BB&T CORP
Form 10-Q
August 08, 2013

**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, 2013**

**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** |
|---|---|
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**(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, 2013, 703,868,650 shares of the Registrant's common stock, $5 par value, were outstanding.

**BB&T CORPORATION**
**FORM 10-Q**
**June 30, 2013**
**INDEX**


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**Glossary of Defined Terms**

The following terms may be used throughout this Report, including the consolidated financial statements and related notes.

| Term | Definition |
|---|---|
| **2004 Plan** | 2004 Stock Incentive Plan |
| **2006 Repurchase Plan** | Plan for the repurchase of up to 50 million shares of BB&T’s common stock |
| **2012 Plan** | 2012 Incentive Plan |
| **ADC** | Acquisition, development and construction |
| **ACL** | Allowance for credit losses |
| **AFS** | Available-for-sale |
| **ALLL** | Allowance for loan and lease losses |
| **AOCI** | Accumulated other comprehensive income (loss) |
| **BankAtlantic** | BankAtlantic, a federal savings association acquired by BB&T from BankAtlantic Bancorp, Inc. |
| **Basel III** | Global regulatory standards on bank capital adequacy and liquidity published by the BCBS |
| **BB&T** | BB&T Corporation and subsidiaries |
| **BCBS** | Basel Committee on Bank Supervision |
| **BHC** | Bank holding company |
| **BHCA** | Bank Holding Company Act of 1956, as amended |
| **Branch Bank** | Branch Banking and Trust Company |
| **CCAR** | Comprehensive Capital Analysis and Review |
| **CD** | Certificate of deposit |
| **CDI** | Core deposit intangible assets |
| **CFPB** | Consumer Financial Protection Bureau |
| **Colonial** | Collectively, certain assets and liabilities of Colonial Bank acquired by BB&T in 2009 |
| **Company** | BB&T Corporation and subsidiaries (interchangeable with "BB&T" above) |
| **Council** | Financial Stability Oversight Council |
| **CRA** | Community Reinvestment Act of 1977 |
| **CRE** | Commercial real estate |
| **Crump Insurance** | The life and property and casualty insurance operations acquired from the Crump Group |
| **DIF** | Deposit Insurance Fund administered by the FDIC |
| **Directors’ Plan** | Non-Employee Directors’ Stock Option Plan |
| **Dodd-Frank Act** | Dodd-Frank Wall Street Reform and Consumer Protection Act |
| **EPS** | Earnings per common share |
| **EU** | European Union |
| **EVE** | Economic value of equity |
| **Exchange Act** | Securities Exchange Act of 1934, as amended |
| **FASB** | Financial Accounting Standards Board |
| **FDIC** | Federal Deposit Insurance Corporation |
| **FHA** | Federal Housing Administration |
| **FHLB** | Federal Home Loan Bank |
| **FHLMC** | Federal Home Loan Mortgage Corporation |
| **FINRA** | Financial Industry Regulatory Authority |
| **FNMA** | Federal National Mortgage Association |
| **FRB** | Board of Governors of the Federal Reserve System |
| **FTE** | Fully taxable-equivalent |

| | |
|---|---|
| **FTP** | Funds transfer pricing |
| **GAAP** | Accounting principles generally accepted in the United States of America |
| **GNMA** | Government National Mortgage Association |
| **Grandbridge** | Grandbridge Real Estate Capital, LLC |
| **GSE** | U.S. government-sponsored enterprise |
| **HTM** | Held-to-maturity |
| **IMLAFA** | International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 |
| **IPV** | Independent price verification |
| **IRS** | Internal Revenue Service |
| **ISDA** | International Swaps and Derivatives Association, Inc. |
| **LHFS** | Loans held for sale |

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| | |
|---|---|
| **LIBOR** | London Interbank Offered Rate |
| **LOB** | Line of business |
| **MRLCC** | Market Risk, Liquidity and Capital Committee |
| **MSR** | Mortgage servicing right |
| **MSRB** | Municipal Securities Rulemaking Board |
| **NIM** | Net interest margin |
| **NPA** | Nonperforming asset |
| **NPL** | Nonperforming loan |
| **NPR** | Notice of Proposed Rulemaking |
| **NYSE** | NYSE Euronext, Inc. |
| **OAS** | Option adjusted spread |
| **OCC** | Office of the Comptroller of the Currency |
| **OCI** | Other comprehensive income (loss) |
| **Omnibus Plan** | 1995 Omnibus Stock Incentive Plan |
| **OREO** | Other real estate owned |
| **OTS** | Office of Thrift Supervision |
| **OTTI** | Other-than-temporary impairment |
| **Parent Company** | BB&T Corporation, the parent company of Branch Bank and other subsidiaries |
| **Patriot Act** | Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 |
| **Peer Group** | Financial holding companies included in the industry peer group index |
| **Reform Act** | Federal Deposit Insurance Reform Act of 2005 |
| **RMBS** | Residential mortgage-backed securities |
| **RMO** | Risk Management Organization |
| **RSU** | Restricted stock unit |
| **RUFC** | Reserve for unfunded lending commitments |
| **S&P** | Standard & Poor's |
| **SBIC** | Small Business Investment Company |
| **SCAP** | Supervisory Capital Assessment Program |
| **SEC** | Securities and Exchange Commission |
| **Short Term Borrowings** | Federal funds purchased, securities sold under repurchase agreements and other short-term borrowed funds with original maturities of less than one year |
| **Simulation** | Interest sensitivity simulation analysis |
| **TBA** | To be announced |
| **TDR** | Troubled debt restructuring |
| **U.S.** | United States of America |
| **U.S. Treasury** | United States Department of the Treasury |
| **UPB** | Unpaid principal balance |
| **VA** | U.S. Department of Veterans Affairs |
| **VaR** | Value-at-risk |
| **VIE** | Variable interest entity |

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**BB&T CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**
**(Dollars in millions, except per share data, shares in thousands)**

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 1,444 | $ 1,975 |
| Interest-bearing deposits with banks | 740 | 942 |
| Federal funds sold and securities purchased under resale agreements or similar arrangements | 195 | 122 |
| Restricted cash | 585 | 750 |
| Trading securities at fair value | 537 | 497 |
| AFS securities at fair value ($1,515 and $1,591 covered by FDIC loss share at June 30, 2013 and December 31, 2012, respectively) | 24,477 | 25,137 |
| HTM securities (fair value of $13,445 and $13,848 at June 30, 2013 and December 31, 2012, respectively) | 13,751 | 13,594 |
| LHFS at fair value | 2,488 | 3,761 |
| Loans and leases ($2,749 and $3,294 covered by FDIC loss share at June 30, 2013 and December 31, 2012, respectively) | 115,794 | 114,603 |
| ALLL | (1,901) | (2,018) |
| Loans and leases, net of ALLL | 113,893 | 112,585 |

| | | |
|---|---|---|
| FDIC loss share receivable | 299 | 479 |
| Premises and equipment | 1,893 | 1,888 |
| Goodwill | 6,824 | 6,804 |
| Core deposit and other intangible assets | 620 | 673 |
| Residential MSRs at fair value | 892 | 627 |
| Other assets ($221 and $297 of foreclosed property and other assets covered by FDIC loss share at June 30, 2013 and December 31, 2012, respectively) | 14,097 | 14,038 |
| Total assets | $ 182,735 | $ 183,872 |
| | | |
| **Liabilities and Shareholders' Equity** | | |
| Deposits: | | |
| Noninterest-bearing deposits | $ 33,760 | $ 32,452 |
| Interest-bearing deposits | 97,319 | 100,623 |
| Total deposits | 131,079 | 133,075 |
| | | |
| Short-term borrowings | 3,192 | 2,864 |
| Long-term debt | 19,362 | 19,114 |
| Accounts payable and other liabilities | 7,106 | 7,596 |
| Total liabilities | 160,739 | 162,649 |
| | | |
| Commitments and contingencies (Note 12) | | |
| Shareholders' equity: | | |
| Preferred stock, $5 par, liquidation preference of $25,000 per share | 2,603 | 2,116 |
| Common stock, $5 par | 3,515 | 3,499 |
| Additional paid-in capital | 6,042 | 5,973 |
| Retained earnings | 10,564 | 10,129 |
| AOCI, net of deferred income taxes | (784) | (559) |

| | | |
|---|---|---|
| Noncontrolling interests | 56 | 65 |
| Total shareholders’ equity | 21,996 | 21,223 |
| Total liabilities and shareholders’ equity | $ 182,735 | $ 183,872 |
| | | |
| Common shares outstanding | 702,995 | 699,728 |
| Common shares authorized | 2,000,000 | 2,000,000 |
| Preferred shares outstanding | 107 | 87 |
| 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)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **Interest Income** | | | | |
| Interest and fees on loans and leases | $ 1,418 | $ 1,492 | $ 2,851 | $ 2,994 |
| Interest and dividends on securities | 215 | 230 | 430 | 464 |
| Interest on other earning assets | 10 | 6 | 21 | 13 |
| Total interest income | 1,643 | 1,728 | 3,302 | 3,471 |
| **Interest Expense** | | | | |
| Interest on deposits | 78 | 107 | 164 | 228 |
| Interest on short-term borrowings | 3 | 2 | 4 | 3 |
| Interest on long-term debt | 147 | 157 | 297 | 342 |
| Total interest expense | 228 | 266 | 465 | 573 |
| **Net Interest Income** | 1,415 | 1,462 | 2,837 | 2,898 |
| Provision for credit losses | 168 | 273 | 440 | 561 |
| **Net Interest Income After Provision for Credit Losses** | 1,247 | 1,189 | 2,397 | 2,337 |
| **Noninterest Income** | | | | |
| Insurance income | 426 | 393 | 791 | 664 |
| Mortgage banking income | 168 | 182 | 348 | 398 |
| Service charges on deposits | 143 | 138 | 281 | 275 |
| Investment banking and brokerage fees and commissions | 99 | 88 | 193 | 177 |
| Bankcard fees and merchant discounts | 65 | 59 | 124 | 113 |
| Checkcard fees | 51 | 45 | 98 | 88 |
| Trust and investment advisory revenues | 49 | 46 | 97 | 91 |
| Income from bank-owned life insurance | 26 | 27 | 54 | 57 |
| FDIC loss share income, net | (85) | (74) | (144) | (131) |
| Other income | 81 | 64 | 159 | 116 |
| Securities gains (losses), net | | | | |
| Realized gains (losses), net | 23 | | 46 | (4) |
| OTTI charges | | (2) | | (5) |
| Non-credit portion recognized in OCI | | | | (2) |
| Total securities gains (losses), net | 23 | (2) | 46 | (11) |
| Total noninterest income | 1,046 | 966 | 2,047 | 1,837 |
| **Noninterest Expense** | | | | |
| Personnel expense | 844 | 775 | 1,661 | 1,505 |
| Occupancy and equipment expense | 170 | 159 | 341 | 312 |
| Loan-related expense | 63 | 62 | 121 | 125 |

| | | | | |
|---|---|---|---|---|
| Foreclosed property expense | 12 | 72 | 30 | 164 |
| Regulatory charges | 35 | 43 | 70 | 84 |
| Professional services | 47 | 39 | 83 | 74 |
| Software expense | 38 | 32 | 76 | 64 |
| Amortization of intangibles | 27 | 29 | 54 | 51 |
| Merger-related and restructuring charges, net | 27 | 2 | 32 | 14 |
| Other expense | 233 | 213 | 442 | 418 |
| Total noninterest expense | 1,496 | 1,426 | 2,910 | 2,811 |
| **Earnings** | | | | |
| Income before income taxes | 797 | 729 | 1,534 | 1,363 |
| Provision for income taxes | 221 | 191 | 702 | 380 |
| **Net income** | 576 | 538 | 832 | 983 |
| Noncontrolling interests | 16 | 20 | 32 | 34 |
| Dividends on preferred stock | 13 | 8 | 43 | 8 |
| **Net income available to common shareholders** | $ 547 | $ 510 | $ 757 | $ 941 |
| **EPS** | | | | |
| Basic | $ 0.78 | $ 0.73 | $ 1.08 | $ 1.35 |
| Diluted | $ 0.77 | $ 0.72 | $ 1.06 | $ 1.33 |
| Cash dividends declared | $ 0.23 | $ 0.20 | $ 0.46 | $ 0.40 |
| | | | | |
| **Weighted Average Shares Outstanding** | | | | |
| Basic | 702,082 | 698,579 | 701,245 | 698,132 |
| Diluted | 712,861 | 708,454 | 711,998 | 707,990 |

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

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**BB&T CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**
**(Dollars in millions)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Net Income** | $ 576 | $ 538 | $ 832 | $ 983 |
| **OCI, net of tax:** | | | | |
| Change in unrecognized net pension and postretirement costs | 12 | 11 | 26 | 22 |
| Change in unrealized net gains (losses) on cash flow hedges | 155 | (16) | 162 | (15) |
| Change in unrealized net gains (losses) on AFS securities | (354) | 67 | (415) | 192 |
| Change in FDIC's share of unrealized (gains) losses on AFS securities | 17 | 14 | 4 | (28) |
| Other, net | (2) | (1) | (2) | 1 |
| **Total OCI** | (172) | 75 | (225) | 172 |
| **Total comprehensive income** | $ 404 | $ 613 | $ 607 | $ 1,155 |

**Income Tax Effect of Items Included in OCI:**

| | | | | |
|---|---|---|---|---|
| Change in unrecognized net pension and postretirement costs | $ 8 | $ 7 | $ 17 | $ 14 |
| Change in unrealized net gains (losses) on cash flow hedges | 95 | (10) | 98 | (10) |
| Change in unrealized net gains (losses) on AFS | (215) | 39 | (252) | 116 |

| | | | | |
|---|---|---|---|---|
| securities | | | | |
| Change in FDIC's share of unrealized (gains) losses on AFS securities | 10 | 8 | 1 | (18) |
| Other, net | 1 | 1 | 1 | 1 |

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)**
**Six Months Ended June 30, 2013 and 2012**
**(Dollars in millions, shares in thousands)**

| | Shares of Common Stock | Preferred Stock | Common Stock | Additional Paid-In Capital | Retained Earnings | AOCI | Noncontrolling Interests | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance, January 1, 2012** | 697,143 | $ | $ 3,486 | $ 5,873 | $ 8,772 | $ (713) | $ 62 | $ 17,480 |
| **Add (Deduct):** | | | | | | | | |
| Net income | | | | | 949 | | 34 | 983 |
| Net change in OCI | | | | | | 172 | | 172 |
| Stock transactions: | | | | | | | | |
| In purchase acquisitions | 28 | | | 1 | | | | 1 |
| In connection with equity awards | 2,158 | | 11 | 2 | | | | 13 |
| Shares repurchased in connection with equity awards | (534) | | (3) | (13) | | | | (16) |
| In connection with preferred stock offering | | 559 | | | | | | 559 |
| Cash dividends declared on common stock | | | | | (280) | | | (280) |
| Cash dividends declared on preferred stock | | | | | (8) | | | (8) |
| Equity-based compensation expense | | | | 51 | | | | 51 |
| Other, net | | | | | | | (29) | (29) |
| **Balance, June 30, 2012** | 698,795 | $ 559 | $ 3,494 | $ 5,914 | $ 9,433 | $ (541) | $ 67 | $ 18,926 |
| | | | | | | | | |
| **Balance, January 1, 2013** | 699,728 | $ 2,116 | $ 3,499 | $ 5,973 | $ 10,129 | $ (559) | $ 65 | $ 21,223 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Add (Deduct):** | | | | | | | | |
| Net income | | | | | 800 | | 32 | 832 |
| Net change in OCI | | | | | | (225) | | (225) |
| Stock transactions: | | | | | | | | |
| In connection with equity awards | 3,462 | | 17 | 12 | | | | 29 |
| Shares repurchased in connection with equity awards | (754) | | (4) | (19) | | | | (23) |
| In connection with dividend reinvestment plan | 229 | | 1 | 6 | | | | 7 |
| In connection with 401(k) plan | 330 | | 2 | 9 | | | | 11 |
| In connection with preferred stock offering | | 487 | | | | | | 487 |
| Cash dividends declared on common stock | | | | | (322) | | | (322) |
| Cash dividends declared on preferred stock | | | | | (43) | | | (43) |
| Equity-based compensation expense | | | | 60 | | | | 60 |
| Other, net | | | | 1 | | | (41) | (40) |
| **Balance, June 30, 2013** | 702,995 | $ 2,603 | $ 3,515 | $ 6,042 | $ 10,564 | $ (784) | $ 56 | $ 21,996 |

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)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2013 | 2012 |
| **Cash Flows From Operating Activities:** | | |
| Net income | $ 832 | $ 983 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Provision for credit losses | 440 | 561 |
| Depreciation | 153 | 131 |
| Amortization of intangibles | 54 | 51 |
| Equity-based compensation | 60 | 51 |
| (Gain) loss on securities, net | (46) | 11 |
| Net write-downs/losses on foreclosed property | 11 | 120 |
| Net change in operating assets and liabilities: | | |
| LHFS | 1,299 | 579 |
| FDIC loss share receivable | 203 | 269 |
| Other assets | (421) | (677) |
| Accounts payable and other liabilities | (228) | 699 |
| Other, net | (49) | (159) |
| Net cash from operating activities | 2,308 | 2,619 |
| **Cash Flows From Investing Activities:** | | |

| | | |
|---|---|---|
| Proceeds from sales of AFS securities | 931 | 153 |
| Proceeds from maturities, calls and paydowns of AFS securities | 3,408 | 1,782 |
| Purchases of AFS securities | (4,371) | (4,400) |
| Proceeds from maturities, calls and paydowns of HTM securities | 2,076 | 2,138 |
| Purchases of HTM securities | (2,251) | (619) |
| Originations and purchases of loans and leases, net of principal collected | (2,002) | (4,115) |
| Net cash for acquisitions | (6) | (555) |
| Purchases of premises and equipment | (165) | (61) |
| Proceeds from sales of foreclosed property | 191 | 494 |
| Other, net | 398 | (36) |
| Net cash from investing activities | (1,791) | (5,219) |
| **Cash Flows From Financing Activities:** | | |
| Net change in deposits | (1,996) | 1,120 |
| Net change in short-term borrowings | 328 | (370) |
| Proceeds from issuance of long-term debt | 1,140 | 1,072 |
| Repayment of long-term debt | (773) | (197) |
| Net cash from preferred stock transactions | 487 | 559 |
| Cash dividends paid on common stock | (455) | (251) |
| Cash dividends paid on preferred stock | (73) | |

| | | |
|---|---|---|
| Other, net | 165 | 54 |
| Net cash from financing activities | (1,177) | 1,987 |
| **Net Change in Cash and Cash Equivalents** | (660) | (613) |
| **Cash and Cash Equivalents at Beginning of Period** | 3,039 | 3,576 |
| **Cash and Cash Equivalents at End of Period** | $ 2,379 | $ 2,963 |
| | | |
| **Supplemental Disclosure of Cash Flow Information:** | | |
| Cash paid (received) during the period for: | | |
| Interest | $ 483 | $ 579 |
| Income taxes | 369 | 317 |
| Noncash investing activities: | | |
| Transfers of loans to foreclosed assets | 269 | 372 |

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

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**NOTE 1. Basis of Presentation**

See the Glossary of Defined Terms at the beginning of this Report for terms used throughout the consolidated financial statements and related notes of this Form 10-Q.

***General***

These consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with GAAP. In the opinion of management, all normal recurring adjustments necessary for a fair statement of the consolidated financial position and consolidated results of operations have been made. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. 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, 2012 should be referred to in connection with these unaudited interim consolidated financial statements.

***Reclassifications***

In certain 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include the determination of the ACL, 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 2013, the FASB issued new guidance related to *Investment Companies.* The new guidance amends the criteria for an entity to qualify as an investment company and requires an investment company to measure all of its investments at fair value. This guidance is effective for interim and annual reporting periods beginning after December 15, 2013. The adoption of this guidance is not expected to be material to BB&T's consolidated financial position, results of operations or cash flows.

Effective January 1, 2013, the Company adopted new guidance impacting the presentation of certain items on the *Balance Sheet*. The new guidance requires an entity to disclose both gross and net information about derivatives, repurchase agreements and securities borrowing and lending transactions that have a right of setoff or are subject to an enforceable master netting arrangement or similar agreement. The adoption of this guidance did not impact BB&T's consolidated financial position, results of operations or cash flows. The new disclosures required by this guidance for derivatives are included in Note 14 to these consolidated financial statements. The adoption of this guidance did not impact our disclosures of repurchase agreements and securities borrowing and lending transactions as the balances and volume of transactions are not material.

Effective January 1, 2013, the Company adopted new guidance on *Business Combinations.* The new guidance clarifies that when a reporting entity recognizes an indemnification asset as a result of a government-assisted acquisition of a financial institution and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs, the reporting entity should account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in value should be limited to the lesser of the contractual term of the indemnification agreement or the remaining life of the indemnified assets. BB&T has previously accounted for its indemnification asset in accordance with this guidance; accordingly, the adoption of this guidance had no impact on BB&T's consolidated financial position, results of operations or cash flows.

Effective January 1, 2013, the Company adopted new guidance impacting *Comprehensive Income* that requires a reporting entity to present significant amounts reclassified out of AOCI by the respective line items of net income. The adoption of this guidance did not impact BB&T's consolidated financial position, results of operations or cash flows. The new disclosures required by this guidance are included in Note 9 to these consolidated financial statements.

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**NOTE 2. Securities**

| June 30, 2013 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| AFS securities: | | | | |
| GSE securities | $ 441 | $ — | $ — | $ 441 |
| RMBS issued by GSE | 20,473 | 142 | 272 | 20,343 |
| States and political subdivisions | 1,901 | 81 | 94 | 1,888 |
| Non-agency RMBS | 284 | 11 | 10 | 285 |
| Other securities | 5 | — | — | 5 |
| Covered securities | 1,080 | 435 | — | 1,515 |
| Total AFS securities | $ 24,184 | $ 669 | $ 376 | $ 24,477 |
| HTM securities: | | | | |
| GSE securities | $ 5,200 | $ — | $ 272 | $ 4,928 |
| RMBS issued by GSE | 8,059 | 27 | 68 | 8,018 |
| States and political subdivisions | 33 | 1 | — | 34 |
| Other securities | 459 | 6 | — | 465 |
| Total HTM securities | $ 13,751 | $ 34 | $ 340 | $ 13,445 |

| December 31, 2012 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| AFS securities: | | | | |
| GSE securities | $ 290 | $ — | $ — | $ 290 |
| RMBS issued by GSE | 20,482 | 466 | 18 | 20,930 |
| States and political subdivisions | 1,948 | 153 | 90 | 2,011 |
| Non-agency RMBS | 307 | 16 | 11 | 312 |
| Other securities | 3 | — | — | 3 |
| Covered securities | 1,147 | 444 | — | 1,591 |
| Total AFS securities | $ 24,177 | $ 1,079 | $ 119 | $ 25,137 |
| HTM securities: | | | | |
| GSE securities | $ 3,808 | $ 17 | $ 1 | $ 3,824 |
| RMBS issued by GSE | 9,273 | 238 | 1 | 9,510 |
| States and political subdivisions | 34 | 1 | 1 | 34 |
| Other securities | 479 | 4 | 3 | 480 |
| Total HTM securities | $ 13,594 | $ 260 | $ 6 | $ 13,848 |

As of June 30, 2013 and December 31, 2012, the fair value of covered securities included $1.2 billion and $1.3 billion, respectively, of non-agency RMBS and $316 million and $326 million, respectively, of municipal securities.

As of June 30, 2013 and December 31, 2012, securities with carrying values of approximately $18.3 billion and $19.0 billion, respectively, 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 RMBS issued by FNMA and FHLMC that exceeded ten percent of shareholders' equity at June 30, 2013. The FNMA investments had total amortized cost and fair value of $14.2 billion and $13.9 billion, respectively. The FHLMC investments had total amortized cost and fair value of $7.8 billion and $7.7 billion, respectively.

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The gross realized gains and losses on securities are reflected in the following table:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | (Dollars in millions) | | | |
| Gross gains | $ 23 | $ | $ 46 | $ |
| Gross losses | | | | (4) |
| Net realized gains (losses) | $ 23 | $ | $ 46 | $ (4) |

The following table reflects changes in credit losses on securities with OTTI (excluding covered), which were primarily non-agency RMBS, where a portion of the unrealized loss was recognized in OCI. OTTI of $4 million related to covered securities during 2012 is not reflected in this table.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | (Dollars in millions) | | | |
| Balance at beginning of period | $ 101 | $ 114 | $ 105 | $ 129 |
| Credit losses on securities with previously recognized OTTI | | 2 | | 3 |
| Reductions for securities sold/settled | (5) | (4) | (9) | (20) |

| | | | | |
|---|---|---|---|---|
| during the period | | | | |
| Balance at end of period | $ 96 | $ 112 | $ 96 | $ 112 |

The amortized cost and estimated fair value of the securities portfolio by contractual maturity are shown in the following table. The expected life of RMBS may differ from contractual maturities because borrowers have the right to prepay the underlying mortgage loans with or without prepayment penalties.

| **June 30, 2013** | **AFS Amortized Cost** | **Fair Value** | **HTM Amortized Cost** | **Fair Value** |
|---|---|---|---|---|
| | **(Dollars in millions)** | | | |
| Due in one year or less | $ 259 | $ 259 | $ | $ |
| Due after one year through five years | 305 | 312 | | |
| Due after five years through ten years | 536 | 555 | 4,555 | 4,326 |
| Due after ten years | 23,084 | 23,351 | 9,196 | 9,119 |
| Total debt securities | $ 24,184 | $ 24,477 | $ 13,751 | $ 13,445 |

The following tables present the fair values and gross unrealized losses of BB&T's investments based on the length of time that individual securities have been in a continuous unrealized loss position:

| | **Less than 12 months** | | **12 months or more** | | **Total** | |
|---|---|---|---|---|---|---|
| **June 30, 2013** | **Fair Value** | **Unrealized Losses** | **Fair Value** | **Unrealized Losses** | **Fair Value** | **Unrealized Losses** |
| | **(Dollars in millions)** | | | | | |
| AFS securities: | | | | | | |
| RMBS issued by GSE | $ 11,392 | $ 272 | $ 1 | $ — | $ 11,393 | $ 272 |
| States and political | 239 | 9 | 423 | 85 | 662 | 94 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| subdivisions | | | | | | | | | | | | |
| Non-agency RMBS | | — | | — | | 105 | | 10 | | 105 | | 10 |
| Total | $ | 11,631 | $ | 281 | $ | 529 | $ | 95 | $ | 12,160 | $ | 376 |
| | | | | | | | | | | | | |
| HTM securities: | | | | | | | | | | | | |
| GSE securities | $ | 4,812 | $ | 272 | $ | — | $ | — | $ | 4,812 | $ | 272 |
| RMBS issued by GSE | | 5,966 | | 68 | | 48 | | — | | 6,014 | | 68 |
| Total | $ | 10,778 | $ | 340 | $ | 48 | $ | — | $ | 10,826 | $ | 340 |

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| December 31, 2012 | Less than 12 months Fair Value | Less than 12 months Unrealized Losses | 12 months or more Fair Value | 12 months or more Unrealized Losses | Total Fair Value | Total Unrealized Losses |
|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | |
| AFS securities: | | | | | | |
| RMBS issued by GSE | $ 2,662 | $ 18 | $ — | $ — | $ 2,662 | $ 18 |
| States and political subdivisions | 52 | 1 | 478 | 89 | 530 | 90 |
| Non-agency RMBS | — | — | 113 | 11 | 113 | 11 |
| Total | $ 2,714 | $ 19 | $ 591 | $ 100 | $ 3,305 | $ 119 |
| HTM securities: | | | | | | |
| GSE securities | $ 805 | $ 1 | $ — | $ — | $ 805 | $ 1 |
| RMBS issued by GSE | 593 | 1 | — | — | 593 | 1 |
| States and political subdivisions | 22 | 1 | — | — | 22 | 1 |
| Other securities | 266 | 3 | — | — | 266 | 3 |
| Total | $ 1,686 | $ 6 | $ — | $ — | $ 1,686 | $ 6 |

BB&T conducts periodic reviews to identify and evaluate each investment with an unrealized loss for OTTI. 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 AOCI for AFS securities.

BB&T uses cash flow modeling to evaluate non-agency RMBS in an unrealized loss position for potential credit impairment. These models give consideration to long-term macroeconomic factors applied to current security default rates, prepayment rates and recovery rates and security-level performance. At June 30, 2013, three non-agency RMBS with an unrealized loss were below investment grade. None of the unrealized losses were significant.

At June 30, 2013, $76 million of unrealized loss on municipal securities was the result of fair value hedge basis adjustments that are a component of amortized cost. Municipal securities in an unrealized loss position are evaluated

for credit impairment through a qualitative analysis of issuer performance and the primary source of repayment. The evaluation of municipal securities indicated there were no credit losses evident.

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**NOTE 3. Loans and ACL**

Covered loans are excluded from the following aging analysis because their related allowance is determined by loan pool performance.

| June 30, 2013 | Accruing Current | 30-89 Days Past Due | 90 Days Or More Past Due | Nonaccrual | Total |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 38,209 | $ 32 | $ 3 | $ 457 | $ 38,701 |
| CRE - other | 11,249 | 10 | | 181 | 11,440 |
| CRE - residential ADC | 991 | 2 | | 65 | 1,058 |
| Other lending subsidiaries | 4,372 | 13 | 4 | 2 | 4,391 |
| Retail: | | | | | |
| Direct retail lending | 15,797 | 123 | 30 | 119 | 16,069 |
| Revolving credit | 2,292 | 20 | 13 | | 2,325 |
| Residential mortgage | 21,918 | 465 | 68 | 254 | 22,705 |
| Sales finance | 8,764 | 47 | 5 | 5 | 8,821 |
| Other lending subsidiaries | 6,151 | 228 | | 66 | 6,445 |
| Total excluding government and GNMA guaranteed | 109,743 | 940 | 123 | 1,149 | 111,955 |
| Residential mortgage loans excluded from above: | | | | | |
| Government guaranteed | 256 | 93 | 244 | | 593 |
| GNMA guaranteed | | 5 | 492 | | 497 |
| Total | $ 109,999 | $ 1,038 | $ 859 | $ 1,149 | $ 113,045 |

| December 31, 2012 | Accruing Current | 30-89 Days Past Due | 90 Days Or More Past Due | Nonaccrual | Total |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 37,706 | $ 42 | $ 1 | $ 546 | $ 38,295 |
| CRE - other | 11,237 | 12 | | 212 | 11,461 |

| | | | | | |
|---|---|---|---|---|---|
| CRE - residential ADC | 1,131 | 2 | | 128 | 1,261 |
| Other lending subsidiaries | 4,106 | 20 | 9 | 3 | 4,138 |
| Retail: | | | | | |
| Direct retail lending | 15,502 | 145 | 38 | 132 | 15,817 |
| Revolving credit | 2,291 | 23 | 16 | | 2,330 |
| Residential mortgage | 22,330 | 498 | 92 | 269 | 23,189 |
| Sales finance | 7,663 | 56 | 10 | 7 | 7,736 |
| Other lending subsidiaries | 5,645 | 270 | 1 | 83 | 5,999 |
| Total excluding government and GNMA guaranteed | 107,611 | 1,068 | 167 | 1,380 | 110,226 |
| Residential mortgage loans excluded from above: | | | | | |
| Government guaranteed | 225 | 84 | 252 | | 561 |
| GNMA guaranteed | | 5 | 517 | | 522 |
| Total | $ 107,836 | $ 1,157 | $ 936 | $ 1,380 | $ 111,309 |

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| Three Months Ended June 30, 2013 | ACL Rollforward Beginning Balance | Charge-Offs | Recoveries | Provision | Ending Balance |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 528 | $ (70) | $ 10 | $ (9) | $ 459 |
| CRE - other | 171 | (30) | 7 | 54 | 202 |
| CRE - residential ADC | 47 | (19) | 3 | 37 | 68 |
| Other lending subsidiaries | 13 | (1) | | 4 | 16 |
| Retail: | | | | | |
| Direct retail lending | 254 | (42) | 10 | (4) | 218 |
| Revolving credit | 97 | (20) | 5 | 31 | 113 |
| Residential mortgage | 316 | (16) | 1 | 28 | 329 |
| Sales finance | 30 | (5) | 2 | 15 | 42 |
| Other lending subsidiaries | 300 | (60) | 10 | 38 | 288 |
| Covered | 139 | (2) | | (11) | 126 |
| Unallocated | 80 | | | (40) | 40 |
| ALLL | 1,975 | (265) | 48 | 143 | 1,901 |
| RUFC | 56 | | | 25 | 81 |
| ACL | $ 2,031 | $ (265) | $ 48 | $ 168 | $ 1,982 |

| Three Months Ended June 30, 2012 | ACL Rollforward Beginning Balance | Charge-Offs | Recoveries | Provision | Ending Balance |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 526 | $ (92) | $ 4 | $ 87 | $ 525 |
| CRE - other | 294 | (51) | 3 | 59 | 305 |
| CRE - residential ADC | 206 | (74) | 23 | 2 | 157 |
| Other lending subsidiaries | 13 | (3) | | 3 | 13 |
| Retail: | | | | | |
| Direct retail lending | 301 | (56) | 8 | 30 | 283 |
| Revolving credit | 94 | (20) | 4 | 12 | 90 |
| Residential mortgage | 301 | (30) | 1 | 37 | 309 |
| Sales finance | 32 | (7) | 2 | (2) | 25 |
| Other lending subsidiaries | 182 | (44) | 7 | 55 | 200 |
| Covered | 137 | (12) | | 14 | 139 |
| Unallocated | 95 | | | (15) | 80 |
| ALLL | 2,181 | (389) | 52 | 282 | 2,126 |
| RUFC | 40 | | | (9) | 31 |
| ACL | $ 2,221 | $ (389) | $ 52 | $ 273 | $ 2,157 |

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| Six Months Ended June 30, 2013 | ACL Rollforward Beginning Balance | Charge-Offs | Recoveries | Provision | Ending Balance |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 470 | $ (161) | $ 17 | $ 133 | $ 459 |
| CRE - other | 204 | (66) | 11 | 53 | 202 |
| CRE - residential ADC | 100 | (39) | 9 | (2) | 68 |
| Other lending subsidiaries | 13 | (2) | 1 | 4 | 16 |
| Retail: | | | | | |
| Direct retail lending | 300 | (84) | 18 | (16) | 218 |
| Revolving credit | 102 | (41) | 10 | 42 | 113 |
| Residential mortgage | 328 | (49) | 2 | 48 | 329 |
| Sales finance | 29 | (11) | 4 | 20 | 42 |
| Other lending subsidiaries | 264 | (127) | 18 | 133 | 288 |
| Covered | 128 | (16) | | 14 | 126 |
| Unallocated | 80 | | | (40) | 40 |
| ALLL | 2,018 | (596) | 90 | 389 | 1,901 |
| RUFC | 30 | | | 51 | 81 |
| ACL | $ 2,048 | $ (596) | $ 90 | $ 440 | $ 1,982 |

| Six Months Ended June 30, 2012 | ACL Rollforward Beginning Balance | Charge-Offs | Recoveries | Provision | Ending Balance |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 433 | $ (155) | $ 8 | $ 239 | $ 525 |
| CRE - other | 334 | (124) | 6 | 89 | 305 |
| CRE - residential ADC | 286 | (128) | 31 | (32) | 157 |
| Other lending subsidiaries | 11 | (6) | 1 | 7 | 13 |
| Retail: | | | | | |
| Direct retail lending | 232 | (113) | 18 | 146 | 283 |
| Revolving credit | 112 | (42) | 9 | 11 | 90 |
| Residential mortgage | 365 | (72) | 2 | 14 | 309 |
| Sales finance | 38 | (14) | 5 | (4) | 25 |
| Other lending subsidiaries | 186 | (101) | 13 | 102 | 200 |
| Covered | 149 | (27) | | 17 | 139 |

| | | | | | |
|---|---|---|---|---|---|
| Unallocated | 110 | | | (30) | 80 |
| ALLL | 2,256 | (782) | 93 | 559 | 2,126 |
| RUFC | 29 | | | 2 | 31 |
| ACL | $ 2,285 | $ (782) | $ 93 | $ 561 | $ 2,157 |

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| | ALLL | | | |
|---|---|---|---|---|
| | June 30, 2013 | | December 31, 2012 | |
| | Individually Evaluated for Impairment | Collectively Evaluated for Impairment | Individually Evaluated for Impairment | Collectively Evaluated for Impairment |
| | (Dollars in millions) | | | |
| Commercial: | | | | |
| Commercial and industrial | $ 70 | $ 389 | $ 73 | $ 397 |
| CRE - other | 33 | 169 | 36 | 168 |
| CRE - residential ADC | 10 | 58 | 21 | 79 |
| Other lending subsidiaries | | 16 | 1 | 12 |
| Retail: | | | | |
| Direct retail lending | 41 | 177 | 59 | 241 |
| Revolving credit | 23 | 90 | 24 | 78 |
| Residential mortgage | 164 | 165 | 130 | 198 |
| Sales finance | 4 | 38 | 6 | 23 |
| Other lending subsidiaries | 81 | 207 | 61 | 203 |
| Covered | | 126 | | 128 |
| Unallocated | | 40 | | 80 |
| Total | $ 426 | $ 1,475 | $ 411 | $ 1,607 |

| | Loans and Leases | | | |
|---|---|---|---|---|
| | June 30, 2013 | | December 31, 2012 | |
| | Individually Evaluated for Impairment | Collectively Evaluated for Impairment | Individually Evaluated for Impairment | Collectively Evaluated for Impairment |
| | (Dollars in millions) | | | |
| Commercial: | | | | |
| Commercial and industrial | $ 545 | $ 38,156 | $ 631 | $ 37,664 |

| | | | | |
|---|---|---|---|---|
| CRE - other | 278 | 11,162 | 312 | 11,149 |
| CRE - residential ADC | 94 | 964 | 155 | 1,106 |
| Other lending subsidiaries | 3 | 4,388 | 3 | 4,135 |
| Retail: | | | | |
| Direct retail lending | 225 | 15,844 | 235 | 15,582 |
| Revolving credit | 53 | 2,272 | 56 | 2,274 |
| Residential mortgage | 1,239 | 22,556 | 1,187 | 23,085 |
| Sales finance | 21 | 8,800 | 22 | 7,714 |
| Other lending subsidiaries | 202 | 6,243 | 146 | 5,853 |
| Covered | | 2,749 | | 3,294 |
| Total | $ 2,660 | $ 113,134 | $ 2,747 | $ 111,856 |

BB&T monitors the credit quality of its commercial portfolio using internal risk ratings, which are based on established regulatory guidance. BB&T assigns an internal risk rating at loan origination and reviews the relationship again on an annual basis or at any point management becomes aware of information affecting the borrower's ability to fulfill their obligations.

| Risk Rating | Description |
|---|---|
| Pass | Loans not considered to be problem credits |
| Special Mention | Loans that have a potential weakness deserving management's close attention |
| Substandard | Loans for which a well-defined weakness has been identified that may put full collection of contractual cash flows at risk |

BB&T monitors the credit quality of its retail portfolio based primarily on delinquency status, which is the primary factor considered in determining whether a retail loan should be classified as nonaccrual.

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Covered loans are excluded from the following analysis because their related allowance is determined by loan pool performance.

| June 30, 2013 | Commercial & Industrial | CRE - Other | CRE - Residential ADC | Other Lending Subsidiaries |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| Commercial: | | | | |
| Pass | $ 36,714 | $ 10,390 | $ 810 | $ 4,351 |
| Special mention | 249 | 114 | 16 | 25 |
| Substandard - performing | 1,281 | 755 | 167 | 13 |
| Nonperforming | 457 | 181 | 65 | 2 |
| Total | $ 38,701 | $ 11,440 | $ 1,058 | $ 4,391 |

| | Direct Retail Lending | Revolving Credit | Residential Mortgage | Sales Finance | Other Lending Subsidiaries |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Retail: | | | | | |
| Performing | $ 15,950 | $ 2,325 | $ 23,541 | $ 8,816 | $ 6,379 |
| Nonperforming | 119 | | 254 | 5 | 66 |
| Total | $ 16,069 | $ 2,325 | $ 23,795 | $ 8,821 | $ 6,445 |

| December 31, 2012 | Commercial & Industrial | CRE - Other | CRE - Residential ADC | Other Lending Subsidiaries |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| Commercial: | | | | |
| Pass | $ 36,044 | $ 10,095 | $ 859 | $ 4,093 |
| Special mention | 274 | 120 | 41 | 13 |
| Substandard - performing | 1,431 | 1,034 | 233 | 29 |
| Nonperforming | 546 | 212 | 128 | 3 |
| Total | $ 38,295 | $ 11,461 | $ 1,261 | $ 4,138 |

| | Direct Retail | Revolving | Residential | Sales | Other Lending |
|---|---|---|---|---|---|

| | Lending | Credit | Mortgage | Finance | Subsidiaries |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Retail: | | | | | |
| Performing | $ 15,685 | $ 2,330 | $ 24,003 | $ 7,729 | $ 5,916 |
| Nonperforming | 132 | | 269 | 7 | 83 |
| Total | $ 15,817 | $ 2,330 | $ 24,272 | $ 7,736 | $ 5,999 |

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The following tables set forth certain information regarding BB&T's impaired loans, excluding purchased impaired loans and LHFS, that were evaluated for specific reserves.

| As Of / For The Six Months Ended June 30, 2013 | Recorded Investment | UPB | Related Allowance | Average Recorded Investment | Interest Income Recognized |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| With no related allowance recorded: | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 116 | $ 228 | $ | $ 121 | $ |
| CRE - other | 43 | 74 | | 57 | |
| CRE - residential ADC | 29 | 63 | | 39 | |
| Retail: | | | | | |
| Direct retail lending | 24 | 81 | | 23 | 1 |
| Residential mortgage (1) | 130 | 217 | | 122 | 2 |
| Sales finance | 1 | 3 | | 1 | |
| Other lending subsidiaries | 2 | 7 | | 3 | |
| With an allowance recorded: | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | 429 | 462 | 70 | 498 | 2 |
| CRE - other | 235 | 250 | 33 | 241 | 2 |
| CRE - residential ADC | 65 | 69 | 10 | 88 | 1 |
| | 3 | 2 | | 2 | |

| | | | | | |
|---|---|---|---|---|---|
| Other lending subsidiaries | | | | | |
| Retail: | | | | | |
| Direct retail lending | 201 | 205 | 41 | 209 | 6 |
| Revolving credit | 53 | 53 | 23 | 55 | 1 |
| Residential mortgage (1) | 743 | 759 | 108 | 746 | 16 |
| Sales finance | 20 | 20 | 4 | 21 | 1 |
| Other lending subsidiaries | 200 | 201 | 81 | 171 | 4 |
| Total (1) | $ 2,294 | $ 2,694 | $ 370 | $ 2,397 | $ 36 |

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| As Of / For The Year Ended December 31, 2012 | Recorded Investment | UPB | Related Allowance | Average Recorded Investment | Interest Income Recognized |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| With no related allowance recorded: | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 116 | $ 232 | $ | $ 117 | $ |
| CRE - other | 60 | 108 | | 81 | |
| CRE - residential ADC | 44 | 115 | | 103 | |
| Retail: | | | | | |
| Direct retail lending | 19 | 73 | | 19 | 1 |
| Residential mortgage (1) | 120 | 201 | | 80 | 2 |
| Sales finance | 1 | 3 | | 1 | |
| Other lending subsidiaries | 2 | 6 | | 3 | |
| With an allowance recorded: | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | 515 | 551 | 73 | 522 | 3 |
| CRE - other | 252 | 255 | 36 | 319 | 5 |
| CRE - residential ADC | 111 | 116 | 21 | 180 | 1 |
| Other lending subsidiaries | 3 | 3 | 1 | 4 | |
| Retail: | | | | | |
| | 216 | 226 | 59 | 140 | 9 |

| | | | | | |
|---|---|---|---|---|---|
| Direct retail lending | | | | | |
| Revolving credit | 56 | 56 | 24 | 59 | 2 |
| Residential mortgage (1) | 754 | 770 | 104 | 649 | 28 |
| Sales finance | 21 | 21 | 6 | 13 | |
| Other lending subsidiaries | 144 | 146 | 61 | 66 | 2 |
| Total (1) | $ 2,434 | $ 2,882 | $ 385 | $ 2,356 | $ 53 |

(1) Residential mortgage loans exclude $366 million and $313 million in government guaranteed loans and related allowance of $56 million and $26 million as of June 30, 2013 and December 31, 2012, respectively.

Changes in the carrying value and accretable yield of covered loans are presented in the following table.

| | **Six Months Ended June 30, 2013** | | | | **Year Ended December 31, 2012** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Purchased Impaired** | | **Purchased Nonimpaired** | | **Purchased Impaired** | | **Purchased Nonimpaired** | |
| | **Accretable Yield** | **Carrying Amount of Loans** | **Accretable Yield** | **Carrying Amount of Loans** | **Accretable Yield** | **Carrying Amount of Loans** | **Accretable Yield** | **Carrying Amount of Loans** |
| | **(Dollars in millions)** | | | | | | | |
| Balance at beginning of period | $ 264 | $ 1,400 | $ 617 | $ 1,894 | $ 520 | $ 2,123 | $ 1,193 | $ 2,744 |
| Accretion | (80) | 80 | (175) | 175 | (219) | 219 | (541) | 541 |
| Payments received, net | | (307) | | (493) | | (942) | | (1,391) |
| Other, net | 23 | | 14 | | (37) | | (35) | |
| Balance at end of period | $ 207 | $ 1,173 | $ 456 | $ 1,576 | $ 264 | $ 1,400 | $ 617 | $ 1,894 |
| Outstanding UPB at end of period | | $ 1,687 | | $ 2,026 | | $ 2,047 | | $ 2,489 |

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The following table provides a summary of TDRs, all of which are considered impaired.

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in millions) | |
| Performing TDRs: | | |
| Commercial: | | |
| Commercial and industrial | $ 59 | $ 77 |
| CRE - other | 61 | 67 |
| CRE - residential ADC | 26 | 21 |
| Direct retail lending | 188 | 197 |
| Sales finance | 17 | 19 |
| Revolving credit | 53 | 56 |
| Residential mortgage | 726 | 769 |
| Other lending subsidiaries | 183 | 121 |
| Total performing TDRs | 1,313 | 1,327 |
| Nonperforming TDRs (also included in NPL disclosures) | 211 | 240 |
| Total TDRs | $ 1,524 | $ 1,567 |
| | | |
| ALLL attributable to TDRs, excluding government guaranteed | $ 279 | $ 281 |
| | | |
| Government guaranteed residential mortgage TDRs excluded from above table: | | |
| Held for investment | $ 366 | $ 313 |
| Held for sale | 1 | 2 |

The following tables include modifications made to existing TDRs, as well as new modifications that are considered TDRs. Balances represent the recorded investment as of the end of the period in which the modification was made. Rate modifications include TDRs made with below market interest rates that also include modifications of loan structures.

| Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|
| 2013 | | | 2012 | | |
| Types of Modifications | | Impact To | Types of Modifications | | Impact To |
| Rate | Structure | Allowance | Rate | Structure | Allowance |

| **(Dollars in millions)** | | | | | | |
|---|---|---|---|---|---|---|
| Commercial: | | | | | | |
| Commercial and industrial | $ 23 | $ 9 | $ 1 | $ 9 | $ 11 | $ |
| CRE - other | 10 | 14 | | 26 | 5 | (1) |
| CRE - residential ADC | 10 | 3 | (2) | 22 | 8 | (2) |
| Retail: | | | | | | |
| Direct retail lending | 9 | 3 | 1 | 10 | 4 | 2 |
| Revolving credit | 6 | | 1 | 7 | | 1 |
| Residential mortgage | 20 | 26 | 3 | 27 | 37 | 6 |
| Sales finance | 10 | 11 | 1 | 1 | | |
| Other lending subsidiaries | 37 | | 6 | 21 | | 4 |

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| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | | 2012 | | |
| | Types of Modifications | | Impact To | Types of Modifications | | Impact To |
| | Rate | Structure | Allowance | Rate | Structure | Allowance |
| | (Dollars in millions) | | | | | |
| Commercial: | | | | | | |
| Commercial and industrial | $ 38 | $ 15 | $ 1 | $ 14 | $ 39 | $ |
| CRE - other | 37 | 29 | 1 | 30 | 14 | |
| CRE - residential ADC | 15 | 5 | (2) | 22 | 21 | (2) |
| Retail: | | | | | | |
| Direct retail lending | 21 | 5 | 2 | 16 | 6 | 3 |
| Revolving credit | 14 | | 3 | 15 | | 3 |
| Residential mortgage | 35 | 47 | 6 | 82 | 46 | 9 |
| Sales finance | 28 | 16 | 2 | 3 | | |
| Other lending subsidiaries | 92 | | 24 | 29 | 2 | 8 |

Charge-offs and forgiveness of principal and interest for TDRs were immaterial for all periods presented.

The following table summarizes the pre-default balance for modifications that experienced a payment default that had been classified as TDRs during the previous 12 months. BB&T defines payment default as movement of the TDR to nonaccrual status, foreclosure or charge-off, whichever occurs first.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | (Dollars in millions) | | | |
| Commercial: | | | | |
| Commercial and | $ 1 | $ 2 | $ 3 | $ 4 |

| | | | | |
|---|---|---|---|---|
| industrial | | | | |
| Commercial real estate - other | 6 | 4 | 6 | 5 |
| Commercial real estate - residential ADC | 3 | 4 | 4 | 12 |
| Retail: | | | | |
| Direct retail lending | 1 | 2 | 2 | 4 |
| Revolving credit | 2 | 3 | 5 | 6 |
| Residential mortgage | 4 | 7 | 12 | 24 |
| Sales finance | 1 | | 1 | |
| Other lending subsidiaries | 6 | 1 | 12 | 3 |

The following table provides a summary of BB&T's NPAs and loans 90 days or more past due and still accruing:

| | **June 30, 2013** | **December 31, 2012** |
|---|---|---|
| | **(Dollars in millions)** | |
| NPLs held for investment | $ 1,149 | $ 1,380 |
| Foreclosed real estate | 89 | 107 |
| Other foreclosed property | 38 | 49 |
| Total NPAs (excluding covered assets) | $ 1,276 | $ 1,536 |
| Loans 90 days or more past due and still accruing (excluding covered loans) | $ 123 | $ 167 |
| Amounts excluded from above table: | | |
| Covered foreclosed real estate | $ 181 | $ 254 |
| GNMA guaranteed residential mortgage loans 90 days or more past due | 492 | 517 |
| Covered loans 90 days or more past due | 401 | 442 |
| Government guaranteed residential mortgage loans 90 days or more past due | 244 | 252 |

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**NOTE 4. Goodwill and Other Intangible Assets**

There have been no goodwill impairments recorded by BB&T to date.

| | Community Banking | Residential Mortgage Banking | Dealer Financial Services | Specialized Lending | Insurance Services | Financial Services | Total |
|---|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | | |
| Goodwill balance, January 1, 2013 | $ 4,900 | $ 7 | $ 111 | $ 99 | $ 1,495 | $ 192 | $ 6,804 |
| Contingent consideration | | | | | 6 | | 6 |
| Other adjustments | 24 | | | (2) | (8) | | 14 |
| Goodwill balance, June 30, 2013 | $ 4,924 | $ 7 | $ 111 | $ 97 | $ 1,493 | $ 192 | $ 6,824 |

The following table presents the gross carrying amounts and accumulated amortization for BB&T's identifiable intangible assets subject to amortization:

| | June 30, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | (Dollars in millions) | | | | | |
| CDI | $ 672 | $ (539) | $ 133 | $ 672 | $ (522) | $ 150 |
| Other, primarily customer relationship intangibles | 1,081 | (594) | 487 | 1,080 | (557) | 523 |
| Total | $ 1,753 | $ (1,133) | $ 620 | $ 1,752 | $ (1,079) | $ 673 |

**NOTE 5. Loan Servicing**

***Residential Mortgage Banking Activities***

The following tables summarize residential mortgage banking activities for the periods presented:

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in millions) | |
| Mortgage loans managed or securitized (1) | $ 28,014 | $ 29,882 |
| Less: Loans securitized and transferred to AFS securities | 4 | 4 |
| LHFS | 2,419 | 3,547 |
| Covered mortgage loans | 910 | 1,040 |
| Mortgage loans sold with recourse | 886 | 1,019 |
| Mortgage loans held for investment | $ 23,795 | $ 24,272 |
| | | |
| Mortgage loans on nonaccrual status | $ 254 | $ 269 |
| Mortgage loans 90 days or more past due and still accruing interest (2) | 68 | 92 |
| Mortgage loans net charge-offs - year to | 47 | 133 |

| | | |
|---|---|---|
| date | | |
| UPB of residential mortgage loan servicing portfolio | 107,057 | 101,270 |
| UPB of residential mortgage loans serviced for others (primarily agency conforming fixed rate) | 80,846 | 73,769 |
| Maximum recourse exposure from mortgage loans sold with recourse liability | 403 | 446 |
| Recorded reserves related to recourse exposure | 12 | 12 |
| Repurchase reserves for mortgage loan sales to GSEs | 59 | 59 |

(1) Balances exclude loans serviced for others with no other continuing involvement.

(2) Includes amounts related to residential mortgage LHFS and excludes amounts related to government guaranteed loans and covered mortgage loans.

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| | As Of / For The Six Months Ended June 30, 2013 | 2012 |
|---|---|---|
| | (Dollars in millions) | |
| UPB of residential mortgage loans sold from the held for sale portfolio | $ 16,541 | $ 12,675 |
| Pre-tax gains recognized on mortgage loans sold and held for sale | 219 | 236 |
| Servicing fees recognized from mortgage loans serviced for others | 127 | 121 |
| Approximate weighted average servicing fee on the outstanding balance of residential mortgage loans serviced for others | 0.31 % | 0.33 % |
| Weighted average coupon interest rate on mortgage loans serviced for others | 4.32 | 4.81 |

Gains on residential mortgage loan sales, including marking LHFS to fair value and the impact of interest rate lock commitments, are recorded in noninterest income as a component of mortgage banking income. BB&T retained the related MSRs and receives servicing fees.

Payments made to date where BB&T has recourse exposure on residential mortgage loans sold with recourse liability have been immaterial.

BB&T also issues standard representations and warranties related to mortgage loan sales to GSEs. Although these agreements often do not specify limitations, BB&T does not believe that any payments related to these warranties would materially change the financial condition or results of operations of BB&T.

Residential MSRs 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. 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.

| | **Six Months Ended June 30,** | |
|---|---|---|
| | **2013** | **2012** |
| | **(Dollars in millions)** | |
| Carrying value, January 1, | $ 627 | $ 563 |
| Additions | 192 | 134 |
| Change in fair value due to changes in valuation inputs or assumptions: | | |
| Prepayment speeds | 218 | 12 |
| Weighted average OAS | (44) | (36) |
| Servicing costs | (21) | (22) |
| Realization of expected net servicing cash flows, passage of time and other | (80) | (73) |
| Carrying value, June 30, | $ 892 | $ 578 |

| | | |
|---|---|---|
| Gains (losses) on derivative financial instruments used to mitigate the income statement effect of changes in fair value | $ (133) | $ 99 |

During 2013, the prepayment speed assumptions were updated as actual observed prepayment speeds were slower, primarily as a result of rising interest rates. These valuation increases were partially offset by realization of servicing cash flows as well as higher servicing costs due to regulatory requirements and decreases to OAS due to market changes in required rates of return.

The sensitivity of the fair value of the residential MSRs to adverse changes in key economic assumptions is included in the accompanying table:

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| | June 30, 2013 | | |
|---|---|---|---|
| | Range | | Weighted |
| | Minimum | Maximum | Average |
| | | | (Dollars in millions) |
| Prepayment speed | 6.9 % | 11.9 % | 8.7 % |
| Effect on fair value of a 10% increase | | | $ (32) |
| Effect on fair value of a 20% increase | | | (63) |
| OAS | 9.5 % | 10.2 % | 9.7 % |
| Effect on fair value of a 10% increase | | | $ (33) |
| Effect on fair value of a 20% increase | | | (63) |
| Composition of residential loans serviced for others: | | | |
| Fixed-rate mortgage loans | | | 99.6 % |
| Adjustable-rate mortgage loans | | | 0.4 |
| Total | | | 100.0 % |
| Weighted average life | | | 7.1 yrs |

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 the above table, the effect of an adverse variation in a particular assumption on the fair value of the MSRs is calculated without changing any other assumption; while in reality, changes in one factor may result in changes in another, which may magnify or counteract the effect of the change.

***Commercial Mortgage Banking Activities***

CRE mortgage loans serviced for others are not included in loans and leases on the accompanying Consolidated Balance Sheets. The following table summarizes commercial mortgage banking activities for the periods presented:

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in millions) | |
| UPB of CRE mortgages serviced for others | $ 28,461 | $ 29,520 |
| CRE mortgages serviced for others covered by recourse provisions | 5,012 | 4,970 |
| Maximum recourse exposure from CRE mortgages sold with recourse liability | 1,384 | 1,368 |
| Recorded reserves related to recourse exposure | 12 | 13 |
| Originated CRE mortgages during the period - year to date | 1,990 | 4,934 |

**NOTE 6. Deposits**

A summary of BB&T's deposits is presented in the accompanying table:

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in millions) | |
| Noninterest-bearing deposits | $ 33,760 | $ 32,452 |
| Interest checking | 19,053 | 21,091 |
| Money market and savings | 48,529 | 47,908 |
| Certificates and other time deposits | 29,737 | 31,624 |
| Total deposits | $ 131,079 | $ 133,075 |
| | | |
| Time deposits $100,000 and greater | $ 18,039 | $ 19,328 |

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**NOTE 7. Long-Term Debt**

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in millions) | |
| **BB&T Corporation:** | | |
| 3.38% Senior Notes Due 2013 | $ 500 | $ 500 |
| 5.70% Senior Notes Due 2014 | 510 | 510 |
| 2.05% Senior Notes Due 2014 | 700 | 700 |
| Floating Rate Senior Note Due 2014 (LIBOR-based, 0.98% at June 30, 2013) | 300 | 300 |
| 3.95% Senior Notes Due 2016 | 500 | 500 |
| 3.20% Senior Notes Due 2016 | 999 | 999 |
| 2.15% Senior Notes Due 2017 | 749 | 748 |
| 1.60% Senior Notes Due 2017 | 749 | 749 |
| 1.45% Senior Notes Due 2018 | 499 | 499 |
| Floating Rate Senior Notes Due 2018 (LIBOR-based, 1.13% at June 30, 2013) | 400 | |
| 2.05% Senior Notes Due 2018 | 599 | |
| 6.85% Senior Notes Due 2019 | 539 | 539 |
| 5.20% Subordinated Notes Due 2015 | 933 | 933 |
| 4.90% Subordinated Notes Due 2017 | 347 | 345 |
| | 586 | 586 |

| | | |
|---|---|---|
| 5.25% Subordinated Notes Due 2019 | | |
| 3.95% Subordinated Notes Due 2022 | 298 | 298 |
| **Branch Bank:** | | |
| Floating Rate Senior Note Due 2016 (LIBOR-based, 0.70% at June 30, 2013) | 125 | |
| 4.88% Subordinated Notes Due 2013 | | 222 |
| 5.63% Subordinated Notes Due 2016 | 386 | 386 |
| Floating Rate Subordinated Note Due 2016 | 350 | 350 |
| Floating Rate Subordinated Note Due 2017 | 262 | 262 |
| **FHLB Advances to Branch Bank:** | | |
| Varying maturities to 2034 | 8,462 | 8,994 |
| **Other Long-Term Debt** | 103 | 100 |
| **Fair value hedge-related basis adjustments** | 466 | 594 |
| **Total Long-Term Debt** | $ 19,362 | $ 19,114 |

The subordinated notes qualify under the risk-based capital guidelines as Tier 2 supplementary capital, subject to certain limitations. The Branch Bank floating-rate subordinated notes are based on LIBOR, but the majority of the cash flows have been swapped to a fixed rate, with an effective rate paid of 3.25% at June 30, 2013. Certain of the FHLB advances have been swapped to floating rates from fixed rates or from fixed rates to floating rates, with a weighted average rate paid of 3.62% and a weighted average maturity of 6.8 years at June 30, 2013.

**NOTE 8. Shareholders' Equity**

***Preferred Stock***

On May 1, 2013, BB&T issued $500 million of its Series G Non-Cumulative Perpetual Preferred Stock for net proceeds of $487 million. Dividends on the Series G preferred stock, if declared, are payable quarterly, in arrears, at a rate of 5.20% per annum.

***Equity-Based Plans***

At June 30, 2013, BB&T had options, restricted stock and restricted stock units outstanding from the following equity-based compensation plans: the 2012 Plan, the 2004 Plan, the Omnibus Plan, and the Directors' Plan. BB&T's shareholders have approved all equity-based compensation plans. As of June 30, 2013, the 2012 Plan is the only plan that has shares available for future grants. The 2012 and 2004 Plans allow for accelerated vesting of awards for holders who retire and have met all retirement eligibility requirements and in connection with certain other events.

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BB&T measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model.

| | Six Months Ended June 30, 2013 | | 2012 | |
|---|---|---|---|---|
| Weighted average assumptions: | | | | |
| Risk-free interest rate | 1.3 | % | 1.5 | % |
| Dividend yield | 3.6 | | 4.4 | |
| Volatility factor | 28.0 | | 33.0 | |
| Expected life | 7.0 | yrs | 7.0 | yrs |
| Fair value of options per share | $ 5.48 | | $ 6.07 | |

| | Options | Wtd. Avg. Exercise Price |
|---|---|---|
| Outstanding at January 1, 2013 | 45,391,074 | $ 34.15 |
| Granted | 403,720 | 30.08 |
| Exercised | (1,165,966) | 23.22 |
| Forfeited or expired | (4,077,728) | 32.69 |
| Outstanding at June 30, 2013 | 40,551,100 | 34.57 |
| Exercisable at June 30, 2013 | 33,619,401 | 35.88 |
| Exercisable and expected to vest at June 30, 2013 | 40,013,065 | $ 34.66 |

| | Restricted Share/Units | Wtd. Avg Grant Date Fair Value |
|---|---|---|
| Nonvested at January 1, 2013 | 13,930,824 | $ 19.26 |

| | | | |
|---|---|---|---|
| Granted | 3,964,954 | | 25.59 |
| Vested | (2,015,713) | | 22.80 |
| Forfeited | (171,881) | | 19.55 |
| Nonvested at June 30, 2013 | 15,708,184 | $ | 20.40 |

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**NOTE 9. AOCI**

| Three Months Ended June, 30, 2013 | Unrecognized Net Pension and Postretirement Costs | Unrealized Net Gains (Losses) on Cash Flow Hedges | Unrealized Net Gains (Losses) on AFS Securities | FDIC's Share of Unrealized (Gains) Losses on AFS Securities | Other, net | Total |
|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | |
| AOCI balance, April 1, 2013 | $ (700) | $ (166) | $ 537 | $ (269) | $ (14) | $ (612) |
| OCI before reclassifications, net of tax | (1) | 143 | (364) | 7 | (3) | (218) |
| Amounts reclassified from AOCI: | | | | | | |
| Personnel expense | 20 | | | | | 20 |
| Interest income | | | 39 | (19) | 2 | 22 |
| Interest expense | | 19 | | | | 19 |
| FDIC loss share income, net | | | | 35 | | 35 |
| Securities (gains) losses, net | | | (23) | | | (23) |
| Total before income taxes | 20 | 19 | 16 | 16 | 2 | 73 |
| Less: Income taxes | 7 | 7 | 6 | 6 | 1 | 27 |
| Net of income taxes | 13 | 12 | 10 | 10 | 1 | 46 |
| Net change in OCI | 12 | 155 | (354) | 17 | (2) | (172) |
| AOCI balance, June 30, 2013 | $ (688) | $ (11) | $ 183 | $ (252) | $ (16) | $ (784) |

| Three Months Ended June, 30, 2012 | Unrecognized Net Pension and Postretirement Costs | Unrealized Net Gains (Losses) on Cash Flow Hedges | Unrealized Net Gains (Losses) on AFS Securities | FDIC's Share of Unrealized (Gains) Losses on AFS Securities | Other, net | Total |
|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | |
| AOCI balance, April 1, 2012 | $ (592) | $ (158) | $ 388 | $ (237) | $ (17) | $ (616) |
| OCI before reclassifications, net of tax | 1 | (23) | 71 | (3) | (2) | 44 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Amounts reclassified from AOCI: | | | | | | |
| Personnel expense | 17 | | | | | 17 |
| Interest income | | (4) | (9) | | 2 | (11) |
| Interest expense | | 16 | | | | 16 |
| FDIC loss share income, net | | | | 26 | | 26 |
| Securities (gains) losses, net | | | 2 | | | 2 |
| Total before income taxes | 17 | 12 | (7) | 26 | 2 | 50 |
| Less: Income taxes | 7 | 5 | (3) | 9 | 1 | 19 |
| Net of income taxes | 10 | 7 | (4) | 17 | 1 | 31 |
| Net change in OCI | 11 | (16) | 67 | 14 | (1) | 75 |
| AOCI balance, June 30, 2012 | $ (581) | $ (174) | $ 455 | $ (223) | $ (18) | $ (541) |

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| Six Months Ended June, 30, 2013 | Unrecognized Net Pension and Postretirement Costs | Unrealized Net Gains (Losses) on Cash Flow Hedges | Unrealized Net Gains (Losses) on AFS Securities | FDIC's Share of Unrealized (Gains) Losses on AFS Securities | Other, net | Total |
|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | |
| AOCI balance, January 1, 2013 | $ (714) | $ (173) | $ 598 | $ (256) | $ (14) | $ (559) |
| OCI before reclassifications, net of tax | 1 | 137 | (429) | (18) | (3) | (312) |
| Amounts reclassified from AOCI: | | | | | | |
| Personnel expense | 40 | | | | | 40 |
| Interest income | | | 68 | | 2 | 70 |
| Interest expense | | 40 | | | | 40 |
| FDIC loss share income, net | | | | 35 | | 35 |
| Securities (gains) losses, net | | | (46) | | | (46) |
| Total before income taxes | 40 | 40 | 22 | 35 | 2 | 139 |
| Less: Income taxes | 15 | 15 | 8 | 13 | 1 | 52 |
| Net of income taxes | 25 | 25 | 14 | 22 | 1 | 87 |
| Net change in OCI | 26 | 162 | (415) | 4 | (2) | (225) |
| AOCI balance, June 30, 2013 | $ (688) | $ (11) | $ 183 | $ (252) | $ (16) | $ (784) |

| Six Months Ended June, 30, 2012 | Unrecognized Net Pension and Postretirement Costs | Unrealized Net Gains (Losses) on Cash Flow Hedges | Unrealized Net Gains (Losses) on AFS Securities | FDIC's Share of Unrealized (Gains) Losses on AFS Securities | Other, net | Total |
|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | |
| AOCI balance, January 1, 2012 | $ (603) | $ (159) | $ 263 | $ (195) | $ (19) | $ (713) |
| OCI before reclassifications, net of tax | 1 | (31) | 162 | (47) | (1) | 84 |
| Amounts reclassified from AOCI: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Personnel expense | 34 | | | | | 34 |
| Interest income | | (8) | 37 | | 3 | 32 |
| Interest expense | | 34 | | | | 34 |
| FDIC loss share income, net | | | | 30 | | 30 |
| Securities (gains) losses, net | | | 11 | | | 11 |
| Total before income taxes | 34 | 26 | 48 | 30 | 3 | 141 |
| Less: Income taxes | 13 | 10 | 18 | 11 | 1 | 53 |
| Net of income taxes | 21 | 16 | 30 | 19 | 2 | 88 |
| Net change in OCI | 22 | (15) | 192 | (28) | 1 | 172 |
| AOCI balance, June 30, 2012 | $ (581) | $ (174) | $ 455 | $ (223) | $ (18) | $ (541) |

**NOTE 10. Income Taxes**

The effective tax rate for the three months ended June 30, 2013 was higher than the corresponding period of 2012 primarily due to higher levels of pre-tax income, which is subject to the marginal tax rate. The effective tax rate for the six months ended June 30, 2013 was higher than the corresponding period of 2012 primarily due to an adjustment for uncertain tax positions as described below.

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 subsidiary in connection with a financing transaction. BB&T paid the disputed tax, penalties and interest in March 2010 and filed a lawsuit seeking a refund in the U.S. Court of Federal Claims. On February 11, 2013, the U.S. Tax Court issued an adverse opinion in a case between the Bank of New York Mellon Corporation and the IRS involving a transaction with a structure similar to BB&T's financing transaction. Bank of New York Mellon has indicated it intends to appeal the decision. BB&T has confidence in its position because, among other reasons, BB&T has raised arguments and issues in its case that were not considered by the Tax Court in the Bank of New York Mellon case. BB&T's trial concluded April 2, 2013; however, no decision has been rendered. Nonetheless, BB&T recognized an expense of $281 million in the first quarter of 2013 as a result of its consideration of this adverse decision. As litigation progresses, it is reasonably possible changes in the valuation of uncertain tax positions could range from a benefit of $496 million to an expense of $328 million within the next 12 months.

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**NOTE 11. Benefit Plans**

| | Qualified Plan Three Months Ended June 30, | | Nonqualified Plans Three Months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | (Dollars in millions) | | | |
| Service cost | $ 37 | $ 29 | $ 3 | $ 2 |
| Interest cost | 27 | 24 | 4 | 2 |
| Estimated return on plan assets | (64) | (49) | | |
| Amortization and other | 20 | 17 | 3 | 1 |
| Net periodic benefit cost | $ 20 | $ 21 | $ 10 | $ 5 |

| | Qualified Plan Six Months Ended June 30, | | Nonqualified Plans Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | (Dollars in millions) | | | |
| Service cost | $ 74 | $ 58 | $ 6 | $ 4 |
| Interest cost | 54 | 49 | 7 | 5 |
| Estimated return on plan assets | (128) | (98) | | |
| Amortization and other | 40 | 34 | 6 | 2 |
| Net periodic benefit cost | $ 40 | $ 43 | $ 19 | $ 11 |

BB&T makes contributions to the qualified pension plan in amounts between the minimum required for funding and the maximum amount deductible for federal income tax purposes. A discretionary contribution of $270 million was made in the first quarter of 2013. Management is considering additional contributions in 2013.

**NOTE 12. Commitments and Contingencies**

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in millions) | |
| Letters of credit and financial guarantees written | $5,012 | $ 5,164 |
| Carrying amount of the liability for letter of credit guarantees | 44 | 30 |
| Investments related to affordable housing and historic building rehabilitation projects | 1,243 | 1,223 |
| Amount of future funding commitments included in investments related to affordable housing and historic rehabilitation projects | 431 | 461 |
| Lending exposure to these affordable housing projects | 131 | 87 |
| Tax credits subject to recapture related to affordable housing projects | 220 | 193 |

| | | |
|---|---|---|
| Investments in private equity and similar investments | 269 | 323 |
| Future funding commitments to private equity and similar investments | 82 | 129 |

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.

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. Tax credits are subject to recapture by taxing authorities based on compliance features required to be met at the project level. BB&T's maximum potential exposure to losses relative to investments in VIEs is generally limited to the sum of the carrying amount of the investment, tax credits subject to recapture 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.

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*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.

The Company was a defendant in three separate cases primarily challenging the Company's daily ordering of debit transactions posted to customer checking accounts for the period from 2003 to 2010. The final case was resolved during March 2013, at which time the court issued an order compelling arbitration and dismissing the matter. The time for an appeal from that order expired with no appeal being taken. As a result, all three matters are now concluded.

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 at least 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.

**NOTE 13. Fair Value Disclosures**

BB&T carries various assets and liabilities at fair value based on applicable accounting standards, including prime residential mortgage and commercial mortgage loans originated as LHFS. Accounting standards define 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, with a three level valuation input hierarchy.

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| | June 30, 2013 | Fair Value Measurements for Assets and Liabilities Measured on a Recurring Basis | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| | | (Dollars in millions) | | |
| Assets: | | | | |
| Trading securities | $ 537 | $ 224 | $ 301 | $ 12 |
| AFS securities: | | | | |
| GSE securities | 441 | | 441 | |
| RMBS issued by GSE | 20,343 | | 20,343 | |
| States and political subdivisions | 1,888 | | 1,888 | |
| Non-agency RMBS | 285 | | 285 | |
| Other securities | 5 | 5 | | |
| Covered securities | 1,515 | | 562 | 953 |
| LHFS | 2,488 | | 2,488 | |
| Residential MSRs | 892 | | | 892 |
| Derivative assets: | | | | |
| Interest rate contracts | 1,311 | | 1,304 | 7 |
| Foreign exchange contracts | 4 | | 4 | |
| Private equity and similar investments | 269 | | | 269 |
| Total assets | $ 29,978 | $ 229 | $ 27,616 | $ 2,133 |
| Liabilities: | | | | |
| Derivative liabilities: | | | | |
| Interest rate contracts | $ 1,334 | $ | $ 1,238 | $ 96 |
| Foreign exchange contracts | 2 | | 2 | |
| Short-term borrowings | 259 | | 259 | |
| Total liabilities | $ 1,595 | $ | $ 1,499 | $ 96 |

| | December 31, 2012 | Fair Value Measurements for Assets and Liabilities Measured on a Recurring Basis | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| | | (Dollars in millions) | | |
| Assets: | | | | |
| Trading securities | $ 497 | $ 302 | $ 194 | $ 1 |
| AFS securities: | | | | |
| GSE securities | 290 | | 290 | |
| RMBS issued by GSE | 20,930 | | 20,930 | |
| States and political subdivisions | 2,011 | | 2,011 | |
| Non-agency RMBS | 312 | | 312 | |
| Other securities | 3 | 2 | 1 | |
| Covered securities | 1,591 | | 597 | 994 |
| LHFS | 3,761 | | 3,761 | |

| | | | | |
|---|---|---|---|---|
| Residential MSRs | 627 | | | 627 |
| Derivative assets: | | | | |
| Interest rate contracts | 1,446 | | 1,391 | 55 |
| Foreign exchange contracts | 4 | | 4 | |
| Private equity and similar investments | 323 | | | 323 |
| Total assets | $ 31,795 | $ 304 | $ 29,491 | $ 2,000 |
| | | | | |
| Liabilities: | | | | |
| Derivative liabilities: | | | | |
| Interest rate contracts | $ 1,434 | $ | $ 1,433 | $ 1 |
| Foreign exchange contracts | 3 | | 3 | |
| Short-term borrowings | 98 | | 98 | |
| Total liabilities | $ 1,535 | $ | $ 1,534 | $ 1 |

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The following discussion focuses on the valuation techniques and significant inputs for BB&T's Level 2 and Level 3 assets and liabilities.

BB&T generally utilizes a third-party pricing service in determining the fair value of its securities portfolio. Fair value measurements are derived from market-based pricing matrices that were developed using observable inputs that include benchmark yields, benchmark securities, reported trades, offers, bids, issuer spreads and broker quotes. As described by security type below, additional inputs may be used, or some inputs may not be applicable. In the event that market observable data was not available, which would generally occur due to the lack of an active market for a given security, the valuation of the security would be subjective and may involve substantial judgment by management.

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

*GSE securities and RMBS issued by GSE:* These are debt securities issued by GSEs. GSE pass-through securities are valued using market-based pricing matrices that are based on observable inputs including benchmark TBA security pricing and yield curves that were estimated based on U.S. Treasury yields and certain floating rate indices. The pricing matrices for these securities may also give consideration to pool-specific data supplied directly by the GSE. GSE CMOs are valued using market-based pricing matrices that are based on observable inputs including offers, bids, reported trades, dealer quotes and market research reports, the characteristics of a specific tranche, market convention prepayment speeds and benchmark yield curves as described above.

*States and political subdivisions:* These securities are valued using market-based pricing matrices that are based on observable inputs including MSRB reported trades, issuer spreads, material event notices and benchmark yield curves.

*Non-agency RMBS:* Pricing matrices for these securities are based on observable inputs including offers, bids, reported trades, dealer quotes and market research reports, the characteristics of a specific tranche, market convention prepayment speeds and benchmark yield curves as described above.

*Other securities:* These securities consist primarily of mutual funds and corporate bonds. These securities are valued based on a review of quoted market prices for 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 RMBS, municipal securities and non-agency RMBS. Covered state and political subdivision securities and certain non-agency RMBS are valued in a manner similar to the approach described above for these asset classes.

The re-remic non-agency RMBS, which are categorized as Level 3, were valued based on broker dealer quotes that reflected certain unobservable market inputs. Sensitivity to changes in the fair value of covered securities is significantly offset by changes in BB&T's indemnification asset from the FDIC.

*LHFS:* BB&T originates certain mortgage loans to be sold to investors, which are carried at fair value. 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 LHFS.

*Residential MSRs:* BB&T estimates the fair value of residential MSRs using an 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. Fair value estimates and assumptions are compared to industry surveys, recent market activity, actual portfolio experience and, when available, other observable market data.

*Derivative assets and liabilities:* The fair values of derivatives are determined based on quoted market prices and internal pricing models that are primarily sensitive to market observable data. The fair values of interest rate lock commitments, which are related to mortgage loan commitments and are categorized as Level 3, are based on quoted market prices adjusted for commitments that BB&T does not expect to fund and include the value attributable to the net servicing fees.

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*Private equity and similar investments:* BB&T has private equity and similar investments that are measured at fair value based on the investment's net asset 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 borrowings:* Short-term borrowings represent debt securities sold short that are entered into through BB&T's brokerage subsidiary as a hedging strategy for the purposes of supporting institutional and retail client trading activities.

| Three Months Ended June 30, 2013 | Fair Value Measurements Using Significant Unobservable Inputs | | | | |
|---|---|---|---|---|---|
| | Trading | Covered Securities | Residential MSRs | Net Derivatives | Private Equity and Similar Investments |
| | (Dollars in millions) | | | | |
| Balance at April 1, 2013 | $ 1 | $ 996 | $ 735 | $ 35 | $ 330 |
| Total realized and unrealized gains or losses: | | | | | |
| Included in earnings: | | | | | |
| Interest income | | 8 | | | |
| Mortgage banking income | | | 100 | 30 | |
| Other noninterest income | | | | | 6 |
| Included in unrealized net holding gains (losses) in OCI | | (15) | | | |
| Purchases | 11 | | | | 7 |
| Issuances | | | 98 | (9) | |
| Sales | | | | | (70) |
| Settlements | | (36) | (41) | (145) | (4) |
| Balance at June 30, 2013 | $ 12 | $ 953 | $ 892 | $ (89) | $ 269 |

| | | | | | |
|---|---|---|---|---|---|
| Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2013 | $ | $ 8 | $ 100 | $ (89) | $ 5 |

| | **Fair Value Measurements Using Significant Unobservable Inputs** | | | | |
|---|---|---|---|---|---|
| **Three Months Ended June 30, 2012** | **Trading** | **Covered Securities** | **Residential MSRs** | **Net Derivatives** | **Private Equity and Similar Investments** |
| | **(Dollars in millions)** | | | | |
| Balance at April 1, 2012 | $ 1 | $ 1,023 | $ 696 | $ 30 | $ 281 |
| Total realized and unrealized gains or losses: | | | | | |
| Included in earnings: | | | | | |
| Interest income | | 14 | | | |
| Mortgage banking income | | | (130) | 89 | |
| Other noninterest income | | | | | (1) |
| Included in unrealized net holding gains (losses) in OCI | | (22) | | | |
| Purchases | | | | | 28 |
| Issuances | | | 50 | 77 | |
| Sales | | | | | (6) |
| Settlements | | (33) | (38) | (128) | (1) |
| Balance at June 30, 2012 | $ 1 | $ 982 | $ 578 | $ 68 | $ 301 |

| | | | | | |
|---|---|---|---|---|---|
| Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2012 | $ | $ 14 | $ (130) | $ 68 | $ (2) |

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| Six Months Ended June 30, 2013 | Fair Value Measurements Using Significant Unobservable Inputs | | | | |
|---|---|---|---|---|---|
| | Trading | Covered Securities | Residential MSRs | Net Derivatives | Private Equity and Similar Investments |
| | (Dollars in millions) | | | | |
| Balance at January 1, 2013 | $ 1 | $ 994 | $ 627 | $ 54 | $ 323 |
| Total realized and unrealized gains (losses): | | | | | |
| Included in earnings: | | | | | |
| Interest income | | 18 | | | |
| Mortgage banking income | | | 155 | 65 | |
| Other noninterest income | | | | | 11 |
| Included in unrealized net holding gains (losses) in OCI | | 10 | | | |
| Purchases | 11 | | | | 30 |
| Issuances | | | 192 | 27 | |
| Sales | | | | | (89) |
| Settlements | | (69) | (82) | (235) | (6) |
| Balance at June 30, 2013 | $ 12 | $ 953 | $ 892 | $ (89) | $ 269 |
| Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2013 | $ | $ 18 | $ 155 | $ (89) | $ 8 |

**Fair Value Measurements Using Significant Unobservable Inputs**

| Six Months Ended June 30, 2012 | Trading | Covered Securities | Residential MSRs | Net Derivatives | Private Equity and Similar Investments |
|---|---|---|---|---|---|
| | (Dollars in millions) | | | | |
| Balance at January 1, 2012 | $ 1 | $ 984 | $ 563 | $ 59 | $ 261 |
| Total realized and unrealized gains (losses): | | | | | |
| Included in earnings: | | | | | |
| Interest income | | 18 | | | |
| Mortgage banking income | | | (39) | 185 | |
| Other noninterest income | | | | | 4 |
| Included in unrealized net holding gains (losses) in OCI | | 40 | | | |
| Purchases | | | | | 52 |
| Issuances | | | 134 | 138 | |
| Sales | | | | | (18) |
| Settlements | | (60) | (80) | (314) | 2 |
| Balance at June 30, 2012 | $ 1 | $ 982 | $ 578 | $ 68 | $ 301 |
| Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2012 | $ | $ 18 | $ (39) | $ 68 | $ 7 |

BB&T's policy is to recognize transfers in and transfers out of Levels 1, 2 and 3 as of the end of a reporting period. During the first six months of 2013 and 2012, BB&T did not have any transfer of securities between levels in the fair value hierarchy.

The majority of BB&T's private equity and similar investments are in SBIC qualified funds, which primarily focus on equity and subordinated debt investments in privately-held middle market companies. The majority of these investments are not redeemable and distributions are received as the underlying assets of the funds liquidate. The timing of distributions, which are expected to occur on various dates through 2025, is uncertain and dependent on various events such as recapitalizations, refinance transactions and ownership changes among others. Excluding the investment of future funds, BB&T estimates these investments have a weighted average remaining life of approximately three years; however, the timing and amount of distributions may vary significantly. As of June 30, 2013, 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. BB&T's investments are spread over numerous privately-held middle market companies, and thus the sensitivity to a change in fair value for any

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single investment is limited. The significant unobservable inputs for these investments are EBITDA multiples that ranged from 3x to 10x, with a weighted average of 7x, at June 30, 2013.

The following table details the fair value and UPB of LHFS that were elected to be carried at fair value:

| | June 30, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Fair Value | Aggregate UPB | Difference | Fair Value | Aggregate UPB | Difference |
| | (Dollars in millions) | | | | | |
| LHFS reported at fair value | $ 2,488 | $ 2,558 | $ (70) | $ 3,761 | $ 3,652 | $ 109 |

Excluding government guaranteed, there were no LHFS that were nonaccrual or 90 days or more past due and still accruing interest.

The following tables provide information about certain financial assets measured at fair value on a nonrecurring basis:

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in millions) | |
| Assets that are still held (Level 3): | | |
| Impaired loans, excluding covered | $ 67 | $ 137 |
| Foreclosed real estate, excluding covered | 89 | 107 |

| Three Months Ended June 30, | Six Months Ended June 30, |
|---|---|

| | **2013** | **2012** | **2013** | **2012** |
|---|---|---|---|---|
| | **(Dollars in millions)** | | | |
| Negative valuation adjustments recognized: | | | | |
| Impaired loans, excluding covered | $ 14 | $ 25 | $ 35 | $ 55 |
| Foreclosed real estate, excluding covered | | 68 | 2 | 136 |

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 based on relevant market data and information about the instrument and are based on the value of one trading unit without regard to any premium or discount that may result from concentrations of ownership, 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 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.

*HTM securities:* The fair values of HTM securities are based on a market approach using observable inputs such as benchmark yields and securities, TBA prices, reported trades, issuer spreads, current bids and offers, monthly payment information and collateral performance.

*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, which are deemed to be indicative of orderly transactions in the current market. For commercial loans and leases, discount rates may be adjusted to address

additional credit risk on lower risk grade instruments. 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.

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*FDIC loss share receivable*: The fair value of the FDIC loss share receivable is estimated using discounted cash flow analyses, applying a risk free interest rate that is adjusted for the uncertainty in the timing and amount of these cash flows. The expected cash flows to/from the FDIC related to loans were estimated using the same assumptions that were used in determining the accounting values for the related loans. The expected cash flows to/from the FDIC related to securities are based upon the fair value of the related securities and the payment that would be required if the securities were sold for that amount. The FDIC loss share agreements are not transferrable and, accordingly, there is no market for this receivable.

*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. Fair values for CDs 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.

*Short-term borrowings*: The carrying amounts of Federal funds purchased, borrowings under repurchase agreements and other 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. These respective fair value measurements would be categorized within Level 3 of the fair value hierarchy.

Financial assets and liabilities not recorded at fair value are summarized below:

| June 30, 2013 | Carrying Amount | Total Fair Value | Level 2 | Level 3 |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| Financial assets: | | | | |
| | $ 13,751 | $ 13,445 | $ 13,407 | $ 38 |

| | | | | |
|---|---|---|---|---|
| HTM securities | | | | |
| Loans and leases, net of ALLL excluding covered loans | 111,270 | 111,207 | | 111,207 |
| Covered loans, net of ALLL | 2,623 | 3,003 | | 3,003 |
| FDIC loss share receivable | 299 | (19) | | (19) |
| Financial liabilities: | | | | |
| Deposits | 131,079 | 131,297 | 131,297 | |
| Long-term debt | 19,362 | 20,314 | 20,314 | |

| **December 31, 2012** | **Carrying Amount** | **Total Fair Value** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| | **(Dollars in millions)** | | | |
| Financial assets: | | | | |
| HTM securities | $ 13,594 | $ 13,848 | $ 13,810 | $ 38 |
| Loans and leases, net of ALLL excluding covered loans | 109,419 | 109,621 | | 109,621 |
| Covered loans, net of ALLL | 3,166 | 3,661 | | 3,661 |
| FDIC loss share receivable | 479 | 149 | | 149 |
| Financial liabilities: | | | | |
| Deposits | 133,075 | 133,377 | 133,377 | |
| Long-term debt | 19,114 | 20,676 | 20,676 | |

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The following is a summary of selected information pertaining to off-balance sheet financial instruments:

| | **June 30, 2013** | | **December 31, 2012** | |
|---|---|---|---|---|
| | **Notional/ Contract Amount** | **Fair Value** | **Notional/ Contract Amount** | **Fair Value** |
| | **(Dollars in millions)** | | | |
| Commitments to extend, originate or purchase credit | $42,605 | $ 78 | $ 41,410 | $ 74 |
| Residential mortgage loans sold with recourse | 886 | 12 | 1,019 | 12 |
| Other loans sold with recourse | 5,012 | 12 | 4,970 | 13 |
| Letters of credit and financial guarantees written | 5,012 | 44 | 5,164 | 30 |

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**NOTE 14. Derivative Financial Instruments**

**Derivative Classifications and Hedging Relationships**

| | Hedged Item or Transaction | June 30, 2013 Notional Amount | Fair Value Gain | Loss | December 31, 2012 Notional Amount | Fair Value Gain | Loss |
|---|---|---|---|---|---|---|---|
| | | (Dollars in millions) | | | | | |
| Cash flow hedges: | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Pay fixed swaps | 3 mo. LIBOR funding | $ 4,950 | $ | $ (229) | $ 6,035 | $ | $ (298) |
| Fair value hedges: | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Receive fixed swaps and option trades | Long-term debt | 800 | 96 | | 800 | 182 | |
| Pay fixed swaps | Commercial loans | 185 | | (4) | 187 | | (7) |
| Pay fixed swaps | Municipal securities | 345 | | (106) | 345 | | (153) |
| Total | | 1,330 | 96 | (110) | 1,332 | 182 | (160) |
| Not designated as hedges: | | | | | | | |
| Client-related and other risk management: | | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Interest rate contracts: | | | | | | |
| Receive fixed swaps | 9,109 | 448 | (21) | 9,352 | 687 | |
| Pay fixed swaps | 9,060 | 17 | (476) | 9,464 | | (717) |
| Other swaps | 1,668 | 10 | (12) | 2,664 | 21 | (23) |
| Option trades | 455 | 2 | (2) | 423 | 3 | (5) |
| Futures contracts | 45 | | | 109 | | |
| Risk participations | 208 | | | 204 | | |
| Foreign exchange contracts | 457 | 4 | (2) | 534 | 4 | (3) |
| Total | 21,002 | 481 | (513) | 22,750 | 715 | (748) |
| | | | | | | |
| Mortgage banking: | | | | | | |
| Interest rate contracts: | | | | | | |
| Receive fixed swaps | 240 | | (8) | 114 | | (2) |
| Pay fixed swaps | 66 | 1 | | | | |
| Interest rate lock commitments | 4,927 | 7 | (96) | 6,064 | 55 | (1) |
| When issued securities, forward rate agreements and forward commitments | 6,764 | 291 | (54) | 8,886 | 10 | (19) |
| Option trades | 460 | 12 | | 70 | 6 | |
| Futures contracts | 6 | | | 31 | | |
| Total | 12,463 | 311 | (158) | 15,165 | 71 | (22) |
| | | | | | | |
| MSRs: | | | | | | |
| Interest rate contracts: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Receive fixed swaps | 7,344 | 41 | (228) | 5,178 | 110 | (27) |
| Pay fixed swaps | 5,951 | 165 | (39) | 5,389 | 7 | (94) |
| Option trades | 8,800 | 221 | (44) | 14,510 | 363 | (88) |
| Futures contracts | | | | 30 | | |
| When issued securities, forward rate agreements and forward commitments | 2,271 | | (15) | 2,406 | 2 | |
| Total | 24,366 | 427 | (326) | 27,513 | 482 | (209) |
| Total nonhedging derivatives | 57,831 | 1,219 | (997) | 65,428 | 1,268 | (979) |
| Total derivatives | $ 64,111 | 1,315 | (1,336) | $ 72,795 | 1,450 | (1,437) |
| | | | | | | |
| Gross amounts not offset in the Consolidated Balance Sheets: | | | | | | |
| Amounts subject to master netting arrangements not offset due to policy election | | (653) | 653 | | (797) | 797 |
| Cash collateral (received) posted | | (68) | 549 | | (41) | 607 |
| Net amount | | $ 594 | $ (134) | | $ 612 | $ (33) |

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BB&T has elected to present assets and liabilities related to derivatives on a gross basis. Derivatives in a gain position are recorded as Other assets, derivatives in a loss position are recorded as Other liabilities and cash collateral posted is reported as Restricted cash on the Consolidated Balance Sheets. Derivatives with dealer counterparties are governed by the terms of ISDA master netting agreements and Credit Support Annexes. The ISDA Agreement allows counterparties to offset trades in a gain against trades in a loss to determine net exposure and allows for the right of setoff in the event of either a default or an additional termination event. Credit Support Annexes govern the terms of daily collateral posting practices. Collateral practices mitigate the potential loss impact to affected parties by requiring liquid collateral to be posted on a scheduled basis to secure the aggregate net unsecured exposure. In addition to collateral, the right of setoff allows counterparties to offset derivative values transacted with a defaulting party with certain other contractual receivables from or obligations due to the defaulting party in determining the net termination amount. No portion of the change in fair value of the derivatives has been excluded from effectiveness testing. The ineffective portion was immaterial for all periods presented.

**The Effect of Derivative Instruments on the Consolidated Statements of Income**
**Three Months Ended June 30, 2013 and 2012**

| | **Effective Portion** | | | | |
|---|---|---|---|---|---|
| | **Pre-tax Gain (Loss) Recognized in AOCI** | | **Location of Amounts** | **Pre-tax Gain (Loss) Reclassified from AOCI into Income** | |
| | **2013** | **2012** | **Reclassified from AOCI into Income** | **2013** | **2012** |
| | **(Dollars in millions)** | | | | |
| Cash flow hedges: | | | | | |
| Interest rate contracts | $ 231 | $ (39) | Total interest income | $ | $ 4 |
| | | | Total interest expense | (19) | (16) |
| | | | | $ (19) | $ (12) |

| | **Location of Amounts Recognized in Income** | **Pre-tax Gain (Loss) Recognized in Income 2013** | **2012** |
|---|---|---|---|
| | | **(Dollars in millions)** | |
| Fair value hedges: | | | |
| Interest rate contracts | Total interest income | $ (5) | $ (5) |

| | | | |
|---|---|---|---|
| Interest rate contracts | Total interest expense | 29 | 106 |
| Total | | $ 24 | $ 101 |
| | | | |
| Not designated as hedges: | | | |
| Client-related and other risk management: | | | |
| Interest rate contracts | Other noninterest income | $ 8 | $ 11 |
| Foreign exchange contracts | Other noninterest income | 5 | 2 |
| Mortgage banking: | | | |
| Interest rate contracts | Mortgage banking income | 125 | (18) |
| MSRs: | | | |
| Interest rate contracts | Mortgage banking income | (87) | 152 |
| Total | | $ 51 | $ 147 |

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**The Effect of Derivative Instruments on the Consolidated Statements of Income**
**Six Months Ended June 30, 2013 and 2012**

| | Effective Portion | | | | |
|---|---|---|---|---|---|
| | Pre-tax Gain (Loss) Recognized in AOCI | | Location of Amounts Reclassified from AOCI into Income | Pre-tax Gain (Loss) Reclassified from AOCI into Income | |
| | 2013 | 2012 | | 2013 | 2012 |
| | (Dollars in millions) | | | | |
| Cash Flow Hedges: | | | | | |
| Interest rate contracts | $ 220 | $ (52) | Total interest income | $ | $ 8 |
| | | | Total interest expense | (40) | (34) |
| | | | | $ (40) | $ (26) |

| | Effective Portion | | |
|---|---|---|---|
| | Location of Amounts Recognized in Income | Pre-tax Gain (Loss) Recognized in Income | |
| | | 2013 | 2012 |
| (Dollars in millions) | | | |
| Fair Value Hedges: | | | |
| Interest rate contracts | Total interest income | $ (10) | $ (10) |
| Interest rate contracts | Total interest expense | 59 | 181 |
| Total | | $ 49 | $ 171 |
| Not Designated as Hedges: | | | |
| Client-related and other risk management: | | | |
| Interest rate contracts | Other noninterest income | $ 14 | $ 17 |

| | | | |
|---|---|---|---|
| Foreign exchange contracts | Other noninterest income | 8 | 4 |
| Mortgage Banking: | | | |
| Interest rate contracts | Mortgage banking income | 98 | 39 |
| MSRs: | | | |
| Interest rate contracts | Mortgage banking income | (133) | 99 |
| Total | | $ (13) | $ 159 |

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The following table provides a summary of BB&T's derivative strategies and the related accounting treatment:

| | Cash Flow Hedges | Fair Value Hedges | Derivatives Not Designated as Hedges |
|---|---|---|---|
| Risk exposure | Variability in cash flows of interest payments on floating rate business loans, overnight funding, FHLB advances, medium-term bank notes and long-term debt. | Losses in value on fixed rate long-term debt, CDs, FHLB advances, loans and state and political subdivision securities due to changes in interest rates. | Risk associated with an asset or liability, including mortgage banking operations and MSRs, or for client needs. Includes exposure to changes in market rates and conditions subsequent to the interest rate lock and funding date for mortgage loans originated for sale. |
| Risk management objective | Hedge the variability in the interest payments and receipts on future cash flows for forecasted transactions related to the first unhedged payments and receipts of variable interest. | Convert the fixed rate paid or received to a floating rate, primarily through the use of swaps. | For interest rate lock commitment derivatives and LHFS, use mortgage-based derivatives such as forward commitments and options to mitigate market risk. For MSRs, mitigate the income statement effect of changes in the fair value of the MSRs. |
| Treatment for portion that is highly effective | Recognized in OCI until the related cash flows from the hedged item are recognized in earnings. | Recognized in current period income along with the corresponding changes in the fair value of the designated hedged item attributable to the risk being hedged. | Entire change in fair value recognized in current period income. |
| Treatment for portion that is ineffective | Recognized in current period income. | Recognized in current period income. | Not applicable |
| Treatment if hedge ceases to be highly effective or is terminated | Hedge is dedesignated. Effective changes in value that are recorded in OCI before dedesignation are amortized to yield over the period the forecasted hedged transactions impact earnings. | If hedged item remains outstanding, termination proceeds are included in cash flows from financing activities and effective changes in value are reflected as part of the carrying value of the financial instrument and amortized to earnings over its estimated remaining life. | Not applicable |
| | | Not applicable | Not applicable |

| Treatment if transaction is no longer probable of occurring during forecast period or within a short period thereafter | Hedge accounting is ceased and any gain or loss in OCI is reported in earnings immediately. |
|---|---|

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| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in millions) | |
| Cash flow hedges: | | |
| Net amount of unrecognized after-tax losses, including both active and terminated hedges, on derivatives classified as cash flow hedges recorded in OCI | $ 11 | $ 173 |
| Estimated after-tax gain (loss) to be reclassified from OCI into earnings during the next 12 months, including active hedges and hedges that were terminated early for which the forecasted transactions are still probable | (46) | (37) |

| Six Months Ended June 30, | |
|---|---|
| 2013 | 2012 |

| | **(Dollars in millions)** | |
|---|---|---|
| Cash flow hedges: | | |
| Pre-tax deferred gain from terminated cash flow hedges recorded in OCI | $ 198 | $ |
| Fair value hedges: | | |
| Pre-tax deferred gain from terminated fair value hedges related to long-term debt | | 90 |
| Pre-tax reduction of interest expense recognized from previously unwound fair value debt hedges | 44 | 164 |

***Derivatives Credit Risk – Dealer Counterparties***

Credit risk related to derivatives arises when amounts receivable from a counterparty exceed those payable to the same counterparty. BB&T addresses the risk of loss by subjecting dealer counterparties to credit reviews and approvals similar to those used in making loans or other extensions of credit and by requiring collateral. Dealer counterparties operate under agreements to provide cash and/or liquid collateral when unsecured loss positions exceed negotiated limits.

All of BB&T’s derivative contracts with dealer counterparties settle on a monthly, quarterly or semiannual basis, with daily movement of collateral between counterparties required within established netting agreements. BB&T only transacts with dealer counterparties that are national market makers with strong credit ratings.

***Derivatives Credit Risk – Central Clearing Parties***

BB&T also clears certain derivatives through central clearing parties that require initial margin collateral, as well as additional collateral for trades in a net loss position. Initial margin collateral requirements are established by central

clearing parties on varying bases, with such amounts generally designed to offset the risk of non-payment. Initial margin is generally calculated by applying the maximum loss experienced in value over a specified time horizon to the portfolio of existing trades.

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| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| | (Dollars in millions) | |
| Cash collateral received from dealer counterparties | $ 69 | $ 44 |
| Derivatives in a net gain position secured by that collateral | 73 | 42 |
| | | |
| Cash collateral posted to dealer counterparties | 525 | 603 |
| Derivatives in a net loss position secured by that collateral | 525 | 610 |
| Additional collateral that would have been posted had BB&T's credit ratings dropped below investment grade | 2 | 10 |
| | | |
| Cash collateral, including initial margin, posted to central clearing parties | 26 | 111 |
| Derivatives in a net loss position | 26 | 7 |

| | |
|---|---|
| secured by that collateral | |
| Securities pledged as initial margin to central clearing parties | 43 |
| Unsecured positions in a net gain with dealer counterparties after collateral postings | 4 |
| Significant unsecured positions in a gain with central clearing parties | 228 |

**NOTE 15. Computation of EPS**

BB&T's basic and diluted EPS calculations are presented in the following table:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **(Dollars in millions, except per share data, shares in thousands)** | | | |
| Net income available to common shareholders | $ 547 | $ 510 | $ 757 | $ 941 |
| Weighted average number of common shares | 702,082 | 698,579 | 701,245 | 698,132 |
| Effect of dilutive | 10,779 | 9,875 | 10,753 | 9,858 |

| | | | | |
|---|---|---|---|---|
| outstanding equity-based awards | | | | |
| Weighted average number of diluted common shares | 712,861 | 708,454 | 711,998 | 707,990 |
| Basic EPS | $ 0.78 | $ 0.73 | $ 1.08 | $ 1.35 |
| Diluted EPS | $ 0.77 | $ 0.72 | $ 1.06 | $ 1.33 |
| Anti-dilutive awards | 30,123 | 33,657 | 32,144 | 33,818 |

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**NOTE 16. Operating Segments**

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**
**Three Months Ended June 30, 2013 and 2012**

| | **Community Banking** | | **Residential Mortgage Banking** | | **Dealer Financial Services** | | **Specialized Lending** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | **(Dollars in millions)** | | | | | | | |
| Net interest income (expense) | $ 532 | $ 516 | $ 294 | $ 286 | $ 210 | $ 210 | $ 178 | $ 174 |
| Net intersegment interest income (expense) | 277 | 326 | (185) | (192) | (38) | (50) | (31) | (37) |
| Segment net interest income | 809 | 842 | 109 | 94 | 172 | 160 | 147 | 137 |
| Allocated provision for loan and lease losses | 110 | 189 | 29 | 38 | 42 | 27 | 27 | 23 |
| Noninterest income | 300 | 279 | 151 | 162 | 1 | 2 | 56 | 52 |
| Intersegment net referral fees (expense) | 45 | 45 | | | | | | |
| Noninterest expense | 448 | 446 | 88 | 92 | 28 | 24 | 65 | 58 |
| Amortization of intangibles | 9 | 10 | | | | | 2 | 2 |
| Allocated corporate | 258 | 255 | 17 | 13 | 8 | 10 | 16 | 19 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| expenses | | | | | | | | |
| Income (loss) before income taxes | 329 | 266 | 126 | 113 | 95 | 101 | 93 | 87 |
| Provision (benefit) for income taxes | 120 | 97 | 48 | 43 | 36 | 38 | 25 | 20 |
| Segment net income (loss) | $ 209 | $ 169 | $ 78 | $ 70 | $ 59 | $ 63 | $ 68 | $ 67 |
| Identifiable segment assets (period end) | $ 62,998 | $ 60,961 | $ 28,345 | $ 27,318 | $ 11,188 | $ 10,303 | $ 18,892 | $ 18,140 |

| | **Insurance Services** | | **Financial Services** | | **Other, Treasury and Corporate (1)** | | **Total BB&T Corporation** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | **(Dollars in millions)** | | | | | | | |
| Net interest income (expense) | $ 1 | $ | $ 40 | $ 33 | $ 160 | $ 243 | $ 1,415 | $ 1,462 |
| Net intersegment interest income (expense) | 2 | 1 | 74 | 82 | (99) | (130) | | |
| Segment net interest income | 3 | 1 | 114 | 115 | 61 | 113 | 1,415 | 1,462 |
| Allocated provision for loan and lease losses | | | 14 | (8) | (54) | 4 | 168 | 273 |
| Noninterest income | 427 | 393 | 183 | 170 | (72) | (92) | 1,046 | 966 |
| Intersegment net | | | 11 | 6 | (56) | (51) | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| referral fees (expense) | | | | | | | | |
| Noninterest expense | 292 | 260 | 155 | 172 | 393 | 345 | 1,469 | 1,397 |
| Amortization of intangibles | 16 | 17 | | 1 | | (1) | 27 | 29 |
| Allocated corporate expenses | 22 | 20 | 26 | 23 | (347) | (340) | | |
| Income (loss) before income taxes | 100 | 97 | 113 | 103 | (59) | (38) | 797 | 729 |
| Provision (benefit) for income taxes | 34 | 31 | 42 | 38 | (84) | (76) | 221 | 191 |
| Segment net income (loss) | $ 66 | $ 66 | $ 71 | $ 65 | $ 25 | $ 38 | $ 576 | $ 538 |
| | | | | | | | | |
| Identifiable segment assets (period end) | $ 3,164 | $ 3,299 | $ 10,425 | $ 8,312 | $ 47,723 | $ 50,196 | $ 182,735 | $ 178,529 |

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

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**BB&T Corporation**
**Reportable Segments**
**Six Months Ended June 30, 2013 and 2012**

| | Community Banking | | Residential Mortgage Banking | | Dealer Financial Services | | Specialized Lending | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | **(Dollars in millions)** | | | | | | | |
| Net interest income (expense) | $ 1,056 | $ 1,022 | $ 593 | $ 564 | $ 415 | $ 420 | $ 352 | $ 341 |
| Net intersegment interest income (expense) | 567 | 666 | (376) | (381) | (80) | (104) | (62) | (75) |
| Segment net interest income | 1,623 | 1,688 | 217 | 183 | 335 | 316 | 290 | 266 |
| Allocated provision for loan and lease losses | 192 | 443 | 46 | 16 | 109 | 54 | 78 | 49 |
| Noninterest income | 578 | 547 | 312 | 357 | 3 | 4 | 110 | 105 |
| Intersegment net referral fees (expense) | 94 | 85 | | (1) | | | | |
| Noninterest expense | 877 | 932 | 158 | 177 | 54 | 50 | 128 | 123 |
| Amortization of intangibles | 19 | 19 | | | | | 3 | 3 |
| Allocated corporate expenses | 516 | 512 | 33 | 27 | 15 | 19 | 32 | 38 |
| Income (loss) before income | 691 | 414 | 292 | 319 | 160 | 197 | 159 | 158 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| taxes | | | | | | | | |
| Provision (benefit) for income taxes | 253 | 149 | 111 | 121 | 61 | 75 | 38 | 34 |
| Segment net income (loss) | $ 438 | $ 265 | $ 181 | $ 198 | $ 99 | $ 122 | $ 121 | $ 124 |
| Identifiable segment assets (period end) | $ 62,998 | $ 60,961 | $ 28,345 | $ 27,318 | $ 11,188 | $ 10,303 | $ 18,892 | $ 18,140 |

| | **Insurance Services** | | **Financial Services** | | **Other, Treasury and Corporate (1)** | | **Total BB&T Corporation** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | **(Dollars in millions)** | | | | | | | |
| Net interest income (expense) | $ 2 | $ 1 | $ 74 | $ 63 | $ 345 | $ 487 | $ 2,837 | $ 2,898 |
| Net intersegment interest income (expense) | 3 | 2 | 154 | 164 | (206) | (272) | | |
| Segment net interest income | 5 | 3 | 228 | 227 | 139 | 215 | 2,837 | 2,898 |
| Allocated provision for loan and lease losses | | | 23 | 8 | (8) | (9) | 440 | 561 |
| Noninterest income | 793 | 663 | 359 | 348 | (108) | (187) | 2,047 | 1,837 |
| Intersegment net referral fees (expense) | | | 19 | 12 | (113) | (96) | | |
| Noninterest expense | 580 | 472 | 307 | 326 | 752 | 680 | 2,856 | 2,760 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amortization of intangibles | 31 | 27 | 1 | 2 | | | 54 | 51 |
| Allocated corporate expenses | 45 | 39 | 50 | 45 | (691) | (680) | | |
| Income (loss) before income taxes | 142 | 128 | 225 | 206 | (135) | (59) | 1,534 | 1,363 |
| Provision (benefit) for income taxes | 46 | 39 | 84 | 77 | 109 | (115) | 702 | 380 |
| Segment net income (loss) | $ 96 | $ 89 | $ 141 | $ 129 | $ (244) | $ 56 | $ 832 | $ 983 |
| Identifiable segment assets (period end) | $ 3,164 | $ 3,299 | $ 10,425 | $ 8,312 | $ 47,723 | $ 50,196 | $ 182,735 | $ 178,529 |

(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**

BB&T is a financial holding company organized under the laws of North Carolina. BB&T conducts operations through its principal bank subsidiary, Branch Bank, and its nonbank subsidiaries.

***Forward-Looking Statements***

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the financial condition, results of operations, business plans and the future performance of BB&T that 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. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "projects," "may," "will," "should," "could," and other similar expressi intended to identify these forward-looking statements. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. Such factors include, but are not limited to, 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, insurance or other services;
- disruptions to the credit and financial markets, either nationally or globally, including the impact of a downgrade of U.S. government obligations by one of the credit ratings agencies and the adverse effects of the ongoing sovereign debt crisis in Europe;
- changes in the interest rate environment and cash flow reassessments may reduce NIM 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, regulatory or accounting changes, including changes resulting from the adoption and implementation of the Dodd-Frank Act 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;
- a reduction may occur in BB&T's credit ratings;

- 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 and may be subject to different regulatory standards than BB&T;
- natural or other disasters could have an adverse effect on BB&T in that such events could materially disrupt BB&T's operations or the ability or willingness of BB&T's customers to access the financial services BB&T offers;
- costs or difficulties related to the integration of the businesses of BB&T and its merger partners may be greater than expected;
- expected cost savings or revenue growth associated with completed mergers and acquisitions may not be fully realized or realized within the expected time frames;
- deposit attrition, customer loss and/or revenue loss following completed mergers and acquisitions may be greater than expected; and
- cyber-security risks, including "denial of service," "hacking" and "identity theft," that could adversely affect our business and financial performance, or our reputation.

These and other risk factors are more fully described in BB&T's Annual Report on Form 10-K for the year ended December 31, 2012 under the section entitled "Item 1A. Risk Factors" and from time to time, in other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

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Actual results may differ materially from those expressed in or implied by any forward-looking statements. Except to the extent required by applicable law or regulation, BB&T undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

***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, FINRA, 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. Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2012 for additional disclosures with respect to laws and regulations affecting the Company's businesses.

*Basel III*

On July 2, 2013, the FRB approved final rules that established a new comprehensive capital framework for U.S. banking organizations. These rules established a more conservative definition of capital, including the elimination of trust-preferred securities for certain institutions. The rules also revised the calculation of risk-weighted assets and the minimum capital thresholds. Based on June 30, 2013 financial information, BB&T would be considered a Standardized Approach banking organization and must comply with the new requirements beginning on January 1, 2015. Institutions with greater than $250 billion in assets would be considered an Advanced Approach banking organization, which requires a more conservative calculation of risk-weighted assets, with a compliance date of January 1, 2014. Among other requirements, the minimum required common equity Tier 1 ratio, including the capital conservation buffer, will gradually increase from 4.5% on January 1, 2015 to 7.0% on January 1, 2019.

For BB&T, the final rules eased the requirements for determining risk-weighted assets when compared to the previously proposed requirements. Specifically, more conservative risk-weighting of certain residential mortgage loans and the requirement to recognize in capital the value of unrecognized gains and losses in AFS securities were not retained. Additionally, the new rules require that in order to receive Tier 2 capital treatment, subordinated debt must be subordinated to depositors and general creditors of the banking organization. This could reduce BB&T's total risk based capital ratio if it is determined that BB&T's existing subordinated debt no longer qualifies as Tier 2 capital as of the rule's January 1, 2015 effective date.

***Critical Accounting Policies***

The accounting and reporting policies of BB&T Corporation and its subsidiaries are in accordance with 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 ACL, determining fair value of financial instruments, intangible assets, 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 critical accounting policies are discussed in detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2012. 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, 2012. There have been no changes to BB&T's significant accounting policies during 2013. Additional disclosures regarding the effects of new accounting pronouncements are included in Note 1 "Basis of Presentation" included herein.

***Executive Summary***

Consolidated net income available to common shareholders for the second quarter of 2013 was $547 million, up 7.3%, compared to $510 million earned during the same period in 2012. On a diluted per common share basis, earnings for the second quarter of 2013 were $0.77, up 6.9% compared to $0.72 for the same period in 2012. BB&T's results of operations for the second quarter of 2013 produced an annualized return on average assets of 1.27% and an annualized return on average common shareholders' equity of 11.39% compared to prior year ratios of 1.22% and 11.21%, respectively.

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On April 23, 2013, BB&T's shareholders approved a plan that modified the record date and payment date of preferred stock dividends to align with the record and payment date practices associated with common stock dividends. This action was undertaken in order to achieve administrative and Board-level efficiencies and reduce the costs associated with multiple record dates and multiple payment dates. The implementation of this plan resulted in the declaration of dividends on all classes of preferred stock totaling $13 million, which represented dividend payments for the period from May 1 to May 31, 2013. Based on the number of shares of preferred stock outstanding at June 30, 2013, future quarterly preferred stock dividends are expected to total approximately $37 million if declared by the Board of Directors.

Total revenues were $2.5 billion for the second quarter of 2013, an increase of $32 million compared to the second quarter of 2012. The increase in total revenues included an $80 million increase in noninterest income and a $48 million decrease in taxable-equivalent net interest income. The decrease in taxable-equivalent net interest income reflects an $87 million decrease in interest income, primarily driven by lower yields on new loans, which is reflective of the low interest rate environment, and covered loan run-off, partially offset by a $39 million decrease in funding costs compared to the same quarter of the prior year. Net interest margin was 3.70%, down 25 basis points compared to the second quarter of 2012.

The increase in noninterest income includes a $33 million increase in insurance income, a $25 million increase in net securities gains, and a $17 million increase in other income, partially offset by a $14 million decrease in mortgage banking income. The increase in insurance income was primarily attributable to firming market conditions for insurance premiums. Net securities gains for the second quarter of 2013 totaled $23 million compared to a net securities loss of $2 million in the second quarter of the prior year. The increase in other income was primarily due to $20 million in higher income related to assets for certain post-employment benefits, which was offset in personnel costs. The $14 million decrease in mortgage banking income was the result of a decrease in gains on residential mortgage loan production and sales, as record volume was more than offset by tighter margins, and a decrease in the net mortgage servicing rights valuation.

The provision for credit losses, excluding covered loans, declined $80 million, or 30.9%, compared to the second quarter of 2012, as improving credit quality resulted in lower provision expense. Net charge-offs, excluding covered loans, for the second quarter of 2013 were $110 million lower than the second quarter of 2012, a decline of 33.8%. The reserve release was $36 million for the second quarter of 2013 compared to $66 million in the earlier quarter.

Noninterest expense was $1.5 billion for the second quarter of 2013, an increase of $70 million, or 4.9%, compared to the second quarter of 2012. This increase was primarily attributable to a $69 million increase in personnel expense, a $25 million increase in merger-related and restructuring charges, and a $20 million increase in other expense, which were partially offset by decreased foreclosed property expense. The increase in personnel expense was driven by the BankAtlantic acquisition in the third quarter of 2012, an increase in other post-employment benefits, which is offset in other income, and higher production-based incentives and commissions. The increase in merger-related and restructuring charges primarily related to optimization activities related to Community Banking that began during the second quarter, and the increase in other expense was attributable to project-related expenses, higher operating charge-offs, and other various expenses. Foreclosed property expense decreased $60 million, which was the result of lower write-downs, losses and carrying costs associated with foreclosed property.

The provision for income taxes was $221 million for the second quarter of 2013, compared to $191 million for the second quarter of 2012. The effective tax rate for the second quarter of 2013 was 27.7%, compared to 26.2% for the prior year's second quarter. This increase in the effective tax rate was the result of a $12 million income tax benefit recorded in the second quarter of 2012 related to the termination of a leveraged lease.

Nonperforming assets, excluding covered foreclosed real estate, decreased $137 million compared to March 31, 2013, and $260 million compared to December 31, 2012. The decrease in nonperforming assets over the six months ended June 30, 2013 reflects a $231 million reduction in nonperforming loans and leases and a $29 million decline in foreclosed property. At June 30, 2013, nonperforming loans and leases represented 0.99% of total loans and leases, excluding covered assets, which is its lowest level since the first quarter of 2008.

Average loans held for investment for the second quarter of 2013 totaled $114.3 billion, up $1.1 billion, or 3.8%, compared to the first quarter of 2013. The growth in average loans held for investment was driven by strong growth in the sales finance and other lending subsidiary portfolios, along with steady growth in the commercial and industrial and direct retail lending portfolios.

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Average deposits for the second quarter of 2013 decreased $454 million, or 1.4%, compared to the prior quarter. While total average deposits declined during the quarter, the mix of the portfolio has continued to improve as average noninterest-bearing deposits grew $1.1 billion while average certificates and other time deposits decreased $900 million during the quarter. The cost of interest-bearing deposits was 0.32% for the second quarter of 2013, a decrease of 12 basis points compared to the same period of 2012.

Total shareholders' equity increased $773 million compared to December 31, 2012, which reflects net proceeds of $487 million from the issuance of Tier 1 qualifying non-cumulative perpetual preferred stock in the second quarter, and net income of $832 million offset by common and preferred dividends totaling $322 million and $43 million, respectively. These increases were partially offset by a $225 million change in AOCI, which primarily reflects a decrease in unrealized net gains on available for sale securities totaling $415 million, and a $162 million decrease in unrealized net losses on cash flow hedges, both of which relate to the increase in certain interest rates during the six months ended June 30, 2013.

The Tier 1 common ratio, Tier 1 risk-based capital and total risk-based capital ratios were 9.3%, 11.1% and 13.9% at June 30, 2013, respectively. BB&T's risk-based capital ratios remain well above regulatory standards for well-capitalized banks. As of June 30, 2013, measures of tangible capital were not required by the regulators and, therefore, were considered non-GAAP measures. 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 and adjustments made to certain regulatory capital ratios previously presented.

Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2012, for additional information with respect to BB&T's recent accomplishments and significant challenges.

***Analysis Of Results Of Operations***

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

**Table 1**
**Annualized Profitability Measures**

| | **Three Months Ended** | | | | | |
|---|---|---|---|---|---|---|
| | | | **Adjusted (1)** | | | |
| | **6/30/13** | **3/31/13** | **3/31/13** | **12/31/12** | **9/30/12** | **6/30/12** |
| Rate of return | | | | | | |

| on: | | | | | | |
|---|---|---|---|---|---|---|
| Average assets | 1.27 % | 0.57 % | 1.20 % | 1.20 % | 1.10 % | 1.22 % |
| Average common shareholders' equity | 11.39 | 4.44 | 10.34 | 10.51 | 9.94 | 11.21 |
| NIM (FTE) | 3.70 | 3.76 | N/A | 3.84 | 3.94 | 3.95 |

(1) Calculated excluding the impact of the $281 million adjustment to income taxes recorded in the first quarter of 2013. For additional information, see Non-GAAP Information on page 80.

Consolidated net income available to common shareholders totaled $547 million, which generated diluted earnings per common share of $0.77 in the second quarter of 2013. Net income available to common shareholders for the same period of 2012 totaled $510 million, which generated diluted earnings per common share of $0.72. The increase in earnings was driven by lower funding and credit-related costs, as well as an increase in noninterest income. BB&T's results of operations for the second quarter produced an annualized return on average assets of 1.27% and an annualized return on average common shareholders' equity of 11.39%, compared to prior year returns of 1.22% and 11.21%, respectively.

Consolidated net income available to common shareholders for the first six months of 2013 totaled $757 million, compared to $941 million earned during the corresponding period of the prior year. Financial results for the first six months of 2013 were negatively impacted by a $281 million adjustment to the provision for income taxes. This occurred following a February 11, 2013 opinion by the U.S. Tax Court with respect to a case between the Bank of New York Mellon and the IRS involving a transaction with a structure similar to a financing transaction entered into by BB&T in 2002. BB&T is currently in litigation with the IRS and no decision has been rendered by the court.

On a diluted per common share basis, earnings for the first six months of 2013 were $1.06 ($1.46 excluding the tax adjustment) compared to $1.33 earned during the first six months of 2012. BB&T's results of operations for the first six months of 2013 produced an annualized return on average assets of 0.92% (1.23% adjusted) and an annualized return on average common shareholders' equity of 7.95% (10.79% adjusted), compared to prior year returns of 1.13% and 10.49%, respectively. See Non-GAAP Information on page 80.

*Net Interest Income and Net Interest Margin*

*Second Quarter 2013 compared to Second Quarter 2012*

Net interest income on a FTE basis was $1.5 billion for the second quarter of 2013, a decrease of 3.2% compared to the same period in 2012. The decrease in net interest income was driven by an $87 million decrease in interest income, partially offset by a $39 million decrease in funding costs compared to the same quarter of the prior year. For the quarter ended June 30, 2013, average earning assets increased $4.8 billion, or 3.2%, compared to the same period of 2012, while average interest-bearing liabilities decreased $3.8 billion, or 3.1%. The NIM was 3.70% for the second quarter of 2013, compared to 3.95% for the same period of 2012. The 25 basis point decline in the NIM was primarily due to the runoff of covered assets and lower yields on new loans, partially offset by lower funding costs.

The annualized FTE yield on the average securities portfolio for the second quarter of 2013 was 2.49%, which was 13 basis points lower than the annualized yield earned during the second quarter of 2012, driven by a decline in the benefit of higher-yielding covered securities.

The annualized FTE yield for the total loan portfolio for the second quarter of 2013 was 4.90%, compared to 5.45% in the second quarter of 2012. The decrease in the FTE yield on the total loan portfolio was primarily due to runoff of covered loans and lower yields on new loans due to the continued low interest rate environment.

The average rate for interest-bearing deposits for the second quarter of 2013 was 0.32%, compared to 0.44% for the same period in the prior year, reflecting management's ability to lower rates on nearly all categories of interest-bearing deposit products.

For the second quarter of 2013, the average annualized FTE rate paid on short-term borrowings was 0.18% compared to 0.31% during the second quarter of 2012. The average annualized rate paid on long-term debt for the second quarter of 2013 was 3.23%, compared to 2.79% for the same period in 2012. The increase in the average rate paid on long-term debt reflects the impact of $29 million in accelerated amortization and issuance costs in the second quarter of 2012 resulting from the announced redemption of the Company's trust preferred securities.

Management expects NIM to decrease by five to ten basis points in the third quarter of 2013 as a result of lower rates on new earning assets, the runoff of covered loans and tighter retail credit spreads, partially offset by lower deposit costs and anticipated favorable funding and asset mix change.

*Six Months of 2013 compared to Six Months of 2012*

Net interest income on a FTE basis was $2.9 billion for the six months ended June 30, 2013, a decrease of 2.1% compared to the same period in 2012. The decrease in net interest income reflects a $170 million decrease in interest income, which was partially offset by a $108 million decline in funding costs. For the six months ended June 30, 2013, average earning assets increased $5.5 billion, or 3.6%, compared to the same period of 2012, while average interest-bearing liabilities decreased $3.3 billion, or 2.7%. The net interest margin was 3.73% for the six months ended June 30, 2013, compared to 3.94% for the same period of 2012. The 21 basis point decrease in the net interest margin was due to lower yields on new loans and runoff of covered assets, partially offset by lower funding costs.

The annualized FTE yield on the average securities portfolio for the six months ended June 30, 2013 was 2.48%, which represents a decrease of 18 basis points compared to the annualized yield earned during the same period of 2012, which primarily reflects a change in the mix of the securities portfolio driven by continued runoff of higher yielding securities.

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The annualized FTE yield for the total loan portfolio for the six months ended June 30, 2013 was 4.97% compared to 5.50% in the corresponding period of 2012. The decrease in the FTE yield on the total loan portfolio was primarily due to lower yields on new loans due to the low interest-rate environment and the runoff of covered loans.

The average cost of interest-bearing deposits for the six months ended June 30, 2013 was 0.34% compared to 0.47% for the same period in the prior year, reflecting management's ability to lower rates on nearly all categories of interest-bearing deposit products.

For the six months ended June 30, 2013, the average annualized FTE rate paid on short-term borrowings was 0.18%, a nine basis point decline from the rate paid for the same period of 2012. The average annualized rate paid on long-term debt for the six months of 2013 was 3.23% compared to 3.10% for the same period in 2012. The increase in the average rate paid on long-term debt is due to the prior period positive impact of accelerated amortization from certain derivatives that were unwound in a gain position.

The following tables set forth the major components of net interest income and the related annualized yields and rates for the three and six months ended June 30, 2013 compared to the same periods in 2012, 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 2-1**
**FTE Net Interest Income and Rate / Volume Analysis (1)**
**Three Months Ended June 30, 2013 and 2012**

| | Average Balances (6) | | Annualized Yield/Rate | | Income/Expense | | Increase | Change due to | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | (Decrease) | Rate | Volume |
| | (Dollars in millions) | | | | | | | | |
| **Assets** | | | | | | | | | |
| Total securities, at amortized cost (2) | | | | | | | | | |
| GSE securities | $ 5,232 | $ 1,054 | 1.89 % | 1.45 % | $ 25 | $ 4 | $ 21 | $ 1 | $ 20 |
| RMBS issued by GSE | 27,803 | 32,176 | 1.97 | 1.98 | 138 | 160 | (22) | (1) | (21) |
| States and political subdivisions | 1,836 | 1,857 | 5.81 | 5.85 | 26 | 27 | (1) | | (1) |
| Non-agency RMBS | 289 | 338 | 5.57 | 5.76 | 4 | 5 | (1) | | (1) |
| Other securities | 466 | 498 | 1.51 | 1.70 | 1 | 2 | (1) | (1) | |
| Covered securities | 1,093 | 1,191 | 12.48 | 15.62 | 34 | 46 | (12) | (8) | (4) |
| Total securities | 36,719 | 37,114 | 2.49 | 2.62 | 228 | 244 | (16) | (9) | (7) |
| Other earning assets (3) | 2,626 | 3,511 | 1.40 | 0.69 | 9 | 6 | 3 | 5 | (2) |
| Loans and leases, net of unearned income (4)(5) | | | | | | | | | |
| Commercial: | | | | | | | | | |
| Commercial and industrial | 38,359 | 36,293 | 3.67 | 4.06 | 351 | 366 | (15) | (35) | 20 |
| CRE - other | 11,411 | 10,578 | 3.71 | 3.79 | 106 | 100 | 6 | (2) | 8 |
| CRE - residential ADC | 1,121 | 1,744 | 4.30 | 3.67 | 12 | 16 | (4) | 2 | (6) |
| Direct retail lending | 15,936 | 15,071 | 4.67 | 4.90 | 186 | 184 | 2 | (9) | 11 |
| Sales finance | 8,520 | 7,690 | 3.25 | 4.03 | 69 | 77 | (8) | (16) | 8 |
| Revolving credit | 2,268 | 2,178 | 8.48 | 8.35 | 48 | 45 | 3 | 1 | 2 |
| Residential mortgage | 23,391 | 22,114 | 4.21 | 4.47 | 246 | 247 | (1) | (15) | 14 |
| Other lending subsidiaries | 10,407 | 9,370 | 10.54 | 11.17 | 274 | 260 | 14 | (15) | 29 |
| Total loans and leases held for investment (excluding covered loans) | 111,413 | 105,038 | 4.64 | 4.95 | 1,292 | 1,295 | (3) | (89) | 86 |
| Covered | 2,858 | 4,211 | 16.95 | 19.01 | 121 | 200 | (79) | (20) | (59) |
| Total loans and leases held for investment | 114,271 | 109,249 | 4.95 | 5.50 | 1,413 | 1,495 | (82) | (109) | 27 |
| LHFS | 3,581 | 2,511 | 3.42 | 3.51 | 30 | 22 | 8 | (1) | 9 |
| | 117,852 | 111,760 | 4.90 | 5.45 | 1,443 | 1,517 | (74) | (110) | 36 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total loans and leases | | | | | | | | | |
| Total earning assets | 157,197 | 152,385 | 4.28 | 4.65 | 1,680 | 1,767 | (87) | (114) | 27 |
| Nonearning assets | 24,637 | 24,485 | | | | | | | |
| Total assets | $ 181,834 | $ 176,870 | | | | | | | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | |
| Interest-bearing deposits: | | | | | | | | | |
| Interest-checking | $ 19,276 | $ 19,911 | 0.08 | 0.12 | 3 | 6 | (3) | (3) | |
| Money market and savings | 48,140 | 46,557 | 0.13 | 0.19 | 15 | 22 | (7) | (8) | 1 |
| Certificates and other time deposits | 28,034 | 31,205 | 0.84 | 1.02 | 60 | 79 | (19) | (11) | (8) |
| Foreign deposits - interest-bearing | 947 | 32 | 0.09 | 0.06 | | | | | |
| Total interest-bearing deposits | 96,397 | 97,705 | 0.32 | 0.44 | 78 | 107 | (29) | (22) | (7) |
| Short-term borrowings | 5,118 | 3,362 | 0.18 | 0.31 | 2 | 3 | (1) | (2) | 1 |
| Long-term debt | 18,287 | 22,544 | 3.23 | 2.79 | 148 | 157 | (9) | 23 | (32) |
| Total interest-bearing liabilities | 119,802 | 123,611 | 0.76 | 0.87 | 228 | 267 | (39) | (1) | (38) |
| Noninterest-bearing deposits | 33,586 | 27,643 | | | | | | | |
| Other liabilities | 6,657 | 6,879 | | | | | | | |
| Shareholders' equity | 21,789 | 18,737 | | | | | | | |
| Total liabilities and shareholders' equity | $ 181,834 | $ 176,870 | | | | | | | |
| Average interest rate spread | | | 3.52 % | 3.78 % | | | | | |
| NIM/net interest income | | | 3.70 % | 3.95 % | $ 1,452 | $ 1,500 | $ (48) | $ (113) | $ 65 |
| Taxable-equivalent adjustment | | | | | $ 37 | $ 38 | | | |

(1) Yields are stated on a FTE basis assuming tax rates in effect for the periods presented.
(2) Total securities include AFS securities and HTM securities.
(3) 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.
(4) Loan fees, which are not material for any of the periods shown, have been included for rate calculation purposes.
(5) Nonaccrual loans have been included in the average balances.
(6) Excludes basis adjustments for fair value hedges.

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**Table 2-2**
**FTE Net Interest Income and Rate / Volume Analysis (1)**
**Six Months Ended June 30, 2013 and 2012**

| | Average Balances (6) | | Annualized Yield/Rate | | Income/Expense | | Increase | Change due to | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | (Decrease) | Rate | Volume |
| | (Dollars in millions) | | | | | | | | |
| **Assets** | | | | | | | | | |
| Total securities, at amortized cost (2) | | | | | | | | | |
| GSE securities | $ 4,879 | $ 938 | 1.88 % | 1.49 % | $ 46 | $ 7 | $ 39 | $ 2 | $ 37 |
| RMBS issued by GSE | 28,169 | 31,957 | 1.95 | 2.09 | 275 | 334 | (59) | (21) | (38) |
| States and political subdivisions | 1,837 | 1,858 | 5.80 | 5.85 | 53 | 54 | (1) | | (1) |
| Non-agency RMBS | 294 | 374 | 5.57 | 5.88 | 8 | 11 | (3) | (1) | (2) |
| Other securities | 472 | 515 | 1.46 | 1.67 | 3 | 4 | (1) | (1) | |
| Covered securities | 1,109 | 1,208 | 12.84 | 13.29 | 71 | 80 | (9) | (3) | (6) |
| Total securities | 36,760 | 36,850 | 2.48 | 2.66 | 456 | 490 | (34) | (24) | (10) |
| Other earning assets (3) | 2,731 | 3,507 | 1.53 | 0.73 | 21 | 13 | 8 | 11 | (3) |
| Loans and leases, net of unearned income (4)(5) | | | | | | | | | |
| Commercial: | | | | | | | | | |
| Commercial and industrial | 38,139 | 36,157 | 3.72 | 4.05 | 704 | 728 | (24) | (63) | 39 |
| CRE - other | 11,417 | 10,628 | 3.76 | 3.80 | 213 | 201 | 12 | (2) | 14 |
| CRE - residential ADC | 1,179 | 1,867 | 4.22 | 3.62 | 25 | 34 | (9) | 5 | (14) |
| Direct retail lending | 15,847 | 14,892 | 4.70 | 4.94 | 370 | 366 | 4 | (18) | 22 |
| Sales finance | 8,181 | 7,603 | 3.38 | 4.15 | 137 | 157 | (20) | (31) | 11 |
| Revolving credit | 2,273 | 2,176 | 8.49 | 8.43 | 96 | 91 | 5 | 1 | 4 |
| Residential mortgage | 23,504 | 21,585 | 4.23 | 4.51 | 497 | 486 | 11 | (31) | 42 |
| Other lending subsidiaries | 10,198 | 9,019 | 10.68 | 11.34 | 541 | 509 | 32 | (31) | 63 |
| Total loans and leases held for investment (excluding covered loans) | 110,738 | 103,927 | 4.69 | 4.97 | 2,583 | 2,572 | 11 | (170) | 181 |
| Covered | 2,995 | 4,442 | 17.23 | 19.18 | 256 | 424 | (168) | (40) | (128) |
| Total loans and leases held for investment | 113,733 | 108,369 | 5.02 | 5.55 | 2,839 | 2,996 | (157) | (210) | 53 |
| LHFS | 3,686 | 2,713 | 3.35 | 3.57 | 61 | 48 | 13 | (3) | 16 |
| | 117,419 | 111,082 | 4.97 | 5.50 | 2,900 | 3,044 | (144) | (213) | 69 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total loans and leases | | | | | | | | | |
| Total earning assets | 156,910 | 151,439 | 4.33 | 4.70 | 3,377 | 3,547 | (170) | (226) | 56 |
| Nonearning assets | 24,687 | 23,981 | | | | | | | |
| Total assets | $ 181,597 | $ 175,420 | | | | | | | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | |
| Interest-bearing deposits: | | | | | | | | | |
| Interest-checking | $ 19,720 | $ 19,812 | 0.09 | 0.13 | 8 | 12 | (4) | (4) | |
| Money market and savings | 48,285 | 46,112 | 0.14 | 0.19 | 33 | 44 | (11) | (13) | 2 |
| Certificates and other time deposits | 28,481 | 32,073 | 0.87 | 1.08 | 123 | 172 | (49) | (31) | (18) |
| Foreign deposits - interest-bearing | 668 | 72 | 0.10 | 0.04 | | | | | |
| Total interest-bearing deposits | 97,154 | 98,069 | 0.34 | 0.47 | 164 | 228 | (64) | (48) | (16) |
| Short-term borrowings | 4,670 | 3,407 | 0.18 | 0.27 | 4 | 4 | | (1) | 1 |
| Long-term debt | 18,488 | 22,132 | 3.23 | 3.10 | 298 | 342 | (44) | 14 | (58) |
| Total interest-bearing liabilities | 120,312 | 123,608 | 0.78 | 0.93 | 466 | 574 | (108) | (35) | (73) |
| Noninterest-bearing deposits | 33,055 | 26,908 | | | | | | | |
| Other liabilities | 6,677 | 6,621 | | | | | | | |
| Shareholders' equity | 21,553 | 18,283 | | | | | | | |
| Total liabilities and shareholders' equity | $ 181,597 | $ 175,420 | | | | | | | |
| Average interest rate spread | | | 3.55 % | 3.77 % | | | | | |
| NIM/net interest income | | | 3.73 % | 3.94 % | $ 2,911 | $ 2,973 | $ (62) | $ (191) | $ 129 |
| Taxable-equivalent adjustment | | | | | $ 74 | $ 75 | | | |

(1) Yields are stated on a FTE basis assuming tax rates in effect for the periods presented.
(2) Total securities include AFS securities and HTM securities.
(3) 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.
(4) Loan fees, which are not material for any of the periods shown, have been included for rate calculation purposes.
(5) Nonaccrual loans have been included in the average balances.
(6) Excludes basis adjustments for fair value hedges.

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*Revenue, Net of Provision Impact from Covered Assets*

The following tables provide information related to covered loans and securities and the FDIC loss sharing asset as a result of the Colonial acquisition. The tables exclude amounts related to other assets acquired and liabilities assumed in the acquisition.

**Table 3**
**FDIC Loss Share Receivable**

| | June 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| Attributable to: | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | (Dollars in millions) | | | |
| Covered loans | $ 960 | $ 618 | $ 1,107 | $ 751 |
| Covered securities | (573) | (524) | (553) | (502) |
| Aggregate loss calculation | (88) | (113) | (75) | (100) |
| FDIC loss share receivable | $ 299 | $ (19) | $ 479 | $ 149 |

**Table 4**
**Revenue, Net of Provision, Impact from Covered Assets**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | (Dollars in millions) | | | |
| Interest income-covered loans | $ 121 | $ 200 | $ 256 | $ 424 |
| Interest income-covered securities | 34 | 46 | 71 | 80 |
| Total interest income | 155 | 246 | 327 | 504 |
| Provision for covered loans | 11 | (14) | (14) | (17) |

| | | | | |
|---|---|---|---|---|
| OTTI for covered securities | | | | (4) |
| FDIC loss share income, net | (85) | (74) | (144) | (131) |
| Adjusted net revenue | $ 81 | $ 158 | $ 169 | $ 352 |
| | | | | |
| FDIC loss share income, net | | | | |
| Offset to provision for covered loans | $ (9) | $ 11 | $ 11 | $ 14 |
| Accretion due to credit loss improvement | (66) | (67) | (133) | (124) |
| Offset to OTTI for covered securities | | | | 3 |
| Accretion for securities | (10) | (18) | (22) | (24) |
| Total | $ (85) | $ (74) | $ (144) | $ (131) |

*Second Quarter 2013 compared to Second Quarter 2012*

Interest income on covered loans and securities for the second quarter of 2013 decreased $91 million compared to the second quarter of 2012, primarily due to decreased interest income on covered loans of $79 million, reflecting lower average covered loan balances and a lower yield. The yield on covered loans for the second quarter of 2013 was 16.95% compared to 19.01% in 2012. The decline in yield is primarily the result of changes in the remaining loan mix. Interest income on covered securities in the current quarter was $12 million lower than the second quarter of 2012 primarily due to duration adjustments in each quarter.

The provision for covered loans was a net recovery totaling $11 million in the second quarter of 2013, an improvement of $25 million compared to the same quarter of the prior year. The improvement in the provision for covered loans was primarily the result of improvements in the cash flows from certain residential mortgage loan pools based on the quarterly reassessment process.

FDIC loss share income, net was a negative $85 million for the second quarter of 2013, $11 million worse than the second quarter of 2012, which reflects the offset to the provision for covered loans, partially offset by lower accretion due to duration adjustments on covered securities.

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*Six Months of 2013 compared to Six Months of 2012*

Interest income for the six months ended June 30, 2013 on covered loans and securities decreased $177 million compared to the six months ended June 30, 2012. The decrease was primarily due to lower average loan balances and a lower yield. The yield on covered loans for the six months ended June 30, 2013 was 17.23%, compared to 19.18% in the corresponding period of 2012. At June 30, 2013, the accretable yield balance on these loans was $663 million. Accretable yield represents the excess of future cash flows above the current net carrying amount of loans and will be recognized into income over the remaining life of the covered and acquired loans.

The provision for covered loans was $14 million for the six months ended June 30, 2013, compared to $17 million for the same period of the prior year.

FDIC loss share income, net was a negative $144 million for the six months ended June 30, 2013, compared to a negative $131 million for the corresponding period of the prior year.

*Provision for Credit Losses*

*Second Quarter 2013 compared to Second Quarter 2012*

The provision for credit losses totaled $168 million (including an $11 million net recovery on covered loans) for the second quarter of 2013, compared to $273 million (including $14 million for covered loans) for the second quarter of 2012. The decrease in the overall provision for credit losses was driven by decreases related to the commercial and industrial and direct retail lending portfolios. The improvement in the commercial and industrial portfolio reflects improving loss frequency factors and credit metrics, along with an improved loss outlook related to certain segments of the portfolio. The decrease in the provision for credit losses related to the direct retail lending portfolio was driven by an overall improvement in credit quality trends, loss frequency and loss severity.

Net charge-offs, excluding covered loans, were $110 million lower than the second quarter of 2012. This decrease in net charge-offs was broad-based in nature, with notable declines in net charge-offs related to the CRE – residential ADC, commercial and industrial and CRE – other portfolios. Net charge-offs were 0.74% of average loans and leases on an annualized basis (0.75% excluding covered loans) for the second quarter of 2013, compared to 1.21% of average loans and leases (1.22% excluding covered loans) for the same period in 2012. Management expects net charge-offs to trend modestly lower in coming quarters.

*Six Months of 2013 compared to Six Months of 2012*

The provision for credit losses totaled $440 million (including $14 million for covered loans) for the six months ended June 30, 2013, compared to $561 million (including $17 million for covered loans) for the same period of 2012. The improvement in the provision for credit losses was driven by decreases in the provision related to direct retail lending and commercial and industrial portfolios totaling $162 million and $107 million, respectively. The decrease in the direct retail lending provision for credit losses reflects improvements in loss frequency and estimated losses related to TDRs, as well as an overall improvement in credit metrics and economic factors considered in the allowance estimation process. The decrease in the provision for credit losses related to the commercial and industrial portfolio primarily reflects improvement in credit metrics and economic factors. The improvements in the provision for credit losses described above were partially offset by increases in certain other loan portfolios, which primarily reflect a normalization of loss factor estimates.

Net charge-offs, excluding covered loans, for the six months ended June 30, 2013 were $172 million lower than the comparable period of the prior year. The decrease in net charge-offs was broad based, with significant reductions reflected in the CRE – other, CRE – residential ADC and direct retail lending portfolios totaling $63 million, $67 million and $29 million, respectively. Net charge-offs for the other lending subsidiaries portfolio increased modestly when compared to the prior comparable period. Net charge-offs were 0.87% of average loans and leases on an annualized basis (or 0.86% excluding covered loans) for the six months ended June 30, 2013 compared to 1.25% of average loans and leases (or 1.25% excluding covered loans) for the same period in 2012.

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*Noninterest Income*

*Second Quarter 2013 compared to Second Quarter 2012*

Noninterest income was $1.0 billion for the second quarter of 2013, an increase of $80 million, or 8.3%, compared to the second quarter of 2012. The increase in noninterest income was driven by increases in insurance income, net securities gains (losses), other income and investment banking and brokerage fees and commissions. These increases were partially offset by a decrease in mortgage banking income compared to the same period of the prior year.

Insurance income was $33 million higher, primarily due to firming market conditions for insurance premiums and an experience-based refund of reinsurance premiums totaling $13 million. Net securities gains for the second quarter of 2013 totaled $23 million, compared to a net securities loss of $2 million in the same quarter of the prior year. Other income and investment banking and brokerage fees and commissions increased $17 million and $11 million, respectively, compared to the same quarter of the prior year. The increase in other income was primarily attributable to $20 million in higher income related to assets for certain post-employment benefits, which was offset by higher personnel expense, while the increase in investment banking and brokerage fees and commissions was primarily the result of higher retail investment commission income driven by an increase in assets under management.

Mortgage banking income decreased $14 million due to a $7 million decrease in gains on residential mortgage loan production and sales due to tighter margins, and a $5 million decrease in the net mortgage servicing rights valuation.

Other categories of noninterest income, including service charges on deposits, bankcard fees and merchant discounts, checkcard fees, trust and investment advisory revenues, income from bank-owned life insurance and FDIC loss share income, totaled $249 million for the three months ended June 30, 2013, compared to $241 million for the same period of 2012.

*Six Months of 2013 compared to Six Months of 2012*

Noninterest income for the six months ended June 30, 2013 totaled $2.0 billion, compared to $1.8 billion for the same period in 2012, an increase of $210 million, or 11.4%. This increase was primarily attributable to increases in insurance income, net securities gains (losses), other income, investment banking and brokerage fees and commissions, bankcard fees and merchant discounts, and checkcard fees. These increases were partially offset by a decrease in mortgage banking income.

Insurance income, which is BB&T's largest source of noninterest income, totaled $791 million for the six months ended June 30, 2013, an increase of $127 million compared to the corresponding period of 2012. Approximately $80 million of this increase was driven by the acquisition of Crump Insurance on April 2, 2012. The remainder of the increase reflects firming market conditions for insurance premiums, and a $13 million experience-based refund of reinsurance premiums that was received in the second quarter of 2013.

Net securities gains for the six months ended June 30, 2013 totaled $46 million, compared to a net securities loss of $11 million in the corresponding period of the prior year. Other income for the six months ended June 30, 2013 totaled $159 million, an increase of $43 million compared to the prior period. This increase was driven by a $17 million decrease in write-downs on affordable housing investments, $16 million in higher income related to assets for certain post-employment benefits, which was offset by higher personnel expense, and $9 million in higher income related to operating leases within the equipment finance leasing business.

Investment banking and brokerage fees and commissions for the six months ended June 30, 2013 totaled $193 million, up $16 million, or 9.0%, compared to the corresponding period of the prior year, which reflects higher retail investment commission income driven by an increase in assets under management and higher investment banking income due to increased activity in the fixed income and equity markets. Bankcard fees and merchant discounts and checkcard fees increased $11 million and $10 million, respectively, reflecting increased transaction volumes.

Mortgage banking income totaled $348 million for the six months ended June 30, 2013, a decrease of $50 million compared to the amount earned in the corresponding period of 2012. This decrease includes a $35 million decrease in net mortgage servicing rights' valuation adjustments, and a $16 million decrease in gains on residential mortgage loan production and sales.

Other categories of noninterest income, including service charges on deposits, trust and investment advisory revenues, income from bank-owned life insurance, and FDIC loss share income totaled $288 million during the six months ended June 30, 2013, compared with $292 million for the same period of 2012.

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*Noninterest Expense*

*Second Quarter 2013 compared to Second Quarter 2012*

Noninterest expense was $1.5 billion for the second quarter of 2013, an increase of $70 million, or 4.9%, compared to the second quarter of 2012. This increase was primarily attributable to increases in personnel expense, merger-related and restructuring charges, and other expense, that were partially offset by decreased foreclosed property expense.

Personnel expense, the largest component of noninterest expense, totaled $844 million, an increase of $69 million compared to the second quarter of the prior year. This increase in personnel expense was primarily attributable to the BankAtlantic acquisition in the third quarter of 2012, an increase in other post-employment benefits, which is offset in other income, and higher production-based incentives and commissions.

Merger-related and restructuring charges totaled $27 million, a $25 million increase compared to the same quarter of 2012. This increase primarily relates to optimization activities related to Community Banking that began during the second quarter. Other expense totaled $233 million, an increase of $20 million compared to the second quarter of 2012. This increase was attributable to higher project-related expenses, operating charge-offs and various other expenses.

Foreclosed property expense includes the gain or loss on sale of foreclosed property, valuation adjustments resulting from updated appraisals, and the ongoing expense of maintaining foreclosed properties. Foreclosed property expense for the second quarter of 2013 totaled $12 million, compared to $72 million for the same quarter of the prior year, a decrease of $60 million, or 83.3%. Foreclosed property expense was lower due to fewer losses and write-downs and lower carrying costs as a result of reduced inventory compared to the prior year.

Other categories of noninterest expenses, including occupancy and equipment expense, loan-related expense, regulatory charges, professional services, software expense, and amortization of intangibles totaled $380 million for the current quarter compared to $364 million for the same period of 2012.

*Six Months of 2013 compared to Six Months of 2012*

Noninterest expenses totaled $2.9 billion for the six months ended June 30, 2013, an increase of $99 million, or 3.5%, over the same period a year ago.

Personnel expense was $1.7 billion for the six months ended June 30, 2013, compared to $1.5 billion for the same period in 2012, an increase of $156 million, or 10.4%. While the acquisitions of Crump Insurance and BankAtlantic represent a significant portion of the increase in personnel expense, other factors driving the increase include a $26 million increase in production-related and other incentives, and a $17 million increase in other post-employment benefits, which is mostly offset in other income.

Occupancy and equipment expense totaled $341 million for the six months ended June 30, 2013, an increase of $29 million, or 9.3%. This increase largely relates to the Crump Insurance and BankAtlantic acquisitions.

Foreclosed property expense for the six months ended June 30, 2013 totaled $30 million, compared to $164 million for the same period in 2012, a decrease of $134 million, or 81.7%. Foreclosed property expense was lower due to fewer losses and write-downs, and lower maintenance costs due to a reduction in inventory compared to the prior year.

Regulatory charges totaled $70 million for the six months ended June 30, 2013, compared to $84 million for the same period in 2012, a decrease of $14 million, or 16.7%, which reflects improved credit quality that led to lower deposit insurance premiums. Merger-related and restructuring charges increased $18 million compared to the prior period, primarily the result of optimization activities related to Community Banking.

Other categories of noninterest expenses, including loan-related expense, professional services, software expense, amortization of intangibles, and other expenses, totaled $776 million for the six months ended June 30, 2013 compared to $732 million for the same period of 2012, an increase of $44 million. This increase was largely driven by systems and process-related enhancements as well as other project-related expenses. Elevated systems and process costs in professional services and other expense are expected to decline in coming quarters driving total noninterest expense lower.

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*Provision for Income Taxes*

*Second Quarter 2013 compared to Second Quarter 2012*

The provision for income taxes was $221 million for the second quarter of 2013, compared to $191 million for the second quarter of 2012. The effective tax rate for the second quarter of 2013 was 27.7%, compared to 26.2% for the prior year's second quarter. This increase in the effective tax rate was the result of a $12 million income tax benefit recorded in the second quarter of 2012 related to the termination of a leveraged lease. The effective tax rate for the third quarter of 2013 is expected to be similar to the effective tax rate for the second quarter.

*Six Months of 2013 compared to Six Months of 2012*

The provision for income taxes was $702 million for the six months ended June 30, 2013, an increase of $322 million compared to the same period of 2012. BB&T's effective income tax rates for the six months ended June 30, 2013 and 2012 were 45.8% and 27.9%, respectively. The increase in the effective tax rate was due to the $281 million adjustment to the income tax provision described previously.

Refer to Note 11 "Income Taxes" in the "Notes to Consolidated Financial Statements" for a discussion of uncertain tax positions and other tax matters.

***Segment Results***

See Note 16 "Operating Segments" in the "Notes to Consolidated Financial Statements" contained herein and BB&T's Annual Report on Form 10-K for the year ended December 31, 2012, 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 discussed in the "Noninterest Income" and "Noninterest Expense" sections above. The following table reflects the net income (loss) for each of BB&T's operating segments:

**Table 5**
**BB&T Corporation**
**Net Income by Reportable Segments**

| | **Three Months** | **Six Months Ended June** |
|---|---|---|

| | Ended June 30, | | 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | (Dollars in millions) | | | |
| Community Banking | $ 209 | $ 169 | $ 438 | $ 265 |
| Residential Mortgage Banking | 78 | 70 | 181 | 198 |
| Dealer Financial Services | 59 | 63 | 99 | 122 |
| Specialized Lending | 68 | 67 | 121 | 124 |
| Insurance Services | 66 | 66 | 96 | 89 |
| Financial Services | 71 | 65 | 141 | 129 |
| Other, Treasury and Corporate | 25 | 38 | (244) | 56 |
| BB&T Corporation | $ 576 | $ 538 | $ 832 | $ 983 |

*Second Quarter 2013 compared to Second Quarter 2012*

Community Banking net income was $209 million in the second quarter of 2013, an increase of $40 million over the second quarter of 2012. Segment net interest income decreased $33 million, primarily due to tighter funding spreads on deposits, partially offset by improvements in deposit mix as a result of growth in noninterest-bearing, money market, and savings deposits, coupled with a decrease in certificates of deposits. The allocated provision for loan and lease losses decreased $79 million. The decrease in provision expense was primarily attributable to lower business and consumer loan charge-offs, partially offset by loan growth during the quarter. Noninterest income increased $21 million, primarily due to higher bankcard fees, merchant discounts, checkcard fees and service charges on deposits. The provision for income taxes was $23 million higher for the second quarter of 2013 compared to the earlier quarter as a result of higher pre-tax income.

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Residential Mortgage Banking net income was $78 million in the second quarter of 2013, an increase of $8 million over the second quarter of 2012. Segment net interest income increased $15 million, which was driven by growth in average residential mortgage loans and higher credit spreads to funding costs when compared to the second quarter of 2012. The allocated provision for loan and lease losses decreased $9 million, primarily the result of lower charge-offs. Noninterest income decreased $11 million, driven by lower gains on mortgage loan production and sales as record production was offset by tighter spreads, and a decrease in the fair value adjustment of net mortgage servicing rights, partially offset by higher residential mortgage loan origination fee income.

Dealer Financial Services net income was $59 million in the second quarter of 2013, a decrease of $4 million from the second quarter of 2012. Segment net interest income increased $12 million, primarily due to wider credit spreads and loan growth in the Regional Acceptance Corporation portfolio. Dealer Financial Services grew average loans by 7.5% compared to the second quarter of 2012. The allocated provision for loan and lease losses increased $15 million, primarily the result of an increase in the loss frequency estimates to a more normalized level.

Specialized Lending net income was $68 million in the second quarter of 2013, an increase of $1 million over the second quarter of 2012.

Insurance Services net income was $66 million in the second quarter of 2013, flat when compared to the second quarter of 2012. Noninterest income growth of $34 million was driven by organic growth in wholesale and retail property and casualty insurance operations as market conditions improved and insurance pricing continued to firm and an experience-based refund of reinsurance premiums totaling $13 million. Higher noninterest income growth was offset by a $32 million increase in noninterest expense, in part the result of higher salary and incentive costs, among other items.

Financial Services net income was $71 million, an increase of $6 million over the second quarter of 2012. The allocated provision for loan and lease losses increased $22 million, primarily due to higher reserves related to the expansion of the large corporate loan portfolio. Financial Services continues to generate significant loan growth, with Corporate Banking’s average loan balances increasing $1.7 billion or 31.4% over the prior period, while BB&T Wealth’s average loan balances increased $232 million or 20.4%. Noninterest income increased $13 million, driven by higher investment banking fees and commissions and trust and investment advisory fees. Growth in these fees was attributable to improved financial market conditions and increased market value of assets under management. Noninterest expense decreased $17 million, primarily due to an operating charge-off in the prior year.

The Other, Treasury & Corporate segment generated net income of $25 million in the second quarter of 2013, compared to net income of $38 million in the second quarter of 2012. Segment net interest income decreased $52 million, primarily attributable to continued runoff in the covered loan portfolio. The allocated provision for loan and lease losses decreased $58 million, primarily due to a reduction in the unallocated allowance for credit losses based on continued improvement in credit trends. Noninterest income increased $20 million, driven by securities gains on the investment portfolio. The $48 million increase in noninterest expense was driven by higher personnel expense, project-related costs, and restructuring expense.

*Six Months of 2013 compared to Six Months of 2012*

Community Banking net income was $438 million for the six months ended June 30, 2013, compared to $265 million in same period of the prior year. Segment net interest income decreased $65 million primarily as a result of tighter funding spreads earned on deposits partially offset by improvements in deposit mix as a result of growth in noninterest-bearing deposits, money market and savings deposits, and a decrease in certificates of deposits. The allocated provision for loan and lease losses decreased $251 million, reflecting reserve rate adjustments driven by improvements in credit metrics in the CRE portfolios and improved TDR loss factors in the direct retail lending portfolio, and a lower level of business and consumer loan charge-offs. Noninterest income increased $31 million primarily due to higher checkcard fees, bankcard fees, merchant discounts, and service charges on deposits. Noninterest expense decreased $55 million, primarily driven by lower foreclosed property and regulatory expense.

Residential Mortgage Banking net income was $181 million for the six months ended June 30, 2013, compared to $198 million in the same period of the prior year. Segment net interest income increased $34 million which was driven by growth in average residential mortgage loans, as well as higher credit spreads to funding costs. The allocated provision for loan and lease losses increased $30 million, which reflects an increase in the current period related to higher TDR loss factors, and a beneficial reserve rate update in the prior period that was driven by decreasing loss severity. Noninterest income decreased $45 million, driven by a decrease in the fair value adjustment of net mortgage servicing rights and lower gains on mortgage loan production, partially offset by higher production fees. Noninterest expense decreased $19 million primarily due to lower foreclosed property expense and lower expense associated with mortgage repurchase reserves.

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Dealer Financial Services net income was $99 million for the six months ended June 30, 2013, compared to $122 million in the same period of the prior year. Segment net interest income increased $19 million, primarily the result of wider credit spreads and loan growth in the Regional Acceptance Corporation portfolio. Dealer Financial Services grew average loans for the six months ended June 30, 2013 by 5.6% compared to the same period of the year. The allocated provision for loan and lease losses increased $55 million, primarily related to an increase in the allocated provision associated with the Regional Acceptance Corporation loan portfolio that resulted from a change in loan composition and the resulting estimated loan losses.

Specialized Lending net income was $121 million for the six months ended June 30, 2013, compared to $124 million in the same period of the prior year. Segment net interest income grew $24 million, which was primarily attributable to 37.2% growth in average small ticket consumer finance loan balances. This increase primarily resulted from organic loan growth arising from existing dealer financing relationships. In addition, the average commercial finance portfolio grew 14.9% while the average commercial insurance premium financing portfolio grew 9.3% compared to the same period of the prior year. The allocated provision for loan and lease losses increased $29 million primarily due to higher charge-offs in the commercial finance portfolio and a reserve rate adjustment related Lendmark Financial, which was the result of an increase in the volume of TDRs and impaired loans.

Insurance Services net income was $96 million for the six months ended June 30, 2013, compared to $89 million in the same period of the prior year. Noninterest income was $130 million higher than the first six months of 2012, with approximately $80 million of this increase attributable to the acquisition of Crump Insurance on April 2, 2012. The remainder of the increase was driven by organic growth in wholesale and retail property and casualty insurance operations as insurance pricing continues to firm and an experience-based refund of reinsurance premiums totaling $13 million. Higher noninterest income growth was offset by a $108 million increase in noninterest expense, primarily the result of higher personnel costs related to the Crump Insurance acquisition and performance-based incentives.

Financial Services net income was $141 million for the six months ended June 30, 2013, compared to $129 million in the same period of the prior year. The allocated provision for loan and lease losses increased $15 million primarily due to higher reserves related to the expansion of the large corporate loan portfolio. Average loan growth for the segment was 28.8% compared to the prior year. Noninterest income increased $11 million, driven by higher investment banking fees and commissions and trust and investment advisory revenues. Noninterest expense decreased $19 million, primarily due to an operating charge-off in the prior year.

Net income in Other, Treasury & Corporate can vary due to changing needs of the Corporation, including the size of the investment portfolio, the need for wholesale funding, and income received from derivatives used to hedge the balance sheet. Other, Treasury & Corporate generated a net loss of $244 million in the first six months of 2013, primarily the result of the previously described $281 million adjustment to the income tax provision related to an unresolved disputed tax liability. Segment net interest income decreased $76 million primarily attributable to runoff in the covered loan portfolio. The $79 million increase in noninterest income was driven by higher securities gains in the investment portfolio and lower losses on affordable housing partnership investments compared to the prior year.

***Analysis Of Financial Condition***

*Investment Activities*

The total securities portfolio was $38.2 billion at June 30, 2013, a decrease of $503 million, compared with December 31, 2012. As of June 30, 2013, the securities portfolio included $24.5 billion of AFS securities and $13.8 billion of HTM securities.

The effective duration of the securities portfolio increased to 5.0 years at June 30, 2013, compared to 2.8 years at December 31, 2012, primarily the result of an increase in interest rates during the six months ended June 30, 2013. The duration of the securities portfolio excludes equity securities, auction rate securities and certain non-agency RMBS that were acquired in the Colonial acquisition.

See Note 2 “Securities” in the “Notes to Consolidated Financial Statements” herein for additional disclosures related to BB&T’s evaluation of securities for OTTI.

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*Lending Activities*

For the second quarter of 2013, average total loans were $117.9 billion, an increase of $871 million, or 3.0%, compared to the prior quarter. Average loans held for investment were $114.3 billion for the second quarter of 2013, a 3.8% annualized increase compared to $113.2 billion for the first quarter. The increase in average loans held for investment was driven by strong growth in the sales finance and other lending subsidiary portfolios, along with steady growth in the commercial and industrial and direct retail lending portfolios. The growth in these portfolios was partially offset by continued runoff of the CRE – residential ADC, residential mortgage and covered loan portfolios.

Average loan growth for the third quarter of 2013 is expected to be in the range of 2% to 4% on an annualized basis compared to the second quarter of 2013, contingent on overall economic conditions remaining relatively stable.

The following table presents the composition of average loans and leases:

**Table 6**
**Composition of Average Loans and Leases**

| | For the Three Months Ended | | | | |
|---|---|---|---|---|---|
| | 6/30/13 | 3/31/13 | 12/31/12 | 9/30/12 | 6/30/12 |
| | (Dollars in millions) | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 38,359 | $ 37,916 | $ 38,022 | $ 37,516 | $ 36,293 |
| CRE - other | 11,411 | 11,422 | 11,032 | 10,823 | 10,578 |
| CRE - residential ADC | 1,121 | 1,238 | 1,398 | 1,534 | 1,744 |
| Direct retail lending | 15,936 | 15,757 | 15,767 | 15,520 | 15,071 |
| Sales finance | 8,520 | 7,838 | 7,724 | 7,789 | 7,690 |
| Revolving credit | 2,268 | 2,279 | 2,280 | 2,234 | 2,178 |
| Residential mortgage | 23,391 | 23,618 | 23,820 | 23,481 | 22,114 |
| Other lending subsidiaries | 10,407 | 9,988 | 10,051 | 9,998 | 9,370 |
| Total average loans and leases held for investment (excluding covered loans) | 111,413 | 110,056 | 110,094 | 108,895 | 105,038 |
| Covered | 2,858 | 3,133 | 3,477 | 3,826 | 4,211 |
| Total average loans and leases held for investment | 114,271 | 113,189 | 113,571 | 112,721 | 109,249 |
| LHFS | 3,581 | 3,792 | 3,532 | 2,888 | 2,511 |
| Total average loans and leases | $ 117,852 | $ 116,981 | $ 117,103 | $ 115,609 | $ 111,760 |

Average commercial and industrial loans increased $443 million, or 4.7% on an annualized basis, compared to the prior quarter, driven by increased market penetration in certain geographical areas including Texas, Florida and Alabama, an increase in tax-exempt financing to hospitals and other non-profit entities, and continued growth in

asset-based lending. The average CRE – other portfolio was essentially flat compared to the prior quarter, while average CRE – residential ADC loans decreased $117 million, an annualized 37.9%, reflecting continued weakness in the ADC market.

The average direct retail lending portfolio increased $179 million, or 4.6% on an annualized basis, driven by higher levels of first lien refinance transactions. Growth in the average sales finance loan portfolio totaled $682 million, or 34.9% annualized, based on the strength of demand in both the consumer and wholesale segments of the prime automobile lending market. Average residential mortgage loans declined $227 million, or an annualized 3.9%, compared to the prior quarter, as the majority of residential mortgage loan production is directed to the held for sale portfolio. Average loans in other lending subsidiaries increased $419 million, or 16.8% on an annualized basis, primarily the result of continued growth in small ticket consumer finance and seasonal growth in the insurance premium financing loan portfolio.

Average LHFS decreased $211 million, reflecting a decline of $179 million in residential LHFS and $32 million in commercial LHFS.

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*Asset Quality*

BB&T's asset quality continued to improve during the second quarter of 2013. NPAs, which includes foreclosed real estate, repossessions, nonaccrual loans and nonperforming TDRs, totaled $1.5 billion (or $1.3 billion excluding covered foreclosed property) at June 30, 2013, compared to $1.8 billion (or $1.5 billion excluding covered foreclosed property) at December 31, 2012. The 16.9% decrease in NPAs, excluding covered foreclosed property, was driven by a $231 million decrease in nonaccrual loans and a $29 million decline in foreclosed real estate and other foreclosed property. NPAs have decreased for 13 consecutive quarters and are at their lowest level since March 31, 2008. Refer to Table 7 for an analysis of the changes in nonperforming assets during the six months ended June 30, 2013. NPAs as a percentage of loans and leases plus foreclosed property were 1.23% at June 30, 2013 (or 1.10% excluding covered assets) compared with 1.51% (or 1.33% excluding covered assets) at December 31, 2012.

The current inventory of foreclosed real estate, excluding covered assets, totaled $89 million as of June 30, 2013. This includes land and lots, which totaled $20 million and had been held for approximately 14 months on average. The remaining foreclosed real estate of $69 million, which is primarily single family residential and CRE, had an average holding period of four months.

Management expects NPAs to improve at a modest pace during the third quarter of 2013, assuming no significant economic deterioration during the quarter.

The following table presents the changes in NPAs, excluding covered foreclosed property, during the six months ended June 30, 2013 and 2012:

**Table 7**
**Rollforward of NPAs**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2013** | **2012** |
| | **(Dollars in millions)** | |
| Balance at January 1, | $ 1,536 | $ 2,450 |
| New NPAs | 914 | 1,334 |
| Advances and principal increases | 95 | 84 |
| | (275) | (468) |

| | | |
|---|---|---|
| Disposals of foreclosed assets | | |
| Disposals of NPLs (1) | (203) | (380) |
| Charge-offs and losses | (329) | (545) |
| Payments | (345) | (355) |
| Transfers to performing status | (117) | (222) |
| Other, net | | (1) |
| Balance at June 30, | $ 1,276 | $ 1,897 |

(1) Includes charge-offs and losses recorded upon sale of $45 million and $108 million for the six months ended June 30, 2013 and 2012, respectively.

Tables 8 and 9 summarize asset quality information for the last five quarters. As more fully described below, this information has been adjusted to exclude past due covered loans and certain mortgage loans guaranteed by the government:

- In accordance with regulatory reporting standards, covered loans that are contractually past due are recorded as past due and still accruing based on the number of days past due. However, given the significant amount of acquired loans that are past due but still accruing due to the application of the accretion method, BB&T has concluded that it is appropriate to adjust Table 8 to exclude covered loans in summarizing total loans 90 days or more past due and still accruing and total loans 30-89 days past due and still accruing.

- BB&T has also concluded that the inclusion of covered loans in certain asset quality ratios summarized in Table 9 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,” “NPLs as a percentage of total loans and leases” and certain other asset quality ratios that reflect NPAs in the numerator or denominator (or both) results in significant distortion to these ratios. In addition, because loan level charge-offs related to the acquired loans are not recognized in the financial statements until the cumulative amounts exceed the original loss projections on a pool basis, the net charge-off ratio for the acquired loans is not consistent with the net charge-off ratio for other loan portfolios. The inclusion of these loans in the asset quality ratios described above could result in a lack of

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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 9 present asset quality information both on a consolidated basis as well as excluding the covered assets and related amounts.

- In addition, BB&T has excluded mortgage loans that are guaranteed by the government, primarily FHA/VA loans, from the asset quality metrics reflected in Tables 8 and 9, as these loans are recoverable through various government guarantees. In addition, BB&T has recorded certain amounts related to delinquent GNMA loans serviced for others that BB&T has the option, but not the obligation, to repurchase and has effectively regained control. The amount of government guaranteed mortgage loans and GNMA loans serviced for others that have been excluded are noted in the footnotes to Table 8.

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The following tables summarize asset quality information for the past five quarters:

**Table 8**
**Asset Quality**

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | 6/30/2013 | 3/31/2013 | 12/31/2012 | 9/30/2012 | 6/30/2012 |
| | (Dollars in millions) | | | | |
| NPAs (1) | | | | | |
| Nonaccrual loans and leases: | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 457 | $ 533 | $ 546 | $ 597 | $ 620 |
| CRE - other | 181 | 188 | 212 | 259 | 301 |
| CRE - residential ADC | 65 | 94 | 128 | 204 | 241 |
| Direct retail lending | 119 | 127 | 132 | 134 | 133 |
| Sales finance | 5 | 6 | 7 | 7 | 13 |
| Residential mortgage | 254 | 255 | 269 | 266 | 263 |
| Other lending subsidiaries | 68 | 80 | 86 | 73 | 76 |
| Total nonaccrual loans and leases held for investment | 1,149 | 1,283 | 1,380 | 1,540 | 1,647 |
| Foreclosed real estate (2) | 89 | 88 | 107 | 139 | 221 |
| Other foreclosed property | 38 | 42 | 49 | 39 | 29 |
| Total NPAs (excluding covered assets) (1)(2) | $ 1,276 | $ 1,413 | $ 1,536 | $ 1,718 | $ 1,897 |
| | | | | | |
| Performing TDRs (3) | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 59 | $ 54 | $ 77 | $ 66 | $ 62 |
| CRE - other | 61 | 67 | 67 | 75 | 78 |
| CRE - residential ADC | 26 | 24 | 21 | 25 | 28 |
| Direct retail lending | 188 | 193 | 197 | 120 | 114 |
| Sales finance | 17 | 19 | 19 | 7 | 7 |
| Revolving credit | 53 | 55 | 56 | 58 | 58 |
| Residential mortgage (4) | 726 | 715 | 769 | 646 | 636 |
| Other lending subsidiaries | 183 | 162 | 121 | 77 | 69 |
| Total performing TDRs (3)(4)(5) | $ 1,313 | $ 1,289 | $ 1,327 | $ 1,074 | $ 1,052 |
| | | | | | |
| Loans 90 days or more past due and still accruing | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 3 | $ | $ 1 | $ 1 | $ 2 |
| Direct retail lending | 30 | 34 | 38 | 41 | 39 |
| Sales finance | 5 | 7 | 10 | 11 | 11 |
| Revolving credit | 13 | 14 | 16 | 14 | 13 |
| Residential mortgage (6)(7) | 68 | 77 | 92 | 80 | 78 |
| Other lending subsidiaries | 4 | 6 | 10 | 5 | 4 |

| | | | | | |
|---|---|---|---|---|---|
| Total loans 90 days or more past due and still accruing (excluding covered loans) (6)(7)(8) | $ 123 | $ 138 | $ 167 | $ 152 | $ 147 |
| | | | | | |
| Loans 30-89 days past due | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | $ 32 | $ 34 | $ 42 | $ 41 | $ 53 |
| CRE - other | 10 | 10 | 12 | 9 | 16 |
| CRE - residential ADC | 2 | 2 | 2 | 8 | 9 |
| Direct retail lending | 123 | 136 | 145 | 136 | 119 |
| Sales finance | 47 | 42 | 56 | 53 | 49 |
| Revolving credit | 20 | 20 | 23 | 21 | 20 |
| Residential mortgage (9)(10) | 465 | 529 | 498 | 501 | 423 |
| Other lending subsidiaries | 241 | 183 | 290 | 259 | 218 |
| Total loans 30 - 89 days past due (excluding covered loans) (9)(10)(11) | $ 940 | $ 956 | $ 1,068 | $ 1,028 | $ 907 |

(1) Covered 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.

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(2) Excludes covered foreclosed real estate totaling $181 million, $232 million, $254 million, $289 million, and $310 million at June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, and June 30, 2012, respectively.

(3) Excludes TDRs that are nonperforming totaling $211 million, $222 million, $231 million, $225 million and $219 million at June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, and June 30, 2012, respectively. These amounts are included in total nonperforming assets.

(4) Excludes mortgage TDRs that are government guaranteed totaling $367 million, $338 million, $315 million, $275 million and $266 million at June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, and June 30, 2012, respectively. Includes mortgage TDRs held for sale.

(5) During the fourth quarter of 2012, $226 million of performing loans were classified as TDRs in connection with recent regulatory guidance related to loans discharged in bankruptcy not reaffirmed by the borrower.

(6) Excludes mortgage loans 90 days or more past due that are government guaranteed totaling $246 million, $251 million, $254 million, $233 million and $217 million at June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, and June 30, 2012, respectively. Includes past due mortgage loans held for sale.

(7) Excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase that are 90 days or more past due totaling $492 million, $514 million, $517 million, $499 million and $453 million at June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, and June 30, 2012, respectively.

(8) Excludes covered loans past due 90 days or more totaling $401 million, $371 million, $442 million, $476 million and $613 million at June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, and June 30, 2012, respectively.

(9) Excludes mortgage loans past due 30-89 days that are government guaranteed totaling $103 million, $95 million, $96 million, $95 million and $94 million at June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, and June 30, 2012, respectively. Includes past due mortgage loans held for sale.

(10) Excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase that are past due 30-89 days totaling $5 million, $5 million, $5 million, $6 million and $5 million at June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, and June 30, 2012, respectively.

(11) Excludes covered loans past due 30-89 days totaling $102 million, $120 million, $135 million, $173 million and $199 million at June 30, 2013, March 31, 2013, December 31, 2012, September 30, 2012, and June 30, 2012, respectively.

Loans 90 days or more past due and still accruing interest, excluding government guaranteed loans and loans covered by FDIC loss share agreements, totaled $123 million at June 30, 2013, compared with $167 million at December 31, 2012, a decline of 26.3%. Loans 30-89 days past due, excluding government guaranteed loans and covered loans, totaled $940 million at June 30, 2013, which was a decline of $128 million, or 12.0%, compared with $1.1 billion at December 31, 2012.

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**Table 9**
**Asset Quality Ratios**

| | As of / For the Three Months Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 6/30/2013 | | 3/31/2013 | | 12/31/2012 | | 9/30/2012 | | 6/30/2012 | |
| Asset Quality Ratios (including covered assets) | | | | | | | | | | |
| Loans 30 - 89 days past due and still accruing as a percentage of total loans and leases (1)(2) | 0.88 | % | 0.91 | % | 1.02 | % | 1.02 | % | 0.97 | % |
| Loans 90 days or more past due and still accruing as a percentage of total loans and leases (1)(2) | 0.44 | | 0.43 | | 0.52 | | 0.53 | | 0.67 | |
| NPLs as a percentage of total loans and leases | 0.97 | | 1.09 | | 1.17 | | 1.31 | | 1.45 | |
| NPAs as a percentage of: | | | | | | | | | | |
| Total assets | 0.80 | | 0.91 | | 0.97 | | 1.10 | | 1.24 | |
| Loans and leases plus foreclosed property | 1.23 | | 1.39 | | 1.51 | | 1.70 | | 1.93 | |
| Net charge-offs as a percentage of average loans and leases | 0.74 | | 1.00 | | 1.02 | | 1.05 | | 1.21 | |
| ALLL as a percentage of loans and leases held for investment | 1.64 | | 1.73 | | 1.76 | | 1.80 | | 1.91 | |
| Ratio of ALLL to: | | | | | | | | | | |
| Net charge-offs | 2.18 | x | 1.69 | x | 1.69 | x | 1.69 | x | 1.57 | x |
| Nonperforming loans and leases held for investment | 1.66 | | 1.54 | | 1.46 | | 1.33 | | 1.29 | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Asset Quality Ratios (excluding covered assets) (3) | | | | | | | | | | |
| Loans 30 - 89 days past due and still accruing as a percentage of total loans and leases (1)(2) | 0.81 | % | 0.83 | % | 0.93 | % | 0.90 | % | 0.83 | % |
| Loans 90 days or more past due and still accruing as a percentage of total loans and leases (1)(2) | 0.11 | | 0.12 | | 0.15 | | 0.13 | | 0.13 | |
| NPLs as a percentage of total loans and leases | 0.99 | | 1.12 | | 1.20 | | 1.35 | | 1.50 | |
| NPAs as a percentage of: | | | | | | | | | | |
| Total assets | 0.71 | | 0.80 | | 0.85 | | 0.97 | | 1.09 | |
| Loans and leases plus foreclosed property | 1.10 | | 1.23 | | 1.33 | | 1.51 | | 1.72 | |
| Net charge-offs as a percentage of average loans and leases | 0.75 | | 0.98 | | 1.04 | | 1.08 | | 1.22 | |
| ALLL as a percentage of loans and leases held for investment | 1.57 | | 1.65 | | 1.70 | | 1.73 | | 1.86 | |
| Ratio of ALLL to: | | | | | | | | | | |
| Net charge-offs | 2.07 | x | 1.65 | x | 1.60 | x | 1.59 | x | 1.52 | x |
| Nonperforming loans and leases held for investment | 1.55 | | 1.43 | | 1.37 | | 1.24 | | 1.21 | |

| | As of/For the Six Months Ended June 30, | |
|---|---|---|
| | **2013** | **2012** |
| Asset Quality Ratios | | |
| Including covered loans: | | |

| | | |
|---|---|---|
| Net charge-offs as a percentage of average loans and leases | 0.87 % | 1.25 % |
| Ratio of ALLL to net charge-offs | 1.87 x | 1.53 x |
| Excluding covered loans: | | |
| Net charge-offs as a percentage of average loans and leases | 0.86 % | 1.25 % |
| Ratio of ALLL to net charge-offs | 1.80 x | 1.49 x |

Applicable ratios are annualized.

(1) Excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase. Refer to the footnotes of Table 8 for amounts related to these loans.

(2) Excludes mortgage loans guaranteed by the government. Refer to the footnotes of Table 8 for amounts related to these loans.

(3) 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 covered 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.

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BB&T's potential problem loans include loans on nonaccrual status or past due as disclosed in Table 8. In addition, for its commercial portfolio segment, loans that are rated special mention or substandard performing are closely monitored by management as potential problem loans. Refer to Note 3 "Loans and ACL" in the "Notes to Consolidated Financial Statements" herein for additional disclosures related to these potential problem loans.

Certain of BB&T's residential mortgage loans have an initial period where the borrower is only required to pay the periodic interest. After the interest period, the loan will require the payment of both interest and principal over the remaining term. At June 30, 2013, approximately 7.4% of the outstanding balances of residential mortgage loans were in the interest-only phase, compared to 8.1% at December 31, 2012. Approximately 59.7% of the interest-only balances will begin amortizing within the next three years. Approximately 4.2% of interest-only loans are 30 days or more past due and still accruing and 1.7% are on nonaccrual status.

BB&T's home equity lines, which are a component of the direct retail portfolio, generally require the payment of interest only during the first 15 years after origination. After this initial period, the outstanding balance begins amortizing and requires the payment of both interest and principal. At June 30, 2013, approximately 66.1% of the outstanding balance of home equity lines was in the interest-only phase. Approximately 7.6% of these balances will begin amortizing at various dates through December 31, 2016. The delinquency rate of interest-only lines is similar to amortizing lines.

TDRs 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 TDR. Refer to Note 1 "Summary of Significant Accounting Policies" in the "Notes to Consolidated Financial Statements" in the Annual Report on Form 10-K for the year ended December 31, 2012 for additional policy information regarding TDRs.

BB&T's performing TDRs, excluding government guaranteed mortgage loans, totaled $1.3 billion at June 30, 2013, a decrease of $14 million, or 1.1%, compared with December 31, 2012. Performing TDRs declined in most loan portfolios, with notable declines in the commercial and industrial and residential mortgage loan portfolios of $18 million and $43 million, respectively, largely due to the removal of TDRs due to sustained performance under the modified terms. Performing TDRs in the other lending subsidiary portfolio increased $62 million compared to December 31, 2012, largely arising from Regional Acceptance Corporation. The following table provides a summary of performing TDR activity during the six months ended June 30, 2013 and 2012:

**Table 10**
**Rollforward of Performing TDRs**

| | **Six Months Ended June 30,** | |
|---|---|---|
| | **2013** | **2012** |

| | **(Dollars in millions)** | |
|---|---|---|
| Balance at January 1, | $ 1,327 | $ 1,109 |
| Inflows | 251 | 209 |
| Payments and payoffs | (104) | (71) |
| Charge-offs | (21) | (19) |
| Transfers to nonperforming TDRs, net | (33) | (43) |
| Removal due to the passage of time | (82) | (104) |
| Non-concessionary re-modifications | (25) | (29) |
| Balance at June 30, | $ 1,313 | $ 1,052 |

Payments and payoffs represent cash received from borrowers in connection with scheduled principal payments, prepayments and payoffs of amounts outstanding at the maturity date of the loan. Transfers to nonperforming TDRs represent loans that no longer meet the requirements necessary to reflect the loan in accruing status and as a result are subsequently classified as a nonperforming TDR.

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The following table provides further details regarding the payment status of restructurings outstanding at June 30, 2013:

**Table 11**
**TDRs**

| | **June 30, 2013** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | **Past Due** | | **Past Due** | | | |
| | **Current Status** | | **30-89 Days (1)** | | **90 Days Or More (1)** | | **Total** | |
| | **(Dollars in millions)** | | | | | | | |
| Performing TDRs: | | | | | | | | |
| Commercial loans: | | | | | | | | |
| Commercial and industrial | $ 59 | 100.0 % | $ | % | $ | % | $ 59 | |
| CRE - other | 61 | 100.0 | | | | | 61 | |
| CRE - residential ADC | 26 | 100.0 | | | | | 26 | |
| Direct retail lending | 176 | 93.6 | 10 | 5.3 | 2 | 1.1 | 188 | |
| Sales finance | 16 | 94.1 | 1 | 5.9 | | | 17 | |
| Revolving credit | 43 | 81.1 | 5 | 9.5 | 5 | 9.4 | 53 | |
| Residential mortgage (2) | 611 | 84.2 | 99 | 13.6 | 16 | 2.2 | 726 | |
| Other lending subsidiaries | 158 | 86.3 | 25 | 13.7 | | | 183 | |
| Total performing TDRs (2) | 1,150 | 87.6 | 140 | 10.7 | 23 | 1.7 | 1,313 | |
| Nonperforming TDRs (3) | 56 | 26.5 | 25 | 11.9 | 130 | 61.6 | 211 | |
| Total TDRs (2) | $ 1,206 | 79.2 | $ 165 | 10.8 | $ 153 | 10.0 | $ 1,524 | |

(1) Past due performing TDRs are included in past due disclosures.
(2) Excludes mortgage TDRs that are government guaranteed totaling $367 million.
(3) Nonperforming TDRs are included in nonaccrual loan disclosures.

*Allowance for Credit Losses*

The ACL, which consists of the ALLL and the RUFC, totaled $2.0 billion at June 30, 2013, a decline of $66 million compared to December 31, 2012. The ALLL amounted to 1.64% of loans and leases held for investment at June 30, 2013 (1.57% excluding covered loans), compared to 1.76% (1.70% excluding covered loans) at year-end 2012. The decrease in the ALLL as a percentage of loans and leases reflects continued improvement in the credit quality of the loan portfolio. The percentage of the allowance for impaired loans to their recorded investment increased from 15.0% at December 31, 2012 to 16.0% at June 30, 2013, primarily due to an increase for residential mortgage loans. The ratio of the ALLL to nonperforming loans held for investment, excluding covered loans, was 1.55x at June 30, 2013 compared to 1.37x at December 31, 2012.

BB&T monitors the performance of its home equity loans and lines secured by second liens similar to other consumer loans and utilizes assumptions specific to these loans in determining the necessary allowance. BB&T also receives notification when the first lien holder, whether BB&T or another financial institution, has initiated foreclosure proceedings against the borrower. When notified that the first lien holder is in the process of foreclosure, BB&T obtains valuations to determine if any additional charge-offs or reserves are warranted. These valuations are updated at least annually thereafter.

BB&T has limited ability to monitor the delinquency status of the first lien unless the first lien is held or serviced by BB&T. As a result, using migration assumptions that are based on historical experience adjusted for current trends, BB&T estimates the volume of second lien positions where the first lien is delinquent and appropriately adjusts the allowance to reflect the increased risk of loss on these credits. Finally, BB&T also provides additional reserves to second lien positions when the estimated combined current loan to value ratio exceeds 100%. As of June 30, 2013, BB&T held or serviced the first lien on 36% of its second lien positions.

BB&T's net charge-offs totaled $217 million for the second quarter of 2013 and amounted to 0.74% of average loans and leases (or 0.75% excluding covered loans), compared to $289 million, or 1.00% of average loans and leases (or 0.98% excluding covered loans), in the prior quarter. For the six months ended June 30, 2013, net charge-offs were $506 million and amounted to 0.87% of average loans and leases (or 0.86% excluding covered loans), compared to $689 million, or 1.25% of average loans and leases (1.25% excluding covered loans), in the same period of 2012. Management expects the level of net charge-offs to trend modestly lower in coming quarters.

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Charge-offs related to covered loans represent realized losses in certain acquired loan pools that exceed the amounts originally estimated at the acquisition date. This impairment, which is subject to the loss sharing agreements, was provided for in prior quarters and therefore the charge-offs have no impact on the Consolidated Statements of Income.

Refer to Note 3 “Allowance for Credit Losses” in the “Notes to Consolidated Financial Statements” for additional disclosures.

The following table presents an allocation of the allowance for loan and lease losses at June 30, 2013 and December 31, 2012. 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 12**
**Allocation of ALLL by Category**

| | June 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Amount | % Loans in each category | Amount | % Loans in each category |
| | (Dollars in millions) | | | |
| Commercial: | | | | |
| Commercial and industrial | $ 459 | 33.4 % | $ 470 | 33.4 % |
| CRE - other | 202 | 9.9 | 204 | 10.0 |
| CRE - residential ADC | 68 | 0.9 | 100 | 1.1 |
| Direct retail lending | 218 | 13.9 | 300 | 13.8 |
| Sales finance | 42 | 7.6 | 29 | 6.8 |
| Revolving credit | 113 | 2.0 | 102 | 2.0 |
| Residential mortgage | 329 | 20.5 | 328 | 21.2 |
| Other lending subsidiaries | 304 | 9.4 | 277 | 8.8 |
| Covered | 126 | 2.4 | 128 | 2.9 |
| Unallocated | 40 | | 80 | |
| Total ALLL | 1,901 | 100.0 % | 2,018 | 100.0 % |
| RUFC | 81 | | 30 | |
| Total ACL | $ 1,982 | | $ 2,048 | |

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Information related to BB&T's ACL is presented in the following table:

**Table 13**
**Analysis of ACL**

| | **Three Months Ended** | | | | |
|---|---|---|---|---|---|
| | **6/30/2013** | **3/31/2013** | **12/31/2012** | **9/30/2012** | **6/30/2012** |
| | **(Dollars in millions)** | | | | |
| Beginning balance | $ 2,031 | $ 2,048 | $ 2,096 | $ 2,157 | $ 2,221 |
| Provision for credit losses (excluding covered loans) | 179 | 247 | 256 | 244 | 259 |
| Provision for covered loans | (11) | 25 | (4) | | 14 |
| Charge-offs: | | | | | |
| Commercial loans and leases | | | | | |
| Commercial and industrial | (70) | (91) | (98) | (84) | (92) |
| CRE - other | (30) | (36) | (41) | (40) | (51) |
| CRE - residential ADC | (19) | (20) | (27) | (35) | (74) |
| Direct retail lending | (42) | (42) | (54) | (57) | (56) |
| Sales finance | (5) | (6) | (7) | (5) | (7) |
| Revolving credit | (20) | (21) | (19) | (20) | (20) |
| Residential mortgage | (16) | (33) | (29) | (35) | (30) |
| Other lending subsidiaries | (61) | (68) | (60) | (58) | (47) |
| Covered loans | (2) | (14) | (5) | (2) | (12) |
| Total charge-offs | (265) | (331) | (340) | (336) | (389) |
| Recoveries: | | | | | |
| Commercial loans and leases | | | | | |
| Commercial and industrial | 10 | 7 | 5 | 4 | 4 |
| CRE - other | 7 | 4 | 4 | 3 | 3 |
| CRE - residential ADC | 3 | 6 | 8 | 2 | 23 |
| Direct retail lending | 10 | 8 | 9 | 9 | 8 |
| Sales finance | 2 | 2 | 3 | 2 | 2 |
| Revolving credit | 5 | 5 | 4 | 5 | 4 |
| Residential mortgage | 1 | 1 | 1 | | 1 |
| Other lending subsidiaries | 10 | 9 | 6 | 6 | 7 |
| Total recoveries | 48 | 42 | 40 | 31 | 52 |
| Net charge-offs | (217) | (289) | (300) | (305) | (337) |
| Ending balance | $ 1,982 | $ 2,031 | $ 2,048 | $ 2,096 | $ 2,157 |
| ALLL (excluding covered loans) | $ 1,775 | $ 1,836 | $ 1,890 | $ 1,914 | $ 1,987 |
| Allowance for covered loans | 126 | 139 | 128 | 137 | 139 |
| RUFC | 81 | 56 | 30 | 45 | 31 |

| | | | | | |
|---|---|---|---|---|---|
| Total ACL | $ 1,982 | $ 2,031 | $ 2,048 | $ 2,096 | $ 2,157 |

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| | Six Months Ended June 30, 2013 | 2012 |
|---|---|---|
| | (Dollars in millions) | |
| Beginning balance | $ 2,048 | $ 2,285 |
| Provision for credit losses (excluding covered loans) | 426 | 544 |
| Provision for covered loans | 14 | 17 |
| Charge-offs: | | |
| Commercial loans and leases | | |
| Commercial and industrial | (161) | (155) |
| Commercial real estate - other | (66) | (124) |
| Commercial real estate - residential ADC | (39) | (128) |
| Direct retail lending | (84) | (113) |
| Sales finance | (11) | (14) |
| Revolving credit | (41) | (42) |
| Residential mortgage | (49) | (72) |
| Other lending subsidiaries | (129) | (107) |
| Covered loans | (16) | (27) |
| Total charge-offs | (596) | (782) |
| Recoveries: | | |
| Commercial loans and leases | | |
| Commercial and industrial | 17 | 8 |
| Commercial real estate - other | 11 | 6 |
| Commercial real estate - residential ADC | 9 | 31 |
| Direct retail lending | 18 | 18 |
| Sales finance | 4 | 5 |
| Revolving credit | 10 | 9 |
| Residential mortgage | 2 | 2 |
| Other lending subsidiaries | 19 | 14 |
| Total recoveries | 90 | 93 |
| Net charge-offs | (506) | (689) |
| Ending balance | $ 1,982 | $ 2,157 |

*Deposits*

The following table presents the composition of average deposits for the last five quarters:

**Table 14**

**Composition of Average Deposits**

| | For the Three Months Ended | | | | |
|---|---|---|---|---|---|
| | 6/30/13 | 3/31/13 | 12/31/12 | 9/30/12 | 6/30/12 |
| | (Dollars in millions) | | | | |
| Noninterest-bearing deposits | $ 33,586 | $ 32,518 | $ 31,849 | $ 29,990 | $ 27,643 |
| Interest checking | 19,276 | 20,169 | 19,837 | 20,157 | 19,911 |
| Money market and savings | 48,140 | 48,431 | 47,965 | 47,500 | 46,557 |
| Certificates and other time deposits | 28,034 | 28,934 | 31,724 | 30,727 | 31,205 |
| Foreign office deposits - interest-bearing | 947 | 385 | 387 | 321 | 32 |
| Total average deposits | $ 129,983 | $ 130,437 | $ 131,762 | $ 128,695 | $ 125,348 |

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Average deposits for the second quarter of 2013 decreased $454 million, or 1.4% on an annualized basis, compared to the first quarter of 2013. While total average deposits declined during the quarter, the mix of the portfolio has continued to improve as average noninterest-bearing deposits grew $1.1 billion and average certificates and other time deposits decreased $900 million during the quarter. Average noninterest-bearing deposits represented 25.8% of total average deposits for the second quarter of 2013, compared to 24.9% for the prior quarter.

Average noninterest-bearing deposits for commercial and retail accounts increased $1.2 billion, and were partially offset by public funds accounts that decreased $180 million. Average interest-checking and money market and savings accounts were down $1.2 billion compared to the prior quarter, which reflects a decrease in public funds and commercial accounts totaling $991 million and $406 million, respectively. These declines were partially offset by an increase of $212 million in retail accounts. Foreign office deposits increased $562 million compared to the first quarter, which partially offset the declines in interest checking, money market and savings, and certificates and other time deposits.

The cost of interest-bearing deposits was 0.32% for the second quarter of 2013, a decrease of four basis points compared to the prior quarter.

Management expects continued growth in noninterest-bearing deposits during the third quarter of 2013, along with lower interest-bearing deposit costs, resulting in the cost of deposits falling below 0.30% by year-end.

*Borrowings*

At June 30, 2013, short-term borrowings totaled $3.2 billion, an increase of $328 million, compared to December 31, 2012. Long-term debt totaled $19.4 billion at June 30, 2013, an increase of $248 million, or 1.3%, from the balance at December 31, 2012. The increase in long-term debt reflects the June 2013 issuance of $125 million in floating rate (0.70% at June 30, 2013) senior notes due June 2016, $400 million in floating rate (1.13% at June 30, 2013) senior notes due in June 2018, and $600 million in senior notes with an interest rate of 2.05% due in June 2018. These issuances were partially offset by the maturity of $222 million in 4.875% subordinated notes in January 2013, and a net decrease of $532 million in FHLB advances.

*Shareholders' Equity*

Total shareholders' equity at June 30, 2013 was $22.0 billion, an increase of $773 million, or 3.6%, compared to December 31, 2012. This increase was driven by net proceeds of $487 million from the issuance of Tier 1 qualifying Series G Non-Cumulative Perpetual Preferred Stock, and net income of $832 million offset by common and preferred dividends totaling $322 million and $43 million, respectively. These increases were partially offset by a $225 million

increase in other comprehensive loss, which primarily reflects a decrease in unrealized net gains on AFS securities totaling $415 million, offset by $162 million decrease in unrealized net losses on cash flow hedges, both of which relate to the increase in certain interest rates during the six months ended June 30, 2013. BB&T's book value per common share at June 30, 2013 was $27.51, compared to $27.21 at December 31, 2012.

*Merger-Related and Restructuring Activities*

At June 30, 2013 and December 31, 2012, merger-related and restructuring accruals totaled $30 million and $11 million, respectively. The increase is primarily due to optimization activities related to Community Banking initiated during the second quarter. Merger-related and restructuring accruals are re-evaluated periodically and adjusted as necessary. The remaining accruals at June 30, 2013 are expected to be utilized within one year, unless they relate to specific contracts that expire later.

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***Risk Management***

In the normal course of business BB&T encounters inherent risk in its business activities. Risk decisions are made as closely as possible to where the risk occurs. Centrally, risk oversight is managed at the corporate level through oversight, policies and reporting. The principal types of inherent risk include regulatory, credit, liquidity, market, operational, reputation and strategic risks. Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2012 for disclosures related to each of these risks under the section titled "Risk Management."

***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 in its balance sheet; however, market risk also includes product liquidity risk, price risk and volatility risk in BB&T's lines of business. The primary objectives of market risk management are to minimize any adverse effect that changes in market risk factors may have on net interest income, and to offset the risk of price changes for certain assets recorded at fair value. At BB&T, market risk management also includes the enterprise-wide IPV function.

*Interest Rate Market Risk (Other than Trading)*

BB&T actively manages market risk associated with 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 reasonably consistent net interest income during periods of changing interest rates. 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 NIM and assure liquidity by coordinating the volumes, maturities or repricing opportunities of earning assets, deposits and borrowed funds. Among other things, this process gives consideration to prepayment trends related to securities, loans and leases and certain deposits that have no stated maturity. Prepayment assumptions are developed using a combination of market data and internal historical prepayment experience for residential mortgage-related loans and securities, and internal historical prepayment experience for client deposits with no stated maturity and loans that are not residential mortgage related. These assumptions are subject to monthly back-testing, and are adjusted as deemed necessary to reflect changes in interest rates relative to the reference rate of the underlying assets or liabilities. On a monthly basis, BB&T evaluates the accuracy of its interest rate forecast model, which includes an evaluation of its prepayment assumptions, to ensure that all significant assumptions inherent in the model appropriately reflect changes in the interest rate environment and related trends in prepayment activity. It is the responsibility of the MRLCC 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 MRLCC also sets policy

guidelines and establishes long-term strategies with respect to interest rate risk exposure and liquidity. The MRLCC 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 derivatives primarily to manage economic risk related to securities, commercial loans, MSRs, mortgage banking operations, long-term debt and other funding sources. BB&T also uses derivatives to facilitate transactions on behalf of its clients. As of June 30, 2013, BB&T had derivative financial instruments outstanding with notional amounts totaling $64.1 billion, with a net liability fair value of $21 million. See Note 14 "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 FRB 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 MRLCC, management believes that BB&T is positioned to respond to changing needs for liquidity, changes in interest rates and inflationary trends.

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Management uses the 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. The 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 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 that include 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 EVE analysis to focus on projected 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 BB&T's portfolio of assets, liabilities, and derivative 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 assuming a gradual change in interest rates as described below. Key assumptions in the preparation of the table include prepayment speeds of mortgage-related and other assets, cash flows and maturities of derivative financial instruments, loan volumes and pricing, deposit sensitivity, customer preferences and capital plans. The resulting change in net interest income reflects the level of sensitivity that interest sensitive income has in relation to changing interest rates.

**Table 15**
**Interest Sensitivity Simulation Analysis**

| **Interest Rate Scenario** | | | **Annualized Hypothetical Percentage Change in Net Interest Income** | |
|---|---|---|---|---|
| **Linear** | **Prime Rate** | | | |
| **Change in Prime Rate** | **June 30, 2013** | **2012** | **June 30, 2013** | **2012** |

| | | | | |
|---|---|---|---|---|
| 2.00 % | 5.25 % | 5.25 % | 3.94 % | 3.42 % |
| 1.00 | 4.25 | 4.25 | 2.47 | 1.97 |
| No Change | 3.25 | 3.25 | | |
| (0.25) | 3.00 | 3.00 | (0.11) | (0.24) |

The MRLCC has established parameters related to interest sensitivity that prescribe a maximum negative impact on net interest income under different interest rate scenarios. In the event the results of the Simulation model fall outside the established parameters, management will make recommendations to the MRLCC on the most appropriate response given the current economic forecast. The following parameters and interest rate scenarios are considered BB&T's primary measures of interest rate risk:

- Maximum negative impact on net interest income of 2% for the next 12 months assuming a linear change in interest rates totaling 100 basis points over four months followed by a flat interest rate scenario for the remaining eight month period.

- Maximum negative impact on net interest income of 4% for the next 12 months assuming a linear change of 200 basis points over eight months followed by a flat interest rate scenario for the remaining four month period.

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These “interest rate ramp” limits are considered BB&T’s primary measure of interest rate risk. If a rate change of 200 basis points cannot be modeled due to a low level of rates, a proportional limit applies. Management currently only models a negative 25 basis point decline because larger declines would have resulted in a Federal funds rate of less than zero. In a situation such as this, the maximum negative impact on net interest income is adjusted on a proportional basis. Regardless of the proportional limit, the negative risk exposure limit will be the greater of 1% or the proportional limit.

Management has also established a maximum negative impact on net interest income of 4% for an immediate 100 basis points change in rates and 8% for an immediate 200 basis points change in rates. These “interest rate shock” limits are designed to create an outer band of acceptable risk based upon a significant and immediate change in rates.

Management must also consider how the balance sheet and interest rate risk position could be impacted by changes in balance sheet mix. Liquidity in the banking industry has been very strong during the current economic cycle. Much of this liquidity increase has been due to a significant increase in noninterest-bearing demand deposits. Consistent with the industry, Branch Bank has seen a significant increase in this funding source. The behavior of these deposits is one of the most important assumptions used in determining the interest rate risk position of BB&T. A loss of these deposits in the future would reduce the asset sensitivity of BB&T’s balance sheet as the company increases interest-bearing funds to offset the loss of this advantageous funding source.

Beta represents the correlation between overall market interest rates and the rates paid by BB&T on interest-bearing deposits. BB&T applies an average beta of approximately 80% to its managed rate deposits for determining its interest rate sensitivity. Managed rate deposits are high beta, premium money market and interest checking accounts, which attract significant client funds when needed to support balance sheet growth. BB&T regularly conducts sensitivity on other key variables to determine the impact they could have on the interest rate risk position. This discipline informs management judgment and allows BB&T to evaluate the likely impact on its balance sheet management strategies due to a more extreme variation in a key assumption than expected.

The following table shows the effect that the loss of demand deposits and an associated increase in managed rate deposits would have on BB&T’s interest-rate sensitivity position. For purposes of this analysis, BB&T modeled the incremental beta for the replacement of the lost demand deposits at 100%.

**Table 16**
**Deposit Mix Sensitivity Analysis**

| Increase in | Base Scenario | Results Assuming a Decrease in Noninterest Bearing Demand |
|---|---|---|

| Rates | at June 30, 2013 (1) | Deposits $1 Billion | $5 Billion |
|---|---|---|---|
| 2.00 % | 3.94 % | 3.68 % | 2.67 % |
| 1.00 | 2.47 | 2.31 | 1.68 |

(1) The base scenario is equal to the annualized hypothetical percentage change in net interest income at June 30, 2013 as presented in Table 15.

The following table shows the effect that the indicated changes in interest rates would have on EVE. Key assumptions in the preparation of the table include prepayment speeds of mortgage-related and other assets, cash flows and maturities of derivative financial instruments, loan volumes and pricing and deposit sensitivity. The resulting change in the EVE reflects the level of sensitivity that EVE has in relation to changing interest rates.

**Table 17**
**EVE Simulation Analysis**

| Change in Rates | EVE/Assets June 30, 2013 | 2012 | Hypothetical Percentage Change in EVE June 30, 2013 | 2012 |
|---|---|---|---|---|
| 2.00 % | 8.4 % | 6.7 % | 2.1 % | 19.3 % |
| 1.00 | 8.4 | 6.4 | 2.5 | 13.3 |
| No Change | 8.2 | 5.6 | | |
| (0.25) | 8.1 | 5.4 | (1.4) | (4.4) |

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*Market Risk from Trading Activities*

BB&T also manages market risk from trading activities which consists of acting as a financial intermediary to provide its customers access to derivatives, foreign exchange and securities markets. Trading market risk is managed through the use of statistical and non-statistical risk measures and limits. BB&T utilizes a historical VaR methodology to measure and aggregate risks across its covered trading lines of business. This methodology uses one year of historical data to estimate economic outcomes for a one-day time horizon at a 99% confidence level. The average 99% one-day VaR and the maximum daily VaR for the three months ended June 30, 2013 were less than $1 million.

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

Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2012 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 12 "Commitments and Contingencies" and Note 13 "Fair Value Disclosures" in the "Notes to Consolidated Financial Statements."

***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 cash, cash equivalents and AFS securities, 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. BB&T monitors key liquidity metrics at both the Parent Company and Branch Bank.

Parent Company

The purpose of the Parent Company is to serve as the primary capital financing vehicle for the operating subsidiaries. The assets of the Parent Company consist primarily of cash on deposit with Branch Bank, equity investments in subsidiaries, advances to subsidiaries, accounts receivable from subsidiaries, and other miscellaneous assets. The principal obligations of the Parent Company are principal and interest payments on long-term debt. The main sources of funds for the Parent Company are dividends and management fees from subsidiaries, repayments of advances to subsidiaries, and proceeds from the issuance of equity and long-term debt. The primary uses of funds by the Parent Company are for investments in subsidiaries, advances to subsidiaries, dividend payments to common and preferred

shareholders, retirement of common stock and interest and principal payments due on long-term debt.

Liquidity at the Parent Company is more susceptible to market disruptions. BB&T prudently manages cash levels at the Parent Company to cover a minimum of one year of projected contractual cash outflows which includes unfunded external commitments, debt service, preferred dividends and scheduled debt maturities without the benefit of any new cash infusions. Generally, BB&T maintains a significant buffer above the projected one year of contractual cash outflows. In determining the buffer, BB&T considers cash for common dividends, unfunded commitments to affiliates, being a source of strength to its banking subsidiaries, and being able to withstand sustained market disruptions which may limit access to the credit markets. As of June 30, 2013 and December 31, 2012, the Parent Company had 32 months and 35 months, respectively, of cash on hand to satisfy projected contractual cash outflows as described above.

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Branch Bank

Branch Bank has several major sources of funding to meet its liquidity requirements, including access to capital markets through issuance of senior or subordinated bank notes and institutional CDs, access to the FHLB system, dealer repurchase agreements and repurchase agreements with commercial clients, access to the overnight and term Federal funds markets, use of a Cayman branch facility, access to retail brokered CDs and a borrower in custody program with the FRB for the discount window. As of June 30, 2013, BB&T has approximately $55 billion of secured borrowing capacity, which represents approximately 289% of one year wholesale funding maturities.

BB&T also monitors the ability to meet customer demand for funds under both normal and stressed market conditions. In considering its liquidity position, management evaluates BB&T's funding mix based on client core funding, client rate-sensitive funding and non-client rate-sensitive funding. In addition, management also evaluates exposure to rate-sensitive funding sources that mature in one year or less. Management also measures liquidity needs against 30 days of stressed cash outflows for Branch Bank. To ensure a strong liquidity position, management maintains a liquid asset buffer of cash on hand and highly liquid unpledged securities. The Company has established a policy that the liquid asset buffer would be a minimum of 5% of total assets, but intends to maintain the ratio well in excess of this level. As of June 30, 2013 and December 31, 2012, BB&T's liquid asset buffer was 10.5% and 11.1%, respectively, of total assets.

The ability to raise funding at competitive prices is affected by the rating agencies' views of the Parent Company's and Branch Bank's credit quality, liquidity, capital and earnings. Management meets with the rating agencies on a routine basis to discuss current outlooks.

BB&T and Branch Bank have Contingency Funding Plans designed to ensure that liquidity sources are sufficient to meet their ongoing obligations and commitments, particularly in the event of a liquidity contraction. These plans are designed to examine and quantify the organization's liquidity under various "stress" scenarios. Additionally, the plans provide a framework for management and other critical personnel to follow in the event of a liquidity contraction or in anticipation of such an event. The plans address authority for activation and decision making, liquidity options and the responsibilities of key departments in the event of a liquidity contraction. The liquidity options available to management could include seeking secured funding, asset sales, and under the most extreme scenarios, curtailing new loan originations. Management believes current sources of liquidity are adequate to meet BB&T's current requirements and plans for continued growth.

***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 risk profile consistent with the Board-approved risk appetite, provide financial flexibility to support future growth and client

needs, comply with relevant laws, regulations, and supervisory guidance, achieve optimal credit ratings for BB&T and its subsidiaries and provide a competitive return to shareholders.

Management regularly monitors the capital position of BB&T on both a consolidated and bank level basis. In this regard, management's overriding policy is to maintain capital at levels that are in excess of the operating capital guidelines, which are above the regulatory "well capitalized" levels. Management has recently implemented stressed capital ratio minimum guidelines to evaluate whether capital levels are sufficient to withstand the impact of plausible, severe economic downturns or bank-specific events. The following table presents the minimum capital ratios:

**Table 18**
**BB&T's Internal Capital Guidelines**

| | **Operating** | | **Stressed** | |
|---|---|---|---|---|
| Tier 1 Capital Ratio | 9.50 | % | 7.50 | % |
| Total Capital Ratio | 11.50 | | 9.50 | |
| Tier 1 Leverage Capital Ratio | 6.50 | | 5.00 | |
| Tangible Capital Ratio | 5.50 | | 4.00 | |
| Tier 1 Common Equity Ratio | 8.00 | | 6.00 | |

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While nonrecurring events or management decisions may result in the Company temporarily falling below its operating minimum guidelines for one or more of these ratios, it is management's intent through capital planning to return to these targeted operating minimums within a reasonable period of time. Such temporary decreases below the operating minimums shown above are not considered an infringement of BB&T's overall capital policy provided the Company and Branch Bank remain "well-capitalized."

On March 14, 2013, the FRB informed BB&T that it objected to certain elements of its capital plan. However, based on the quantitative results of the stress test, BB&T does not believe these objections were related to the Company's capital strength, earnings power or financial condition. BB&T resubmitted its CCAR plan on June 11, 2013, and the regulators have up to 75 days to review the resubmission and provide the results of their review to the Company.

Risk-based capital ratios, which include Tier 1 Capital, Total Capital and Tier 1 Common Equity, are calculated based on regulatory guidance related to the measurement of capital and risk-weighted assets.

**Table 19**
**Capital Ratios (1)**

| | **As of / For the Three Months Ended** | | | |
|---|---|---|---|---|
| | **6/30/13** | | **12/31/12** | |
| | **(Dollars in millions, shares in thousands)** | | | |
| Risk-based: | | | | |
| Tier 1 (2) | 11.1 | % | 10.5 | % |
| Total (2) | 13.9 | | 13.4 | |
| Leverage capital | 8.8 | | 8.2 | |
| Non-GAAP capital measures (3) | | | | |
| Tier 1 common equity as a percentage of tangible assets | 7.3 | | 6.9 | |
| Tier 1 common equity as a percentage of risk-weighted assets (2) | 9.3 | | 9.0 | |
| Calculations of Tier 1 common equity and | | | | |

| tangible assets and related measures: | | |
|---|---|---|
| Tier 1 equity | $ 15,397 | $ 14,373 |
| Less: | | |
| Qualifying restricted core capital elements | 2,603 | 2,116 |
| Tier 1 common equity | $ 12,794 | $ 12,257 |
| | | |
| Total assets | $ 182,735 | $ 183,872 |
| Less: | | |
| Intangible assets, net of deferred taxes | 7,234 | 7,273 |
| Plus: | | |
| Regulatory adjustments, net of deferred taxes | 600 | 212 |
| Tangible assets | $ 176,101 | $ 176,811 |
| | | |
| Total risk-weighted assets (4) | $ 138,265 | $ 136,367 |
| Tier 1 common equity | $ 12,794 | $ 12,257 |
| Outstanding shares at end of period | 702,995 | 699,728 |
| Tangible book value per common share | $ 18.20 | $ 17.52 |

(1) Regulatory capital information is preliminary.

(2) Tier 1 capital, total capital and Tier 1 common equity ratios as of December 31, 2012 were previously reported on BB&T's March 31, 2013 Form 10-Q as 10.7%, 13.6% and 9.1%, respectively.

(3) 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. Management uses these measures to assess the quality of capital and believes that investors may find them useful in their analysis of the Company. These capital measures are not necessarily comparable to similar capital measures that may be presented by other companies.

(4) Risk-weighted assets as of December 31, 2012 was previously reported on BB&T's March 31, 2013 Form 10-Q as $134.5 billion.

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**Table 20**
**Basel III Capital Ratios (1)**

| | June 30, 2013 | |
|---|---|---|
| | (Dollars in millions) | |
| Tier 1 common equity under Basel I definition | $ 12,794 | |
| Adjustments: | | |
| OCI related to AFS securities and benefit plans | | |
| Other adjustments | 62 | |
| Tier 1 common equity under Basel III definition | $ 12,856 | |
| Risk-weighted assets under Basel III definition | $ 144,797 | |
| Common equity Tier 1 ratio under Basel III | 8.9 | % |

(1) Regulatory capital information is preliminary. The Basel III amounts are based upon management's preliminary interpretation of the rules adopted by the FRB on July 2, 2013 and are subject to change.

BB&T's common equity Tier 1 ratio under Basel III was approximately 8.9% at June 30, 2013 based on management's interpretation of the final rules adopted by the FRB on July 2, 2013, which established a new comprehensive capital framework for U.S. banking organizations. The minimum required common equity Tier 1 ratio, including the capital

conservation buffer, will gradually increase from 4.5% on January 1, 2015 to 7.0% on January 1, 2019.

*Share Repurchase Activity*

No shares were repurchased in connection with the 2006 Repurchase Plan during 2013.

**Table 21**
**Share Repurchase Activity**

| | Total Shares Repurchased (1) | Average Price Paid Per Share (2) | Total Shares Purchased Pursuant to Publicly-Announced Plan | Maximum Remaining Number of Shares Available for Repurchase Pursuant to Publicly-Announced Plan |
|---|---|---|---|---|
| | (Shares in thousands) | | | |
| April 2013 | 3 | $ 31.09 | | 44,139 |
| May 2013 | 7 | 31.34 | | 44,139 |
| June 2013 | 18 | 33.49 | | 44,139 |
| Total | 28 | 32.69 | | 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.

*Non-GAAP Information*

Certain amounts have been presented that exclude the effect of the $281 million adjustment to the provision for income taxes that was recognized in the first quarter of 2013. BB&T believes these adjusted measures are meaningful as excluding the adjustment increases the comparability of certain period-to-period results. The following table reconciles these adjusted measures to their corresponding GAAP amount.

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**Table 22**
**Non-GAAP Reconciliations**

| | As Reported | Tax Adjustment | Excluding Tax Adjustment |
|---|---|---|---|
| | (Dollars in millions, except per share amount) | | |
| **Six Months Ended June 30, 2013** | | | |
| Net income available to common shareholders | $ 757 | $ 281 | $ 1,038 |
| Weighted average number of diluted common shares (thousands) | 711,998 | | 711,998 |
| Diluted EPS | $ 1.06 | | $ 1.46 |
| | | | |
| Net income | $ 832 | $ 281 | $ 1,113 |
| Average assets | 181,597 | 191 | 181,788 |
| Return on average assets | 0.92 % | | 1.23 % |
| | | | |
| Net income available to common shareholders | $ 757 | $ 281 | $ 1,038 |
| Average common shareholders' equity | 19,216 | 191 | 19,407 |
| Return on average common shareholders' equity | 7.95 % | | 10.79 % |
| | | | |
| **Three Months Ended March 31, 2013** | | | |
| Net income | $ 256 | $ 281 | $ 537 |
| Average assets | 181,358 | 100 | 181,458 |
| Return on average assets | 0.57 % | | 1.20 % |
| | | | |
| Net income available to common shareholders | $ 210 | $ 281 | $ 491 |
| Average common shareholders' equity | 19,138 | 100 | 19,238 |
| Return on average common shareholders' equity | 4.44 % | | 10.34 % |

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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 Rules 13a-15(e) and 15d-15(e) of 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.

***Changes in Internal Control over Financial Reporting***

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) 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.

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**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Refer to the “Commitments and Contingencies” footnote in the “Notes to Consolidated Financial Statements.”

**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, 2012. 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.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(c) 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 amended and restated April 25, 2013, and as further amended April 26, 2013. |
| 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 | Certification of Chief Executive Officer and Chief Financial Officer 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.

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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 8, 2013 | By: /s/ Daryl N. Bible<br>**Daryl N. Bible, Senior Executive Vice President and Chief Financial Officer**<br>**(Principal Financial Officer)** |
| Date: August 8, 2013 | By: /s/ Cynthia B. Powell<br>**Cynthia B. Powell, Executive Vice President and Corporate Controller**<br>**(Principal Accounting Officer)** |

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**EXHIBIT INDEX**

| Exhibit No. | Description | Location |
|---|---|---|
| 3(i)† | Articles of Incorporation of the Registrant, as amended and restated April 25, 2013, and as further amended April 26, 2013. | Incorporated herein by reference to Exhibit 3(i) of the Quarterly Report on Form 10-Q, filed May 2, 2013. |
| 11 | Statement re: Computation of Earnings Per Share. | Filed herewith as Note 15. |
| 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. |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | Furnished herewith. |
| 101.INS | XBRL Instance Document. | Filed herewith. |
| 101.SCH | XBRL Taxonomy Extension Schema. | Filed herewith. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase. | Filed herewith. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase. | Filed herewith. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase. | Filed herewith. |
| 101.DEF | XBRL Taxonomy Definition Linkbase. | Filed herewith. |

* Management compensatory plan or arrangement.
† Exhibit filed with the Securities and Exchange Commission and available upon request.