BB&T CORP
Form 10-Q
July 27, 2016

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, 2016
Commission File Number: 1-10853

BB&T CORPORATION
(Exact name of registrant as specified in its charter)

North Carolina	56-0939887
(State or Other Jurisdiction 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 June 30, 2016, 814,500,215 shares of the Registrant's common stock, $5 par value, were outstanding.

BB&T CORPORATION
FORM 10-Q
June 30, 2016
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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
2015 Repurchase Plan	Plan for the repurchase of up to 50 million shares of BB&T's common stock
ACL	Allowance for credit losses
Acquired from FDIC	Assets of Colonial Bank acquired from the Federal Deposit Insurance Corporation during 2009, which are currently covered or were formerly covered under loss sharing agreements
AFS	Available-for-sale
Agency MBS	Mortgage-backed securities issued by a U.S. government agency or GSE
ALLL	Allowance for loan and lease losses
American Coastal	American Coastal Insurance Company
AOCI	Accumulated other comprehensive income (loss)
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
BU	Business Unit
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CDI	Core deposit intangible assets
CFPB	Consumer Financial Protection Bureau
CEO	Chief Executive Officer
CRO	Chief Risk Officer
CMO	Collateralized mortgage obligation
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)
CRA	Community Reinvestment Act of 1977
CRE	Commercial real estate
CRMC	Credit Risk Management Committee
CROC	Compliance Risk Oversight Committee
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
EITSC	Enterprise IT Steering Committee
EPS	Earnings per common share
ERP	Enterprise resource planning
EVE	Economic value of equity
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FATCA	Foreign Account Tax Compliance Act
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHC	Financial Holding Company
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
HFI	Held for investment

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Term	Definition
HMDA	Home Mortgage Disclosure Act
HTM	Held-to-maturity
HUD-OIG	Office of Inspector General, U.S. Department of Housing and Urban Development
IDI	Insured depository institution
IMLAFA	International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001
IPV	Independent price verification
IRC	Internal Revenue Code
IRS	Internal Revenue Service
ISDA	International Swaps and Derivatives Association, Inc.
LCR	Liquidity Coverage Ratio
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
MBS	Mortgage-backed securities
MRLCC	Market Risk, Liquidity and Capital Committee
MSR	Mortgage servicing right
MSRB	Municipal Securities Rulemaking Board
National Penn	National Penn Bancshares, Inc., acquired by BB&T effective April 1, 2016
NIM	Net interest margin
NPA	Nonperforming asset
NPL	Nonperforming loan
NSFR	Net stable funding ratio
NYSE	NYSE Euronext, Inc.
OAS	Option adjusted spread
OCI	Other comprehensive income (loss)
OREO	Other real estate owned
ORMC	Operational Risk Management Committee
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
PCI	Purchased credit impaired loans as well as assets of Colonial Bank acquired from the FDIC during 2009, which are currently covered or were formerly covered under loss sharing agreements
Peer Group	Financial holding companies included in the industry peer group index
RMC	Risk Management Committee
RMO	Risk Management Organization
RSU	Restricted stock unit
RUFC	Reserve for unfunded lending commitments
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
Susquehanna	Susquehanna Bancshares, Inc., acquired by BB&T effective August 1, 2015
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, 2016	December 31, 2015
Assets		
Cash and due from banks	$1,958	$2,123
Interest-bearing deposits with banks	510	1,435
Federal funds sold and securities purchased under resale agreements or similar arrangements	145	153
Restricted cash	846	456
AFS securities at fair value	28,244	25,297
HTM securities (fair value of $19,157 and $18,519 at June 30, 2016 and December 31, 2015, respectively)	18,762	18,530
LHFS at fair value	2,485	1,035
Loans and leases	142,226	135,951
ALLL	(1,507)	(1,460)
Loans and leases, net of ALLL	140,719	134,491
Premises and equipment	2,088	2,007
Goodwill	9,621	8,548
CDI and other intangible assets	946	686
MSRs at fair value	785	880
Other assets	14,750	14,306
Total assets	$221,859	$209,947
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing deposits	$49,180	$45,695
Interest-bearing deposits	110,058	103,429
Total deposits	159,238	149,124
Short-term borrowings	1,472	3,593
Long-term debt	24,435	23,769
Accounts payable and other liabilities	6,971	6,121
Total liabilities	192,116	182,607
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, $5 par, liquidation preference of $25,000 per share	3,053	2,603
Common stock, $5 par	4,073	3,902
Additional paid-in capital	9,311	8,365
Retained earnings	14,104	13,464
AOCI, net of deferred income taxes	(837)	(1,028)
Noncontrolling interests	39	34
Total shareholders' equity	29,743	27,340
Total liabilities and shareholders' equity	$221,859	$209,947

Common shares outstanding	814,500	780,337
Common shares authorized	2,000,000	2,000,000
Preferred shares outstanding	126	107
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,	
	2016	2015	2016	2015
Interest Income				
Interest and fees on loans and leases	$1,509	$1,249	$2,951	$2,486
Interest and dividends on securities	286	232	541	472
Interest on other earning assets	10	8	34	24
Total interest income	1,805	1,489	3,526	2,982
Interest Expense				
Interest on deposits	64	55	128	110
Interest on short-term borrowings	3	1	5	2
Interest on long-term debt	121	121	247	246
Total interest expense	188	177	380	358
Net Interest Income	1,617	1,312	3,146	2,624
Provision for credit losses	111	97	295	196
Net Interest Income After Provision for Credit Losses	1,506	1,215	2,851	2,428
Noninterest Income				
Insurance income	465	422	884	862
Service charges on deposits	166	154	320	299
Mortgage banking income	111	130	202	240
Investment banking and brokerage fees and commissions	102	108	199	202
Trust and investment advisory revenues	67	57	129	113
Bankcard fees and merchant discounts	60	55	116	105
Checkcard fees	50	43	95	82
Operating lease income	35	30	69	59
Income from bank-owned life insurance	31	27	62	57
FDIC loss share income, net	(64)	(64)	(124)	(143)
Other income	107	58	149	141
Securities gains (losses), net				
Gross realized gains	—	2	45	2
Gross realized losses	—	—	—	—
OTTI charges	—	(2)	—	(2)
Non-credit portion recognized in OCI	—	(1)	—	(1)
Total securities gains (losses), net	—	(1)	45	(1)
Total noninterest income	1,130	1,019	2,146	2,016
Noninterest Expense				
Personnel expense	1,039	864	1,954	1,694
Occupancy and equipment expense	194	166	385	333
Software expense	53	46	104	90
Loan-related expense	36	37	68	75
Outside IT services	44	29	85	59
Professional services	26	35	48	59
Amortization of intangibles	42	23	74	44
Regulatory charges	32	25	62	48

Foreclosed property expense	8	14	19	27
Merger-related and restructuring charges, net	92	25	115	38
(Gain) loss on early extinguishment of debt	—	172	(1)	172
Other expense	231	217	429	436
Total noninterest expense	1,797	1,653	3,342	3,075
Earnings				
Income before income taxes	839	581	1,655	1,369
Provision for income taxes	252	80	498	321
Net income	587	501	1,157	1,048
Noncontrolling interests	3	10	9	32
Dividends on preferred stock	43	37	80	74
Net income available to common shareholders	$541	$454	$1,068	$942
Basic EPS	$0.67	$0.63	$1.34	$1.30
Diluted EPS	$0.66	$0.62	$1.32	$1.29
Cash dividends declared per share	$0.28	$0.27	$0.55	$0.51
Basic weighted average shares outstanding	814,261	724,880	797,727	723,268
Diluted weighted average shares outstanding	823,682	734,527	806,839	733,002

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		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net Income	$587	$501	$1,157	$1,048
OCI, net of tax:				
Change in unrecognized net pension and postretirement costs	11	9	22	18
Change in unrealized net gains (losses) on cash flow hedges	(49)	73	(164)	19
Change in unrealized net gains (losses) on AFS securities	100	(107)	297	(50)
Change in FDIC's share of unrealized gains/losses on AFS securities	17	9	32	19
Other, net	1	1	4	(3)
Total OCI	80	(15)	191	3
Total comprehensive income	$667	$486	$1,348	$1,051
Income Tax Effect of Items Included in OCI:				
Change in unrecognized net pension and postretirement costs	$7	$5	$14	$11
Change in unrealized net gains (losses) on cash flow hedges	(30)	43	(98)	11
Change in unrealized net gains (losses) on AFS securities	60	(65)	178	(31)
Change in FDIC's share of unrealized gains/losses on AFS securities	10	9	18	14

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

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
Six Months Ended June 30, 2016 and 2015
(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, 2015	720,698	$ 2,603	$ 3,603	$ 6,517	$ 12,317	$ (751)	$ 88	$ 24,377
Add (Deduct):								
Net income	—	—	—	—	1,016	—	32	1,048
Net change in AOCI	—	—	—	—	—	3	—	3
Stock transactions:								
Issued in business combinations	7,847	—	39	283	—	—	—	322
Issued in connection with equity awards	6,249	—	31	64	—	—	—	95
Shares repurchased in connection with equity awards	(1,313)	—	(6)	(45)	—	—	—	(51)
Excess tax benefits in connection with equity awards	—	—	—	9	—	—	—	9
Purchase of additional ownership interest in AmRisc, LP	—	—	—	(219)	—	—	(3)	(222)
Cash dividends declared on common stock	—	—	—	—	(368)	—	—	(368)
Cash dividends declared on preferred stock	—	—	—	—	(74)	—	—	(74)
Equity-based compensation expense	—	—	—	58	—	—	—	58
Other, net	—	—	—	—	—	—	(65)	(65)
Balance, June 30, 2015	733,481	$ 2,603	$ 3,667	$ 6,667	$ 12,891	$ (748)	$ 52	$ 25,132
Balance, January 1, 2016	780,337	$ 2,603	$ 3,902	$ 8,365	$ 13,464	$ (1,028)	$ 34	$ 27,340
Add (Deduct):								
Net income	—	—	—	—	1,148	—	9	1,157
Net change in AOCI	—	—	—	—	—	191	—	191
Stock transactions:								
Issued in business combinations	31,666	—	158	905	—	—	—	1,063
Issued in connection with equity awards	3,479	—	18	6	—	—	—	24
Shares repurchased in connection with equity awards	(982)	—	(5)	(28)	—	—	—	(33)
Issued in connection with preferred stock offerings	—	450	—	—	—	—	—	450
Cash dividends declared on common stock	—	—	—	—	(439)	—	—	(439)
Cash dividends declared on preferred stock	—	—	—	—	(80)	—	—	(80)
	—	—	—	65	—	—	—	65

Equity-based compensation expense								
Other, net	—	—	—	(2)	11	—	(4)	5
Balance, June 30, 2016	814,500	$ 3,053	$ 4,073	$ 9,311	$ 14,104	$ (837)	$ 39	$ 29,743

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,	
	2016	2015
Cash Flows From Operating Activities:		
Net income	$1,157	$1,048
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	295	196
Adjustment to income tax provision	(13)	(107)
Depreciation	195	173
(Gain) loss on early extinguishment of debt	(1)	172
Amortization of intangibles	74	44
Equity-based compensation expense	65	58
(Gain) loss on securities, net	(45)	1
Net change in operating assets and liabilities:		
LHFS	(1,413)	(1,044)
Trading securities	595	(239)
Other assets	(438)	(524)
Accounts payable and other liabilities	282	180
Other, net	108	64
Net cash from operating activities	861	22
Cash Flows From Investing Activities:		
Proceeds from sales of AFS securities	4,480	754
Proceeds from maturities, calls and paydowns of AFS securities	2,466	2,708
Purchases of AFS securities	(6,912)	(3,486)
Proceeds from maturities, calls and paydowns of HTM securities	2,964	1,733
Purchases of HTM securities	(3,122)	(945)
Originations and purchases of loans and leases, net of principal collected	(1,103)	(1,704)
Net cash received (paid) for acquisitions and divestitures	(789)	1,742
Other, net	(38)	29
Net cash from investing activities	(2,054)	831
Cash Flows From Financing Activities:		
Net change in deposits	3,499	277
Net change in short-term borrowings	(3,515)	143
Proceeds from issuance of long-term debt	3,028	1,017
Repayment of long-term debt	(3,008)	(1,266)
Net proceeds from preferred stock issued	450	—
Cash dividends paid on common stock	(439)	(368)
Cash dividends paid on preferred stock	(80)	(74)
Other, net	160	(286)
Net cash from financing activities	95	(557)
Net Change in Cash and Cash Equivalents	(1,098)	296
Cash and Cash Equivalents at Beginning of Period	3,711	2,325

Cash and Cash Equivalents at End of Period	$2,613	$2,621
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$395	$360
Income taxes	263	440
Noncash investing activities:		
Transfers of loans to foreclosed assets	229	249
Purchase of additional interest in AmRisc, LP	—	216
Stock issued in business combinations	1,063	322

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 notes included in the Annual Report on Form 10-K for the year ended December 31, 2015 should be referred to in connection with these unaudited interim consolidated financial statements.

Reclassifications

Certain 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

During June 2016, the FASB issued new guidance related to Credit Losses. The new guidance replaces the incurred loss impairment methodology in current GAAP with an expected credit loss methodology and requires consideration of a broader range of information to determine credit loss estimates. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Purchased credit impaired loans will receive an allowance account at the acquisition date that represents a component of the purchase price allocation. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses, with such allowance limited to the amount by which fair value is below amortized cost. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently evaluating this guidance to determine the impact on its consolidated financial statements.

During March 2016, the FASB issued new guidance related to Stock Compensation. The new guidance eliminates the concept of APIC pools for stock-based awards and requires that the related excess tax benefits and tax deficiencies be classified as an operating activity in the statement of cash flows. The new guidance also allows entities to make a one-time policy election to account for forfeitures when they occur, instead of accruing compensation cost based on the number of awards expected to vest. Additionally, the new guidance changes the requirement for an award to qualify for equity classification by permitting tax withholding up to the maximum statutory tax rate instead of the minimum statutory tax rate. Cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity in the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The adoption of this guidance is not expected to be material to the consolidated financial statements.

During March 2016, the FASB issued new guidance related to Investments. The new guidance eliminates the requirement to retroactively adjust the financial statements when a change in ownership or influence causes an existing investment to qualify for the equity method of accounting. The new guidance requires the investor to add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. This guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The adoption of this guidance is not expected to be material to the consolidated financial statements.

During March 2016, the FASB issued new guidance related to Derivatives and Hedging. The new guidance clarifies the requirements for assessing whether contingent call or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts, which is used to determine whether the embedded derivative should be separated from the host contract and accounted for separately as a derivative. An entity performing the assessment will be required to assess the embedded call or put options solely in accordance with the pre-existing four-step decision sequence. This guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The adoption of this guidance is not expected to be material to the consolidated financial statements.

During March 2016, the FASB issued new guidance related to Liabilities. The new guidance requires companies to recognize breakage on prepaid stored-value products in accordance with the recently issued guidance on Revenue from Contracts with Customers. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The adoption of this guidance is not expected to be material to the consolidated financial statements.

During March 2016, the FASB issued new guidance related to Derivatives and Hedging. The new guidance clarifies that derivative instrument novations do not require dedesignation of the related hedging relationship provided that all other hedge accounting criteria continue to be met. BB&T adopted this guidance upon issuance. The adoption of this guidance was not material to the consolidated financial statements.

During February 2016, the FASB issued new guidance related to Leases. The new guidance requires lessees to recognize assets and liabilities related to certain operating leases on the balance sheet. The new guidance also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. This guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company is currently evaluating this guidance to determine the impact on its consolidated financial statements.

During January 2016, the FASB issued new guidance related to Financial Instruments. The new guidance requires the majority of equity investments to be measured at fair value with changes in fair value recognized in net income, excluding equity investments that are consolidated or accounted for under the equity method of accounting. The new guidance allows equity investments without readily determinable fair values to be measured at cost minus impairment, with a qualitative assessment required to identify impairment. For financial instruments recorded at amortized cost, the new guidance requires public companies to use exit prices to measure the fair value for disclosure purposes, eliminates the disclosure requirements related to measurement assumptions and requires separate presentation of financial assets and liabilities based on form and measurement category. In addition, for liabilities measured at fair value under the fair value option, the changes in fair value due to changes in instrument-specific credit risk should be recognized in OCI. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company is currently evaluating this guidance to determine the impact on its consolidated financial statements.

During May 2015, the FASB issued new guidance related to Insurance. The new guidance requires insurance companies to provide additional disclosures about the liability for unpaid claims and claim adjustment expenses. This guidance is effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. BB&T's insurance operations primarily consist of agency/broker transactions; therefore, the adoption of this guidance is not expected to be material to the consolidated financial statements.

During May 2014, the FASB issued new guidance related to Revenue from Contracts with Customers. This guidance supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Accounting Standards Codification. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. During August 2015, the FASB provided a one-year deferral of the effective date; therefore, the guidance is effective for interim and annual reporting periods beginning after December 15, 2017. The FASB has also issued clarification guidance as it relates to principal versus agent considerations for revenue recognition purposes and clarification guidance on other various considerations related to the new revenue recognition guidance. Additionally, during April 2016, the FASB issued further clarification guidance related to identifying performance obligations and licensing. The Company is currently evaluating this guidance to determine the impact on its consolidated financial statements.

Effective January 1, 2016, BB&T adopted new guidance related to Fair Value Measurement. The new guidance eliminates the requirement to classify in the fair value hierarchy any investments for which fair value is measured at net asset value per share using the practical expedient. The adoption of this guidance was not material to the consolidated financial statements.

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Effective January 1, 2016, BB&T adopted new guidance related to Internal-Use Software. Under the new guidance, if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The adoption of this guidance was not material to the consolidated financial statements.

Effective January 1, 2016, BB&T adopted new guidance related to Debt Issuance Costs. The new guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The adoption of this guidance was not material to the consolidated financial statements, therefore, it was adopted on a prospective basis.

Effective January 1, 2016, BB&T adopted new guidance related to Consolidation. The new guidance provides an additional requirement for a limited partnership or similar entity to qualify as a voting interest entity, amending the criteria for consolidating such an entity and eliminating the deferral provided under previous guidance for investment companies. In addition, the new guidance amends the criteria for evaluating fees paid to a decision maker or service provider as a variable interest and amends the criteria for evaluating the effect of fee arrangements and related parties on a VIE primary beneficiary determination. The adoption of this guidance was not material to the consolidated financial statements.

NOTE 2. Acquisitions and Divestitures

On April 1, 2016, BB&T acquired all of the outstanding stock of National Penn, a Pennsylvania incorporated BHC. National Penn conducted its business operations primarily through its bank subsidiary, National Penn Bank, which was merged into Branch Bank. National Penn operated other subsidiaries in Pennsylvania, New Jersey and Maryland to provide a wide range of retail and commercial banking and financial products and services. National Penn also operated a trust and investment company, an asset management company and a property and casualty insurance brokerage company. National Penn had 126 banking offices as of the acquisition date. BB&T acquired National Penn in order to increase BB&T's market share in these areas.

The acquisition of National Penn constituted a business combination. Accordingly, the assets acquired and liabilities assumed are presented at their fair values in the table below. The determination of fair value requires management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. These fair value estimates are considered preliminary and are subject to change for up to one year after the closing date of the acquisition as additional information becomes available. Immaterial amounts of the intangible assets recognized are deductible for income tax purposes.

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	National Penn	
	UPB	Fair Value
	(Dollars in millions)	
Assets acquired:		
Cash, due from banks and federal funds sold		$216
Securities		2,496
Loans and leases:		
Commercial and industrial	$2,817	2,596
CRE-income producing properties	1,450	1,202
CRE-construction and development	165	127
Direct retail lending	801	767
Revolving credit	7	7
Residential mortgage	1,217	1,000
Sales finance	166	162
PCI	181	124
Total loans and leases	$6,804	5,985
Goodwill		802
CDI		67
Other assets		501
Total assets acquired		10,067
Liabilities assumed:		
Deposits:		
Noninterest-bearing deposits		1,209
Interest-bearing deposits		5,420
Total deposits		6,629
Debt		1,756
Other liabilities		64
Total liabilities assumed		8,449
Consideration paid		$1,618
Cash paid		$555
Fair value of common stock issued, including replacement equity awards		1,063

The purchase price allocation for this acquisition has not been finalized. The following is a description of the methods used to determine the fair values of significant assets and liabilities.

Cash, due from banks and federal funds sold: The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Securities: Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair value estimates are based on observable inputs including quoted market prices for similar instruments, quoted market prices that are not in an active market or other inputs that are observable in the market. In the absence of observable inputs, fair value is estimated based on pricing models and/or discounted cash flow methodologies.

Loans and leases: Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan, amortization status and current discount rates. Loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns. The discount rate does not include a factor for credit losses as that has been included as a reduction to the estimated cash flows.

CDI: This intangible asset represents the value of the relationships with deposit customers. The fair value was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, cost of the deposit base, reserve requirements and the net maintenance cost attributable to customer deposits. The CDI is being amortized over 10 years based upon the estimated economic benefits received.

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Deposits: The fair values used for the demand and savings deposits by definition equal the amount payable on demand at the acquisition date. The fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered to the contractual interest rates on such time deposits.

Debt: The fair values of long-term debt instruments 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 current incremental borrowing rates for similar types of instruments.

Other Acquisitions and Divestitures

On April 1, 2016, BB&T purchased insurance broker CGSC North America Holdings Corporation ("Swett & Crawford") from Cooper Gay Swett & Crawford for $465 million in cash. The purchase price allocation for this acquisition has not been finalized.

See BB&T's Annual Report on Form 10-K for the year ended December 31, 2015 for additional information related to the following transactions.

During the third quarter of 2015, BB&T acquired Susquehanna Bancshares, Inc., resulting in the addition of $18.3 billion in assets and $14.1 billion in deposits. Susquehanna had 245 financial centers in Pennsylvania, Maryland, New Jersey and West Virginia. The purchase price allocation for this acquisition will be finalized within the next quarter.

During the second quarter of 2015, BB&T acquired The Bank of Kentucky, which provided $2.0 billion in assets, $1.6 billion in deposits and 32 financial centers.

During the second quarter of 2015, BB&T purchased additional ownership interest in AmRisc, LP from the noncontrolling owners in exchange for cash and full ownership of American Coastal, which resulted in a net charge to equity.

During the first quarter of 2015, BB&T acquired 41 financial centers in Texas, which provided $238 million in assets and $1.9 billion in deposits.

NOTE 3. Securities

June 30, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
AFS securities:				
U.S. Treasury	$1,159	$ 14	$ —	$1,173
Agency MBS	23,727	199	87	23,839
States and political subdivisions	2,153	101	43	2,211
Non-agency MBS	68	—	—	68
Other	7	3	—	10
Acquired from FDIC	706	237	—	943
Total AFS securities	$27,820	$ 554	$ 130	$28,244
HTM securities:				
U.S. Treasury	$1,097	$ 59	$ —	$1,156
GSE	3,946	89	—	4,035
Agency MBS	13,531	255	9	13,777
States and political subdivisions	134	—	—	134

Other	54	2	1	55
Total HTM securities	$18,762	$ 405	$ 10	$19,157

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December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
AFS securities:				
U.S. Treasury	$1,836	$ 2	$ 6	$1,832
GSE	51	—	—	51
Agency MBS	20,463	22	439	20,046
States and political subdivisions	2,025	94	40	2,079
Non-agency MBS	198	23	—	221
Other	4	—	—	4
Acquired from FDIC	772	292	—	1,064
Total AFS securities	$25,349	$ 433	$ 485	$25,297
HTM securities:				
U.S. Treasury	$1,097	$ 22	$ —	$1,119
GSE	5,045	16	98	4,963
Agency MBS	12,267	70	22	12,315
States and political subdivisions	63	—	—	63
Other	58	2	1	59
Total HTM securities	$18,530	$ 110	$ 121	$18,519

The fair value of securities acquired from the FDIC included non-agency MBS of $680 million and $768 million as of June 30, 2016 and December 31, 2015, respectively, and states and political subdivisions securities of $263 million and $296 million as of June 30, 2016 and December 31, 2015, respectively. Effective October 1, 2014, securities subject to the commercial loss sharing agreement with the FDIC related to the Colonial acquisition were no longer covered by loss sharing; however, any gains on the sale of these securities through September 30, 2017 would be shared with the FDIC. Since these securities are in a significant unrealized gain position, they continue to be effectively covered as any declines in the unrealized gains of the securities down to a contractually specified amount would reduce the liability to the FDIC at the applicable percentage. The contractually-specified amount is the acquisition date fair value less any paydowns, redemptions or maturities and OTTI and totaled approximately $449 million at June 30, 2016. Any further declines below the contractually-specified amount would not be covered.

Certain investments in marketable debt securities and MBS issued by FNMA and FHLMC exceeded 10% of shareholders' equity at June 30, 2016. The FNMA investments had total amortized cost and fair value of $15.7 billion and $15.8 billion, respectively. The FHLMC investments had total amortized cost and fair value of $7.6 billion.

The following table reflects changes in credit losses on securities with OTTI (excluding securities acquired from the FDIC) where a portion of the unrealized loss was recognized in OCI:

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
	(Dollars in millions)			
Balance at beginning of period	$18	$61	$42	$64
Credit losses on securities with previously recognized OTTI	—	3	—	3
Securities sold/settled during the period	2	(4)	(21)	(7)
Credit recoveries through yield	—	(1)	(1)	(1)
Balance at end of period	$20	$59	$20	$59

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

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June 30, 2016	AFS Amortized Cost	AFS Fair Value	HTM Amortized Cost	HTM Fair Value
	(Dollars in millions)			
Due in one year or less	$228	$228	$—	$—
Due after one year through five years	1,040	1,059	2,162	2,222
Due after five years through ten years	987	1,009	2,953	3,042
Due after ten years	25,565	25,948	13,647	13,893
Total debt securities	$27,820	$28,244	$18,762	$19,157

The following tables present the fair values and gross unrealized losses of investments based on the length of time that individual securities have been in a continuous unrealized loss position:

June 30, 2016	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:						
Agency MBS	$1,889	$ 12	$5,061	$ 75	$6,950	$ 87
States and political subdivisions	180	1	367	42	547	43
Total	$2,069	$ 13	$5,428	$ 117	$7,497	$ 130
HTM securities:						
Agency MBS	$1,046	$ 8	$94	$ 1	$1,140	$ 9
Other	52	1	—	—	52	1
Total	$1,098	$ 9	$94	$ 1	$1,192	$ 10

December 31, 2015	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:						
U.S. Treasury securities	$1,211	$ 6	$—	$ —	$1,211	$ 6
Agency MBS	12,052	199	5,576	240	17,628	439
States and political subdivisions	64	1	329	39	393	40
Total	$13,327	$ 206	$5,905	$ 279	$19,232	$ 485
HTM securities:						
GSE	$2,307	$ 41	$1,743	$ 57	$4,050	$ 98
Agency MBS	3,992	21	124	1	4,116	22
Other	56	1	—	—	56	1
Total	$6,355	$ 63	$1,867	$ 58	$8,222	$ 121

The unrealized losses on GSE securities and agency MBS were the result of increases in market interest rates compared to the date the securities were acquired rather than the credit quality of the issuers or underlying loans.

At June 30, 2016, $41 million of the unrealized loss on states and political subdivisions securities was the result of fair value hedge basis adjustments that are a component of amortized cost. These securities in an unrealized loss position are evaluated for credit impairment through a qualitative analysis of issuer performance and the primary source of repayment. At June 30, 2016, none of these securities had credit impairment.

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NOTE 4. Loans and ACL

Effective October 1, 2014, loans subject to the commercial loss sharing agreement with the FDIC related to the Colonial acquisition were no longer covered by loss sharing. At June 30, 2016, these loans had a carrying value of $240 million, a UPB of $377 million and an ALLL of $45 million and are included in PCI. Loans with a carrying value of $482 million at June 30, 2016 continue to be covered by loss sharing and are included in PCI.

June 30, 2016	Accruing				
	Current	30-89 Days Past Due	90 Days Or More Past Due	Nonaccrual	Total
	(Dollars in millions)				
Commercial:					
Commercial and industrial	$51,631	$20	$—	$ 452	$52,103
CRE-income producing properties	14,828	8	—	36	14,872
CRE-construction and development	3,674	2	—	14	3,690
Dealer floor plan	1,308	—	—	—	1,308
Other lending subsidiaries	7,190	14	—	11	7,215
Retail:					
Direct retail lending	11,915	53	5	52	12,025
Revolving credit	2,485	19	8	—	2,512
Residential mortgage-nonguaranteed	29,248	361	56	171	29,836
Residential mortgage-government guaranteed	317	81	415	1	814
Sales finance	9,359	61	4	5	9,429
Other lending subsidiaries	7,015	247	—	51	7,313
PCI	939	48	122	—	1,109
Total	$139,909	$914	$610	$ 793	$142,226

December 31, 2015	Accruing				
	Current	30-89 Days Past Due	90 Days Or More Past Due	Nonaccrual	Total
	(Dollars in millions)				
Commercial:					
Commercial and industrial	$48,157	$36	$—	$ 237	$48,430
CRE-income producing properties	13,370	13	—	38	13,421
CRE-construction and development	3,710	9	—	13	3,732
Dealer floor plan	1,215	—	—	—	1,215
Other lending subsidiaries	6,771	18	—	6	6,795
Retail:					
Direct retail lending	11,032	58	7	43	11,140
Revolving credit	2,478	22	10	—	2,510
Residential mortgage-nonguaranteed	29,038	397	55	173	29,663
Residential mortgage-government guaranteed	306	78	486	—	870

Sales finance	10,243	72	5	7	10,327
Other lending subsidiaries	6,381	286	—	59	6,726
PCI	966	42	114	—	1,122
Total	$133,667	$1,031	$677	$ 576	$135,951

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The following tables present the carrying amount of loans by risk rating. PCI loans are excluded because their related ALLL is determined by loan pool performance.

June 30, 2016	Commercial & Industrial	CRE - Income Producing Properties	CRE - Construction and Development	Dealer Floor Plan	Other Lending Subsidiaries
	(Dollars in millions)				
Commercial:					
Pass	$49,976	$ 14,382	$ 3,586	$1,294	$ 7,160
Special mention	466	167	24	—	6
Substandard - performing	1,209	287	66	14	38
Nonperforming	452	36	14	—	11
Total	$52,103	$ 14,872	$ 3,690	$1,308	$ 7,215

	Direct Retail Lending	Revolving Credit	Residential Mortgage	Sales Finance	Other Lending Subsidiaries
	(Dollars in millions)				
Retail:					
Performing	$11,973	$ 2,512	$ 30,478	$9,424	$ 7,262
Nonperforming	52	—	172	5	51
Total	$12,025	$ 2,512	$ 30,650	$9,429	$ 7,313

December 31, 2015	Commercial & Industrial	CRE - Income Producing Properties	CRE - Construction and Development	Dealer Floor Plan	Other Lending Subsidiaries
	(Dollars in millions)				
Commercial:					
Pass	$46,760	$ 12,940	$ 3,619	$1,195	$ 6,757
Special mention	305	166	29	6	3
Substandard-performing	1,128	277	71	14	29
Nonperforming	237	38	13	—	6
Total	$48,430	$ 13,421	$ 3,732	$1,215	$ 6,795

	Direct Retail Lending	Revolving Credit	Residential Mortgage	Sales Finance	Other Lending Subsidiaries
	(Dollars in millions)				
Retail:					
Performing	$11,097	$ 2,510	$ 30,360	$10,320	$ 6,667
Nonperforming	43	—	173	7	59
Total	$11,140	$ 2,510	$ 30,533	$10,327	$ 6,726

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The following tables represent activity in the ACL for the periods presented:

Three Months Ended June 30, 2016	ACL Rollforward Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Acquisition	Ending Balance
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$ 499	$ (26)	$ 12	$ 34	$ —	$ 519
CRE-income producing properties	125	—	1	(10)	—	116
CRE-construction and development	32	—	5	(9)	—	28
Dealer floor plan	10	—	—	—	—	10
Other lending subsidiaries	26	(4)	2	3	—	27
Retail:						
Direct retail lending	103	(12)	6	8	—	105
Revolving credit	100	(16)	5	9	—	98
Residential mortgage-nonguaranteed	197	(8)	1	4	—	194
Residential mortgage-government guaranteed	24	(1)	—	7	—	30
Sales finance	39	(6)	3	—	—	36
Other lending subsidiaries	270	(69)	10	68	—	279
PCI	63	—	—	2	—	65
ALLL	1,488	(142)	45	116	—	1,507
RUFC	92	—	—	(5)	9	96
ACL	$ 1,580	$ (142)	$ 45	$ 111	$ 9	$ 1,603

Three Months Ended June 30, 2015	ACL Rollforward Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Acquisition	Ending Balance
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$ 448	$ (32)	$ 13	$ 28	$ —	$ 457
CRE-income producing properties	153	(4)	1	(9)	—	141
CRE-construction and development	42	—	2	(6)	—	38
Dealer floor plan	10	—	—	—	—	10
Other lending subsidiaries	22	(2)	1	—	—	21
Retail:						
Direct retail lending	111	(13)	7	8	—	113
Revolving credit	106	(19)	5	10	—	102
Residential mortgage-nonguaranteed	200	(8)	1	4	—	197
Residential mortgage-government guaranteed	30	(1)	—	(1)	—	28
Sales finance	48	(5)	2	(1)	—	44
Other lending subsidiaries	237	(55)	9	58	—	249
PCI	57	—	—	—	—	57
ALLL	1,464	(139)	41	91	—	1,457
RUFC	68	—	—	6	4	78
ACL	$ 1,532	$ (139)	$ 41	$ 97	$ 4	$ 1,535

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Six Months Ended June 30, 2016	ACL Rollforward Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Acquisition	Ending Balance
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$466	$ (82)	$ 24	$ 111	$ —	$ 519
CRE-income producing properties	135	(2)	4	(21)	—	116
CRE-construction and development	37	—	6	(15)	—	28
Dealer floor plan	8	—	—	2	—	10
Other lending subsidiaries	22	(12)	4	13	—	27
Retail:						
Direct retail lending	105	(25)	13	12	—	105
Revolving credit	104	(35)	10	19	—	98
Residential mortgage-nonguaranteed	194	(15)	2	13	—	194
Residential mortgage-government guaranteed	23	(2)	—	9	—	30
Sales finance	40	(14)	6	4	—	36
Other lending subsidiaries	265	(153)	20	147	—	279
PCI	61	—	—	4	—	65
ALLL	1,460	(340)	89	298	—	1,507
RUFC	90	—	—	(3)	9	96
ACL	$1,550	$ (340)	$ 89	$ 295	$ 9	$ 1,603

Six Months Ended June 30, 2015	ACL Rollforward Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Acquisition	Ending Balance
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$421	$ (46)	$ 21	$ 61	$ —	$ 457
CRE-income producing properties	162	(13)	3	(11)	—	141
CRE-construction and development	48	(2)	6	(14)	—	38
Dealer floor plan	10	—	—	—	—	10
Other lending subsidiaries	21	(5)	2	3	—	21
Retail:						
Direct retail lending	110	(25)	15	13	—	113
Revolving credit	110	(37)	10	19	—	102
Residential mortgage-nonguaranteed	217	(19)	1	(2)	—	197
Residential mortgage-government guaranteed	36	(1)	—	(7)	—	28
Sales finance	40	(11)	5	10	—	44
Other lending subsidiaries	235	(119)	17	116	—	249
PCI	64	(1)	—	(6)	—	57
ALLL	1,474	(279)	80	182	—	1,457
RUFC	60	—	—	14	4	78
ACL	$1,534	$ (279)	$ 80	$ 196	$ 4	$ 1,535

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The following table provides a summary of loans that are collectively evaluated for impairment.

	June 30, 2016		December 31, 2015	
	Recorded Investment	Related ALLL	Recorded Investment	Related ALLL
	(Dollars in millions)			
Commercial:				
Commercial and industrial	$51,567	$478	$48,110	$439
CRE-income producing properties	14,793	109	13,339	127
CRE-construction and development	3,659	24	3,697	32
Dealer floor plan	1,308	10	1,215	8
Other lending subsidiaries	7,200	26	6,789	21
Retail:				
Direct retail lending	11,943	95	11,055	93
Revolving credit	2,481	86	2,477	91
Residential mortgage-nonguaranteed	29,399	151	29,228	153
Residential mortgage-government guaranteed	466	5	553	1
Sales finance	9,412	35	10,308	39
Other lending subsidiaries	7,105	245	6,534	235
PCI	1,109	65	1,122	61
Total	$140,442	$1,329	$134,427	$1,300

The following tables set forth certain information regarding impaired loans, excluding PCI and LHFS, that were individually evaluated for impairment.

As of / For The Six Months Ended June 30, 2016	Recorded Investment	UPB	Related ALLL	Average Recorded Investment	Interest Income Recognized
	(Dollars in millions)				
With no related allowance recorded:					
Commercial:					
Commercial and industrial	$245	$273	$ —	$ 195	$ —
CRE-income producing properties	11	17	—	16	—
CRE-construction and development	6	8	—	7	—
Other lending subsidiaries	10	11	—	5	—
Retail:					
Direct retail lending	12	39	—	12	—
Residential mortgage-nonguaranteed	68	132	—	78	2
Residential mortgage-government guaranteed	3	3	—	4	—
Sales finance	1	2	—	1	—
Other lending subsidiaries	4	8	—	4	—
With an allowance recorded:					
Commercial:					
Commercial and industrial	291	311	41	240	2
CRE-income producing properties	68	68	7	73	1
CRE-construction and development	25	25	4	24	—
Other lending subsidiaries	5	6	1	3	—
Retail:					
Direct retail lending	70	72	10	72	2
Revolving credit	31	31	12	32	1

Residential mortgage-nonguaranteed	369	388	43	355	8
Residential mortgage-government guaranteed	345	345	25	314	6
Sales finance	16	16	1	17	—
Other lending subsidiaries	204	206	34	193	15
Total	$1,784	$1,961	$ 178	$ 1,645	$ 37

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As Of / For The Year Ended December 31, 2015	Recorded Investment	UPB	Related ALLL	Average Recorded Investment	Interest Income Recognized
	(Dollars in millions)				
With no related ALLL recorded:					
Commercial:					
Commercial and industrial	$129	$164	$ —	$ 95	$ 1
CRE-income producing properties	8	13	—	17	—
CRE-construction and development	8	11	—	10	—
Dealer floor plan	—	—	—	2	—
Other lending subsidiaries	2	3	—	—	—
Retail:					
Direct retail lending	11	40	—	12	1
Residential mortgage-nonguaranteed	84	153	—	97	4
Residential mortgage-government guaranteed	5	5	—	3	—
Sales finance	1	2	—	1	—
Other lending subsidiaries	4	8	—	3	—
With an ALLL recorded:					
Commercial:					
Commercial and industrial	191	194	27	223	5
CRE-income producing properties	74	77	8	96	3
CRE-construction and development	27	27	5	36	1
Dealer floor plan	—	—	—	1	—
Other lending subsidiaries	4	5	1	6	—
Retail:					
Direct retail lending	74	75	12	79	4
Revolving credit	33	33	13	36	1
Residential mortgage-nonguaranteed	351	368	41	354	15
Residential mortgage-government guaranteed	312	312	22	323	13
Sales finance	18	18	1	19	1
Other lending subsidiaries	188	190	30	179	28
Total	$1,524	$1,698	$ 160	$ 1,592	$ 77

Trial modifications are excluded from the following disclosures because the specific types and amounts of concessions offered to borrowers frequently change between the trial modification and the permanent modification. The following table provides a summary of TDRs, all of which are considered impaired.

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
Performing TDRs:		
Commercial:		
Commercial and industrial	$39	$ 49
CRE-income producing properties	16	13
CRE-construction and development	10	16
Direct retail lending	69	72
Sales finance	16	17
Revolving credit	31	33
Residential mortgage-nonguaranteed	276	288
Residential mortgage-government guaranteed	348	316

Other lending subsidiaries	198	178
Total performing TDRs	1,003	982
Nonperforming TDRs (also included in NPL disclosures)	146	146
Total TDRs	$1,149	$ 1,128
ALLL attributable to TDRs	$125	$ 126

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The following tables summarize the primary reason loan modifications were classified as TDRs and includes newly designated TDRs as well as modifications made to existing TDRs. Balances represent the recorded investment at the end of the quarter 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,					
	2016			2015		
	Types of Modifications		Impact To	Types of Modifications		Impact To
	Rate	Structure	ALLL	Rate	Structure	ALLL
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$33	$ 14	$ 1	$40	$ 10	$ 1
CRE-income producing properties	3	1	—	2	10	—
CRE-construction and development	1	3	—	—	9	—
Retail:						
Direct retail lending	4	—	—	3	—	1
Revolving credit	4	—	1	4	—	1
Residential mortgage-nonguaranteed	21	6	2	21	10	2
Residential mortgage-government guaranteed	69	—	3	49	—	2
Sales finance	—	1	—	—	3	—
Other lending subsidiaries	42	—	5	29	—	4

	Six Months Ended June 30,					
	2016			2015		
	Types of Modifications		Impact To	Types of Modifications		Impact To
	Rate	Structure	ALLL	Rate	Structure	ALLL
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$95	$ 23	$ 2	$49	$ 24	$ 2
CRE-income producing properties	11	8	—	4	13	—
CRE-construction and development	4	3	—	—	12	—
Retail:						
Direct retail lending	8	1	—	6	—	2
Revolving credit	9	—	2	8	—	2
Residential mortgage-nonguaranteed	38	14	3	44	22	5
Residential mortgage-government guaranteed	108	—	5	109	—	4
Sales finance	—	3	—	—	5	—
Other lending subsidiaries	74	—	10	60	—	8

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

The pre-default balance for modifications that experienced a payment default that had been classified as TDRs during the previous 12 months was $16 million and $15 million for the three months ended June 30, 2016 and 2015, respectively, and $33 million and $35 million for the six months ended June 30, 2016 and 2015, respectively. Payment default is defined as movement of the TDR to nonaccrual status, foreclosure or charge-off, whichever occurs first.

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Changes in the carrying value and accretable yield of PCI loans are presented in the following table:

	Six Months Ended June 30, 2016				Year Ended December 31, 2015			
	Purchased Impaired		Purchased Nonimpaired		Purchased Impaired		Purchased Nonimpaired	
	Accretable Yield	Carrying Value	Accretable Yield	Carrying Value	Accretable Yield	Carrying Value	Accretable Yield	Carrying Value
	(Dollars in millions)							
Balance at beginning of period	$189	$700	$ 176	$ 422	$134	$579	$ 244	$ 636
Additions	36	124	—	—	98	402	—	—
Accretion	(66)	66	(41)	41	(89)	89	(89)	89
Payments received, net	—	(155)	—	(89)	—	(370)	—	(303)
Other, net	131	—	28	—	46	—	21	—
Balance at end of period	$290	$735	$ 163	$ 374	$189	$700	$ 176	$ 422
Outstanding UPB at end of period		$1,106		$ 501		$1,063		$ 587

The following table presents additional information about BB&T's loans and leases:

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
Unearned income, discounts and net deferred loan fees and costs, excluding PCI	$610	$ 598
Residential mortgage loans in process of foreclosure	361	229

NOTE 5. Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill attributable to BB&T's operating segments are reflected in the table below.

	Community Banking	Residential Mortgage Banking	Dealer Financial Services	Specialized Lending	Insurance Holdings	Financial Services	Other, Treasury & Corporate	Total
	(Dollars in millions)							
Goodwill, January 1, 2016	$6,187	$ 326	$ 111	$ 243	$ 1,482	$ 199	$ —	$8,548
Acquisitions	6	—	—	2	270	—	802	1,080
Other adjustments	105	—	—	(134)	—	22	—	(7)
Goodwill, June 30, 2016	$6,298	$ 326	$ 111	$ 111	$ 1,752	$ 221	$ 802	$9,621

The other adjustments to goodwill were primarily the result of updating the purchase price allocation for Susquehanna. Goodwill acquired in connection with the acquisition of National Penn is included in the Other, Treasury & Corporate segment for the second quarter of 2016 and will be presented in the other segments following the systems conversion date in July 2016.

The acquisition of Swett & Crawford provided goodwill of $269 million and identifiable intangible assets of $240 million. The intangible assets are being amortized over 15 years based upon the estimated economic benefits received. Approximately $135 million of the goodwill and identifiable intangible assets is deductible for tax purposes.

The following table presents information for identifiable intangible assets subject to amortization:

	June 30, 2016	December 31, 2015

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in millions)					
CDI	$970	$ (674)	$ 296	$903	$ (634)	$ 269
Other, primarily customer relationship intangibles	1,432	(782)	650	1,164	(747)	417
Total	$2,402	$ (1,456)	$ 946	$2,067	$ (1,381)	$ 686

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NOTE 6. Loan Servicing

Residential Mortgage Banking Activities

The following tables summarize residential mortgage banking activities. Mortgage and home equity loans managed by BB&T exclude loans serviced for others with no other continuing involvement.

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
UPB of mortgage loan servicing portfolio	$117,880	$116,817
UPB of home equity loan servicing portfolio	4,737	5,352
UPB of residential mortgage and home equity loan servicing portfolio	$122,617	$122,169
UPB of residential mortgage loans serviced for others (primarily agency conforming fixed rate)	$89,970	$91,132
Mortgage loans sold with recourse	644	702
Maximum recourse exposure from mortgage loans sold with recourse liability	306	326
Indemnification, recourse and repurchase reserves	80	79
FHA-insured mortgage loan reserve	85	85

As previously disclosed, during June 2014, BB&T received notice from the HUD-OIG that BB&T had been selected for an audit/survey to assess BB&T's compliance with FHA loan origination and quality control requirements. In late 2014 and in 2015, BB&T received subpoenas from the HUD-OIG and the Department of Justice seeking additional information regarding its lending practices in connection with loans insured by the FHA. BB&T is cooperating with the investigation. While the final outcome of the investigation has not been determined and neither the Department of Justice nor the HUD-OIG has formally asserted any claims, similar reviews and related matters with other financial institutions have resulted in cash settlements and other remedial actions. The estimated potential net exposure related to losses incurred by the FHA on defaulted loans ranges from $25 million to $105 million, and BB&T recognized an $85 million charge during 2014 that was included in other expense on the Consolidated Statements of Income.

	As of / For The Six Months Ended June 30, 2016	2015
	(Dollars in millions)	
UPB of residential mortgage loans sold from LHFS	$6,183	$6,804
Pre-tax gains recognized on mortgage loans sold and held for sale	59	74
Servicing fees recognized from mortgage loans serviced for others	134	136
Approximate weighted average servicing fee on the outstanding balance of residential mortgage loans serviced for others	0.28 %	0.29 %
Weighted average interest rate on mortgage loans serviced for others	4.09	4.16

	Six Months Ended June 30, 2016	2015
	(Dollars in millions)	
Residential MSRs, carrying value, beginning of period	$880	$844
Additions	56	68
Change in fair value due to changes in valuation inputs or assumptions:		

Prepayment speeds	(209)	166
OAS	9	(70)
Servicing costs	2	(25)
Realization of expected net servicing cash flows, passage of time and other	(69)	(71)
Residential MSRs, carrying value, end of period	$669	$912
Gains (losses) on derivative financial instruments used to mitigate the income statement effect of changes in fair value	$229	$(38)

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

	June 30, 2016			December 31, 2015		
	Range		Weighted	Range		Weighted
	Min	Max	Average	Min	Max	Average
	(Dollars in millions)					
Prepayment speed	12.9%	14.8%	14.2 %	8.1 %	9.0 %	8.7 %
Effect on fair value of a 10% increase			$ (33)			$ (28)
Effect on fair value of a 20% increase			(62)			(54)
OAS	9.9 %	10.2%	10.0 %	10.3%	10.6%	10.4 %
Effect on fair value of a 10% increase			$ (21)			$ (32)
Effect on fair value of a 20% increase			(41)			(61)
Composition of loans serviced for others:						
Fixed-rate residential mortgage loans			99.2 %			99.2 %
Adjustable-rate residential mortgage loans			0.8			0.8
Total			100.0 %			100.0 %
Weighted average life (in years)			4.9			6.8

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 one 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

The following table summarizes commercial mortgage banking activities for the periods presented:

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
UPB of CRE mortgages serviced for others	$28,455	$ 28,163
CRE mortgages serviced for others covered by recourse provisions	4,022	4,198
Maximum recourse exposure from CRE mortgages sold with recourse liability	1,221	1,259
Recorded reserves related to recourse exposure	7	7
Originated CRE mortgages during the year	2,981	7,012
Commercial MSRs at fair value	116	—

Effective January 1, 2016, the Company adopted the fair value option for commercial MSRs to facilitate hedging against the MSR asset. The impact of such adoption was immaterial.

NOTE 7. Deposits

A summary of deposits is presented in the accompanying table:

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
Noninterest-bearing deposits	$49,180	$45,695
Interest checking	28,528	25,410
Money market and savings	64,064	60,461
Time deposits	17,466	17,558
Total deposits	$159,238	$149,124
Time deposits $100,000 and greater	$7,466	$7,562
Time deposits $250,000 and greater	3,649	3,497

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NOTE 8. Long-Term Debt

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
BB&T Corporation:		
3.95% senior notes due 2016	$—	$ 500
3.20% senior notes due 2016	—	1,000
2.15% senior notes due 2017	750	749
1.60% senior notes due 2017	750	749
1.45% senior notes due 2018	465	500
Floating rate senior notes due 2018 (LIBOR-based, 1.51% at June 30, 2016)	400	400
2.05% senior notes due 2018	600	600
6.85% senior notes due 2019	540	540
2.25% senior notes due 2019	648	648
Floating rate senior notes due 2019 (LIBOR-based, 1.30% at June 30, 2016)	450	450
2.45% senior notes due 2020	1,298	1,298
2.63% senior notes due 2020	999	999
Floating rate senior notes due 2020 (LIBOR-based, 1.34% at June 30, 2016)	200	200
2.05% senior notes due 2021	1,249	—
5.38% senior notes due 2022	165	166
4.25% senior notes due 2024	130	—
4.90% subordinated notes due 2017	358	356
5.25% subordinated notes due 2019	586	586
3.95% subordinated notes due 2022	299	299
Branch Bank:		
1.45% senior notes due 2016	750	750
Floating rate senior notes due 2016 (LIBOR-based, 1.10% at June 30, 2016)	375	375
1.05% senior notes due 2016	500	500
1.00% senior notes due 2017	599	599
1.35% senior notes due 2017	660	750
2.30% senior notes due 2018	750	750
1.45% senior notes due 2019	1,499	—
Floating rate senior notes due 2019 (LIBOR-based, 1.16% at June 30, 2016)	250	—
2.85% senior notes due 2021	700	700
5.63% subordinated notes due 2016	386	386
Floating rate subordinated notes due 2016 (LIBOR-based, 0.98% at June 30, 2016)	350	350
Floating rate subordinated notes due 2017 (LIBOR-based, 0.95% at June 30, 2016)	262	262
3.63% subordinated notes due 2025	1,249	1,249
3.80% subordinated notes due 2026	848	848
FHLB advances to Branch Bank:		
Varying maturities to 2034	4,387	5,582
Other long-term debt	232	154
Basis adjustments	751	474

Total long-term debt	$24,435	$23,769

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Basis adjustments include fair value hedge-related basis adjustments as well as debt issuance costs. The following table reflects the carrying amounts and effective interest rates for long-term debt:

	June 30, 2016		December 31, 2015	
	Carrying Amount	Effective Rate	Carrying Amount	Effective Rate
	(Dollars in millions)			
BB&T Corporation fixed rate senior notes	$7,724	1.86 %	$7,831	2.35 %
BB&T Corporation floating rate senior notes	1,049	1.43	1,050	1.20
BB&T Corporation fixed rate subordinated notes	1,388	0.90	1,382	1.52
Branch Bank fixed rate senior notes	5,520	1.30	4,071	1.62
Branch Bank floating rate senior notes	625	1.18	375	0.92
Branch Bank fixed rate subordinated notes	2,689	2.39	2,562	3.13
Branch Bank floating rate subordinated notes	612	3.45	612	3.24
FHLB advances (weighted average maturity of 5.5 years at June 30, 2016)	4,596	3.98	5,732	4.02
Other long-term debt	232		154	
Total long-term debt	$24,435		$23,769	

The effective rates above reflect the impact of hedges and issuance costs, as applicable. Subordinated notes with a remaining maturity of one year or greater qualify under the risk-based capital guidelines as Tier 2 supplementary capital, subject to certain limitations.

NOTE 9. Shareholders' Equity

On March 9, 2016, BB&T issued $465 million of series H non-cumulative perpetual preferred stock with a stated dividend rate of 5.625% per annum for net proceeds of $450 million. Dividends, if declared by the Board of Directors, are payable quarterly in arrears. BB&T issued depositary shares, each of which represents a fractional ownership interest in a share of the 18,600 shares of the Company’s series H preferred stock. The preferred stock has no stated maturity and redemption is solely at the option of the Company in whole, but not in part, upon the occurrence of a regulatory capital treatment event, as defined. In addition, the preferred stock may be redeemed in whole or in part, on any dividend payment date after June 1, 2021. Under current rules, any redemption of the preferred stock is subject to prior approval of the FRB. The preferred stock is not subject to any sinking fund or other obligations of the Corporation.

The activity relating to options and restricted shares/units during the period is presented in the following tables:

	Options	Wtd. Avg. Exercise Price
	(Shares in thousands)	
Outstanding at January 1, 2016	20,577	$ 34.89
Granted	610	32.10
Replacement awards issued in connection with business combination	566	36.12
Exercised	(516)	28.08
Forfeited or expired	(2,809)	40.58
Outstanding at June 30, 2016	18,428	34.16
Exercisable at June 30, 2016	17,478	34.15
Exercisable and expected to vest at June 30, 2016	18,378	34.16

	Restricted Shares/Units	Wtd. Avg. Grant Date Fair Value
	(Shares in thousands)	
Nonvested at January 1, 2016	11,824	$29.81
Granted	5,224	27.48
Vested	(2,735)	27.45
Forfeited	(209)	29.44
Nonvested at June 30, 2016	14,104	29.41
Expected to vest at June 30, 2016	12,930	29.41

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NOTE 10. AOCI

Three Months Ended June 30, 2016	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, 2016	$(712)	$ (198)	$ 163	$ (154)	$(16)	$(917)
OCI before reclassifications, net of tax	1	(51)	110	6	1	67
Amounts reclassified from AOCI:						
Personnel expense	16	—	—	—	—	16
Interest income	—	—	(16)	—	—	(16)
Interest expense	—	4	—	—	—	4
FDIC loss share income, net	—	—	—	17	—	17
Securities (gains) losses, net	—	—	—	—	—	—
Total before income taxes	16	4	(16)	17	—	21
Less: Income taxes	6	2	(6)	6	—	8
Net of income taxes	10	2	(10)	11	—	13
Net change in AOCI	11	(49)	100	17	1	80
AOCI balance, June 30, 2016	$(701)	$ (247)	$ 263	$ (137)	$(15)	$(837)

Three Months Ended June 30, 2015	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, 2015	$(617)	$ (108)	$ 209	$ (197)	$(20)	$(733)
OCI before reclassifications, net of tax	1	60	(121)	5	1	(54)
Amounts reclassified from AOCI:						
Personnel expense	12	—	—	—	—	12
Interest income	—	—	22	—	—	22
Interest expense	—	21	—	—	—	21
FDIC loss share income, net	—	—	—	6	—	6
Securities (gains) losses, net	—	—	1	—	—	1
Total before income taxes	12	21	23	6	—	62
Less: Income taxes	4	8	9	2	—	23
Net of income taxes	8	13	14	4	—	39
Net change in AOCI	9	73	(107)	9	1	(15)
AOCI balance, June 30, 2015	$(608)	$ (35)	$ 102	$ (188)	$(19)	$(748)

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Six Months Ended June 30, 2016	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, 2016	$(723)	$ (83)	$ (34)	$ (169)	$(19)	$(1,028)
OCI before reclassifications, net of tax	1	(177)	352	11	3	190
Amounts reclassified from AOCI:						
Personnel expense	33	—	—	—	—	33
Interest income	—	—	(43)	—	1	(42)
Interest expense	—	21	—	—	—	21
FDIC loss share income, net	—	—	—	33	—	33
Securities (gains) losses, net	—	—	(45)	—	—	(45)
Total before income taxes	33	21	(88)	33	1	—
Less: Income taxes	12	8	(33)	12	—	(1)
Net of income taxes	21	13	(55)	21	1	1
Net change in AOCI	22	(164)	297	32	4	191
AOCI balance, June 30, 2016	$(701)	$ (247)	$ 263	$ (137)	$(15)	$(837)

Six Months Ended June 30, 2015	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, 2015	$(626)	$ (54)	$ 152	$ (207)	$(16)	$(751)
OCI before reclassifications, net of tax	3	(7)	(54)	7	(4)	(55)
Amounts reclassified from AOCI:						
Personnel expense	24	—	—	—	—	24
Interest income	—	—	6	—	1	7
Interest expense	—	42	—	—	—	42
FDIC loss share income, net	—	—	—	19	—	19
Securities (gains) losses, net	—	—	1	—	—	1
Total before income taxes	24	42	7	19	1	93
Less: Income taxes	9	16	3	7	—	35
Net of income taxes	15	26	4	12	1	58
Net change in AOCI	18	19	(50)	19	(3)	3
AOCI balance, June 30, 2015	$(608)	$ (35)	$ 102	$ (188)	$(19)	$(748)

NOTE 11. Income Taxes

The effective tax rates for the three months ended June 30, 2016 and 2015 were 30.0% and 13.8%, respectively. The effective tax rates for the six months ended June 30, 2016 and 2015 were 30.1% and 23.4%, respectively. The effective tax rates for the three and six months ended June 30, 2016 were higher than the corresponding periods of

2015 primarily due to changes in unrecognized tax benefits as described below. In addition, the second quarter of 2016 includes a $13 million tax benefit related to specific tax-advantaged assets.

In February 2010, BB&T received an IRS statutory notice of deficiency for tax years 2002-2007 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 during 2010 and filed a lawsuit seeking a refund in the U.S. Court of Federal Claims. During 2013, the court denied the refund claim and BB&T appealed the decision to the U.S. Court of Appeals for the Federal Circuit. During May 2015, the appeals court rendered a decision overturning a portion of the earlier ruling and affirming the remainder, resulting in the recognition of income tax benefits, including the reversal of interest and penalties, of $107 million during the second quarter of 2015. During September 2015, BB&T filed a petition requesting the case be heard by the U.S. Supreme Court. During March 2016, the U.S. Supreme Court declined to hear the case, which preserves the earlier ruling and effectively concludes this matter.

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The following table presents changes in unrecognized tax benefits:

	As of/For the Year-to-Date Period Ended	
	June 30, 2016	December 31, 2015
	(Dollars in millions)	
Beginning balance of unrecognized tax benefits	$426	$ 503
Additions (reductions) for tax positions of prior years	(5)	(76)
Settlements	(418)	(1)
Lapse of statute of limitations	—	(1)
Unrecognized deferred tax benefits from acquisitions	—	1
Ending balance of unrecognized tax benefits	$3	$ 426
Unrecognized tax benefits that would have impacted effective rate if recognized		
Federal	$—	$ 422
State	2	3

At June 30, 2016, the liabilities for tax-related interest and penalties recorded on the Consolidated Balance Sheets were immaterial, compared to $181 million at December 31, 2015.

NOTE 12. Benefit Plans

	Qualified Plan		Nonqualified Plans	
Three Months Ended June 30,	2016	2015	2016	2015
	(Dollars in millions)			
Service cost	$44	$42	$ 3	$ 3
Interest cost	41	34	4	4
Estimated return on plan assets	(81)	(81)	—	—
Amortization and other	16	12	3	3
Net periodic benefit cost	$20	$7	$ 10	$ 10

	Qualified Plan		Nonqualified Plans	
Six Months Ended June 30,	2016	2015	2016	2015
	(Dollars in millions)			
Service cost	$86	$85	$ 6	$ 6
Interest cost	81	68	9	8
Estimated return on plan assets	(162)	(162)	—	—
Amortization and other	33	24	6	7
Net periodic benefit cost	$38	$15	$ 21	$ 21

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. Discretionary contributions totaling $280 million were made during the six months ended June 30, 2016. There are no required contributions for the remainder of 2016, though BB&T may elect to make additional contributions.

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NOTE 13. Commitments and Contingencies

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
Letters of credit	$3,072	$ 3,033
Carrying amount of the liability for letters of credit	29	27
Investments in affordable housing and historic building rehabilitation projects:		
Carrying amount	1,725	1,629
Amount of future funding commitments included in carrying amount	749	654
Lending exposure	338	292
Tax credits subject to recapture	374	355
Private equity and similar investments	353	289
Future funding commitments to consolidated private equity funds	212	231

Legal Proceedings

The nature of BB&T's business ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. BB&T believes it has meritorious defenses to the claims asserted against it in its currently outstanding legal proceedings and, with respect to such legal proceedings, intends to continue to defend itself vigorously, litigating or settling cases according to management's judgment as to what is in the best interests of BB&T and its shareholders.

On at least a quarterly basis, liabilities and contingencies in connection with outstanding legal proceedings are assessed 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, a liability is recorded in the 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, legal reserves are not accrued. While the outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel and available insurance coverage, management believes that the established legal reserves are adequate and the liabilities arising from legal proceedings will not have a material adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the consolidated financial position, consolidated results of operations or consolidated cash flows of BB&T.

Pledged Assets

Certain assets were pledged to secure municipal deposits, securities sold under agreements to repurchase, borrowings and borrowing capacity, subject to any applicable asset discount, at the FHLB and FRB as well as for other purposes as required or permitted by law. The following table provides the total carrying amount of pledged assets by asset type, of which the majority are pursuant to agreements that do not permit the other party to sell or repledge the collateral. Assets related to employee benefit plans have been excluded from the following table.

	June 30, 2016	December 31, 2015
	(Dollars in millions)	
Pledged securities	$14,523	$ 14,063
Pledged loans	74,248	69,070

NOTE 14. Fair Value Disclosures

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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The following tables present fair value information for assets and liabilities measured at fair value on a recurring basis:

June 30, 2016	Total	Level 1	Level 2	Level 3
	(Dollars in millions)			
Assets:				
Trading securities	$ 585	$ 320	$ 265	$ —
AFS securities:				
U.S. Treasury	1,173	—	1,173	—
Agency MBS	23,839	—	23,839	—
States and political subdivisions	2,211	—	2,211	—
Non-agency MBS	68	—	68	—
Other	10	10	—	—
Acquired from FDIC	943	—	384	559
LHFS	2,485	—	2,466	19
MSRs	785	—	—	785
Derivative assets:				
Interest rate contracts	1,596	1	1,561	34
Foreign exchange contracts	10			