB&T is managed as an integrated organization, individual executive managers are held accountable for the operations of these business segments.

BB&T emphasizes revenue growth by focusing on client service, sales effectiveness and relationship management. The segment results contained herein are presented based on internal management accounting policies that were designed to support these strategic objectives. Unlike financial accounting, there is no comprehensive authoritative body of guidance for management accounting equivalent to generally accepted accounting principles. The performance of the segments is not comparable with BB&T s consolidated results or with similar information presented by any other financial institution. Additionally, because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities.

Allocation methodologies are subject to periodic adjustment as the internal management accounting system is revised and business or product lines within the segments change. Also, because the development and application of these methodologies is a dynamic process, the financial results presented may be periodically revised.

Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for a description of internal accounting policies and the basis of segmentation, including a description of the segments presented in the accompanying tables.

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

The following tables disclose selected financial information with respect to BB&T s reportable business segments for the periods indicated:

BB&T Corporation

Reportable Segments

For the Three Months Ended June 30, 2010 and 2009

	Banking Network		Residential Mortgage Banking		Sales Finance		Specialized Lending		Insurance Services	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Dollars in millions)									
Net interest income (expense)	$ 446	$ 433	$ 242	$ 277	$ 99	$ 101	$ 222	$ 204	$	$ 1
Net funds transfer pricing (FTP)	521	448	(164)	(182)	(62)	(71)	(46)	(56)		
Net interest income (expense) and FTP	967	881	78	95	37	30	176	148		1
Economic provision for loan and lease losses	380	531	169	76	11	28	14	56		
Noninterest income	342	314	98	170	1	1	30	31	283	277
Intersegment net referral fees (expense)	75	148	(27)	(44)	(3)	(4)				
Noninterest expense	658	464	42	32	7	8	70	69	201	201
Allocated corporate expenses	207	175	3	2	3	3	11	10	14	12
Income (loss) before income taxes	139	173	(65)	111	14	(12)	111	44	68	65
Provision (benefit) for income taxes	52	65	(27)	42	6	(5)	42	18	26	25
Segment net income (loss)	$ 87	$ 108	$ (38)	$ 69	$ 8	$ (7)	$ 69	$ 26	$ 42	$ 40
Identifiable segment assets (period end)	$ 61,279	$ 63,391	$ 18,937	$ 20,554	$ 6,676	$ 6,359	$ 8,469	$ 8,020	$ 1,282	$ 1,288

	Financial Services		Treasury		All Other Segments (1)		Parent/ Reconciling Items		Total BB&T Corporation	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Dollars in millions)									
Net interest income (expense)	$ 7	$ 4	$ 77	$ 16	$ 52	$ 39	$ 215	$ 63	$ 1,360	$ 1,138
Net funds transfer pricing (FTP)	27	31	(175)	(37)	(46)	(47)	(55)	(86)		
Net interest income (expense) and FTP	34	35	(98)	(21)	6	(8)	160	(23)	1,360	1,138
Economic provision for loan and lease losses	1	5				1	75	4	650	701
Noninterest income	152	167	242	47	12	8	(121)	(22)	1,039	993

Intersegment net referral fees (expense)	8	11					(53)	(111)		
Noninterest expense	131	139	4	(6)	17	17	370	257	1,500	1,181
Allocated corporate expenses	6	6	1	1	1	(2)	(246)	(207)		
Income (loss) before income taxes	56	63	139	31		(16)	(213)	(210)	249	249
Provision (benefit) for income taxes	21	24	35	(7)	(12)	(17)	(118)	(104)	25	41
Segment net income (loss)	$ 35	$ 39	$ 104	$ 38	$ 12	$ 1	$ (95)	$ (106)	$ 224	$ 208
Identifiable segment assets (period end)	$ 2,877	$ 2,936	$ 28,747	$ 35,839	$ 6,331	$ 5,090	$ 20,485	$ 8,921	$ 155,083	$ 152,398

(1) Includes financial data from subsidiaries below the quantitative and qualitative thresholds requiring disclosure.

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Second Quarter 2010

BB&T Corporation

Reportable Segments

For the Six Months Ended June 30, 2010 and 2009

	Banking Network		Residential Mortgage Banking		Sales Finance		Specialized Lending		Insurance Services	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Dollars in millions)									
Net interest income (expense)	$ 874	$ 851	$ 480	$ 560	$ 198	$ 201	$ 433	$ 398	$ 1	$ 3
Net funds transfer pricing (FTP)	1,076	867	(330)	(378)	(127)	(142)	(95)	(114)	(1)	(1)
Net interest income (expense) and FTP	1,950	1,718	150	182	71	59	338	284		2
Economic provision for loan and lease losses	677	892	356	138	13	48	97	154		
Noninterest income	658	606	176	344	1	1	61	61	533	523
Intersegment net referral fees (expense)	139	267	(52)	(79)	(6)	(7)				
Noninterest expense	1,265	883	75	56	15	15	138	137	402	393
Allocated corporate expenses	410	349	6	5	5	6	21	20	28	24
Income (loss) before income taxes	395	467	(163)	248	33	(16)	143	34	103	108
Provision (benefit) for income taxes	148	176	(62)	94	13	(6)	54	14	40	42
Segment net income (loss)	$ 247	$ 291	$ (101)	$ 154	$ 20	$ (10)	$ 89	$ 20	$ 63	$ 66
Identifiable segment assets (period end)	$ 61,279	$ 63,391	$ 18,937	$ 20,554	$ 6,676	$ 6,359	$ 8,469	$ 8,020	$ 1,282	$ 1,288

	Financial Services		Treasury		All Other Segments (1)		Parent/ Reconciling Items		Total BB&T Corporation	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Dollars in millions)									
Net interest income (expense)	$ 10	$ 6	$ 212	$ 219	$ 94	$ 77	$ 372	$ (31)	$ 2,674	$ 2,284
Net funds transfer pricing (FTP)	53	55	(369)	(193)	(91)	(93)	(116)	(1)		
Net interest income (expense) and FTP	63	61	(157)	26	3	(16)	256	(32)	2,674	2,284
Economic provision for loan and lease losses	6	7			2	2	74	136	1,225	1,377
Noninterest income	298	321	260	252	24	17	(128)	(101)	1,883	2,024

Intersegment net referral fees (expense)	14	18					(95)	(199)		
Noninterest expense	262	273	9	(5)	34	40	641	458	2,841	2,250
Allocated corporate expenses	12	12	2	2	(2)		(482)	(418)		
Income (loss) before income taxes	95	108	92	281	(7)	(41)	(200)	(508)	491	681
Provision (benefit) for income taxes	36	41	(1)	70	(27)	(35)	(128)	(241)	73	155
Segment net income (loss)	$ 59	$ 67	$ 93	$ 211	$ 20	$ (6)	$ (72)	$ (267)	$ 418	$ 526
Identifiable segment assets (period end)	$ 2,877	$ 2,936	$ 28,747	$ 35,839	$ 6,331	$ 5,090	$ 20,485	$ 8,921	$ 155,083	$ 152,398

(1) Includes financial data from subsidiaries below the quantitative and qualitative thresholds requiring disclosure.

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Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements with respect to the financial condition, results of operations and businesses of BB&T. These forward-looking statements involve certain risks and uncertainties and are based on the beliefs and assumptions of the management of BB&T and the information available to management at the time that these disclosures were prepared. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following:

- general economic or business conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services;
- changes in the interest rate environment may reduce net interest margins and/or the volumes and values of loans made or held as well as the value of other financial assets held;
- competitive pressures among depository and other financial institutions may increase significantly;
- legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which BB&T is engaged;
- local, state or federal taxing authorities may take tax positions that are adverse to BB&T;
- adverse changes may occur in the securities markets;
- competitors of BB&T may have greater financial resources and develop products that enable them to compete more successfully than BB&T;
- costs or difficulties related to the integration of the businesses of BB&T and its merger partners may be greater than expected, including the integration of Colonial Bank;
- unpredictable natural or other disasters could have an adverse effect on BB&T in that such events could materially disrupt its operations or the ability or willingness of its customers to access the financial services offered by BB&T;
- expected cost savings associated with completed mergers and acquisitions may not be fully realized or realized within the expected time frames, including the acquisition of Colonial Bank; and

deposit attrition, customer loss and/or revenue loss following completed mergers and acquisitions, including the acquisition of Colonial Bank, may be greater than expected.

Regulatory Considerations

BB&T and its subsidiaries and affiliates are subject to numerous examinations by federal and state banking regulators, as well as the SEC, the Financial Industry Regulatory Authority, and various state insurance and securities regulators. BB&T and its subsidiaries have from time to time received requests for information from regulatory authorities in various states, including state insurance commissions and state attorneys general, securities regulators and other regulatory authorities, concerning their business practices. Such requests are considered incidental to the normal conduct of business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial-services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, and changes among the bank regulatory agencies. Many of these provisions are subject to further study, rule making, and the discretion of regulatory bodies, such as the Financial Stability Oversight Council, which will regulate the systemic risk of the financial system. Due to BB&T s size, the Company will be designated as systemically significant to the financial health of the U.S. economy and, as a result, may be subject to additional regulations. Management cannot predict the effect that compliance with the Dodd-Frank Act or any implementing regulations will have on BB&T s businesses or its ability to pursue future business opportunities.

Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for additional disclosures with respect to laws and regulations affecting the Company s businesses.

Critical Accounting Policies

The accounting and reporting policies of BB&T Corporation and its subsidiaries are in accordance with accounting principles generally accepted in the United States of America (GAAP) and conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. BB&T s financial position and results of operations are affected by management s application of accounting policies, including estimates, assumptions and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues and expenses. Different assumptions in the application of these policies could result in material changes in BB&T s consolidated financial position and/or consolidated results of operations and related disclosures. The more critical accounting and reporting policies include BB&T s accounting for the allowance for loan and lease losses and reserve for unfunded lending commitments, determining fair value of financial instruments, intangible assets and other purchase accounting related adjustments associated with mergers and acquisitions, costs and benefit obligations associated with BB&T s pension and postretirement benefit plans, and income taxes. Understanding BB&T s accounting policies is fundamental to understanding BB&T s consolidated financial position and consolidated results of operations. Accordingly, BB&T s significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in detail in Note 1 in the Notes to Consolidated Financial Statements in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009.

The following is a summary of BB&T s critical accounting policies that are highly dependent on estimates, assumptions and judgments. These critical accounting policies are reviewed with the Audit Committee of BB&T s Board of Directors on a periodic basis.

Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments

It is the policy of BB&T to maintain an allowance for loan and lease losses and a reserve for unfunded lending commitments that represent management s best estimate of probable credit losses that are inherent in the portfolio at the balance sheet date. Estimates for loan and lease losses are determined by analyzing historical loan and lease losses, historical loan and lease migration to charge-off experience, current trends in delinquencies and charge-offs, expected cash flows on purchased loans, current assessment of problem loan and lease administration, the results of regulatory examinations, and changes in the size, composition and risk assessment of the loan and lease portfolio. For restructured loans, re-default expectations and estimated slower prepayment speeds are incorporated in the determination of the allowance for loan and lease losses. Also included in management s estimates for loan and lease losses are considerations with respect to the impact of current economic events, the outcomes of which are uncertain. These events may include, but are not limited to, fluctuations in overall interest rates, political conditions, legislation that may directly or indirectly affect the banking industry and economic conditions affecting specific geographical areas and industries in which BB&T conducts business. The methodology used to determine an estimate for the reserve for unfunded lending commitments is inherently similar to the methodology used in calculating the allowance for loans and leases adjusted for factors specific to binding commitments, including the probability of funding and exposure at the time of funding.

Fair Value of Financial Instruments

A significant portion of BB&T s assets and certain liabilities are financial instruments carried at fair value. This includes securities available for sale, trading securities, derivatives, certain loans held for sale, residential mortgage servicing rights, certain short-term borrowings and venture capital investments. At June 30, 2010, the percentage of total assets and total liabilities measured at fair value was 18.4% and less than 1%, respectively. The vast majority of assets and liabilities carried at fair value are based on either quoted market prices or market prices for similar instruments. At June 30, 2010, 6.8% of assets measured at fair value were based on significant unobservable inputs. This is approximately 1% of BB&T s total assets. See Note 14 Fair Value Disclosures in the Notes to Consolidated Financial Statements herein for additional disclosures regarding the fair value of financial instruments.

Securities

The fair values for available-for-sale and trading securities are generally based upon quoted market prices or observable market prices for similar instruments. BB&T generally utilizes a third-party pricing service in determining the fair value of its securities portfolio. The pricing service uses observable inputs when available including benchmark yields, reported

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trades, broker-dealer quotes, issuer spreads, benchmark securities, bids and offers. When market observable data is not available, which generally occurs due to the lack of liquidity for certain securities, the valuation of the security is subjective and may involve substantial judgment by management. As of June 30, 2010, BB&T had $973 million of available-for-sale and trading securities, which is less than 1% of total assets, valued using unobservable inputs. This total includes $818 million of non-agency mortgage backed securities that are covered by a loss sharing agreement with the FDIC and $144 million of auction-rate securities. BB&T conducts periodic reviews to identify and evaluate each available-for-sale security that has an unrealized loss for other-than-temporary impairment. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. The primary factors BB&T considers in determining whether an impairment is other-than-temporary are the financial condition and near term prospects of the issuer, including any specific events which may influence the operations of the issuer and BB&T s intent to sell and whether it is more likely than not that the Company will be required to sell these debt securities before the anticipated recovery of the amortized cost basis.

Mortgage Servicing Rights

BB&T has a significant mortgage loan servicing portfolio and related mortgage servicing rights (MSRs). BB&T has two primary classes of MSRs for which it separately manages the economic risk: residential and commercial. Residential MSRs are primarily carried at fair value with changes in fair value recorded as a component of mortgage banking income each period. BB&T uses various derivative instruments to mitigate the income statement effect of changes in fair value, due to changes in valuation inputs and assumptions, of its residential MSRs. MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, BB&T estimates the fair value of residential MSRs using an option adjusted spread (OAS) valuation model to project MSR cash flows over multiple interest rate scenarios, which are then discounted at risk-adjusted rates. The OAS model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. BB&T reassesses and periodically adjusts the underlying inputs and assumptions in the OAS model to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset. When available, fair value estimates and assumptions are compared to observable market data and to recent market activity and actual portfolio experience. Due to the nature of the valuation inputs, MSRs are classified within Level 3 of the valuation hierarchy. The value of MSRs is significantly affected by mortgage interest rates available in the marketplace, which influence mortgage loan prepayment speeds. In general, during periods of declining interest rates, the value of MSRs declines due to increasing prepayments attributable to increased mortgage-refinance activity. Conversely, during periods of rising interest rates, the value of MSRs generally increases due to reduced refinance activity. Commercial MSRs are carried at lower of cost or market and amortized over the estimated period that servicing income is expected to be received based on projections of the amount and timing of estimated future cash flows. The amount and timing of servicing asset amortization is updated based on actual results and updated projections. In addition, BB&T has approximately $6 million of residential MSRs that are valued at the lower of cost or market. These MSRs are associated with government sponsored programs that have prepayment assumptions that are difficult to model, which make it difficult to hedge the associated risk.

Loans Held for Sale

BB&T originates certain mortgage loans to be sold to investors. These loans are carried at fair value upon the election of the Fair Value Option. The fair value is primarily based on quoted market prices for securities backed by similar types of loans. Changes in the fair value are recorded as a component of mortgage banking income while mortgage loan origination costs for loans held for sale for which the Corporation elected the Fair Value Option are recognized in noninterest expense when incurred. The changes in fair value of these assets are largely driven by changes in interest rates subsequent to loan funding and changes in the fair value of servicing associated with the mortgage loan held for sale. BB&T uses various derivative instruments to mitigate the income statement effect of changes in fair value of the underlying loans. In addition, as of June 30, 2010, BB&T held $127 million of commercial loans accounted for at the lower of cost or market in the loans held for sale portfolio. These loans were originated as loans held for investment and transferred to the loans held for sale portfolio based on management s nonperforming asset disposition strategy.

Derivative Assets and Liabilities

BB&T uses derivatives to manage various financial risks. The fair values of derivative financial instruments are determined based on quoted market prices, dealer quotes and internal pricing models that are primarily sensitive to market observable data. BB&T mitigates the credit risk by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide collateral to BB&T when their unsecured loss positions exceed certain negotiated limits. The fair value of interest rate lock commitments, which are related to mortgage loan commitments, is based on quoted market prices adjusted for commitments that BB&T does not expect to fund and includes the value attributable to the net servicing fee.

Venture Capital and Similar Investments

BB&T has venture capital and similar investments that are carried at fair value. Changes in the fair value of these investments are recorded in other noninterest income each period. In many cases there are no observable market values for these investments and therefore management must estimate the fair value based on a comparison of the operating performance of the company to multiples in the marketplace for similar entities. This analysis requires significant judgment and actual values in a sale could differ materially from those estimated. As of June 30, 2010, BB&T had $272 million of venture capital investments, which is less than 1% of total assets.

Intangible Assets

BB&T s mergers and acquisitions are accounted for using the acquisition method of accounting. Under the acquisition method, BB&T is required to record the assets acquired, including identified intangible assets, and liabilities assumed at their fair value, which often involves estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques, all of which are inherently subjective. The amortization of identified intangible assets is based upon the estimated economic benefits to be received, which is also subjective. Acquisitions typically result in goodwill, which is subject to ongoing periodic impairment tests based on the fair value of net assets acquired compared to their carrying value. The major assumptions used in the impairment testing process include the estimated future cash flows of each business unit and discount rates. Discount rates are unique to each business unit and are based upon the cost of capital specific to the industry in which the business unit operates. As a result of the challenging economic environment, management continues to monitor closely the excess of the fair value over the carrying value of several reporting units. A continuing period of depressed market conditions, or further market deterioration, may result in impairment of goodwill in the future.

Pension and Postretirement Benefit Obligations

BB&T offers various pension plans and postretirement benefit plans to employees. The calculation of the obligations and related expenses under these plans requires the use of actuarial valuation methods and assumptions. Actuarial assumptions used in the determination of future values of plan assets and liabilities are subject to management judgment and may differ significantly if different assumptions are used. The discount rate assumption used to measure the postretirement benefit obligations is set by reference to published high-quality bond indices, as well as certain hypothetical spot-rate yield curves. These yield curves were constructed from the underlying bond price and yield data collected as of the plan s measurement date and are represented by a series of annualized, individual discount rates with durations ranging from six months to thirty years. Each discount rate in the curve was derived from an equal weighting of the double A or higher bond universe, apportioned into distinct maturity groups. For durations where no bond maturities were available, the discount rates for these maturities were extrapolated based on historical relationships from observable data in similar markets. These indices and hypothetical curves give only an indication of the appropriate discount rate because the cash flows of the bonds comprising the indices and curves do not match the projected benefit payment stream of the plan precisely. For this reason, we also consider the individual characteristics of the plan, such as projected cash flow patterns and payment durations, when setting the discount rate.

Income Taxes

The calculation of BB&T s income tax provision is complex and requires the use of estimates and judgments. As part of the Company s analysis and implementation of business strategies, consideration is given to the tax laws and regulations that apply to the specific facts and circumstances for any tax position under evaluation. For tax positions that are uncertain in

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nature, management determines whether the tax position is more likely than not to be sustained upon examination. For tax positions that meet this threshold, management then estimates the amount of the tax benefit to recognize in the financial statements. Management closely monitors tax developments in order to evaluate the effect they may have on the Company s overall tax position and the estimates and judgments used in determining the income tax provision and records adjustments as necessary.

EXECUTIVE SUMMARY

Consolidated net income for the second quarter of 2010 totaled $224 million, up $16 million, or 7.7%, compared to $208 million earned during the second quarter of 2009. Consolidated net income available to common shareholders for the second quarter of 2010 totaled $210 million, an increase of $89 million, or 73.6%, compared to $121 million earned during the same period in 2009. On a diluted per common share basis, earnings for the three months ended June 30, 2010 were $.30, compared to $.20 for the same period in 2009, an increase of 50.0%. In the second quarter of 2009, BB&T recognized $47 million, or $.08, per diluted common share, as a reduction in earnings available to common shareholders to account for the difference between the repurchase price and the amortized cost of the preferred stock issued to the U.S. Treasury as part of the Capital Purchase Program. BB&T s results of operations for the second quarter of 2010 produced an annualized return on average assets of .56% and an annualized return on average common shareholders equity of 5.01% compared to prior year ratios of .56% and 3.43%, respectively.

Consolidated net income for the first six months of 2010 totaled $418 million, a decrease of $108 million, or 20.5%, compared to $526 million earned during the first six months of 2009. Consolidated net income available to common shareholders for the first half of 2010 totaled $398 million, a slight increase compared to $392 million earned during the same period in 2009. On a diluted per common share basis, earnings for the six months ended June 30, 2010 were $.57, compared to $.67 for the same period in 2009, a decrease of 14.9%. BB&T s results of operations for the first six months of 2010 produced an annualized return on average assets of .52% and an annualized return on average common shareholders equity of 4.80% compared to prior year ratios of .71% and 5.78%, respectively.

During the second quarter of 2010, management undertook a strategy to more aggressively reduce BB&T s exposure to nonperforming loans and foreclosed properties and reduce or eliminate any delay exiting the credit cycle. As a result, nonperforming assets declined 3.1% in the second quarter of 2010 compared to the first quarter of 2010, marking the first quarterly decline since the first quarter of 2006. In connection with this strategy, BB&T successfully liquidated $682 million of problem assets, including $11 million of accruing loans. Losses from loan dispositions taken during the second quarter of 2010 related to this strategy were approximately $69 million, or $.06 per diluted common share. In addition, write-downs and losses on foreclosed properties increased $61 million, or $.05 per diluted common share, compared to the first quarter of 2010, as foreclosed property appraisals were accelerated in an effort to reduce the average age of appraisals to six months.

BB&T recorded a $650 million provision for credit losses in the second quarter of 2010, which exceeded net charge-offs by $8 million. Including $82 million of allowance related to the problem assets disposed of, the provision for credit losses exceeded net charge-offs by $90 million, or $.08 per diluted common share. The provision for loan and lease losses was down 7.3% from the second quarter of 2009, as early stage credit indicators continued to show signs of improvement.

BB&T s net interest income increased 19.5% compared to the second quarter of 2009, as a result of higher yields on acquired loans and lower deposit costs. The higher net interest income resulted in a net interest margin of 4.12% for the second quarter of 2010, up 56 basis points compared to the same period of 2009. Noninterest income increased 4.6% primarily as a result of an increase in securities gains in the second quarter of 2010 compared to the same period of 2009. Noninterest expenses were up 27.0%, in the second quarter of 2010 compared with the corresponding period of 2009 due to higher foreclosed property expenses and growth resulting from the Colonial transaction.

BB&T s total assets at June 30, 2010 were $155.1 billion, a decrease of $10.7 billion, or 6.4%, compared to December 31, 2009. Total loans and leases at June 30, 2010 were $104.7 billion, a decrease of $1.5 billion, or 1.4%, compared to the balance at year-end. The decrease in total loans and leases included decreases of $954 million in residential, acquisition and development loans and $842 million in covered loans acquired in the Colonial transaction. BB&T experienced an increase in lending during the second quarter of 2010, generating $17.5 billion in originations for the quarter, compared with $15.4 billion during the first quarter of 2010. The growth in lending was led by prime automobile, prime mortgage and commercial and industrial loans.

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Securities available for sale decreased $9.6 billion compared to the balances at December 31, 2009. The decline in the available-for-sale securities portfolio reflects a balance sheet deleveraging strategy executed in the second quarter of 2010. The sale of securities, net of other than temporary impairments, produced net securities gains of $219 million, or $.19 per diluted common share, during the second quarter of 2010 and better positioned BB&T s balance sheet for a rising rate environment and achieves a better mix of earning assets.

Total client deposits at June 30, 2010, were $101.1 billion, a decrease of $5.6 billion, or 5.3%, from December 31, 2009. Total deposits, which include wholesale deposits sources, totaled $104.5 billion at June 30, 2010, a decrease of $10.5 billion, or 9.1%, compared to December 31, 2009. The decrease in client deposits was a result of the divestiture of Nevada branches and deposits purchased as part of the Colonial transaction as well as a decline in higher-rate certificates of deposit. BB&T also has seen an improvement in the deposit mix, with noninterest-bearing accounts representing 18.9% of total deposits at June 30, 2010, compared with 16.5% at December 31, 2009.

Total shareholders equity increased $499 million, or 3.1%, compared to December 31, 2009. The tangible common equity ratio was 7.0% and 6.2% at June 30, 2010 and December 31, 2009, respectively. In addition, the Tier 1 risk-based capital and total risk-based capital ratios were 11.7% and 15.8% at June 30, 2010, respectively, compared to 11.5% and 15.8%, respectively, at December 31, 2009. BB&T s risk-based and tangible capital ratios remain well above regulatory standards for well-capitalized banks. As of June 30, 2010, measures of tangible capital were not required by the regulators and, therefore, were considered non-GAAP measures. Please refer to the section titled Capital Adequacy and Resources herein for a discussion of how BB&T calculates and uses these measures in the evaluation of the Company.

In the second quarter of 2010, BB&T successfully completed the systems conversion of Colonial, the largest in the Company s history. During the quarter, BB&T also completed its second quarterly assessment of cash flows on acquired loans and determined that the loans continue to outperform prior estimates. The combined assessments in the first and second quarters resulted in additional accretion on loans of $100 million, which is reflected in interest income. This increase results from improving expectations for cash flows on certain loan pools. The assessment also revealed minimal additional impairment in certain loans, offset by recoveries in other loans resulting in a $2 million reversal of provision for loan and lease losses in the second quarter. Approximately 80% of both the additional accretion and impairment is offset through the FDIC receivable. In addition, management further reduced its estimate of one-time costs associated with the Colonial acquisition to $100 million, a reduction of $40 million from the estimate at March 31, 2010. Of the total estimated one-time costs, $80 million has been incurred and expensed to date.

Early in the third quarter, the Dodd Frank Act was signed into law. This legislation represents one of the more significant legislative actions ever to affect the financial services industry. While many of the provisions of the legislation will have minimal or no impact to BB&T, certain aspects are likely to result in higher costs and reduced revenues in the near term. Over the longer-term, management expects that changes in products and services offered will minimize or eliminate many of the negative financial impacts to BB&T.

Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009, for additional information with respect to BB&T s recent accomplishments and significant challenges. The factors causing the fluctuations in the major balance sheet and income statement categories for the second quarter and first six months of 2010 compared to the corresponding periods of 2009 are further discussed in the following sections.

ANALYSIS OF FINANCIAL CONDITION

Securities

Securities available for sale totaled $23.7 billion at June 30, 2010, a decrease of $9.6 billion, or 28.8%, compared with December 31, 2009. Trading securities totaled $587 million, a decrease of $49 million compared with the balance at December 31, 2009. Average securities available for sale for the second quarter of 2010 were $28.3 billion, a decrease of $1.2 billion, or 4.1%, compared with the average balance during the second quarter of 2009. Average securities available for sale for the first six months of 2010 were $30.6 billion, an increase of $632 million, or 2.1%, compared to the average balance during the first six months of 2009. This increase in average securities reflects the covered securities purchased as part of the Colonial transaction, which averaged $1.2 billion during the second quarter and first half of 2010. The declines in

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the ending balance and quarterly average for securities available for sale portfolio were primarily the result of BB&T deleveraging the balance sheet in the second quarter. The Company sold $13.1 billion of securities, with a yield of 3.99%, and recorded net gains of $219 million. BB&T purchased $5.1 billion of securities yielding 3.32%. These transactions achieve a better mix of earning assets and significantly improve asset sensitivity. The percentage of securities to earning assets was reduced from 23.4% at March 31, 2010 to 18.1% at June 30, 2010. The securities deleverage also improves BB&T s current capital position and reduces the portfolio duration from 4.6 years at March 31, 2010 to 3.7 years at June 30, 2010.

The annualized fully taxable equivalent (FTE) yield on the average securities portfolio for the second quarter of 2010 was 4.30%, which represents an increase of 4 basis points compared to the annualized yield earned during the second quarter of 2009. The annualized FTE yield on the average securities portfolio for the first six months of 2010 was 4.28%, which represents a decrease of 27 basis points compared to the annualized yield earned during the first six months of 2009. The decrease in the annualized FTE yield on the average securities portfolio was primarily the result of reinvesting $12.0 billion in securities sales from the first quarter of 2009 into securities with shorter durations and lower yields. Partially offsetting this decline, the FTE yield benefited from the addition of the securities acquired in the Colonial transaction.

On June 30, 2010, BB&T held certain investment securities having continuous unrealized loss positions for more than 12 months. As of June 30, 2010, the unrealized losses on these securities totaled $304 million. All of these losses were in non-agency mortgage-backed and municipal securities. At June 30, 2010, all of the available-for-sale debt securities in an unrealized loss position, excluding those covered by FDIC loss sharing agreements, were investment grade with the exception of (a) bonds with an amortized cost of $3 million from one issuer of auction rate securities; (b) two municipal bonds with an amortized cost of $8 million; (c) sixteen non-agency mortgage-backed securities with an amortized cost of $923 million and (d) one non-agency commercial mortgage-backed security with an amortized cost of $25 million. At June 30, 2010, the total unrealized loss on these non-investment grade securities was $224 million. All of the non-investment grade securities referenced above were initially investment grade and have been downgraded since purchase. BB&T evaluated all of its debt securities for credit impairment. During the second quarter of 2010, BB&T determined that certain of the non-agency mortgage-backed securities had credit losses evident and recorded other-than-temporary impairment of $5 million. As of June 30, 2010, BB&T s evaluation of the other securities with continuous unrealized losses indicated that there were no credit losses evident. Furthermore, as of the date of the evaluation, BB&T did not intend to sell, and it was more likely than not that the Company would not be required to sell, these debt securities before the anticipated recovery of the amortized cost basis.

See Note 3 Securities in the Notes to Consolidated Financial Statements herein for additional disclosures related to BB&T s evaluation of securities for other-than-temporary impairment.

Loans and Leases

BB&T emphasizes commercial lending to small and medium-sized businesses, consumer lending, mortgage lending and specialized lending with an overall goal of maximizing the profitability of the loan portfolio, maintaining strong asset quality and achieving an equal mix of consumer and commercial loans. For the second quarter of 2010, average total loans were $104.0 billion, an increase of $4.4 billion, or 4.4%, compared to the same period in 2009. For the first six months of 2010, average total loans were $104.2 billion, an increase of $4.6 billion, or 4.6%, compared to the same period in 2009. The growth in average loans includes the impact of the Colonial transaction, which contributed $7.3 billion and $7.5 billion in average loans for the second quarter and first six months of 2010, respectively.

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The following table presents the composition of average loans and leases for the three and six months ended June 30, 2010 and 2009, respectively:

Table 1

Composition of Average Loans and Leases

	For the Three Months Ended			
	June 30, 2010		June 30, 2009	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Commercial loans and leases	$ 49,079	47.1%	$ 50,342	50.6%
Direct retail loans	13,994	13.5	14,785	14.8
Sales finance loans	6,729	6.5	6,302	6.3
Revolving credit loans	2,002	1.9	1,802	1.8
Mortgage loans	15,586	15.0	16,002	16.1
Specialized lending loans	7,645	7.4	6,985	7.0
Other acquired loans	96	.1		
Total average loans and leases held for investment (excluding covered loans)	95,131	91.5	96,218	96.6
Covered loans	7,162	6.9		
Total average loans and leases held for investment	102,293	98.4	96,218	96.6
Loans held for sale	1,671	1.6	3,359	3.4
Total average loans and leases	$ 103,964	100.0%	$ 99,577	100.0%

	For the Six Months Ended			
	June 30, 2010		June 30, 2009	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Commercial loans and leases	$ 49,229	47.2%	$ 50,486	50.7%
Direct retail loans	14,079	13.5	15,022	15.1
Sales finance loans	6,568	6.3	6,322	6.3
Revolving credit loans	1,997	1.9	1,785	1.8
Mortgage loans	15,522	14.9	16,378	16.4
Specialized lending loans	7,562	7.3	6,739	6.8
Other acquired loans	102	.1		
Total average loans and leases held for investment (excluding covered loans)	95,059	91.2	96,732	97.1
Covered loans	7,401	7.1		
Total average loans and leases held for investment	102,460	98.3	96,732	97.1
Loans held for sale	1,754	1.7	2,918	2.9

Total average loans and leases	$ 104,214	100.0%	$ 99,650	100.0%

Average commercial loans and leases were down 2.5% for the second quarter and the first six months of 2010 compared to the corresponding periods of 2009. The decline in the commercial portfolio is largely a result of lower commercial real estate balances, as management has intentionally lowered its exposures to real estate lending during the economic downturn. BB&T s Residential, Acquisition and Development portfolio has declined $2.1 billion in the past twelve months, from $6.9 billion at June 30, 2009 to $4.8 billion at June 30, 2010. This decline has been somewhat offset by increases in commercial and industrial lending. Management has added a number of new producers in the corporate and middle-market banking area in an effort to increase commercial and industrial lending to better diversify the loan portfolio and capitalize on the strength of BB&T s balance sheet during the economic downturn.

Average direct retail loans declined 5.4% and 6.3% for the second quarter and the first six months of 2010, respectively, compared to the corresponding periods of 2009. This portfolio is primarily home equity loans and lines to individuals and has been negatively affected by the downturn in the residential real estate markets. In addition, the residential lot/land component of this portfolio has been declining, as management continues to reduce exposures to these types of loans. Residential lot/land loans have decreased $357 million, or 18.8%, since June 30, 2009.

Average mortgage loans held for investment declined 2.6% and 5.2% for the second quarter and the first six months of 2010, respectively, compared to the corresponding periods of 2009. The decline in average mortgage loans is primarily due to the vast majority of new residential mortgage originations being sold in the secondary market. Average loans held for sale, which is primarily residential mortgage loans, decreased 50.3% and 39.9% for the second quarter and the first six months of 2010 compared to the same period in 2009 due to lower refinance activity in 2010 compared to 2009.

Average specialized lending loans increased 9.4% and 12.2% for the second quarter and the first six months of 2010, respectively. Growth in specialized lending has primarily been in automobile loans and other consumer credits. Average sales finance loans increased 6.8% and 3.9% for the second quarter and the first six months of 2010, respectively, as prime automobile lending has improved.

The annualized FTE yield for the total loan portfolio for the second quarter of 2010 was 5.95% compared to 5.44% in the second quarter of 2009. The annualized yield on commercial loans for the second quarter of 2010 was 4.21%, a decrease of 4 basis points compared to the same period in 2009, while the annualized yield on direct retail loans for the second quarter of 2010 dropped to 5.31% compared to 5.44% in the same period in 2009. The annualized yield on residential mortgage loans for the second quarter of 2010 was 5.51%, a decrease of 24 basis points compared to the same period in 2009. The annualized FTE yield on the total loan portfolio for the first six months of 2010 was 5.80%, which reflects an increase of 37 basis points compared to the same period in 2009. The increases in the FTE yield on the total loan portfolio for the second quarter and the first half of 2010 were primarily the result of the acquired loans from the Colonial transaction, which have higher yields.

In the normal course of business, residential acquisition, development and construction, commercial construction or commercial land/development loan agreements may include an interest reserve account at inception. An interest reserve allows the borrower to add interest charges to the outstanding loan balance during the construction period. Interest reserves provide an effective means to address the cash flow characteristics of a real estate construction loan. Loan agreements containing an interest reserve generally require more equity to be contributed by the borrower to the construction project at inception. Loans with interest reserves are subject to substantially similar underwriting standards as loans without interest reserves.

Loans with interest reserves are closely monitored through physical inspections, reconciliation of draw requests, review of rent rolls and operating statements and quarterly portfolio reviews performed by senior management. When appropriate, extensions, renewals and restructurings of loans with interest reserves are approved after giving consideration to the project s status, the borrower s financial condition, and the collateral protection based on current market conditions. In connection with the extension, renewal or restructuring of a loan with an interest reserve, additional interest reserves may be funded by the client, partially funded by the client and BB&T, or fully provided by BB&T. Typically, interest reserves provided by BB&T are secured by additional collateral and are limited to more conservative advance rates on the pledged collateral. These loans must also be supported by an analysis of the client s willingness and capacity to service the debt.

Interest that has been added to the balance of a loan through the use of an interest reserve is recognized as income only if the collectability of the remaining contractual principal and interest payments is reasonably assured. If a loan with interest reserves is in default and deemed uncollectible, interest is no longer funded through the interest reserve. Interest previously recognized from interest reserves generally is not reversed against current income when a construction loan with interest reserves is placed on nonaccrual status.

At June 30, 2010, approximately $1.8 billion of BB&T s loan portfolio, excluding covered loans, have active interest reserves (i.e. current funding of interest charges through a reserve). Interest income related to loans with active interest reserves totaled approximately $14 million, which represented approximately 1% of total interest income for the quarter ended June 30, 2010.

Other Interest-Earning Assets

Average other interest-earning assets totaled $3.1 billion for the second quarter of 2010, compared to $2.1 billion for the same period of 2009. The increase in average other interest-earning assets included increases of $443 million in average interest-bearing deposits with banks, $268 million in average trading securities and $176 million in average balances of FHLB stock, compared to the second quarter of 2009. For the first six months of 2010, average other interest-earning assets increased $806 million compared to the same period of 2009. The average yield on other interest-earning assets was .57% for the second quarter of 2010 compared to .92% for the second quarter of 2009. The average yield on other interest-earning assets was .56% for the first six months of 2010, compared to .94% for the same period in 2009.

Noninterest-Earning Assets

BB&T s other noninterest-earning assets, including premises and equipment, goodwill, core deposit and other intangible assets, residential mortgage servicing rights, FDIC loss share receivable and noninterest-bearing cash and due from banks, increased $411 million from December 31, 2009 to June 30, 2010. The growth in this category was partially due to the purchase of premises and equipment recorded in the first quarter of 2010 in connection with the Colonial transaction. In addition, BB&T made a payment to the IRS of approximately $892 million in the first quarter of 2010 in connection with a disputed tax position, which resulted in an increase in other assets. These increases were partially offset by a reduction in the FDIC loss share receivable of $832 million due to reimbursements received.

Deposits

Deposits totaled $104.5 billion at June 30, 2010, a decrease of $10.5 billion, or 9.1%, from December 31, 2009. Client deposits generated through the BB&T banking network are the largest source of funds used to support asset growth. Client deposits totaled $101.1 billion at June 30, 2010, a decrease of $5.6 billion, or 5.3%, from December 31, 2009. These decreases are primarily due to redemptions of wholesale deposits and higher rate certificates of deposit in connection with BB&T s balance sheet deleveraging, as well as the sale of Nevada deposits acquired in the Colonial transaction.

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The following table presents the composition of average deposits for the second quarter and six months ended June 30, 2010 and 2009:

Table 2

Composition of Average Deposits

	For the Three Months Ended			
	June 30, 2010		June 30, 2009	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Noninterest-bearing deposits	$ 19,346	18.1%	$ 15,443	16.4%
Interest checking	3,905	3.6	2,670	2.8
Other client deposits	50,207	47.0	41,926	44.4
Client certificates of deposit	28,745	26.8	25,888	27.4
Total client deposits	102,203	95.5	85,927	91.0
Other interest-bearing deposits	4,857	4.5	8,458	9.0
Total average deposits	$ 107,060	100.0%	$ 94,385	100.0%

	For the Six Months Ended			
	June 30, 2010		June 30, 2009	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Noninterest-bearing deposits	$ 18,907	17.3%	$ 14,640	15.5%
Interest checking	3,826	3.5	2,566	2.7
Other client deposits	50,955	46.8	41,317	43.9
Client certificates of deposit	29,784	27.3	26,512	28.2
Total client deposits	103,472	94.9	85,035	90.3
Other interest-bearing deposits	5,563	5.1	9,126	9.7
Total average deposits	$ 109,035	100.0%	$ 94,161	100.0%

Average deposits for the second quarter of 2010 increased $12.7 billion, or 13.4%, compared to the same period in 2009. The categories of deposits with the highest growth for the second quarter of 2010 compared to the second quarter of 2009 were other client deposits, which include money market deposit accounts, savings accounts, individual retirement accounts and other time deposits, which increased $8.3 billion, or 19.8%, and noninterest-bearing deposits, which increased $3.9 billion, or 25.3%. Client certificates of deposit and interest checking also increased $2.9 billion and $1.2 billion, respectively, compared to the second quarter of 2009.

Average deposits for the first six months of 2010 increased $14.9 billion, or 15.8%, compared to the first six months of 2009. The categories of deposits with the highest growth for the first six months of 2010 compared to the same period of 2009 were other client deposits, which increased $9.6 billion, or 23.3%, and noninterest-bearing deposits which increased $4.3 billion, or 29.1%.

The overall mix of deposits continues to improve, as average client deposits grew 18.9% in the second quarter of 2010, compared to a decline of 42.6% in other interest-bearing deposits. The improvement can be attributed to strong growth in noninterest-bearing and other client deposits, which was driven by the Colonial transaction. BB&T has also been successful in attracting new business and individual accounts by

emphasizing the strength of BB&T s franchise. During the first six months of 2010, BB&T produced approximately 77,000 net new transaction deposit accounts through its retail branch, online and Phone 24 delivery channels. This represents a 95.7% increase in net new transaction accounts compared to the first six months of 2009.

Borrowings

While client deposits remain the primary source for funding loan originations and other balance sheet growth, BB&T uses short-term borrowings as a supplementary funding source. Short-term borrowings utilized by BB&T include Federal funds purchased, securities sold under repurchase agreements, master notes, U.S. Treasury tax and loan deposit notes, and short-term bank notes. At June 30, 2010, short-term borrowings totaled $6.1 billion, a decrease of $2.0 billion, or 25.0%, compared to December 31, 2009. The decrease in these borrowings compared to December 31, 2009, was primarily due to deleveraging the balance sheet, which reduced the need for this type of funding.

BB&T also utilizes long-term debt to provide both funding, and to a lesser extent, regulatory capital. Long-term debt consists of Federal Home Loan Bank advances to Branch Bank, corporate senior and subordinated notes, senior and subordinated notes issued by Branch Bank, and junior subordinated debentures issued by BB&T. Long-term debt totaled $22.1 billion at June 30, 2010, an increase of 3.3% from the balance at December 31, 2009. The increase in long term debt primarily relates to the issuance on April 29, 2010, of $500 million senior notes, with an interest rate of 3.95% due April 2016. The proceeds will be used for general corporate funding purposes.

For the second quarter of 2010, the average annualized FTE rate paid on short-term borrowings was .31% compared to .52% during the second quarter of 2009. The average annualized rate paid on long-term debt for the second quarter of 2010 was 3.92% compared to 3.70% for the same period in 2009. The average annualized rate paid on short-term borrowed funds was .27% for the first six months of 2010 compared to the average rate of .56% paid during the comparable period of 2009. The average annualized rate paid on long-term debt for the first six months of 2010 was 3.87% compared to 3.75% for the same period in 2009.

Shareholders Equity

Total shareholders equity at June 30, 2010 was $16.7 billion, an increase of 3.1% compared to December 31, 2009. BB&T s book value per common share at June 30, 2010 was $24.07, compared to $23.47 at December 31, 2009.

BB&T s tangible shareholders equity available to common shareholders was $10.3 billion at June 30, 2010, an increase of $381 million, or 3.8%, compared to December 31, 2009. BB&T s tangible book value per common share at June 30, 2010 was $14.93 compared to $14.44 at December 31, 2009. As of June 30, 2010, measures of tangible capital were not required by the regulators and, therefore, were considered non-GAAP measures. Please refer to the section titled Capital Adequacy and Resources herein for a discussion of how BB&T calculates and uses these measures in the evaluation of the Company.

Asset Quality

Nonperforming assets declined 3.1% in the second quarter of 2010 compared to the first quarter of 2010 as BB&T successfully implemented a strategy to accelerate the disposition of nonperforming assets in an effort to reduce the Company s exposure to nonperforming assets and reduce or eliminate any delay in exiting the credit cycle. BB&T disposed of $682 million of problem assets, including $11 million of accruing loans, pursuant to this strategy. This included $385 million of retail mortgage loans, $45 million of commercial loans and $252 million of foreclosed properties. In addition, BB&T moved $127 million of commercial loans to the loans held for sale portfolio, with the intent and expectation that these assets will be disposed of during the third quarter. In connection with these dispositions, BB&T recorded net charge-offs of $148 million during the second quarter of 2010.

Nonperforming assets, which are composed of foreclosed real estate, repossessions, nonaccrual loans and certain restructured loans, totaled $4.5 billion (or $4.3 billion excluding covered foreclosed property) at June 30, 2010, compared to $4.6 billion (or $4.5 billion excluding covered foreclosed property) at March 31, 2010. The decrease in nonperforming assets included a decrease of $142 million in foreclosed assets, excluding covered foreclosed property. Total nonaccrual loans were relatively unchanged compared to March 31, 2010, as nonaccrual mortgage loans declined $420 million and nonaccrual commercial loans and leases increased $414 million, including commercial loans held for sale. The decline in mortgage loan nonaccruals includes a $375 million decrease from the nonperforming asset disposition strategy and a $79 million decrease due to a policy change on government guaranteed loans. During the second quarter of 2010, BB&T revised its nonaccrual policy to keep government guaranteed loans on accruing status since interest at the current debenture rate is recoverable from the government. The accrual of interest related to these loans is limited to the amount that is recoverable from the government. These loans now appear as 90 days or more past due and still accruing interest. The increase in nonaccrual commercial loans reflects several large credits that were placed on nonaccrual

status during the second quarter of 2010.

As a percentage of loans and leases plus foreclosed property, nonperforming assets were 4.24% at June 30, 2010 (or 4.37% excluding covered loans and covered foreclosed property) compared with 4.38% (or 4.53% excluding covered loans and covered foreclosed property) at March 31, 2010. Loans 90 days or more past due and still accruing interest, excluding loans covered by FDIC loss share agreements, totaled $360 million at June 30, 2010, compared with $302 million at March 31, 2010. The increase in loans 90 days or more past due and still accruing interest was primarily due to the change in policy related to government guaranteed mortgage loans, which resulted in an increase of approximately $79 million. Loans 30-89 days past due, excluding loans covered by FDIC loss share agreements, totaled $1.5 billion at June 30, 2010, which was down 4.4% compared with $1.6 billion at March 31, 2010. Loans 30-89 days past due, excluding loans covered by FDIC loss share agreements, have reflected declines for six consecutive quarters.

BB&T s net charge-offs totaled $642 million for the second quarter of 2010 and amounted to 2.48% of average loans and leases, on an annualized basis (or 2.66% excluding covered loans), compared to $451 million, or 1.81%, of average loans and leases, on an annualized basis, in the corresponding period in 2009. BB&T s net charge-offs totaled $1.1 billion for the first six months of 2010 and amounted to 2.16% of average loans and leases on an annualized basis (or 2.33% excluding covered loans), compared to $839 million, or 1.70%, of average loans and leases, on an annualized basis, in the corresponding period in 2009. As previously mentioned, BB&T recognized $148 million of net charge-offs during the second quarter of 2010 in connection with management s nonperforming asset disposition strategy. Excluding these charge-offs, the net charge-off ratio for the second quarter of 2010 was 2.06%.

Troubled debt restructurings (restructurings) generally occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term. As a result, BB&T will work with the borrower to prevent further difficulties, and ultimately to improve the likelihood of recovery on the loan. To facilitate this process, a concessionary modification that would not otherwise be considered may be granted resulting in classification of the loan as a restructuring. Restructurings can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accruing status, depending on the individual facts and circumstances of the borrower. In circumstances where the restructuring involves charging off a portion of the loan balance, BB&T typically classifies these restructurings as nonaccrual. With respect to commercial restructurings, an analysis of the credit evaluation, in conjunction with an evaluation of the borrower s performance prior to the restructuring, are considered when evaluating the borrower s ability to meet the restructured terms of the loan agreement. Restructured nonaccrual loans may be returned to accrual status based on a current, well-documented credit evaluation of the borrower s financial condition and prospects for repayment under the modified terms. This evaluation must include consideration of the borrower s sustained historical repayment performance for a reasonable period (generally a minimum of six months) prior to the date on which the loan is returned to accrual status. Sustained historical repayment performance for a reasonable time prior to the restructuring may be taken into account.

In connection with mortgage and consumer loan restructurings, a nonperforming loan will be returned to accruing status when current as to principal and interest and upon a sustained historical repayment performance (generally a minimum of six months).

BB&T s performing restructured loans increased to $2.0 billion at June 30, 2010. In recent quarters BB&T has continued its efforts to assist clients by modifying certain performing loans. The majority of BB&T s commercial lending loan modifications that are considered restructurings involve an extension of the term of the loan without a corresponding adjustment to the risk premium reflected in the interest rate. BB&T does not typically lower the interest rate and rarely forgives principal or interest as part of a commercial loan modification. In addition, BB&T frequently obtains additional collateral or guarantor support when modifying such loans. For commercial loans, performing restructured loans increased to $1.1 billion at June 30, 2010. These loans are typically residential acquisition, development and construction loans where BB&T has extended the maturity of the loan for less than one year without a sufficient corresponding increase in the interest rate, or principal payments have been deferred to assist the borrower. The majority of BB&T s mortgage and consumer loan modifications that are considered restructurings involve a reduction in the interest rate to a below market rate and/or an increase in the term of the loan without a corresponding adjustment to the risk premium reflected in the interest rate. These modifications rarely result in the forgiveness of principal or interest. Mortgage loan restructurings include approximately $68 million of government guaranteed loans.

Substantially all of the loans acquired in the Colonial transaction are covered by loss sharing agreements with the FDIC, whereby the FDIC reimburses BB&T for the majority of the losses incurred. In addition, all of the loans acquired were

recorded at fair value as of the acquisition date without regard to the loss sharing agreements. Loans were evaluated and assigned to loan pools based on common risk characteristics. The determination of the fair value of the loans resulted in a significant write-down in the carrying amount of the loans, which was assigned to an accretable or nonaccretable balance, with the accretable balance being recognized as interest income over the remaining term of the loan. In accordance with the acquisition method of accounting, there was no allowance brought forward on any of the acquired loans, as the credit losses evident in the loans were included in the determination of the fair value of the loans at the acquisition date and are represented by the nonaccretable balance. The majority of the nonaccretable balance is expected to be received from the FDIC in connection with the loss share agreements and is recorded on the Consolidated Balance Sheets as a separate asset from the covered loans. As a result, all of the loans acquired in the Colonial transaction were considered to be accruing loans as of the acquisition date. In accordance with regulatory reporting standards, covered loans that are contractually past due will continue to be reported as past due and still accruing based on the number of days past due.

Given the significant amount of acquired loans that are past due but still accruing, BB&T believes the inclusion of these loans in certain asset quality ratios including Loans 30-89 days past due and still accruing as a percentage of total loans and leases, Loans 90 days or more past due and still accruing as a percentage of total loans and leases, Nonperforming loans and leases as a percentage of total loans and leases and certain other asset quality ratios that reflect nonperforming assets in the numerator or denominator (or both) results in significant distortion to these ratios. In addition, because charge-offs related to the acquired loans are recorded against the nonaccretable balance, the net charge-off ratio including the acquired loans is lower for portfolios that have significant amounts of acquired loans. The inclusion of these loans in the asset quality ratios described above could result in a lack of comparability across quarters or years, and could negatively impact comparability with other portfolios that were not impacted by acquisition accounting. BB&T believes that the presentation of asset quality measures excluding covered loans and related amounts from both the numerator and denominator provides better perspective into underlying trends related to the quality of its loan portfolio. Accordingly, the asset quality measures in Table 4-2 present asset quality information both on a consolidated basis as well as excluding the covered assets and related amounts.

Consistent with BB&T s belief that the presentation of certain asset quality measures excluding the impact of covered loans is more meaningful, certain information reflected in Tables 5-1, 5-2 and 5-3 has been adjusted to exclude the impact of covered loans and foreclosed property. These adjustments have been identified and explained in the footnotes to each table.

The allowance for credit losses, which totaled $2.8 billion and $2.7 billion at June 30, 2010 and December 31, 2009, respectively, consists of the allowance for loan and lease losses, which is presented on the Consolidated Balance Sheets, and the reserve for unfunded lending commitments, which is included in other liabilities on the Consolidated Balance Sheets. The allowance for loan and lease losses amounted to 2.66% of loans and leases held for investment at June 30, 2010 (or 2.84% excluding covered loans), compared to 2.51% (or 2.72% excluding covered loans) at year-end 2009. Included in the allowance for loan and lease losses at June 30, 2010 was $17 million related to acquired loans.

Each quarter, BB&T performs assessments of cash flows on loans acquired in the Colonial transaction. The second quarter assessment determined that the loans continue to outperform prior estimates. The combined assessments in the first and second quarters resulted in additional accretion on loans of $100 million, which is reflected in interest income. This increase results from improving expectations for cash flows on certain loan pools. The assessment also revealed minimal additional impairment in certain loans, offset by recoveries in other loans resulting in a $2 million reversal of allowance for loan and lease losses in the second quarter. Approximately 80% of both the additional accretion and impairment is offset through the FDIC receivable.

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The following table presents an estimated allocation of the allowance for loan and lease losses at June 30, 2010 and December 31, 2009. This allocation of the allowance for loan and lease losses is calculated on an approximate basis and is not necessarily indicative of future losses or allocations. The entire amount of the allowance is available to absorb losses occurring in any category of loans and leases.

Table 3

Allocation of Allowance for Loan and Lease Losses by Category

	June 30, 2010		December 31, 2009	
	Amount	% Loans in each category	Amount	% Loans in each category
	(Dollars in millions)			
Balances at end of period applicable to:				
Commercial loans and leases	$ 1,583	47.8%	$ 1,574	48.2%
Sales finance	58	6.7	77	6.1
Revolving credit	112	2.0	127	1.9
Direct retail	352	13.6	297	13.8
Residential mortgage loans	220	15.1	131	14.9
Specialized lending	236	7.8	264	7.4
Covered loans	17	7.0		7.7
Unallocated	145		130	
Total	$ 2,723	100.0%	$ 2,600	100.0%

Asset quality statistics for the last five calendar quarters are presented in the accompanying tables. During the second quarter of 2010, BB&T revised its nonaccrual policy related to government guaranteed mortgage loans. This change in policy resulted in a decrease in nonaccrual mortgage loans and an increase in mortgage loans 90 days past due and still accruing of approximately $79 million. During the latter half of 2009, BB&T revised its policy related to the reclassification of mortgage loans from nonaccrual to accrual status. This change in approach resulted in an increase to reported nonperforming loans and leases and nonperforming assets for the fourth quarter of 2009 that totaled approximately $120 million. These changes also impacted the ratios that reflect nonperforming loans and leases or nonperforming assets.

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Table 4 1

Asset Quality Analysis

	6/30/2010	For the Three Months Ended 3/31/2010	12/31/2009	9/30/2009	6/30/2009
		(Dollars in millions)			
Allowance For Credit Losses					
Beginning balance	**$ 2,759**	$ 2,672	$ 2,478	$ 2,145	$ 1,895
Provision for credit losses (excluding covered loans)	**652**	556	725	709	701
Provision for covered loans	**(2)**	19			
Charge-offs					
Commercial loans and leases (1)	**(277)**	(224)	(238)	(204)	(134)
Direct retail loans	**(82)**	(86)	(79)	(68)	(134)
Sales finance loans	**(10)**	(16)	(17)	(14)	(19)
Revolving credit loans	**(31)**	(31)	(32)	(32)	(33)
Mortgage loans (1)	**(207)**	(77)	(76)	(77)	(78)
Specialized lending	**(64)**	(75)	(75)	(73)	(74)
Total charge-offs	**(671)**	(509)	(517)	(468)	(472)
Recoveries					
Commercial loans and leases (2)	**8**	7	9	5	4
Direct retail loans	**6**	12	7	4	4
Sales finance loans	**2**	3	2	3	2
Revolving credit loans	**4**	4	3	3	3
Mortgage loans	**1**	1	2	2	1
Specialized lending	**8**	7	6	5	7
Total recoveries	**29**	34	29	22	21
Net charge-offs	**(642)**	(475)	(488)	(446)	(451)
Other changes, net	**(14)**	(13)	(43)	70	
Ending balance	**$ 2,753**	$ 2,759	$ 2,672	$ 2,478	$ 2,145
Allowance For Credit Losses					
Allowance for loan and lease losses (excluding covered loans)	**$ 2,706**	$ 2,695	$ 2,600	$ 2,379	$ 2,110
Allowance for covered loans	**17**	19			
Reserve for unfunded lending commitments	**30**	45	72	99	35
Total	**$ 2,753**	$ 2,759	$ 2,672	$ 2,478	$ 2,145

(1) Includes charge-offs of $9 million in commercial loans and leases and $141 million in mortgage loans during the second quarter of 2010 in connection with BB&T's nonperforming asset disposition strategy.

(2) Includes recoveries of $2 million in commercial loans and leases during the second quarter of 2010 in connection with BB&T's nonperforming asset disposition strategy.

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	As of/For the Six Months Ended June 30,	
	2010	2009
	(Dollars in millions)	
Allowance For Credit Losses		
Beginning balance	$ 2,672	$ 1,607
Provision for credit losses (excluding covered loans)	1,208	1,377
Provision for covered loans	17	
Charge-offs		
Commercial loans and leases (1)	(501)	(278)
Direct retail loans	(168)	(202)
Sales finance loans	(26)	(41)
Revolving credit loans	(62)	(63)
Mortgage loans (1)	(284)	(127)
Specialized lending	(139)	(166)
Total charge-offs	(1,180)	(877)
Recoveries		
Commercial loans and leases (2)	15	7
Direct retail loans	18	8
Sales finance loans	5	4
Revolving credit loans	8	6
Mortgage loans	2	1
Specialized lending	15	12
Total recoveries	63	38
Net charge-offs	(1,117)	(839)
Other changes, net	(27)	
Ending balance	$ 2,753	$ 2,145

(1) Includes charge-offs of $9 million in commercial loans and leases and $141 million in mortgage loans during the second quarter of 2010 in connection with BB&T's nonperforming asset disposition strategy.

(2) Includes recoveries of $2 million in commercial loans and leases during the second quarter of 2010 in connection with BB&T's nonperforming asset disposition strategy.

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	For the Three Months Ended				
	6/30/2010	3/31/2010	12/31/2009	9/30/2009	6/30/2009
	(Dollars in millions)				
Nonperforming Assets (1)					
Nonaccrual loans and leases					
Commercial loans and leases (7)	**$ 2,075**	$ 1,788	$ 1,651	$ 1,610	$ 1,252
Direct retail loans	**234**	219	197	187	144
Sales finance loans	**6**	5	7	7	6
Mortgage loans (7)(8)	**387**	807	762	662	590
Specialized lending	**68**	69	96	103	94
Total nonaccrual loans and leases held for investment	**2,770**	2,888	2,713	2,569	2,086
Loans held for sale	**129**	6	5	4	5
Foreclosed real estate	**1,391**	1,524	1,451	1,326	1,201
Other foreclosed property	**37**	46	58	53	48
Total nonperforming assets (excluding covered assets) (2)	**$ 4,327**	$ 4,464	$ 4,227	$ 3,952	$ 3,340
Performing troubled debt restructurings (TDRs) (3)					
Commercial loans and leases	**$ 1,099**	$ 969	$ 413	$ 68	$ 54
Direct retail loans	**133**	130	132	116	95
Revolving credit loans	**60**	58	54	51	47
Mortgage loans	**668**	557	471	302	206
Specialized lending	**4**	1			
Total performing TDRs	**$ 1,964**	$ 1,715	$ 1,070	$ 537	$ 402
Loans 90 days or more past due and still accruing (4)					
Commercial loans and leases	**$ 22**	$ 14	$ 7	$ 13	$ 4
Direct retail loans	**69**	67	82	79	87
Sales finance loans	**28**	27	30	24	22
Revolving credit loans	**20**	23	25	23	24
Mortgage loans (8)(9)	**209**	155	158	172	179
Specialized lending	**7**	10	12	10	13
Other acquired loans	**5**	6	5	2	
Total loans 90 days past due and still accruing (excluding covered loans) (5)	**$ 360**	$ 302	$ 319	$ 323	$ 329
Loans 30 89 days past due (4)					
Commercial loans and leases	**$ 431**	$ 516	$ 377	$ 365	$ 422
Direct retail loans	**188**	203	216	205	191
Sales finance loans	**95**	94	126	127	111
Revolving credit loans	**28**	30	32	32	29
Mortgage loans (9)	**561**	555	623	664	681
Specialized lending	**225**	200	306	298	269
Other acquired loans	**2**	3	6	1	
Total loans 30 89 days past due (excluding covered loans) (6)	**$ 1,530**	$ 1,601	$ 1,686	$ 1,692	$ 1,703

(1) Covered and other acquired loans are considered to be performing due to the application of the accretion method. Covered loans that are contractually past due are noted in the footnotes below.

(2) Excludes foreclosed real estate totaling $176 million, $181 million, $160 million and $151 million at June 30, 2010, March 31, 2010, December 31, 2009 and September 30, 2009, respectively, that are covered by FDIC loss sharing agreements.

(3) Excludes TDRs that are nonperforming totaling $480 million, $333 million, $248 million, $108 million and $49 million at June 30, 2010, March 31, 2010, December 31, 2009, September 30, 2009 and June 30, 2009, respectively. These amounts are included in total nonperforming assets. Amounts also exclude restructured covered and other acquired loans accounted for under the accretion method.

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(4) Excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase.
(5) Excludes loans past due 90 days or more that are covered by FDIC loss sharing agreements totaling $1.5 billion at June 30, 2010, $1.4 billion at March 31, 2010 and December 31, 2009 and $945 million at September 30, 2009.
(6) Excludes loans totaling $429 million, $356 million, $391 million and $564 million past due 30-89 days at June 30, 2010, March 31, 2010, December 31, 2009 and September 30, 2009, respectively, that are covered by FDIC loss sharing agreements.
(7) Includes a reduction of $44 million in commercial loans and leases and $375 million in mortgage loans during the second quarter of 2010 in connection with BB&T's nonperforming asset disposition strategy.
(8) BB&T revised its nonaccrual policy related to government guaranteed mortgage loans during the second quarter of 2010. The change in policy resulted in a decrease in nonaccrual mortgage loans and an increase in mortgage loans 90 days past due and still accruing of approximately $79 million. During the fourth quarter of 2009, BB&T revised its policy related to the reclassification of mortgage loans from nonaccrual to accrual status resulting in an increase of approximately $120 million in nonaccrual mortgage loans.
(9) Includes past due mortgage loans held for sale.

Table 4 2

Asset Quality Ratios

	For the Three Months Ended				
	6/30/2010	**3/31/2010**	**12/31/2009**	**9/30/2009**	**6/30/2009**
Asset Quality Ratios (including amounts related to covered loans and covered foreclosed property)					
Loans 30 89 days past due and still accruing as a percentage of total loans and leases (1)	1.87%	1.87%	1.96%	2.11%	1.70%
Loans 90 days or more past due and still accruing as a percentage of total loans and leases (1)	1.82	1.66	1.61	1.18	.33
Nonperforming loans and leases as a percentage of total loans and leases	2.77	2.77	2.56	2.40	2.08
Nonperforming assets as a percentage of:					
Total assets	2.90	2.84	2.65	2.48	2.19
Loans and leases plus foreclosed property	4.24	4.38	4.07	3.78	3.29
Net charge-offs as a percentage of average loans and leases	2.48	1.84	1.83	1.71	1.81
Allowance for loan and lease losses as a percentage of loans and leases held for investment	2.66	2.65	2.51	2.29	2.19
Ratio of allowance for loan and lease losses to:					
Net charge-offs	1.06x	1.41x	1.34x	1.35x	1.17x
Nonperforming loans and leases held for investment	.98	.94	.96	.93	1.01
Asset Quality Ratios (excluding amounts related to covered loans and covered foreclosed property) (2)					
Loans 30 89 days past due and still accruing as a percentage of total loans and leases (1)	1.57%	1.65%	1.72%	1.71%	1.70%
Loans 90 days or more past due and still accruing as a percentage of total loans and leases (1)	.37	.31	.32	.33	.33
Nonperforming loans and leases as a percentage of total loans and leases	2.97	2.99	2.77	2.61	2.08
Nonperforming assets as a percentage of:					
Total assets	2.93	2.86	2.68	2.52	2.19
Loans and leases plus foreclosed property	4.37	4.53	4.24	3.95	3.29
Net charge-offs as a percentage of average loans and leases (3)	2.66	1.99	1.98	1.79	1.81
	2.84	2.84	2.72	2.49	2.19

Allowance for loan and lease losses as a percentage of loans and leases held for investment					
Ratio of allowance for loan and lease losses to:					
Net charge-offs	1.05x	1.40x	1.34x	1.35x	1.17x
Nonperforming loans and leases held for investment	.98	.93	.96	.93	1.01

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	As of/For the Six Months Ended June 30,	
	2010	2009
Asset Quality Ratios		
Including covered loans:		
Net charge-offs as a percentage of average loans and leases	2.16%	1.70%
Ratio of allowance for loan and lease losses to net charge-offs	1.21x	1.25x
Excluding covered loans:		
Net charge-offs as a percentage of average loans and leases (3)	2.33%	1.70%
Ratio of allowance for loan and lease losses to net charge-offs	1.20x	1.25x

Applicable ratios are annualized.

(1) Excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase.
(2) These asset quality ratios have been adjusted to remove the impact of covered loans and covered foreclosed property. Appropriate adjustments to the numerator and denominator have been reflected in the calculation of these ratios. Management believes the inclusion of acquired loans in certain asset quality ratios that include nonperforming assets, past due loans or net charge-offs in the numerator or denominator results in distortion of these ratios and they may not be comparable to other periods presented or to other portfolios that were not impacted by purchase accounting.
(3) Excluding the impact of losses and balances associated with BB&T's nonperforming asset disposition strategy, the adjusted net charge-offs ratio would have been 2.06% and 2.02% for the second quarter of 2010 and the six months ended June 30, 2010, respectively.

Table 4 3

Troubled Debt Restructurings

	As of June 30, 2010						
	Current Status		Past Due 30-89 Days		Past Due 90+ Days		Total
Performing restructurings: (1) (2)							
Commercial loans	$ 1,065	96.9%	$ 31	2.8%	$ 3	0.3%	$ 1,099
Direct retail loans	122	91.7	8	6.0	3	2.3	133
Revolving credit loans	47	78.3	7	11.7	6	10.0	60
Residential mortgage loans	545	81.6	101	15.1	22	3.3	668
Specialized lending loans	4	100.0					4
Total performing restructurings	1,783	90.9	147	7.5	34	1.7	1,964
Nonperforming restructurings (3)	242	50.4	84	17.5	154	32.1	480
Total restructurings	$ 2,025	82.9	$ 231	9.5	$ 188	7.7	$ 2,444

(1) Excludes restructured covered and other acquired loans accounted for under the accretion method.
(2) Past due performing restructurings are included in past due disclosures.
(3) Nonperforming restructurings are included in nonaccrual loan disclosures.

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The following tables provide further details regarding BB&T s commercial real estate lending, residential mortgage and consumer real estate portfolios as of June 30, 2010.

Table 5 1

Real Estate Lending Portfolio Credit Quality and Geographic Distribution

Commercial Real Estate Loan Portfolio (1)

	As of / For the Period Ended June 30, 2010			
	Builder / Construction	Land / Land Development	Condos / Townhomes	Total ADC
	(Dollars in millions, except average loan and average client size)			
Total loans outstanding	$ 1,319	$ 3,200	$ 288	$ 4,807
Average loan size (in thousands)	239	568	1,216	422
Average client size (in thousands)	568	991	2,538	852
Nonaccrual loans and leases as a percentage of category	17.34%	19.40%	17.75%	18.74%
Gross charge-offs as a percentage of category:				
Year-to-Date	6.51	12.34	5.88	10.30
Quarter-to-Date	7.93	15.67	6.96	12.98

	As of / For the Period Ended June 30, 2010			
			Gross Charge-Offs as a Percentage of Outstandings	
Residential Acquisition, Development, and Construction Loans (ADC) by State of Origination	Total Outstandings	Nonaccrual as a Percentage of Outstandings	Year-to-Date	Quarter-to-Date
	(Dollars in millions)			
North Carolina	$ 2,048	12.89%	4.57%	5.14%
Virginia	765	9.54	7.68	12.75
Georgia	514	35.20	25.53	31.50
South Carolina	473	23.62	4.87	6.89
Florida	312	36.36	27.06	32.53
Washington, D.C.	167	35.85	26.69	45.56
Tennessee	149	15.63	8.19	2.18
Kentucky	128	16.11	1.32	0.45
West Virginia	113	26.05	9.45	9.54
Maryland	73	4.65		
Alabama	64	32.52	23.60	32.69
Other	1			
Total	$ 4,807	18.74%	10.30%	12.98%

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Other Commercial Real Estate Loans (2)	As of / For the Period Ended June 30, 2010 Commercial Construction	Commercial Land/ Development	Permanent Income Producing Properties	Total Other Commercial Real Estate
	(Dollars in millions, except average loan and average client size)			
Total loans outstanding	$ 1,178	$ 1,848	$ 9,475	$ 12,501
Average loan size (in thousands)	1,138	738	508	563
Average client size (in thousands)	1,667	876	766	820
Nonaccrual loans and leases as a percentage of category	2.73%	14.41%	3.73%	5.22%
Gross charge-offs as a percentage of category:				
Year-to-Date	1.39	4.33	1.08	1.62
Quarter-to-Date	1.53	2.33	1.34	1.51

Other Commercial Real Estate Loans By State of Origination (2)	As of / For the Period Ended June 30, 2010 Total Outstandings	Nonaccrual as a Percentage of Outstandings	Gross Charge-Offs as a Percentage of Outstandings Year-to-Date	Quarter-to-Date
	(Dollars in millions)			
North Carolina	$ 3,778	4.82%	1.29%	1.22%
Georgia	2,098	7.66	2.22	2.69
Virginia	1,960	0.83	0.42	0.39
South Carolina	974	2.70	0.93	0.47
Florida	912	17.96	5.45	4.53
Washington, D.C.	740	4.29	1.53	2.84
Maryland	561	0.47		
West Virginia	461	3.34	1.19	1.07
Kentucky	444	3.89	0.75	0.20
Tennessee	392	6.62	3.80	0.84
Alabama	91	10.84	0.73	0.73
Other	90		3.26	1.42
Total	$ 12,501	5.22%	1.62%	1.51%

Applicable ratios are annualized.

(1) Commercial real estate (CRE) loans are defined as loans to finance non-owner occupied real property where the primary repayment source is the sale or rental/lease of the real property. Definition is based on internal classification. Excludes covered loans and in process items.

(2) Commercial and Industrial (C&I) loans secured by real property are excluded.

The residential acquisition, development and construction (ADC) loan portfolio totaled $4.8 billion at June 30, 2010, a decrease of $954 million from December 31, 2009. As a percentage of loans, ADC nonaccruals were 18.74% at June 30, 2010, compared to 13.63% at December 31, 2009. The allowance for loan and lease losses that is assigned to the ADC portfolio as a percentage of ADC loans was 10.4% as of June 30, 2010, compared to 14.1% as of year-end 2009. The decline in the allowance assigned to this portfolio reflects lower outstandings and significant write-downs that have already been recorded as charge-offs. The gross charge-off rate for the ADC portfolio, on an annualized basis, was 12.98% for the second quarter of 2010, compared to 7.82% for the first quarter of 2010 and 5.71% for the full year 2009. The other component of the commercial real estate portfolio, which is largely office buildings, hotels, warehouses, apartments, rental houses, and shopping centers, totaled $12.5 billion at June 30, 2010. As a percentage of loans, other commercial real estate nonaccruals were 5.22% at June 30, 2010, compared with 2.70% at December 31, 2009. The gross charge-off rate for the other commercial real estate portfolio, on an annualized basis, was 1.51% for the second quarter of 2010 compared to 1.74% for the first quarter of 2010 and .76% for the full year 2009.

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Table 5-2

Real Estate Lending Portfolio Credit Quality and Geographic Distribution

Residential Mortgage Portfolio (1)

Residential Mortgage Loans	Prime	ALT-A	Construction/ Permanent	Subprime (2)	Total
	As of / For the Period Ended June 30, 2010				
	(Dollars in millions, except average loan size)				
Total loans outstanding	$ 12,234	$ 2,332	$ 638	$ 508	$ 15,712
Average loan size (in thousands)	199	315	320	62	198
Average refreshed credit score (3)	717	703	716	577	710
Percentage that are first mortgages	100%	100%	99%	82%	99%
Average loan to value at origination	77	67	74	74	75
Nonaccrual loans and leases as a percentage of category	1.64	4.65	9.80	6.05	2.56
Gross charge-offs as a percentage of category:					
Year-to-Date	2.54	6.81	5.65	11.45	3.69
Quarter-to-Date	3.64	10.68	5.23	17.93	5.32

Residential Mortgage Loans by State	Total Outstandings	Nonaccrual as a Percentage of Outstandings	Gross Charge-Offs as a Percentage of Outstandings	
	As of / For the Period Ended June 30, 2010			
			Year-to-Date	Quarter-to-Date
	(Dollars in millions)			
North Carolina	$ 3,870	1.59%	1.83%	2.96%
Virginia	2,945	1.79	2.27	3.67
Florida	2,200	6.28	9.57	12.60
Maryland	1,570	1.51	3.50	6.03
Georgia	1,503	2.49	4.36	6.12
South Carolina	1,457	3.07	3.64	4.91
Kentucky	378	1.19	.70	1.05
West Virginia	330	1.12	.94	1.73
Tennessee	267	2.00	1.82	2.31
Washington, D.C.	203	1.84	1.17	2.02
Texas	188	.07	.36	.61
Alabama	164	2.65	5.55	8.93
Other	637	3.52	4.28	5.24
Total	$ 15,712	2.56%	3.69%	5.32%

Applicable ratios are annualized.

(1) Excludes mortgage loans held for sale, covered loans, mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase and in process items.
(2) Includes $350 million in loans originated by Lendmark Financial Services, which are disclosed as a part of the specialized lending category.
(3) Weighted based on outstanding balance.

The residential mortgage loan portfolio, as presented in Table 5-2, totaled $15.7 billion as of June 30, 2010, a slight decrease from December 31, 2009. As a percentage of loans, residential mortgage loan nonaccruals were 2.56% at June 30, 2010, compared with 4.94% at December 31, 2009. The gross charge-off rate for the residential mortgage loan portfolio, on an annualized basis, was 5.32% for the second quarter of 2010 compared to 2.04% for the first quarter of 2010 and 1.79% for the full year 2009. The decline in nonaccruals and the increase in the charge-off ratio for the second quarter of 2010 were the result of the sale of $375 million in nonperforming residential mortgage loans, which resulted in charge-offs of $141 million, in connection with management s nonperforming asset disposition strategy.

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Table 5-3

Real Estate Lending Portfolio Credit Quality and Geographic Distribution

Direct Retail 1-4 Family and Lot/Land Real Estate Portfolio (1)

Direct Retail 1-4 Family and Lot/Land Real Estate Loans & Lines	As of / For the Period Ended June 30, 2010			
	Residential Lot/Land Loans	Home Equity Loans	Home Equity Lines	Total
	(Dollars in millions, except average loan size)			
Total loans outstanding	$ 1,542	$ 5,847	$ 5,603	$ 12,992
Average loan size (in thousands) (2)	62	43	36	41
Average refreshed credit score (3)	720	720	761	744
Percentage that are first mortgages	100%	75%	27%	57%
Average loan to value at origination	80	64	65	65
Nonaccrual loans and leases as a percentage of category	7.65	1.44	.46	1.76
Gross charge-offs as a percentage of category:				
Year-to-Date	7.55	1.60	1.51	2.30
Quarter-to-Date	7.98	1.56	1.42	2.28

Direct Retail 1-4 Family and Lot/Land Real Estate Loans and Lines By State of Origination	As of / For the Period Ended June 30, 2010			
	Total Outstandings	Nonaccrual as a Percentage of Outstandings	Gross Charge-Offs as a Percentage of Outstandings	
			Year-to-Date	Quarter-to-Date
	(Dollars in millions)			
North Carolina	$ 4,484	2.05%	2.03%	1.99%
Virginia	2,920	.89	1.39	1.37
South Carolina	1,254	2.43	2.42	2.65
Georgia	1,050	2.23	3.86	3.56
Maryland	813	.94	2.65	2.59
West Virginia	791	1.51	1.13	1.36
Florida	646	2.86	6.21	6.48
Kentucky	566	1.38	.74	.51
Tennessee	358	2.59	5.10	5.08
Washington, D.C.	83	.99	3.71	1.10
Other	27	1.48	.46	.49
Total	$ 12,992	1.76%	2.30%	2.28%

Applicable ratios are annualized.

(1) Direct retail 1-4 family and lot/land real estate loans are originated through the BB&T branching network. Excludes covered loans and in process items.

(2) Home equity lines without an outstanding balance are excluded from this calculation.

(3) Based on number of accounts.

The direct retail consumer real estate loan portfolio, as presented in Table 5-3, totaled $13.0 billion as of June 30, 2010, a decrease of $371 million from December 31, 2009. This portfolio is comprised of residential lot/land loans, home equity loans and home equity lines, which are primarily originated through the branch network. As a percentage of loans, direct retail consumer real estate nonaccruals were 1.76% at June 30, 2010, compared to 1.44% at December 31, 2009. The gross charge-off rate for the direct retail consumer real estate loan portfolio, on an annualized basis, was 2.28% for the second quarter of 2010, compared to 2.33% for the first quarter of 2010 and 2.19% for the full year 2009. The allowance for loan and lease losses that is assigned to the residential lot/land portfolio as a percentage of residential lot/land loans was 12.6% as of June 30, 2010 compared to 8.1% at December 31, 2009.

ANALYSIS OF RESULTS OF OPERATIONS

Consolidated net income for the second quarter of 2010 totaled $224 million, an increase of $16 million, or 7.7%, compared to $208 million earned during the second quarter of 2009. Net income available to common shareholders totaled

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$210 million, which generated diluted earnings per common share of $.30 in the second quarter. Net income available to common shareholders for the same period of 2009 totaled $121 million, which generated diluted earnings per common share of $.20. BB&T s results of operations for the second quarter of 2010 produced an annualized return on average assets of .56% and an annualized return on average common shareholders equity of 5.01%, compared to prior year ratios of .56% and 3.43%, respectively.

Consolidated net income for the first six months of 2010 totaled $418 million, a decrease of $108 million, or 20.5%, compared to $526 million earned during the first six months of 2009. Net income available to common shareholders totaled $398 million, which generated diluted earnings per common share of $.57. Net income available to common shareholders for the first six months of 2009 totaled $392 million, which generated diluted earnings per common share of $.67. BB&T s results of operations for the first six months of 2010 produced an annualized return on average assets of .52% and an annualized return on average common shareholders equity of 4.80%, compared to prior year ratios of .71% and 5.78%, respectively.

The following table sets forth selected financial ratios for the last five calendar quarters.

Table 6

Annualized

Profitability Measures

	2010			2009	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Rate of return on:					
Average assets	**.56%**	.48%	.47%	.40%	.56%
Average common shareholders equity	**5.01**	4.59	4.52	3.90	3.43
Net interest margin (taxable equivalent)	**4.12**	3.88	3.80	3.68	3.56

Net Interest Income and Net Interest Margin

Net interest income on an FTE basis was $1.4 billion for the second quarter of 2010 compared to $1.2 billion for the same period in 2009, an increase of $225 million, or 19.3%. For the quarter ended June 30, 2010, average earning assets increased $4.2 billion, or 3.2%, compared to the same period of 2009, while average interest-bearing liabilities increased $7.1 billion, or 6.3%, and the net interest margin increased from 3.56% in the second quarter of 2009 to 4.12% in the current quarter. The improvement in net interest income and the net interest margin is due to the higher yield assets acquired in the Colonial transaction and lower funding costs.

During the quarter, BB&T also completed its second quarterly assessment of cash flows on acquired loans and determined that the loans continue to outperform prior estimates. The combined assessments in the first and second quarters resulted in additional accretion on loans of $100 million, which is reflected in interest income. This increase results from improving expectations for cash flows on certain loan pools. Approximately 80% of the additional accretion recognized from the assessment is offset by lower noninterest income due to the provisions of the FDIC loss sharing agreements.

For the first six months of 2010, net interest income on an FTE basis was $2.7 billion, an increase of $398 million, or 17.0%, compared to $2.3 billion for the same period in 2009. For the six months ended June 30, 2010, average earning assets increased $6.0 billion, or 4.6%, compared to the same period of 2009, while average interest-bearing liabilities increased $8.3 billion, or 7.4%, and the net interest margin increased 43 basis points from 3.57% in the first six months of 2009 to 4.00% in the first half of 2010. The improvement in net interest income compared to the first six months of 2009 was caused by the same factors as for the quarter.

The following tables set forth the major components of net interest income and the related annualized yields and rates for the second quarter and first six months of 2010 compared to the same periods in 2009, as well as the variances between the periods caused by changes in interest rates

versus changes in volumes. Changes attributable to the mix of assets and liabilities have been allocated proportionally between the changes due to rate and the changes due to volume.

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Table 7-1

FTE Net Interest Income and Rate / Volume Analysis

For the Three Months Ended June 30, 2010 and 2009

	Average Balances		Annualized Yield / Rate		Income/Expense		Increase	Change due to	
	2010	2009	2010	2009	2010	2009	(Decrease)	Rate	Volume
	(Dollars in millions)								
Assets									
Securities, at amortized cost (1):									
U.S. government-sponsored entities (GSE)	**$ 554**	$ 1,170	**3.68%**	4.02%	**$ 5**	$ 11	**$ (6)**	**$**	**$ (6)**
Mortgage-backed securities issued by GSE	**23,080**	24,295	**3.77**	4.04	**217**	246	**(29)**	**(16)**	**(13)**
States and political subdivisions	**2,077**	2,259	**5.45**	5.76	**28**	32	**(4)**	**(1)**	**(3)**
Non-agency mortgage-backed securities	**1,214**	1,475	**5.84**	5.83	**18**	22	**(4)**		**(4)**
Other securities	**192**	311	**2.43**	3.73	**1**	3	**(2)**	**(1)**	**(1)**
Covered securities	**1,192**		**11.65**		**35**		**35**		**35**
Total securities	**28,309**	29,510	**4.30**	4.26	**304**	314	**(10)**	**(18)**	**8**
Other earning assets (2)	**3,101**	2,069	**.57**	.92	**4**	5	**(1)**	**(2)**	**1**
Loans and leases, net of unearned income (1)(3)(4):									
Commercial loans and leases	**49,079**	50,342	**4.21**	4.25	**514**	534	**(20)**	**(7)**	**(13)**
Direct retail loans	**13,994**	14,785	**5.31**	5.44	**185**	200	**(15)**	**(4)**	**(11)**
Sales finance loans	**6,729**	6,302	**6.01**	6.45	**100**	102	**(2)**	**(7)**	**5**
Revolving credit loans	**2,002**	1,802	**8.69**	9.45	**44**	43	**1**	**(4)**	**5**
Mortgage loans	**15,586**	16,002	**5.51**	5.75	**215**	230	**(15)**	**(9)**	**(6)**
Specialized lending	**7,645**	6,985	**11.59**	11.64	**221**	203	**18**	**(1)**	**19**
Other acquired loans	**96**		**10.63**		**3**		**3**		**3**
Total loans and leases held for investment (excluding covered loans)	**95,131**	96,218	**5.40**	5.46	**1,282**	1,312	**(30)**	**(32)**	**2**
Covered loans	**7,162**		**13.52**		**242**		**242**		**242**
Total loans and leases held for investment	**102,293**	96,218	**5.97**	5.46	**1,524**	1,312	**212**	**(32)**	**244**
Loans held for sale	**1,671**	3,359	**4.73**	4.70	**20**	39	**(19)**	**1**	**(20)**
Total loans and leases	**103,964**	99,577	**5.95**	5.44	**1,544**	1,351	**193**	**(31)**	**224**
Total earning assets	**135,374**	131,156	**5.48**	5.10	**1,852**	1,670	**182**	**(51)**	**233**
Non-earning assets	**24,412**	17,340							
Total assets	**$ 159,786**	$ 148,496							
Liabilities and Shareholders Equity									
Interest-bearing deposits:									
Interest-checking	**$ 3,905**	$ 2,670	**.31**	.34	**3**	2	**1**		**1**
Other client deposits	**50,207**	41,926	**.65**	.89	**81**	93	**(12)**	**(28)**	**16**
Client certificates of deposit	**28,745**	25,888	**2.01**	3.03	**144**	196	**(52)**	**(71)**	**19**
Other interest-bearing deposits	**4,857**	8,458	**1.06**	1.37	**13**	29	**(16)**	**(6)**	**(10)**
Total interest-bearing deposits	**87,714**	78,942	**1.10**	1.63	**241**	320	**(79)**	**(105)**	**26**

Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds (1)	**9,105**	14,732	**.31**	.52	**7**	19	**(12)**	**(6)**	**(6)**
Long-term debt	**21,660**	17,755	**3.92**	3.70	**212**	164	**48**	**10**	**38**
Total interest-bearing liabilities	**118,479**	111,429	**1.56**	1.81	**460**	503	**(43)**	**(101)**	**58**
Noninterest-bearing deposits	**19,346**	15,443							
Other liabilities	**5,036**	4,941							
Shareholders equity	**16,925**	16,683							
Total liabilities and shareholders equity	**$ 159,786**	$ 148,496							
Average interest rate spread			**3.92**	3.29					
Net interest margin/ net interest income			**4.12%**	3.56%	**$ 1,392**	$ 1,167	**$ 225**	**$ 50**	**$ 175**
Taxable equivalent adjustment					**$ 32**	$ 29			

(1) Yields are stated on a taxable equivalent basis assuming tax rates in effect for the periods presented.
(2) Includes Federal funds sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, trading securities, FHLB stock and other earning assets.
(3) Loan fees, which are not material for any of the periods shown, have been included for rate calculation purposes.
(4) Nonaccrual loans have been included in the average balances.

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Table 7-2

FTE Net Interest Income and Rate / Volume Analysis

For the Six Months Ended June 30, 2010 and 2009

	Average Balances		Annualized Yield / Rate		Income/Expense		Increase	Change due to	
	2010	2009	2010	2009	2010	2009	(Decrease)	Rate	Volume
	(Dollars in millions)								
Assets									
Securities, at amortized cost (1):									
U.S. government-sponsored entities (GSE)	**$ 1,092**	$ 1,126	**3.63%**	4.16%	**$ 20**	$ 23	**$ (3)**	**$ (3)**	**$**
Mortgage-backed securities issued by GSE	**24,810**	24,714	**3.80**	4.37	**471**	541	**(70)**	**(70)**	
States and political subdivisions	**2,092**	2,270	**5.41**	5.85	**56**	66	**(10)**	**(5)**	**(5)**
Non-agency mortgage-backed securities	**1,262**	1,509	**5.82**	5.83	**37**	44	**(7)**		**(7)**
Other securities	**196**	385	**2.28**	4.31	**2**	8	**(6)**	**(3)**	**(3)**
Covered securities	**1,184**		**11.62**		**69**		**69**		**69**
Total securities	**30,636**	30,004	**4.28**	4.55	**655**	682	**(27)**	**(81)**	**54**
Other earning assets (2)	**2,893**	2,087	**.56**	.94	**7**	10	**(3)**	**(5)**	**2**
Loans and leases, net of unearned income (1)(3)(4):									
Commercial loans and leases	**49,229**	50,486	**4.23**	4.17	**1,032**	1,045	**(13)**	**13**	**(26)**
Direct retail loans	**14,079**	15,022	**5.33**	5.53	**372**	412	**(40)**	**(15)**	**(25)**
Sales finance loans	**6,568**	6,322	**6.15**	6.46	**200**	203	**(3)**	**(10)**	**7**
Revolving credit loans	**1,997**	1,785	**8.86**	9.66	**88**	86	**2**	**(7)**	**9**
Mortgage loans	**15,522**	16,378	**5.51**	5.82	**428**	476	**(48)**	**(25)**	**(23)**
Specialized lending	**7,562**	6,739	**11.50**	11.81	**432**	396	**36**	**(11)**	**47**
Other acquired loans	**102**		**11.61**		**6**		**6**		**6**
Total loans and leases held for investment (excluding covered loans)	**95,059**	96,732	**5.42**	5.45	**2,558**	2,618	**(60)**	**(55)**	**(5)**
Covered loans	**7,401**		**11.00**		**404**		**404**		**404**
Total loans and leases held for investment	**102,460**	96,732	**5.82**	5.45	**2,962**	2,618	**344**	**(55)**	**399**
Loans held for sale	**1,754**	2,918	**4.71**	4.73	**41**	69	**(28)**	**(1)**	**(27)**
Total loans and leases	**104,214**	99,650	**5.80**	5.43	**3,003**	2,687	**316**	**(56)**	**372**
Total earning assets	**137,743**	131,741	**5.35**	5.15	**3,665**	3,379	**286**	**(142)**	**428**
Non-earning assets	**24,042**	17,441							
Total assets	**$ 161,785**	$ 149,182							
Liabilities and Shareholders Equity									
Interest-bearing deposits:									
Interest-checking	**$ 3,826**	$ 2,566	**.33**	.34	**6**	4	**2**		**2**
Other client deposits	**50,955**	41,317	**.68**	.93	**171**	190	**(19)**	**(58)**	**39**
Client certificates of deposit	**29,784**	26,512	**2.00**	3.08	**296**	405	**(109)**	**(155)**	**46**
Other interest-bearing deposits	**5,563**	9,126	**.99**	1.47	**27**	67	**(40)**	**(19)**	**(21)**
Total interest-bearing deposits	**90,128**	79,521	**1.12**	1.69	**500**	666	**(166)**	**(232)**	**66**

Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds (1)	**9,653**	15,762	**.27**	.56	**13**	43	**(30)**	**(18)**	**(12)**
Long-term debt	**21,441**	17,596	**3.87**	3.75	**413**	329	**84**	**11**	**73**
Total interest-bearing liabilities	**121,222**	112,879	**1.54**	1.85	**926**	1,038	**(112)**	**(239)**	**127**
Noninterest-bearing deposits	**18,907**	14,640							
Other liabilities	**4,879**	5,117							
Shareholders equity	**16,777**	16,546							
Total liabilities and shareholders equity	**$ 161,785**	$ 149,182							
Average interest rate spread			**3.81**	3.30					
Net interest margin/ net interest income			**4.00%**	3.57%	**$ 2,739**	$ 2,341	**$ 398**	**$ 97**	**$ 301**
Taxable equivalent adjustment					**$ 65**	$ 57			

(1) Yields are stated on a taxable equivalent basis assuming tax rates in effect for the periods presented.
(2) Includes Federal funds sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, trading securities, FHLB stock and other earning assets.
(3) Loan fees, which are not material for any of the periods shown, have been included for rate calculation purposes.
(4) Nonaccrual loans have been included in the average balances.

Provision for Credit Losses

The provision for credit losses totaled $650 million for the second quarter of 2010 (including a $2 million credit for covered loans), compared to $701 million for the second quarter of 2009. The provision for credit losses totaled $1.2 billion for the first six months of 2010 (including $17 million for covered loans), compared to $1.4 billion for the same period in 2009. The provision for credit losses declined due to the improving consumer credit outlook but still exceeded net charge-offs by $8 million for the three month period ended June 30, 2010. Excluding the allowance for problem asset dispositions, the provision for credit losses exceeded net charge-offs by $90 million during the second quarter of 2010. Nonperforming assets declined 3.1% compared to March 31, 2010 due to the Company s nonperforming asset disposition strategy. This is the first decline in nonperforming assets since the first quarter of 2006.

Net charge-offs were 2.48% of average loans and leases on an annualized basis (or 2.66% excluding covered loans) for the second quarter of 2010 compared to 1.81% of average loans and leases for the same period in 2009. Net charge-offs were 2.16% of average loans and leases on an annualized basis (or 2.33% excluding covered loans) for the first six months of 2010 compared to 1.70% of average loans and leases for the corresponding period in 2009. Net charge-offs for the second quarter and first half of 2010 include $148 million related to the nonperforming asset disposition strategy. The allowance for loan and lease losses was 2.66% of loans and leases held for investment (or 2.84% excluding covered loans) and .98x total nonperforming loans and leases held for investment (or .98x excluding covered loans) at June 30, 2010, compared with 1.01x at June 30, 2009.

Noninterest Income

BB&T emphasizes growing its fee-based businesses to lessen dependence on traditional spread-based interest income. Fee-based businesses are a relatively stable revenue source during periods of changing interest rates. Noninterest income for the three months ended June 30, 2010 totaled $1.0 billion, compared to $993 million for the same period in 2009, an increase of $46 million, or 4.6%. The increase in noninterest income for the quarter was largely driven by additional securities gains, which were up $200 million compared to the second quarter of last year. This increase was partially offset by lower mortgage banking income of $74 million and a reduction of $78 million in noninterest income to reflect the reduction in expected receivables from the FDIC due to better than expected performance from covered loans.

Noninterest income for the six months ended June 30, 2010 totaled $1.9 billion, compared to $2.0 billion for the same period in 2009, a decrease of $141 million, or 7.0%. The decline in noninterest income was driven by lower revenues from BB&T s mortgage banking operations and the reduction in fee income to reflect the 80% reduction in expected receivables from the FDIC.

Mortgage banking income totaled $110 million in the second quarter of 2010, a decrease of $74 million or 40.2% compared to $184 million earned in the second quarter of 2009. This decrease includes a $69 million decline in residential mortgage production income due to lower refinance activity in 2010, as well as a decrease of $16 million due to the net impact of changes in the fair value of BB&T s residential mortgage servicing rights portfolio and related derivative hedging strategy.

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The following table provides a breakdown of the various components of mortgage banking income and other statistical information for the second quarters of 2010 and 2009:

Table 8-1

Mortgage Banking Income and Related Statistical Information

Mortgage Banking Income	For the Three Months Ended June 30, 2010	2009
	(Dollars in millions)	
Residential Mortgage Banking:		
Residential mortgage production income	$ 64	$ 133
Residential Mortgage Servicing:		
Residential mortgage servicing fees	54	46
Residential mortgage servicing rights (decrease) increase in fair value due to change in valuation inputs or assumptions (1)	(234)	137
Mortgage servicing rights hedging gains (losses)	241	(114)
Net	7	23
Realization of expected residential mortgage servicing rights cash flows	(31)	(32)
Total residential mortgage servicing income	30	37
Total residential mortgage banking income	94	170
Commercial Mortgage Banking:		
Commercial mortgage banking revenues	21	19
Amortization of commercial mortgage servicing rights	(5)	(5)
Total commercial mortgage banking income	16	14
Total mortgage banking income	$ 110	$ 184

Mortgage Banking Statistical Information	As of /For the Three Months Ended June 30, 2010	2009
	(Dollars in millions)	
Residential mortgage originations	$ 5,013	$ 8,543
Residential mortgage loans serviced for others	59,303	46,760
Residential mortgage loan sales	4,214	8,272
Commercial mortgage originations	640	596
Commercial mortgage loans serviced for others	23,815	24,657

(1)

Includes a $2 million decrease due to a valuation adjustment for MSRs carried at the lower of cost or market during the second quarter of 2010.

Mortgage banking income totaled $199 million in the first six months of 2010, a decrease of $173 million or 46.5%, compared to $372 million earned in the first six months of 2009. This decrease includes a $154 million decline in residential mortgage production income due to lower refinance activity in 2010 and a decrease of $40 million due to the net impact of changes in the fair value of residential mortgage servicing rights and related derivative s hedging strategy. These declines are partially offset by a $24 million increase in residential mortgage servicing fees.

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The following table provides a breakdown of the various components of mortgage banking income and other statistical information for the six month periods ended June 30, 2010 and 2009, respectively:

Table 8-2

Mortgage Banking Income and Related Statistical Information

Mortgage Banking Income	For the Six Months Ended June 30, 2010	2009
	(Dollars in millions)	
Residential Mortgage Banking:		
Residential mortgage production income	$ 115	$ 269
Residential Mortgage Servicing:		
Residential mortgage servicing fees	111	87
Residential mortgage servicing rights (decrease) increase in fair value due to change in valuation inputs or assumptions (1)	(229)	91
Mortgage servicing rights hedging gains (losses)	240	(40)
Net	11	51
Realization of expected residential mortgage servicing rights cash flows	(62)	(64)
Total residential mortgage servicing income	60	74
Total residential mortgage banking income	175	343
Commercial Mortgage Banking:		
Commercial mortgage banking revenues	33	38
Amortization of commercial mortgage servicing rights	(9)	(9)
Total commercial mortgage banking income	24	29
Total mortgage banking income	$ 199	$ 372

Mortgage Banking Statistical Information	As of /For the Six Months Ended June 30, 2010	2009
	(Dollars in millions)	
Residential mortgage originations	$ 9,804	$ 15,957
Residential mortgage loan sales	8,672	13,518
Commercial mortgage originations	908	1,296

(1) Includes a $2 million decrease due to a valuation adjustment for MSRs carried at the lower of cost or market during the second quarter of 2010.

Insurance commissions, which are BB&T s largest source of noninterest income, totaled a record $287 million for the second quarter of 2010, which was up 2.1% compared to the same three-month period of 2009. For the first six months of 2010, insurance income totaled $540 million, an increase of 1.3% compared to the same period last year. This reflected the continued softness in the industry s pricing for insurance premiums.

Service charges on deposit accounts totaled $164 million in the second quarter of 2010, a decrease of 2.4% compared to the same quarter of 2009. The decline in service charge revenue for the second quarter of 2010 was primarily due to changes in BB&T s overdraft policies. For the first six months of 2010, service charges on deposits totaled $328 million, a slight increase compared to the same period in 2009. The increase in service charges was primarily due to additional revenue generated by the former Colonial customers, which more than offset the reductions resulting from changes to BB&T s overdraft policies. Management expects service charge revenue to decrease in the near term due to changes in deposit service fees and regulatory reforms. Over the longer-term, product changes and service offerings are expected to minimize or eliminate many of the near-term declines.

Checkcard fees and other nondeposit fees and commissions increased 22.8% and 18.9%, respectively, compared to the second quarter of 2009. For the first six months of 2010, checkcard fees and other nondeposit fees and commissions increased 23.6% and 20.8%, respectively, compared to the same period in 2009. The increase in checkcard fees was primarily due to increased usage by new and existing clients. The growth in other nondeposit fees and commissions was primarily the result of increased commercial lending-related revenues.

Securities gains, net of losses and including other-than-temporary impairment charges, totaled $219 million and $216 million for the second quarter and first six months of 2010, respectively. This compares to $19 million and $169 million in net securities gains during the second quarter and first six months of 2009, respectively. As previously discussed, during the second quarter of 2010, BB&T sold $13.1 billion of securities available for sale and realized net securities gains of $224 million as part of a major balance sheet deleveraging strategy. In addition, BB&T recorded $5 million in other-than-temporary impairment losses related to certain non-agency mortgage-backed securities that had evidence of credit losses.

Income from the FDIC loss share receivable totaled ($78 million) and ($73 million) during the second quarter and first six months of 2010, respectively, due to better than expected performance from covered loans. These reductions in noninterest revenues reflect approximately 80% of the additional interest income recognized on the covered loans.

Other noninterest income, including investment banking and brokerage fees and commissions, income from bank-owned life insurance, trust and investment advisory revenues and bankcard fees and merchant discounts totaled $204 million during the second quarter of 2010, compared with $231 million for the same period of 2009. Other income declined $19 million due to market-related decreases in trading assets for post-employment benefits that is offset by a similar decline in personnel expense and $20 million for client derivative losses and lower trading gains at Scott & Stringfellow. These declines were partially offset by increases of $6 million each for income from bank-owned life insurance, trust and investment advisory revenues, and bankcard fees and merchant discounts.

For the first six months of 2010, other income, including investment banking and brokerage fees and commissions, income from bank-owned life insurance, trust and investment advisory revenues and bankcard fees and merchant discounts totaled $414 million, which was flat compared to the first six months of 2009. Results included increases of $14 million, $12 million and $11 million for income from bank-owned life insurance, trust and investment advisory revenues and bankcard fees and merchant discounts, which were offset by declines of $21 million resulting from losses and lower revenues related to client derivatives and lower trading gains at Scott & Stringfellow of $15 million.

Noninterest Expense

Noninterest expenses totaled $1.5 billion for the second quarter of 2010, compared to $1.2 billion for the same period a year ago, an increase of $319 million, or 27.0%. Noninterest expenses totaled $2.8 billion for the first six months of 2010, compared to $2.3 billion for the same period a year ago, an increase of $591 million, or 26.3%.

Personnel expense, the largest component of noninterest expense, was $649 million for the current quarter compared to $623 million for the same period in 2009, an increase of $26 million, or 4.2%. This increase was attributable to a $47 million increase in salaries and wages primarily resulting from acquisitions. The increase in salaries and wages was partially offset by a decrease related to other post-employment benefits expense of $19 million as mentioned above. In addition, pension expense was lower by $15 million due to changes in actuarial calculations and improvements in asset values. For the first six months of 2010, personnel expense totaled $1.3 billion, an increase of $72 million, or 5.9%, compared to the same period in 2009. This increase was due to increases in salaries and wages of $84 million primarily resulting from acquisitions. The increase in salaries and wages was partially offset by a decline in pension expense of $29 million in the first half of 2010 compared to the same period of 2009 due to changes in actuarial calculations and improvements in asset values.

Foreclosed property expenses for the three months ended June 30, 2010 totaled $240 million compared to $60 million for the second quarter of 2009. For the first six months of 2010, foreclosed property expenses totaled $418 million, compared to $96 million for the first six months of 2009. The increase in 2010 was largely due to rising maintenance costs, valuation adjustments and sales of foreclosed property. BB&T recorded $195 million of write-downs and net losses on sales of foreclosed property during the second quarter of 2010, an increase of $161 million compared to the same period of 2009. The

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increase in write-downs and net losses reflects a higher inventory of foreclosed properties in 2010 and an accelerated review of approximately 1,600 foreclosed property appraisals that decreased the average age of appraisals to six months. Maintenance costs on foreclosed properties increased by $19 million in the second quarter of 2010 compared to the same period in 2009, also a result of a higher inventory of foreclosed properties. For the first six months of 2010, maintenance costs on foreclosed property and valuation adjustments and losses from sales of properties increased $43 million and $279 million, respectively, compared to the same period of 2009.

Occupancy and equipment expense for the three months ended June 30, 2010 totaled $158 million, compared to $128 million for the second quarter of 2009, representing an increase of $30 million, or 23.4%. For the first six months of 2010, occupancy and equipment expense totaled $296 million, compared to $257 million for the first six months of 2009, representing an increase of $39 million, or 15.2%. The increases in 2010 compared to the corresponding periods of 2009 were primarily related to additional rent in connection with the Colonial transaction and higher amortization expense for certain leasehold improvements. The increase for the first half of 2010 was partially offset by an adjustment of $16 million pretax related to a change in estimated occupancy expense associated with properties acquired from the FDIC in the Colonial transaction in the first quarter of 2010.

Other noninterest expenses, including professional services, regulatory charges, loan processing expenses, amortization of intangibles and merger-related and restructuring charges, totaled $453 million for the current quarter, an increase of $83 million, or 22.4%, compared to the same period of 2009. The increase was primarily attributable to higher costs as a result of the Colonial transaction, including an increase of $39 million in merger-related charges. In addition, professional services expense, loan processing expense and advertising and public relations expense increased $22 million, $13 million and $12 million, respectively. The second quarter of 2009 included a special FDIC assessment of $71 million and gains of $36 million on extinguishment of debt.

For the first six months of 2010, other noninterest expenses totaled $832 million, an increase of $158 million, or 23.4%, compared to the same period of 2009. In addition to the second quarter 2009 items listed above, the increase was primarily due to increases of $44 million in merger-related charges and $41 million in professional services expense. Loan processing expense and advertising and public relations expense also increased by $19 million and $17 million, respectively.

Merger-Related and Restructuring Activities

BB&T has incurred certain merger-related and restructuring expenses. Merger-related and restructuring expenses or credits include: severance and personnel-related costs or credits, which typically occur in corporate support and data processing functions; occupancy and equipment charges or credits, which relate to costs or gains associated with lease terminations, obsolete equipment write-offs, and the sale of duplicate facilities and equipment; and other merger-related and restructuring charges or credits, which include expenses necessary to convert and combine the acquired branches and operations of merged companies, direct media advertising related to the acquisitions, asset and supply inventory write-offs, investment banking advisory fees, and other similar charges. Merger-related and restructuring charges during the second quarters of 2010 and 2009 were $38 million and ($1 million), respectively. For the first six months of 2010 and 2009, merger-related and restructuring charges totaled $55 million and $11 million, respectively. The increases in merger-related and restructuring charges were largely a result of the Colonial transaction.

At June 30, 2010 and December 31, 2009, there were $21 million and $15 million, respectively, of merger-related and restructuring accruals. Merger-related and restructuring accruals are established when the costs are incurred or once all requirements for a plan to dispose of certain business functions have been approved by management. In general, a major portion of accrued costs are utilized in conjunction with or immediately following the systems conversion, when most of the duplicate positions are eliminated and the terminated employees begin to receive severance. Other accruals are utilized over time based on the sale, closing or disposal of duplicate facilities or equipment or the expiration of lease contracts. Merger and restructuring accruals are re-evaluated periodically and adjusted as necessary. The remaining accruals at June 30, 2010 are expected to be utilized during 2010, unless they relate to specific contracts that expire in later years.

BB&T currently estimates that total merger-related and restructuring charges for the Colonial transaction will be approximately $100 million, of which $80 million has been expensed through June 30, 2010. The majority of the remaining estimated charges will be incurred during the third and fourth quarters of 2010.

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Provision for Income Taxes

The provision for income taxes was $25 million for the second quarter of 2010, a decrease of $16 million compared to the same period of 2009. BB&T s effective income tax rates for the second quarters of 2010 and 2009 were 10.0% and 16.5%, respectively. For the first six months of 2010, the provision for income taxes was $73 million, a decrease of $82 million compared to the same period of 2009, primarily due to lower pre-tax income. BB&T s effective income tax rates for the first six months of 2010 and 2009 were 14.9% and 22.8%, respectively. The lower effective tax rate is primarily the result of an increase in tax credits as well as a relatively equal level of tax-exempt income on a lower level of pre-tax income.

BB&T has extended credit to and invested in the obligations of states and municipalities and their agencies, and has made other investments and loans that produce tax-exempt income. The income generated from these investments, together with certain other transactions that have favorable tax treatment, have reduced BB&T s overall effective tax rate from the statutory rate in 2010 and 2009.

BB&T continually monitors and evaluates the potential impact of current events and circumstances on the estimates and assumptions used in the analysis of its income tax positions and, accordingly, BB&T s effective tax rate may fluctuate in the future. On a periodic basis, BB&T evaluates its income tax positions based on tax laws and regulations and financial reporting considerations, and records adjustments as appropriate. This evaluation takes into consideration the status of current taxing authorities examinations of BB&T s tax returns, recent positions taken by the taxing authorities on similar transactions, if any, and the overall tax environment in relation to tax-advantaged transactions. Accordingly, the results of these examinations may alter the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. In February 2010, BB&T received a statutory notice of deficiency from the IRS for tax years 2002-2007 asserting a liability for taxes, penalties and interest of approximately $892 million related to the disallowance of foreign tax credits and other deductions claimed by a deconsolidated subsidiary in connection with a financing transaction. Management has consulted with outside counsel and continues to believe that BB&T s treatment of this transaction was in compliance with applicable tax laws and regulations. BB&T paid the disputed tax, penalties and interest in the first quarter of 2010 and filed a lawsuit seeking a refund in the U.S. Court of Federal Claims in March 2010. Management believes the Company s current reserves for this matter are adequate, although the final outcome is uncertain. Final resolution of this matter is not expected to occur within the next twelve months. Various years remain subject to examination by state taxing authorities.

MARKET RISK MANAGEMENT

The effective management of market risk is essential to achieving BB&T s strategic financial objectives. As a financial institution, BB&T s most significant market risk exposure is interest rate risk; however, market risk also includes product liquidity risk, price risk and volatility risk. The primary objective of interest rate risk management is to minimize any adverse effect that changes in interest rates may have on net interest income. This is accomplished through active management of asset and liability portfolios with a focus on the strategic pricing of asset and liability accounts and management of appropriate maturity mixes of assets and liabilities. The goal of these activities is the development of appropriate maturity and repricing opportunities in BB&T s portfolios of assets and liabilities that will produce consistent net interest income during periods of changing interest rates. BB&T s Market Risk and Liquidity Committee monitors loan, investment and liability portfolios to ensure comprehensive management of interest rate risk. These portfolios are analyzed for proper fixed-rate and variable-rate mixes under various interest rate scenarios.

The asset/liability management process is designed to achieve relatively stable net interest margins and assure liquidity by coordinating the volumes, maturities or repricing opportunities of earning assets, deposits and borrowed funds. It is the responsibility of the Market Risk and Liquidity Committee to determine and achieve the most appropriate volume and mix of earning assets and interest-bearing liabilities, as well as to ensure an adequate level of liquidity and capital, within the context of corporate performance goals. The Market Risk and Liquidity Committee also sets policy guidelines and establishes long-term strategies with respect to interest rate risk exposure and liquidity. The Market Risk and Liquidity Committee meets regularly to review BB&T s interest rate risk and liquidity positions in relation to present and prospective market and business conditions, and adopts funding and balance sheet management strategies that are intended to ensure that the potential impact on earnings and liquidity as a result of fluctuations in interest rates is within acceptable standards.

BB&T uses a variety of financial instruments to manage various financial risks. These instruments, commonly referred to as derivatives, primarily consist of interest-rate swaps, swaptions, caps, floors, collars, financial forward and futures contracts, when-issued securities and options written and purchased. A derivative is a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or referenced interest rate. BB&T uses derivatives primarily to manage risk related to securities, business loans, Federal funds purchased, other overnight funding, long-term debt, mortgage servicing rights, mortgage banking operations and certificates of deposit. BB&T also uses derivatives to facilitate transactions on behalf of its clients.

Derivative contracts are written in amounts referred to as notional amounts. Notional amounts only provide the basis for calculating payments between counterparties and do not represent amounts to be exchanged between parties, and are not a measure of financial risk. As of June 30, 2010, BB&T had derivative financial instruments outstanding with notional amounts totaling $64.2 billion. The estimated net fair value of open contracts was $279 million at June 30, 2010.

See Note 15 Derivative Financial Instruments in the Notes to Consolidated Financial Statements herein for additional disclosures.

The majority of BB&T s assets and liabilities are monetary in nature and, therefore, differ greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories. Fluctuations in interest rates and actions of the Federal Reserve Board to regulate the availability and cost of credit have a greater effect on a financial institution s profitability than do the effects of higher costs for goods and services. Through its balance sheet management function, which is monitored by the Market Risk and Liquidity Committee, management believes that BB&T is positioned to respond to changing needs for liquidity, changes in interest rates and inflationary trends.

Management uses Interest Sensitivity Simulation Analysis (Simulation) to measure the sensitivity of projected earnings to changes in interest rates. The Simulation model projects net interest income and interest rate risk for a rolling two-year period of time. Simulation takes into account the current contractual agreements that BB&T has made with its customers on deposits, borrowings, loans, investments and commitments to enter into those transactions. Furthermore, the Simulation considers the impact of expected customer behavior. Management monitors BB&T s interest sensitivity by means of a computer model that incorporates the current volumes, average rates earned and paid, and scheduled maturities and payments of asset and liability portfolios, together with multiple scenarios of projected prepayments, repricing opportunities and anticipated volume growth. Using this information, the model projects earnings based on projected portfolio balances under multiple interest rate scenarios. This level of detail is needed to simulate the effect that changes in interest rates and portfolio balances may have on the earnings of BB&T. This method is subject to the accuracy of the assumptions that underlie the process, but management believes that it provides a better illustration of the sensitivity of earnings to changes in interest rates than other analyses such as static or dynamic gap. In addition to Simulation analysis, BB&T uses Economic Value of Equity (EVE) analysis to focus on changes in capital given potential changes in interest rates. This measure also allows BB&T to analyze interest rate risk that falls outside the analysis window contained in the Simulation model. The EVE model is a discounted cash flow of the entire portfolio of BB&T s assets, liabilities, and derivatives instruments. The difference in the present value of assets minus the present value of liabilities is defined as the economic value of BB&T s equity.

The asset/liability management process requires a number of key assumptions. Management determines the most likely outlook for the economy and interest rates by analyzing external factors, including published economic projections and data, the effects of likely monetary and fiscal policies, as well as any enacted or prospective regulatory changes. BB&T s current and prospective liquidity position, current balance sheet volumes and projected growth, accessibility of funds for short-term needs and capital maintenance are also considered. This data is combined with various interest rate scenarios to provide management with the information necessary to analyze interest sensitivity and to aid in the development of strategies to reach performance goals.

The following table shows the effect that the indicated changes in interest rates would have on net interest income as projected for the next twelve months under the most likely interest rate scenario incorporated into the Simulation model. Key assumptions in the preparation of the table include prepayment speeds of mortgage-related assets, cash flows and maturities of derivative financial instruments, loan volumes and pricing, deposit sensitivity, customer preferences and capital plans. The resulting change in interest sensitive income reflects the level of sensitivity that interest sensitive income has in relation to changing interest rates.

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Table 9-1

Interest Sensitivity Simulation Analysis

Interest Rate Scenario			Annualized Hypothetical Percentage Change in Net Interest Income June 30,	
Linear Change in Prime Rate	Prime Rate June 30, 2010	2009	2010	2009
2.00%	5.25%	5.25%	3.56%	1.05%
1.00	4.25	4.25	1.56	(.25)
No Change	3.25	3.25		
(0.25)	3.00	3.00	(.23)	.41

The Market Risk and Liquidity Committee has established parameters measuring interest sensitivity that prescribe a maximum negative impact on net interest income of 2% for the next 12 months for a linear change of 100 basis points over four months followed by a flat interest rate scenario for the remaining eight month period, and a maximum negative impact of 4% for a linear change of 200 basis points over eight months followed by a flat interest rate scenario for the remaining four month period. In the event that the results of the Simulation model fall outside the established parameters, management will make recommendations to the Market Risk and Liquidity Committee on the most appropriate response given the current economic forecast. Management only modeled a negative 25 basis point decline for the periods presented because larger declines would have resulted in a Federal funds rate of less than zero.

The following table shows the effect that the indicated changes in interest rates would have on EVE as projected under the most likely interest rate scenario incorporated into the EVE model. Key assumptions in the preparation of the table include prepayment speeds of mortgage-related assets, cash flows and maturities of derivative financial instruments, loan volumes and pricing, and deposit sensitivity. The resulting change in the economic value of equity reflects the level of sensitivity that EVE has in relation to changing interest rates.

Table 9 2

Economic Value of Equity ("EVE") Simulation Analysis

Change in Rates	EVE/Assets June 30, 2010	2009	Hypothetical Percentage Change in EVE June 30, 2010	2009
2.00%	8.4%	7.2%	22.1%	(1.0)%
1.00	7.7	7.3	12.2	0.2
No Change	6.9	7.3		
(0.25)	6.6	7.3	(4.0)	(0.5)

Contractual Obligations, Commitments, Contingent Liabilities, Off-Balance Sheet Arrangements and Related Party Transactions

BB&T uses a variety of financial instruments to meet the financial needs of its clients and reduce exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, options written, standby letters of credit and other financial guarantees, interest-rate caps, floors and collars, interest-rate swaps, swaptions, when-issued securities and forward and futures contracts. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for discussion with respect to BB&T s quantitative and qualitative disclosures about its fixed and determinable contractual obligations. Additional disclosures about BB&T s contractual obligations, commitments and derivative financial instruments are included in Note 13 Commitments and Contingencies and Note 14 Fair Value Disclosures in the Notes to the

Consolidated Financial Statements. Other items disclosed in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 have not materially changed since that report was filed.

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CAPITAL ADEQUACY AND RESOURCES

The maintenance of appropriate levels of capital is a management priority and is monitored on a regular basis. BB&T s principal goals related to the maintenance of capital are to provide adequate capital to support BB&T s comprehensive risk profile, preserve a sufficient capital base from which to support future growth, provide a competitive return to shareholders, comply with regulatory standards and achieve optimal credit ratings for BB&T and its subsidiaries.

Management regularly monitors the capital position of BB&T on a consolidated basis. In this regard, management s overriding policy is to maintain capital at levels that will result in BB&T being classified as well-capitalized for regulatory purposes and to maintain sufficient capital relative to the Corporation s level of risk. Secondarily, it is management s intent to maintain consolidated capital levels that result in regulatory risk-based capital ratios that are generally comparable with BB&T s peers of similar size, complexity and risk profile. Further, management particularly monitors and intends to maintain the following minimum capital ratios:

Tier 1 Capital Ratio	8.50%
Total Capital Ratio	12.00%
Tier 1 Leverage Capital Ratio	7.00%
Tangible Capital Ratio	5.50%
Tier 1 Common Equity Ratio	6.50%

While nonrecurring events or management decisions may result in the Corporation temporarily falling below its minimum guidelines for one or more of these ratios, it is management s intent through capital planning to return to these targeted minimums within a reasonable period of time. Such temporary decreases below these minimums are acceptable provided the Corporation, Branch Bank and BB&T FSB remain well-capitalized.

Financial holding companies and their bank subsidiaries are subject to regulatory requirements with respect to risk-based capital adequacy. Capital adequacy is an important indicator of financial stability and performance. Risk-based capital ratios measure capital as a percentage of a combination of risk-weighted balance sheet and off-balance sheet risk. The risk-weighted values of both balance sheet and off-balance sheet items are determined in accordance with risk factors specified by federal bank regulatory pronouncements. Current provisions of the Dodd-Frank Act will result in the elimination, over a manageable period of time, of certain capital securities from inclusion in Tier 1 capital. BB&T currently has approximately $3.2 billion of capital securities that qualify as Tier 1 capital.

As of June 30, 2010, federal bank regulators did not prescribe measures of tangible capital and, therefore, these measures were considered non-GAAP. BB&T uses the Tier 1 common equity definition used in the SCAP assessment to calculate measures of tangible capital and Tier 1 common capital. BB&T s management uses these measures to assess the quality of capital and believes that investors may find them useful in their analysis of the Corporation. These capital measures are not necessarily comparable to similar capital measures that may be presented by other companies. Please refer to the section titled Capital in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for additional information with regard to BB&T s capital requirements.

BB&T s regulatory and tangible capital ratios for the last five calendar quarters are set forth in the following table. The improvement in BB&T s tangible common equity between the first and second quarters of 2010 was largely a result of the balance sheet deleverage actions previously discussed.

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Table 10

Capital Ratios (1)

	2010			2009	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
	(Dollars in millions, shares in thousands)				
Risk-based:					
Tier 1	11.7%	11.6%	11.5%	11.1%	10.6%
Total	15.8	15.9	15.8	15.6	15.2
Leverage capital	8.9	8.7	8.5	8.5	8.5
Non-GAAP capital measures (2)					
Tangible common equity as a percentage of tangible assets	7.0	6.4	6.2	6.1	6.5
Tier 1 common equity as a percentage of risk-weighted assets	8.9	8.6	8.5	8.4	8.4
Calculations of Tier 1 common equity and tangible assets and related measures:					
Tier 1 equity	$ 13,594	$ 13,657	$ 13,456	$ 12,851	$ 12,132
Less:					
Qualifying restricted core capital elements	3,254	3,508	3,497	3,157	2,578
Tier 1 common equity	$ 10,340	$ 10,149	$ 9,959	$ 9,694	$ 9,554
Total assets	$ 155,083	$ 163,700	$ 165,764	$ 165,328	$ 152,398
Less:					
Intangible assets, net of deferred taxes	6,502	6,519	6,553	6,695	5,851
Plus:					
Regulatory adjustments, net of deferred taxes	187	493	806	712	1,315
Tangible assets	$ 148,768	$ 157,674	$ 160,017	$ 159,345	$ 147,862
Total risk-weighted assets (3)	$ 116,155	$ 117,410	$ 117,167	$ 115,608	$ 114,173
Tangible common equity as a percentage of tangible assets	7.0%	6.4%	6.2%	6.1%	6.5%
Tier 1 common equity as a percentage of risk-weighted assets	8.9	8.6	8.5	8.4	8.4
Tier 1 common equity	$ 10,340	$ 10,149	$ 9,959	$ 9,694	$ 9,554
Outstanding shares at end of period	692,777	691,869	689,750	687,446	648,068
Tangible book value per common share	$ 14.93	$ 14.67	$ 14.44	$ 14.10	$ 14.74

(1) Current quarter regulatory capital information is preliminary.

(2) Tangible common equity and Tier 1 common equity ratios are non-GAAP measures. BB&T uses the Tier 1 common equity definition used in the SCAP assessment to calculate these ratios. BB&T's management uses these measures to assess the quality of capital and believes that investors may find them useful in their analysis of the Corporation. These capital measures are not necessarily comparable to similar capital measures that may be presented by other companies.

(3) Risk-weighted assets are determined based on regulatory capital requirements. Under the regulatory framework for determining risk-weighted assets each asset class is assigned a risk-weighting of 0%, 20%, 50% or 100% based on the underlying risk of the specific asset class. In addition, off balance sheet exposures are first converted to a balance sheet equivalent amount and subsequently assigned to

one of the four risk-weightings.

Share Repurchase Activity

BB&T has periodically repurchased shares of its own common stock. In accordance with North Carolina law, repurchased shares cannot be held as treasury stock, but revert to the status of authorized and unissued shares upon repurchase.

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On June 27, 2006, BB&T s Board of Directors granted authority under a plan (the 2006 Plan) for the repurchase of up to 50 million shares of BB&T s common stock as needed for general corporate purposes. The 2006 Plan also authorizes the repurchase of the remaining shares from the previous authorization. The 2006 Plan remains in effect until all the authorized shares are repurchased unless modified by the Board of Directors. No shares were repurchased in connection with the 2006 Plan during the second quarter of 2010.

Table 11

Share Repurchase Activity

	2010			
	Total Shares Repurchased (1)	Average Price Paid Per Share (2)	Total Shares Purchased Pursuant to Publicly-Announced Plan (Shares in Thousands)	Maximum Remaining Number of Shares Available for Repurchase Pursuant to Publicly-Announced Plan
April 1-30	5	$ 32.97		44,139
May 1-31	3	33.57		44,139
June 1-30	10	29.23		44,139
Total	18	$ 30.96		44,139

(1) Repurchases reflect shares exchanged or surrendered in connection with the exercise of equity-based awards under BB&T's equity-based compensation plans.
(2) Excludes commissions.

LIQUIDITY

Liquidity represents BB&T s continuing ability to meet funding needs, including deposit withdrawals, timely repayment of borrowings and other liabilities, and funding of loan commitments. In addition to the level of liquid assets, such as trading securities and securities available for sale, many other factors affect BB&T s ability to meet liquidity needs, including access to a variety of funding sources, maintaining borrowing capacity in national money markets, growing core deposits, the repayment of loans and the ability to securitize or package loans for sale. The ability to raise funding at competitive prices is affected by the rating agencies views of BB&T s and Branch Bank s credit quality, liquidity, capital and earnings. Management meets with the rating agencies on a routine basis to discuss the current outlook for BB&T and Branch Bank. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for disclosures related to BB&T s and Branch Bank s credit ratings and liquidity.

On July 27, 2010, Moody s Investors Service announced that the ratings of a number of large U.S. Banks may be negatively affected because the passage of the Dodd-Frank Act makes it less likely that the government would step in to rescue a troubled bank. It is unclear whether BB&T s other primary rating agencies will respond in a similar way.

SEGMENT RESULTS

BB&T s operations are divided into seven reportable business segments: the Banking Network, Residential Mortgage Banking, Sales Finance, Specialized Lending, Insurance Services, Financial Services and Treasury. These operating segments have been identified based primarily on BB&T s organizational structure. See Note 17 Operating Segments in the Notes to the Consolidated Financial Statements contained herein for additional disclosures related to BB&T s reportable business segments. Fluctuations in noninterest income and noninterest expense incurred directly by the operating segments are more fully described in the sections titled Noninterest Income and Noninterest Expense of this discussion

and analysis. The following table reflects the net income (loss) for each of BB&T s operating segments for the six month periods ended June 30, 2010 and 2009, respectively.

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BB&T Corporation and Subsidiaries

Management s Discussion and Analysis Second Quarter 2010

Table 12

BB&T Corporation

Net Income by Reportable Segments

	For the Six Months Ended	
	June 30, 2010	June 30, 2009
	(Dollars in millions)	
Banking Network	$ 247	$ 291
Residential Mortgage Banking	(101)	154
Sales Finance	20	(10)
Specialized Lending	89	20
Insurance Services	63	66
Financial Services	59	67
Treasury	93	211
All Other Segments	20	(6)
Parent/Reconciling Items	(72)	(267)
BB&T Corporation	$ 418	$ 526

The $44 million decrease in net income attributable to the Banking Network segment is primarily due to growth in noninterest expenses of $382 million related primarily to higher foreclosed property expenses and a $128 million decline in intersegment net referral fees related to a reduction in mortgage loan referral income. This impact was partially offset by a $232 million increase in net interest income driven by higher funds transfer pricing credits due to growth in deposits and a $215 million decrease in economic provision for loan losses.

The $255 million decrease in net income attributable to the Residential Mortgage Banking segment was due primarily to a decrease of $168 million in noninterest income due to record residential mortgage production revenues achieved in the first half of 2009, as well as a $218 million increase in the economic provision for loan and lease losses.

The $30 million and $69 million increases in net income attributable to Sales Finance and Specialized Lending, respectively, were primarily driven by increased net interest income and lower provision for loan and lease loss expenses. Specialized Lending s increase in net interest income is primarily due to strong growth in consumer and automobile lending lines of business.

The $118 million decrease in net income attributable to the Treasury segment was primarily a result of an increase in the internal credit for funds paid by Treasury to support the Colonial acquisition.

It is important to note that the substantial majority of the loan portfolio acquired in the Colonial transaction is covered by the loss sharing agreements with the FDIC, and is managed outside of the Banking Network. The assets and related interest income from the portfolio are included in the Parent/Reconciling Items segment. The $195 million increase related to Parent/Reconciling Items is largely due to increased net interest income and intersegment noninterest income and decreased provision for loan and lease losses. This is partially offset by an increase in unallocated noninterest expense.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Please refer to Market Risk Management in the Management s Discussion and Analysis of Financial Condition and Results of Operations section herein.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the management of the Company, under the supervision and with the participation of the Company s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the Company s disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective so as to enable the Company to record, process, summarize and report in a timely manner the information that the Company is required to disclose in its Exchange Act reports.

Changes in Internal Control over Financial Reporting

There was no change in the Company s internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The nature of the business of BB&T s banking and other subsidiaries ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. BB&T believes it has meritorious defenses to the claims asserted against it in its currently outstanding legal proceedings and, with respect to such legal proceedings, intends to continue to defend itself vigorously, litigating or settling cases according to management s judgment as to what is in the best interests of BB&T and its shareholders.

On at least a quarterly basis, BB&T assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For those matters where it is probable that BB&T will incur a loss and the amount of the loss can be reasonably estimated, BB&T records a liability in its consolidated financial statements. These legal reserves may be increased or decreased to reflect any relevant developments on a quarterly basis. For other matters, where a loss is not probable or the amount of the loss is not estimable, BB&T has not accrued legal reserves. While the outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel and available insurance coverage, BB&T s management believes that its established legal reserves are adequate and the liabilities arising from BB&T s legal proceedings will not have a material adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows of BB&T. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to BB&T s consolidated financial position, consolidated results of operations or consolidated cash flows.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009. In addition to the risk factors in BB&T s Annual Report on Form 10-K, the following supplemental risk factor related to the passage of the Dodd-Frank Act should be carefully considered. These risks could materially affect BB&T s business, financial condition or future results, and are not the only risks BB&T faces. Additional risks and uncertainties not currently known to BB&T or that management has deemed to be immaterial also may materially adversely affect BB&T s business, financial condition, and/or operating results.

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The passage of Dodd-Frank Act may result in lower revenues, higher costs and ratings downgrades.

On July 21, 2010, President Obama signed into law the Dodd-Frank Act. The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial-services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, and changes among the bank regulatory agencies. Many of these provisions are subject to further study, rule making, and the discretion of regulatory bodies, such as the Financial Stability Oversight Council, which will regulate the systemic risk of the financial system. Due to BB&T s size, the Company will be designated as systemically significant to the financial health of the U.S. economy and, as a result, may be subject to additional regulations. We cannot predict the effect that compliance with the Dodd-Frank Act or any implementing regulations will have on BB&T s businesses or its ability to pursue future business opportunities. Additional regulations resulting from the Dodd-Frank Act may materially adversely affect BB&T s business, financial condition or results of operations. In addition, Moody s Investors Service announced that the ratings of a number of large U.S. Banks may be negatively affected because the passage of the Dodd-Frank Act makes it less likely that the government would step in to rescue a troubled bank. It is unclear whether BB&T s other primary rating agencies would respond in a similar way. BB&T s credit ratings are important to its liquidity. A reduction in BB&T s credit ratings could adversely affect BB&T s liquidity and competitive position, increase its borrowing costs, limit its access to the capital markets or trigger unfavorable contractual obligations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Please refer to Share Repurchase Activity in the Management s Discussion and Analysis of Financial Condition and Results of Operations section herein.

Item 6. Exhibits

3(i)	Articles of Incorporation of the Registrant, as restated February 25, 2009 and amended May 10, 2010
10.1	Form of Restricted Stock Unit Agreement (Performance-Based Vesting Component) for Executive Officers under the BB&T Corporation Amended and Restated 2004 Stock Incentive Plan (June 2010 Performance Award).
11	Statement re: Computation of Earnings Per Share.
12	Statement re: Computation of Ratios.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.*
101.LAB	XBRL Taxonomy Extension Label Linkbase.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.*
101.DEF	XBRL Taxonomy Definition Linkbase.*

* To be filed by amendment

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BB&T CORPORATION

(Registrant)

Date: August 9, 2010

By: /s/ DARYL N. BIBLE

Daryl N. Bible, Senior Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: August 9, 2010

By: /s/ CYNTHIA B. POWELL

Cynthia B. Powell, Executive Vice President and Corporate Controller

(Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description	Location
3(i)	Articles of Incorporation of the Registrant, as restated February 25, 2009 and amended May 10, 2010	Filed herewith.
10.1	Form of Restricted Stock Unit Agreement (Performance-Based Vesting Component) for Executive Officers under the BB&T Corporation Amended and Restated 2004 Stock Incentive Plan (June 2010 Performance Award).	Incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed June 25, 2010.
11	Statement re: Computation of Earnings Per Share.	Filed herewith as Note 16.
12	Statement re: Computation of Ratios.	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
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32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
101.INS*	XBRL Instance Document.	To be filed by amendment.
101.SCH*	XBRL Taxonomy Extension Schema.	To be filed by amendment.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.	To be filed by amendment.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.	To be filed by amendment.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.	To be filed by amendment.
101.DEF*	XBRL Taxonomy Definition Linkbase.	To be filed by amendment.

* As provided in Rule 406T of Regulation S-T, this information will be furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.
Exhibits intentionally not provided herein.