

BB&T CORP
Form 10-Q
October 27, 2017

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: September 30, 2017
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 or organization)	(I.R.S. Employer Identification No.)
200 West Second Street	27101
Winston-Salem, North Carolina	
(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 ☒ 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 ☒ No ☐

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

At September 30, 2017, 788,921,052 shares of the Registrant's common stock, \$5 par value, were outstanding.

TABLE OF CONTENTS

FORM 10-Q

September 30, 2017

	Page No.
PART I	
<u>Glossary of Defined Terms</u>	<u>1</u>
Item 1. Financial Statements	
<u>Consolidated Balance Sheets (Unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Income (Unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Changes in Shareholders' Equity (Unaudited)</u>	<u>6</u>
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	<u>7</u>
Notes to Consolidated Financial Statements (Unaudited)	
Note 1. <u>Basis of Presentation</u>	<u>8</u>
Note 2. <u>Acquisitions and Divestitures</u>	<u>10</u>
Note 3. <u>Securities</u>	<u>10</u>
Note 4. <u>Loans and ACL</u>	<u>12</u>
Note 5. <u>Goodwill</u>	<u>19</u>
Note 6. <u>Loan Servicing</u>	<u>19</u>
Note 7. <u>Deposits</u>	<u>21</u>
Note 8. <u>Long-Term Debt</u>	<u>21</u>
Note 9. <u>Shareholders' Equity</u>	<u>22</u>
Note 10. <u>AOCI</u>	<u>22</u>
Note 11. <u>Income Taxes</u>	<u>23</u>
Note 12. <u>Benefit Plans</u>	<u>23</u>
Note 13. <u>Commitments and Contingencies</u>	<u>24</u>
Note 14. <u>Fair Value Disclosures</u>	<u>25</u>
Note 15. <u>Derivative Financial Instruments</u>	<u>31</u>
Note 16. <u>Computation of EPS</u>	<u>34</u>
Note 17. <u>Operating Segments</u>	<u>35</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>66</u>
Item 4. <u>Controls and Procedures</u>	<u>66</u>
PART II	
Item 1. <u>Legal Proceedings</u>	<u>67</u>
Item 1A. <u>Risk Factors</u>	<u>67</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>67</u>
Item 3. Defaults Upon Senior Securities - (none.)	
Item 4. Mine Safety Disclosures - (not applicable.)	
Item 5. Other Information - (none to be reported.)	
Item 6. <u>Exhibits</u>	<u>67</u>

Table of Contents

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
2017 Repurchase Plan	Plan for the repurchase of up to \$1.88 billion of BB&T's common stock
ACL	Allowance for credit losses
Acquired from FDIC	Assets of Colonial that 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 Banking Supervision
BHC	Bank holding company
BHCA	Bank Holding Company Act of 1956, as amended
Branch Bank	Branch Banking and Trust Company
BSA/AML	Bank Secrecy Act/Anti-Money Laundering
BU	Business Unit
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CDI	Core deposit intangible assets
CEO	Chief Executive Officer
CET1	Common equity Tier 1
CFPB	Consumer Financial Protection Bureau
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
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DOL	United States Department of Labor
EPS	Earnings per common share
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

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FRB	Board of Governors of the Federal Reserve System
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
HMDA	Home Mortgage Disclosure Act

Table of Contents

Term	Definition
HTM	Held-to-maturity
IDI	Insured depository institution
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
N/A	Not applicable
National Penn	National Penn Bancshares, Inc., acquired by BB&T effective April 1, 2016
NIM	Net interest margin, computed on a TE basis
NM	Not meaningful
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 were formerly covered under loss sharing agreements
Re-REMICs	Re-securitizations of Real Estate Mortgage Investment Conduits
RMC	Risk Management Committee
RMO	Risk Management Organization
RSU	Restricted stock unit
RUFC	Reserve for unfunded lending commitments
SBIC	Small Business Investment Company
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
Swett & Crawford	CGSC North America Holdings Corporation, acquired by BB&T effective April 1, 2016
TBA	To be announced
TDR	Troubled debt restructuring
TE	Taxable-equivalent
U.S.	United States of America
U.S. Treasury	United States Department of the Treasury

UPB	Unpaid principal balance
VaR	Value-at-risk
VIE	Variable interest entity

Table of Contents

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

BB&T CORPORATION AND SUBSIDIARIES

Unaudited	September 30, 2017	December 31, 2016
(Dollars in millions, except per share data, shares in thousands)		
Assets		
Cash and due from banks	\$ 2,195	\$ 1,897
Interest-bearing deposits with banks	428	1,895
Federal funds sold and other cash equivalents	75	144
Restricted cash	429	488
AFS securities at fair value	23,184	26,926
HTM securities (fair value of \$23,392 and \$16,546 at September 30, 2017 and December 31, 2016, respectively)	23,447	16,680
LHFS at fair value	1,217	1,716
Loans and leases	142,794	143,322
ALLL	(1,478)	(1,489)
Loans and leases, net of ALLL	141,316	141,833
 Premises and equipment	 2,043	 2,107
Goodwill	9,618	9,638
CDI and other intangible assets	745	854
MSRs at fair value	1,044	1,052
Other assets	14,599	14,046
Total assets	\$ 220,340	\$ 219,276
 Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing deposits	\$ 54,049	\$ 50,697
Interest-bearing deposits	102,086	109,537
Total deposits	156,135	160,234
 Short-term borrowings	 7,916	 1,406
Long-term debt	20,863	21,965
Accounts payable and other liabilities	5,573	5,745
Total liabilities	190,487	189,350
 Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, \$5 par, liquidation preference of \$25,000 per share	3,053	3,053
Common stock, \$5 par	3,945	4,047
Additional paid-in capital	8,192	9,104
Retained earnings	15,656	14,809
AOCI, net of deferred income taxes	(1,036)	(1,132)
Noncontrolling interests	43	45
Total shareholders' equity	29,853	29,926
Total liabilities and shareholders' equity	\$ 220,340	\$ 219,276
 Common shares outstanding	 788,921	 809,475
Common shares authorized	2,000,000	2,000,000

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Preferred shares outstanding	126	126
Preferred shares authorized	5,000	5,000

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

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME
BB&T CORPORATION AND SUBSIDIARIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
Unaudited (Dollars in millions, except per share data, shares in thousands)	2017	2016	2017	2016
Interest Income				
Interest and fees on loans and leases	\$1,591	\$1,524	\$4,632	\$4,475
Interest and dividends on securities	276	262	806	803
Interest on other earning assets	10	9	38	43
Total interest income	1,877	1,795	5,476	5,321
Interest Expense				
Interest on deposits	91	62	240	190
Interest on short-term borrowings	15	2	22	7
Interest on long-term debt	124	121	323	368
Total interest expense	230	185	585	565
Net Interest Income	1,647	1,610	4,891	4,756
Provision for credit losses	126	148	409	443
Net Interest Income After Provision for Credit Losses	1,521	1,462	4,482	4,313
Noninterest Income				
Insurance income	397	410	1,336	1,294
Service charges on deposits	179	172	523	492
Mortgage banking income	114	154	311	356
Investment banking and brokerage fees and commissions	103	101	299	300
Trust and investment advisory revenues	68	68	206	197
Bankcard fees and merchant discounts	70	61	204	177
Checkcard fees	54	50	159	145
Operating lease income	36	34	109	103
Income from bank-owned life insurance	28	35	89	97
FDIC loss share income, net	—	(18)	—	(142)
Other income	117	97	321	246
Securities gains (losses), net				
Gross realized gains	17	—	17	45
Gross realized losses	(17)	—	(17)	—
OTTI charges	—	—	—	—
Non-credit portion recognized in OCI	—	—	—	—
Total securities gains (losses), net	—	—	—	45
Total noninterest income	1,166	1,164	3,557	3,310
Noninterest Expense				
Personnel expense	1,024	1,006	3,077	2,960
Occupancy and equipment expense	198	203	589	588
Software expense	62	63	177	167
Outside IT services	34	51	122	136
Amortization of intangibles	34	38	108	112
Regulatory charges	40	41	115	103
Professional services	27	27	87	75
Loan-related expense	32	33	98	101
Merger-related and restructuring charges, net	47	43	93	158
Loss (gain) on early extinguishment of debt	—	—	392	(1)

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Other expense	247	206	731	654
Total noninterest expense	1,745	1,711	5,589	5,053
Earnings				
Income before income taxes	942	915	2,450	2,570
Provision for income taxes	294	273	702	771
Net income	648	642	1,748	1,799
Noncontrolling interests	8	—	12	9
Dividends on preferred stock	43	43	130	123
Net income available to common shareholders	\$597	\$599	\$1,606	\$1,667
Basic EPS	\$0.75	\$0.74	\$2.00	\$2.08
Diluted EPS	\$0.74	\$0.73	\$1.97	\$2.05
Cash dividends declared per share	\$0.33	\$0.30	\$0.93	\$0.85
Basic weighted average shares outstanding	794,558	812,521	804,424	802,694
Diluted weighted average shares outstanding	806,124	823,106	816,029	812,407
The accompanying notes are an integral part of these consolidated financial statements.				

Table of ContentsCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
BB&T CORPORATION AND SUBSIDIARIES

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Unaudited (Dollars in millions)	2017	2016	2017	2016
Net income	\$ 648	\$ 642	\$ 1,748	\$ 1,799
OCI, net of tax:				
Change in unrecognized net pension and postretirement costs	8	2	29	24
Change in unrealized net gains (losses) on cash flow hedges	9	21	(27)	(143)
Change in unrealized net gains (losses) on AFS securities	18	(73)	90	224
Change in FDIC's share of unrealized gains/losses on AFS securities	—	137	—	169
Other, net	2	—	4	4
Total OCI	37	87	96	278
Total comprehensive income	\$ 685	\$ 729	\$ 1,844	\$ 2,077
Income Tax Effect of Items Included in OCI:				
Change in unrecognized net pension and postretirement costs	\$ 3	\$ —	\$ 17	\$ 14
Change in unrealized net gains (losses) on cash flow hedges	5	14	(16)	(84)
Change in unrealized net gains (losses) on AFS securities	9	(43)	51	135
Change in FDIC's share of unrealized gains/losses on AFS securities	—	80	—	98
Other, net	—	1	—	1

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

Table of Contents

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
BB&T CORPORATION AND SUBSIDIARIES

Unaudited (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, 2016	780,337	\$ 2,603	\$ 3,902	\$ 8,365	\$ 13,464	\$(1,028)	\$ 34	\$ 27,340
Add (Deduct):								
Net income	—	—	—	—	1,790	—	9	1,799
Net change in AOCI	—	—	—	—	—	278	—	278
Stock transactions:								
Issued in business combinations	31,666	—	158	905	—	—	—	1,063
Issued in connection with equity awards, net	3,715	—	18	6	—	—	—	24
Issued in connection with preferred stock offerings	—	450						450
Repurchase of common stock	(4,294)	—	(21)	(139)	—	—	—	(160)
Cash dividends declared on common stock	—	—	—	—	(682)	—	—	(682)
Cash dividends declared on preferred stock	—	—	—	—	(123)	—	—	(123)
Equity-based compensation expense	—	—	—	96	—	—	—	96
Other, net	—	—	—	—	10	—	(4)	6
Balance, September 30, 2016	811,424	\$ 3,053	\$ 4,057	\$ 9,233	\$ 14,459	\$(750)	\$ 39	\$ 30,091
Balance, January 1, 2017	809,475	\$ 3,053	\$ 4,047	\$ 9,104	\$ 14,809	\$(1,132)	\$ 45	\$ 29,926
Add (Deduct):								
Net income	—	—	—	—	1,736	—	12	1,748
Net change in AOCI	—	—	—	—	—	96	—	96
Stock transactions:								
Issued in connection with equity awards, net	7,201	—	37	67	—	—	—	104
Repurchase of common stock	(27,755)	—	(139)	(1,101)	—	—	—	(1,240)
Cash dividends declared on common stock	—	—	—	—	(747)	—	—	(747)
Cash dividends declared on preferred stock	—	—	—	—	(130)	—	—	(130)
Equity-based compensation expense	—	—	—	109	—	—	—	109
Other, net	—	—	—	13	(12)	—	(14)	(13)
Balance, September 30, 2017	788,921	\$ 3,053	\$ 3,945	\$ 8,192	\$ 15,656	\$(1,036)	\$ 43	\$ 29,853

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

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS
BB&T CORPORATION AND SUBSIDIARIES

Unaudited	Nine Months Ended September 30, 2017 2016	
(Dollars in millions)		
Cash Flows From Operating Activities:		
Net income	\$ 1,748	\$ 1,799
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	409	443
Depreciation	305	298
Loss (gain) on early extinguishment of debt	392	(1)
Amortization of intangibles	108	112
Equity-based compensation expense	109	96
(Gain) loss on securities, net	—	(45)
Net change in operating assets and liabilities:		
LHFS	499	(1,617)
Trading securities	(341)	188
Other assets, accounts payable and other liabilities	(342)	(369)
Cash paid to terminate FDIC loss share agreements	—	(230)
Other, net	72	(37)
Net cash from operating activities	2,959	637
Cash Flows From Investing Activities:		
Proceeds from sales of AFS securities	4,896	4,538
Proceeds from maturities, calls and paydowns of AFS securities	3,707	4,039
Purchases of AFS securities	(4,700)	(9,867)
Proceeds from maturities, calls and paydowns of HTM securities	1,845	5,963
Purchases of HTM securities	(8,640)	(5,122)
Originations and purchases of loans and leases, net of principal collected	(121)	(1,734)
Net cash received (paid) for acquisitions and divestitures	—	(789)
Other, net	(130)	265
Net cash from investing activities	(3,143)	(2,707)
Cash Flows From Financing Activities:		
Net change in deposits	(4,084)	4,183
Net change in short-term borrowings	6,510	(923)
Proceeds from issuance of long-term debt	5,500	3,028
Repayment of long-term debt	(6,984)	(4,573)
Net cash from common stock transactions	(1,148)	(144)
Net proceeds from preferred stock issued	—	450
Cash dividends paid on common stock	(747)	(682)
Cash dividends paid on preferred stock	(130)	(123)
Other, net	29	115
Net cash from financing activities	(1,054)	1,331
Net Change in Cash and Cash Equivalents	(1,238)	(739)
Cash and Cash Equivalents at Beginning of Period	3,936	3,711
Cash and Cash Equivalents at End of Period	\$ 2,698	\$ 2,972

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:

Interest	\$ 540	\$ 569
Income taxes	276	706
Noncash investing activities:		
Transfers of loans to foreclosed assets	203	189
Stock issued in business combinations	—	1,063

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

Table of Contents

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, 2016 should be referred to in connection with these unaudited interim consolidated financial statements.

Reclassifications

The Consolidated Statement of Cash Flows for the nine months ended September 30, 2016 has been revised to correct errors in the classification of certain transactions related to other assets and other liabilities and were not material to prior consolidated financial statements. The revisions, which had no effect on the net change in cash and cash equivalents, increased cash from operating activities \$337 million and decreased cash from investing activities and financing activities \$221 million and \$116 million, respectively.

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 MSRs, 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

Standards Adopted During Current Period - BB&T adopted the following guidance effective January 1, 2017, none of which were material to the consolidated financial statements:

Stock Compensation - eliminated the concept of additional paid-in capital pools for equity-based awards and requires that the related excess tax benefits and tax deficiencies be recognized in earnings and classified as an operating activity in the statement of cash flows. The excess tax benefit for equity-based awards that vested or were exercised during the first quarter of 2017 was \$35 million. The guidance also allows entities to make a one-time policy election to account for forfeitures when they occur, which BB&T has elected to do. Additionally, to retain equity classification, the guidance permits tax withholding up to the maximum statutory tax rate instead of the minimum

statutory tax rate. Cash paid in lieu of shares for tax withholding purposes is classified as a financing activity in the Statement of Cash Flows.

Investments - eliminated 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 guidance also 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.

Derivatives and Hedging - clarified that an exercise contingency does not need to be evaluated to determine whether it relates to interest rates and credit risk in an embedded derivative analysis. An entity performing the assessment will be required to assess the embedded call or put options solely in accordance with the pre-existing decision sequence.

Business Combinations - provided clarification on the definition of a business and criteria to aid in the assessment of whether an integrated set of assets and activities constitutes a business.

Table of Contents

Premium Amortization on Purchased Callable Debt Securities - shortened the amortization period for the premium to the earliest call date. The amortization period for securities purchased at a discount was unaffected.

Standards Not Yet Adopted - the adoption of the following guidance is not expected to be material to the consolidated financial statements unless otherwise specified:

Statement of Cash Flows - requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The adoption of this guidance will only affect the Consolidated Statements of Cash Flows. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years.

Statement of Cash Flows - clarifies the classification within the statement of cash flows for certain transactions, including debt extinguishment costs, zero-coupon debt, contingent consideration related to business combinations, insurance proceeds, equity method distributions and beneficial interests in securitizations. The guidance also clarifies that cash flows with aspects of multiple classes of cash flows or that cannot be separated by source or use should be classified based on the activity that is likely to be the predominant source or use of cash flows for the item. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years.

Liabilities - 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.

Revenue from Contracts with Customers - 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. The new guidance does not have an impact on the components of the Consolidated Statement of Income most closely associated with financial instruments, including securities gains/losses and interest income. BB&T's evaluation of the impact of changes for in-scope items within noninterest income has not identified material changes. The Company continues to evaluate the related changes to disclosures that may be required. The guidance is effective for interim and annual reporting periods beginning after December 15, 2017, and will be adopted using the modified retrospective approach.

Financial Instruments - 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 disclose all fair values using an exit price and eliminates the disclosure requirements related to measurement assumptions. The new guidance also requires separate presentation of financial assets and liabilities based on form and measurement category. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years.

Leases - 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. Upon adoption, the Company expects assets and liabilities will likely be significantly higher; however, the Company's implementation efforts are on-going, including the installation of a software solution, which will aid in determining the magnitude of the increases and its impact on the Consolidated Financial Statements. This guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years.

Credit Losses - 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 deteriorated loans will receive an allowance account for expected credit losses at the acquisition date that represents a component of the purchase price allocation. For AFS debt securities where the fair value is less than cost, any credit impairment will be recorded through an allowance for expected credit losses. Upon adoption, the Company expects that the ACL will likely be materially higher; however, the Company is still in the process of determining the magnitude of the increase and its impact on the Consolidated Financial Statements. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years.

Intangibles—Goodwill and Other - simplifies the measurement of goodwill impairment. An entity will no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. This guidance is effective for impairment tests in fiscal years beginning after December 15, 2019 and interim periods within those fiscal years.

Table of Contents

Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost - requires that the service cost component of net benefit costs of pension and postretirement benefit plans be reported in the same line item as other compensation costs in the Consolidated Statements of Income. The other components of net benefit cost will be required to be presented in a separate line item. The guidance also specifies that only the service cost component will be eligible for capitalization. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years.

Derivatives and Hedging - expands the risk management activities that qualify for hedge accounting, and simplifies certain hedge documentation and assessment requirements. Additionally, the guidance eliminates the concept of separately recording hedge ineffectiveness, and expands disclosure requirements of the impact of hedging relationships. This guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted.

NOTE 2. Acquisitions and Divestitures

On April 1, 2016, BB&T acquired National Penn, resulting in the addition of \$10.1 billion in assets and \$6.6 billion of deposits. National Penn had 126 financial centers as of the acquisition date.

On April 1, 2016, BB&T purchased insurance broker Swett & Crawford from Cooper Gay Swett & Crawford for \$461 million in cash.

See the Annual Report on Form 10-K for the year ended December 31, 2016 for additional information related to these transactions.

NOTE 3. Securities

The following tables present the amortized cost, gross unrealized gains and losses, and fair values of AFS and HTM securities:

(Dollars in millions)	September 30, 2017			
	Amortized Cost	Gross Gains	Unrealized Losses	Fair Value
AFS securities:				
U.S. Treasury	\$2,170	\$ —	\$ 59	\$2,111
GSE	188	—	6	182
Agency MBS	19,096	7	427	18,676
States and political subdivisions	1,586	46	33	1,599
Non-agency MBS	402	206	—	608
Other	8	—	—	8
Total AFS securities	\$23,450	\$ 259	\$ 525	\$23,184

HTM securities:

U.S. Treasury	\$1,098	\$ 18	\$ —	\$1,116
GSE	2,197	16	13	2,200
Agency MBS	20,073	62	140	19,995
States and political subdivisions	34	—	—	34
Other	45	2	—	47
Total HTM securities	\$23,447	\$ 98	\$ 153	\$23,392

Table of Contents

(Dollars in millions)	December 31, 2016			
	Amortized Cost	Gross Gains	Unrealized Losses	Fair Value
AFS securities:				
U.S. Treasury	\$2,669	\$ 2	\$ 84	\$2,587
GSE	190	—	10	180
Agency MBS	21,819	13	568	21,264
States and political subdivisions	2,198	56	49	2,205
Non-agency MBS	446	233	—	679
Other	11	—	—	11
Total AFS securities	\$27,333	\$ 304	\$ 711	\$26,926

HTM securities:				
U.S. Treasury	\$1,098	\$ 20	\$ —	\$1,118
GSE	2,197	14	30	2,181
Agency MBS	13,225	40	180	13,085
States and political subdivisions	110	—	—	110
Other	50	2	—	52
Total HTM securities	\$16,680	\$ 76	\$ 210	\$16,546

Certain investments in marketable debt securities and MBS issued by FNMA and FHLMC exceeded 10% of shareholders' equity at September 30, 2017. The FNMA investments had total amortized cost and fair value of \$14.7 billion and \$14.4 billion, respectively. The FHLMC investments had total amortized cost and fair value of \$9.6 billion and \$9.5 billion, respectively.

Changes in credit losses on securities with OTTI where a portion of the unrealized loss was recognized in OCI was immaterial for all periods presented.

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.

(Dollars in millions)	September 30, 2017			
	AFS		HTM	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$254	\$254	\$—	\$—
Due after one year through five years	535	539	1,962	1,987
Due after five years through ten years	2,367	2,305	1,389	1,385
Due after ten years	20,294	20,086	20,096	20,020
Total debt securities	\$23,450	\$23,184	\$23,447	\$23,392

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:

(Dollars in millions)	September 30, 2017					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AFS securities:						

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U.S. Treasury	\$459	\$ 2	\$1,553	\$ 57	\$2,012	\$ 59
GSE	12	—	170	6	182	6
Agency MBS	8,533	118	9,481	309	18,014	427
States and political subdivisions	87	—	408	33	495	33
Total	\$9,091	\$ 120	\$11,612	\$ 405	\$20,703	\$ 525

HTM securities:

GSE	\$1,185	\$ 9	\$146	\$ 4	\$1,331	\$ 13
Agency MBS	9,178	76	1,736	64	10,914	140
Total	\$10,363	\$ 85	\$1,882	\$ 68	\$12,245	\$ 153

Table of Contents

(Dollars in millions)	December 31, 2016					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AFS securities:						
U.S. Treasury	\$2,014	\$ 84	\$—	\$ —	\$2,014	\$ 84
GSE	180	10	—	—	180	10
Agency MBS	14,842	342	5,138	226	19,980	568
States and political subdivisions	365	7	314	42	679	49
Total	\$17,401	\$ 443	\$5,452	\$ 268	\$22,853	\$ 711
HTM securities:						
GSE	\$1,762	\$ 30	\$—	\$ —	\$1,762	\$ 30
Agency MBS	7,717	178	305	2	8,022	180
Total	\$9,479	\$ 208	\$305	\$ 2	\$9,784	\$ 210

The unrealized losses on U.S. Treasury securities, 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 September 30, 2017, the majority of the unrealized losses 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 September 30, 2017, none of these securities had credit impairment.

NOTE 4. Loans and ACL

During the first quarter of 2017, an other lending subsidiaries portfolio totaling \$244 million was acquired. During the second quarter of 2017, residential mortgage loans totaling \$300 million were sold, which included \$40 million of nonaccrual loans and \$199 million of performing TDRs.

The following tables present loans and leases HFI by aging category:

	September 30, 2017				
	Accruing		90		
		30-89 Days	Or	Nonaccrual	Total
(Dollars in millions)	Current	Days Past Due	Past Due		
Commercial:					
Commercial and industrial	\$51,666	\$ 30	\$ —	\$ 281	\$51,977
CRE-income producing properties	14,862	7	—	31	14,900
CRE-construction and development	4,490	1	—	10	4,501
Dealer floor plan	1,607	—	—	—	1,607
Other lending subsidiaries	8,281	17	—	9	8,307
Retail:					
Direct retail lending	11,813	55	9	64	11,941

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Revolving credit	2,664	22	11	—	2,697
Residential mortgage-nonguaranteed	27,261	320	43	136	27,760
Residential mortgage-government guaranteed	391	135	366	5	897
Sales finance	9,380	66	6	5	9,457
Other lending subsidiaries	7,681	293	—	65	8,039
PCI	600	41	70	—	711
Total	\$140,696	\$987	\$505	\$606	\$142,794

12

Table of Contents

(Dollars in millions)	December 31, 2016				
	Accruing	90 Days Or More Past Due	30-89 Days Past Due	Nonaccrual	Total
Commercial:					
Commercial and industrial	\$51,329	\$27	\$—	\$ 363	\$51,719
CRE-income producing properties	14,492	6	—	40	14,538
CRE-construction and development	3,800	2	—	17	3,819
Dealer floor plan	1,413	—	—	—	1,413
Other lending subsidiaries	7,660	21	—	10	7,691
Retail:					
Direct retail lending	11,963	60	6	63	12,092
Revolving credit	2,620	23	12	—	2,655
Residential mortgage-nonguaranteed	28,378	393	79	172	29,022
Residential mortgage-government guaranteed	324	132	443	—	899
Sales finance	11,179	76	6	6	11,267
Other lending subsidiaries	6,931	301	—	65	7,297
PCI	784	36	90	—	910
Total	\$140,873	\$1,077	\$ 636	\$ 736	\$143,322

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:

September 30, 2017					
(Dollars in millions)	Commercial & Industrial	CRE - Income Producing Properties	CRE - Construction & Development	Dealer Floor Plan	Other Lending Subsidiaries
Commercial:					
Pass	\$50,352	\$ 14,561	\$ 4,408	\$1,598	\$ 8,212
Special mention	395	63	44	—	17
Substandard-performing	949	245	39	9	69
Nonperforming	281	31	10	—	9
Total	\$51,977	\$ 14,900	\$ 4,501	\$1,607	\$ 8,307
	Direct Retail Lending	Revolving Credit	Residential Mortgage	Sales Finance	Other Lending Subsidiaries
Retail:					
Performing	\$11,877	\$ 2,697	\$ 28,516	\$ 9,452	\$ 7,974
Nonperforming	64	—	141	5	65
Total	\$11,941	\$ 2,697	\$ 28,657	\$ 9,457	\$ 8,039

December 31, 2016					
(Dollars in millions)	Commercial & Industrial	CRE - Income Producing Properties	CRE - Construction & Development	Dealer Floor Plan	Other Lending Subsidiaries

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Commercial:

Pass	\$49,921	\$ 14,061	\$ 3,718	\$1,404	\$ 7,604
Special mention	314	124	38	—	33
Substandard-performing	1,121	313	46	9	44
Nonperforming	363	40	17	—	10
Total	\$51,719	\$ 14,538	\$ 3,819	\$1,413	\$ 7,691

	Direct Retail Lending	Revolving Credit	Residential Mortgage	Sales Finance	Other Lending Subsidiaries
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Retail:

Performing	\$ 12,029	\$ 2,655	\$ 29,749	\$11,261	\$ 7,232
Nonperforming	63	—	172	6	65
Total	\$ 12,092	\$ 2,655	\$ 29,921	\$11,267	\$ 7,297

Table of Contents

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

(Dollars in millions)	Three Months Ended September 30, 2017				
	Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Ending Balance
Commercial:					
Commercial and industrial	\$479	\$ (10)	\$ 7	\$ 3	\$ 479
CRE-income producing properties	140	(2)	1	—	139
CRE-construction and development	23	(2)	2	(1)	22
Dealer floor plan	12	—	—	1	13
Other lending subsidiaries	36	(5)	2	6	39
Retail:					
Direct retail lending	100	(16)	6	11	101
Revolving credit	101	(17)	4	13	101
Residential mortgage-nonguaranteed	173	(6)	—	5	172
Residential mortgage-government guaranteed	38	(1)	—	(2)	35
Sales finance	39	(8)	3	3	37
Other lending subsidiaries	314	(95)	11	83	313
PCI	30	(1)	—	(2)	27
ALLL	1,485	(163)	36	120	1,478
RUFC	117	—	—	6	123
ACL	\$1,602	\$ (163)	\$ 36	\$ 126	\$ 1,601
Three Months Ended September 30, 2016					
(Dollars in millions)	Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Ending Balance
Commercial:					
Commercial and industrial	\$519	\$ (23)	\$ 6	\$ 21	\$ 523
CRE-income producing properties	116	(5)	3	(2)	112
CRE-construction and development	28	(1)	3	(3)	27
Dealer floor plan	10	—	—	—	10
Other lending subsidiaries	27	(5)	1	5	28
Retail:					
Direct retail lending	105	(12)	7	3	103
Revolving credit	98	(18)	5	14	99
Residential mortgage-nonguaranteed	194	(11)	1	—	184
Residential mortgage-government guaranteed	30	(2)	—	9	37
Sales finance	36	(7)	3	4	36
Other lending subsidiaries	279	(86)	11	85	289
PCI	65	—	—	(2)	63
ALLL	1,507	(170)	40	134	1,511
RUFC	96	—	—	14	110
ACL	\$1,603	\$ (170)	\$ 40	\$ 148	\$ 1,621

Table of Contents

Nine Months Ended September 30, 2017						
(Dollars in millions)	Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Ending Balance	
Commercial:						
Commercial and industrial	\$500	\$ (60)	\$ 21	\$ 18	\$ 479	
CRE-income producing properties	117	(6)	5	23	139	
CRE-construction and development	25	(2)	7	(8)	22	
Dealer floor plan	11	(1)	—	3	13	
Other lending subsidiaries	29	(15)	4	21	39	
Retail:						
Direct retail lending	103	(46)	19	25	101	
Revolving credit	106	(57)	14	38	101	
Residential mortgage-nonguaranteed	186	(36)	1	21	172	
Residential mortgage-government guaranteed	41	(3)	—	(3)	35	
Sales finance	38	(23)	10	12	37	
Other lending subsidiaries	289	(275)	37	262	313	
PCI	44	(1)	—	(16)	27	
ALLL	1,489	(525)	118	396	1,478	
RUFC	110	—	—	13	123	
ACL	\$1,599	\$ (525)	\$ 118	\$ 409	\$ 1,601	
Nine Months Ended September 30, 2016						
(Dollars in millions)	Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Acquisition	Ending Balance
Commercial:						
Commercial and industrial	\$466	\$ (105)	\$ 30	\$ 132	\$ —	\$ 523
CRE-income producing properties	135	(7)	7	(23)	—	112
CRE-construction and development	37	(1)	9	(18)	—	27
Dealer floor plan	8	—	—	2	—	10
Other lending subsidiaries	22	(17)	5	18	—	28
Retail:						
Direct retail lending	105	(37)	20	15	—	103
Revolving credit	104	(53)	15	33	—	99
Residential mortgage-nonguaranteed	194	(26)	3	13	—	184
Residential mortgage-government guaranteed	23	(4)	—	18	—	37
Sales finance	40	(21)	9	8	—	36
Other lending subsidiaries	265	(239)	31	232	—	289
PCI	61	—	—	2	—	63
ALLL	1,460	(510)	129	432	—	1,511
RUFC	90	—	—	11	9	110
ACL	\$1,550	\$ (510)	\$ 129	\$ 443	\$ 9	\$ 1,621

Table of Contents

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

	September 30, 2017		December 31, 2016	
(Dollars in millions)	Recorded Investment	Related ALLL	Recorded Investment	Related ALLL
Commercial:				
Commercial and industrial	\$ 51,594	\$ 451	\$ 51,253	\$ 463
CRE-income producing properties	14,831	134	14,455	112
CRE-construction and development	4,479	20	3,787	21
Dealer floor plan	1,607	13	1,413	11
Other lending subsidiaries	8,295	38	7,678	28
Retail:				
Direct retail lending	11,864	93	12,011	93
Revolving credit	2,668	89	2,626	95
Residential mortgage-nonguaranteed	27,316	137	28,488	136
Residential mortgage-government guaranteed	515	7	466	8
Sales finance	9,443	36	11,251	37
Other lending subsidiaries	7,767	264	7,057	249
PCI	711	27	910	44
Total	\$ 141,090	\$ 1,309	\$ 141,395	\$ 1,297

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

Nine Months Ended September 30, 2017

(Dollars in millions)	Recorded Investment	UPB	Related ALLL	Average Recorded Investment	Interest Income Recognized
With no related ALLL recorded:					
Commercial:					
Commercial and industrial	\$ 180	\$ 207	\$ —	\$ 193	\$ —
CRE-income producing properties	17	20	—	26	—
CRE-construction and development	7	8	—	11	—
Dealer floor plan	—	—	—	3	—
Other lending subsidiaries	3	5	—	3	—
Retail:					
Direct retail lending	21	45	—	16	1
Residential mortgage-nonguaranteed	119	162	—	104	3
Residential mortgage-government guaranteed	4	4	—	3	—
Sales finance	1	2	—	1	—
Other lending subsidiaries	4	10	—	4	—
With an ALLL recorded:					
Commercial:					
Commercial and industrial	203	204	28	236	4
CRE-income producing properties	52	53	5	56	1
CRE-construction and development	15	15	2	19	—
Dealer floor plan	—	—	—	—	—
Other lending subsidiaries	9	9	1	7	—
Retail:					
Direct retail lending	56	57	8	63	3
Revolving credit	29	29	12	29	1
Residential mortgage-nonguaranteed	325	332	35	407	13

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Residential mortgage-government guaranteed	378	379	28	405	12
Sales finance	13	13	1	14	—
Other lending subsidiaries	268	269	49	243	29
Total	\$ 1,704	\$1,823	\$ 169	\$ 1,843	\$ 67

16

Table of Contents

As of / For The Year Ended December 31, 2016 (Dollars in millions)	Recorded Investment	UPB	Related ALLL	Average Recorded Investment	Interest Income Recognized
With no related ALLL recorded:					
Commercial:					
Commercial and industrial	\$ 201	\$225	\$ —	\$ 217	\$ 1
CRE-income producing properties	25	27	—	16	—
CRE-construction and development	10	11	—	8	—
Dealer floor plan	—	—	—	—	—
Other lending subsidiaries	4	6	—	6	—
Retail:					
Direct retail lending	13	38	—	12	1
Residential mortgage-nonguaranteed	94	141	—	97	4
Residential mortgage-government guaranteed	3	3	—	3	—
Sales finance	1	2	—	1	—
Other lending subsidiaries	4	9	—	4	—
With an ALLL recorded:					
Commercial:					
Commercial and industrial	265	269	37	259	5
CRE-income producing properties	58	61	5	68	2
CRE-construction and development	22	22	4	22	1
Dealer floor plan	—	—	—	—	—
Other lending subsidiaries	9	9	1	5	—
Retail:					
Direct retail lending	68	69	10	71	4
Revolving credit	29	29	11	31	1
Residential mortgage-nonguaranteed	440	451	50	383	16
Residential mortgage-government guaranteed	430	431	33	360	14
Sales finance	15	15	1	16	1
Other lending subsidiaries	236	239	40	206	32
Total	\$ 1,927	\$2,057	\$ 192	\$ 1,785	\$ 82

The following table presents a summary of TDRs, including trial modifications, all of which are considered impaired:

(Dollars in millions)	Sep 30, Dec 31, 2017 2016	
Performing TDRs:		
Commercial:		
Commercial and industrial	\$60	\$55
CRE-income producing properties	13	16
CRE-construction and development	9	9
Retail:		
Direct retail lending	63	67
Revolving credit	29	29
Residential mortgage-nonguaranteed	229	336
Residential mortgage-government guaranteed	380	433
Sales finance	13	16
Other lending subsidiaries	256	226
Total performing TDRs	1,052	1,187
Nonperforming TDRs (also included in NPL disclosures)	203	184

Total TDRs	\$1,255	\$1,371
ALLL attributable to TDRs	\$140	\$146

Table of Contents

The following table summarizes 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 September 30,					
	2017			2016		
	Types of		Impact	Types of		Impact
	Modifications		To	Modifications		To
	Rate Structure		ALLL	Rate Structure		ALLL
(Dollars in millions)						
Newly Designated TDRs:						
Commercial:						
Commercial and industrial	\$ 17	\$ 36	\$ 1	\$ 8	\$ 23	\$ 1
CRE-income producing properties	—	4	—	—	1	—
CRE-construction and development	—	1	—	—	3	—
Retail:						
Direct retail lending	2	1	—	5	—	—
Revolving credit	5	—	1	4	—	1
Residential mortgage-nonguaranteed	25	17	2	30	22	2
Residential mortgage-government guaranteed	54	—	3	118	—	7
Sales finance	—	1	—	—	2	—
Other lending subsidiaries	62	—	8	44	—	6
Re-modification of Previously Designated TDRs	63	4	—	19	16	—
	Nine Months Ended September 30,					
	2017			2016		
	Types of		Impact	Types of		Impact
	Modifications		To	Modifications		To
	Rate Structure		ALLL	Rate Structure		ALLL
(Dollars in millions)						
Newly Designated TDRs:						
Commercial:						
Commercial and industrial	\$ 72	\$ 92	\$ 3	\$ 99	\$ 39	\$ 3
CRE-income producing properties	6	8	—	4	8	—
CRE-construction and development	8	2	1	1	4	—
Retail:						
Direct retail lending	7	3	—	10	1	—
Revolving credit	14	—	3	13	—	3
Residential mortgage-nonguaranteed	119	29	12	65	36	5
Residential mortgage-government guaranteed	170	—	9	217	—	12
Sales finance	—	5	—	—	5	—
Other lending subsidiaries	140	—	16	118	—	16
Re-Modification of Previously Designated TDRs	148	26	—	48	26	—

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

The pre-default balance for modifications that had been classified as TDRs during the previous 12 months that experienced a payment default was \$26 million and \$19 million for the three months ended September 30, 2017 and 2016, respectively, and \$71 million and \$52 million for the nine months ended September 30, 2017 and 2016, respectively. Payment default is defined as movement of the TDR to nonaccrual status, foreclosure or charge-off, whichever occurs first.

Table of Contents

Information about PCI loans is presented in the following table:

(Dollars in millions)	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Purchased Impaired	Purchased Nonimpaired	Purchased Impaired	Purchased Nonimpaired
Accrutable yield at beginning of period	\$ 253	\$ 155	\$ 189	\$ 176
Additions	—	—	36	—
Accretion	(67)	(44)	(134)	(73)
Other, net	25	30	162	52
Accrutable yield at end of period	\$ 211	\$ 141	\$ 253	\$ 155
Carrying value at end of period	\$ 464	\$ 247	\$ 614	\$ 296
Outstanding UPB at end of period	719	343	910	423

The following table presents additional information about loans and leases:

(Dollars in millions)	Sep 30, Dec 31, 2017 2016	
Unearned income, discounts and net deferred loan fees and costs, excluding PCI	\$ 143	\$ 265
Residential mortgage loans in process of foreclosure	305	366

NOTE 5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill attributable to operating segments are reflected in the table below:

(Dollars in millions)	Community Banking	Residential Mortgage Banking	Dealer Financial Services	Specialized Lending	Insurance Holdings	Financial Services	Total
Goodwill, January 1, 2017	\$ 7,032	\$ 416	\$ 111	\$ 113	\$ 1,752	\$ 214	\$ 9,638
Adjustments	(12)	6	—	(9)	(5)	—	(20)
Goodwill, September 30, 2017	\$ 7,020	\$ 422	\$ 111	\$ 104	\$ 1,747	\$ 214	\$ 9,618

The adjustments to goodwill were primarily the result of finalizing the purchase price allocation for National Penn and Swett & Crawford.

The following table, which excludes fully amortized intangibles, presents information for identifiable intangible assets:

(Dollars in millions)	September 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
CDI	\$825	\$ (614)	\$ 211	\$825	\$ (565)	\$ 260
Other, primarily customer relationship intangibles	1,246	(712)	534	1,249	(655)	594
Total	\$2,071	\$ (1,326)	\$ 745	\$2,074	\$ (1,220)	\$ 854

NOTE 6. Loan Servicing

Residential Mortgage Banking Activities

The following tables summarize residential mortgage banking activities:

(Dollars in millions)

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	Sep 30, 2017	Dec 31, 2016
UPB of residential mortgage and home equity loan servicing portfolio	\$118,736	\$121,639
UPB of residential mortgage loans serviced for others (primarily agency conforming fixed rate)	89,391	90,325
Mortgage loans sold with recourse	514	578
Maximum recourse exposure from mortgage loans sold with recourse liability	261	282
Indemnification, recourse and repurchase reserves	39	40

Table of Contents

	As of / For The Nine Months Ended September 30,			
(Dollars in millions)	2017		2016	
UPB of residential mortgage loans sold from LHFS	\$9,478		\$11,098	
Pre-tax gains recognized on mortgage loans sold and held for sale	114		105	
Servicing fees recognized from mortgage loans serviced for others	197		201	
Approximate weighted average servicing fee on the outstanding balance of residential mortgage loans serviced for others	0.28	%	0.28	%
Weighted average interest rate on mortgage loans serviced for others	4.00		4.06	

During the third quarter of 2016, the Company paid \$83 million to settle certain FHA loan origination and quality control matters pursuant to an agreement with the Department of Justice. In addition, the Company separately received recoveries of \$71 million, resulting in a net benefit of \$73 million for the third quarter of 2016, which was included in other expense on the Consolidated Statements of Income.

	Nine Months Ended September 30,	
(Dollars in millions)	2017	2016
Residential MSRs, carrying value, beginning of period	\$915	\$880
Additions	93	99
Change in fair value due to changes in valuation inputs or assumptions:		
Prepayment speeds	(56)	(180)
OAS	47	9
Servicing costs	9	2
Realization of expected net servicing cash flows, passage of time and other	(104)	(103)
Residential MSRs, carrying value, end of period	\$904	\$707
Gains (losses) on derivative financial instruments used to mitigate the income statement effect of changes in residential MSR fair value	\$12	\$224

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

	September 30, 2017			December 31, 2016		
	Range		Weighted	Range		Weighted
(Dollars in millions)	Min	Max	Average	Min	Max	Average
Prepayment speed	7.6%	10.2%	9.3 %	7.5%	8.4 %	8.1 %
Effect on fair value of a 10% increase			\$ (32)			\$ (28)
Effect on fair value of a 20% increase			(62)			(54)
OAS	8.4%	8.9 %	8.5 %	9.8%	10.2%	10.0 %
Effect on fair value of a 10% increase			\$ (28)			\$ (33)
Effect on fair value of a 20% increase			(54)			(64)
Composition of loans serviced for others:						
Fixed-rate residential mortgage loans			99.1 %			99.1 %
Adjustable-rate residential mortgage loans			0.9			0.9
Total			100.0 %			100.0 %

Weighted average life	6.4 years	7.0 years
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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.

Table of Contents

Commercial Mortgage Banking Activities

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

(Dollars in millions)	Sep 30, 2017	Dec 31, 2016
UPB of CRE mortgages serviced for others	\$28,122	\$29,333
CRE mortgages serviced for others covered by recourse provisions	4,307	4,240
Maximum recourse exposure from CRE mortgages sold with recourse liability	1,244	1,272
Recorded reserves related to recourse exposure	6	7
CRE mortgages originated during the year-to-date period	4,969	7,145
Commercial MSRs at fair value	140	137

NOTE 7. Deposits

A summary of deposits is presented in the accompanying table:

(Dollars in millions)	Sep 30, 2017	Dec 31, 2016
Noninterest-bearing deposits	\$54,049	\$50,697
Interest checking	26,575	30,263
Money market and savings	60,904	64,883
Time deposits	14,607	14,391
Total deposits	\$156,135	\$160,234

Time deposits \$100,000 and greater \$6,542 \$5,394

Time deposits \$250,000 and greater 3,831 2,179

NOTE 8. Long-Term Debt

The following table presents a summary of long-term debt:

	Sep 30, 2017						Dec 31, 2016
(Dollars in millions)	Maturity		Stated Rate		Effective Rate	Carrying Amount	Carrying Amount
			Min	Max			
BB&T Corporation							
Fixed rate senior notes	2018 to 2024		1.45 %	6.85 %	2.63 %	\$ 7,079	\$ 7,600
Floating rate senior notes	2018	2022	1.89	2.18	2.03	2,247	1,898
Fixed rate subordinated notes	2019	2022	3.95	5.25	1.71	946	1,338
Branch Bank							
Fixed rate senior notes	2018	2022	1.45	2.85	2.36	4,930	4,209
Floating rate senior notes	2019	2020	1.75	1.84	1.84	849	250
Fixed rate subordinated notes	2025	2026	3.63	3.80	3.43	2,142	2,138
Floating rate subordinated notes			—	—	—	—	262
FHLB advances (1)	2017	2034	—	6.38	1.30	2,495	4,118
Other long-term debt						175	152
Total long-term debt						\$ 20,863	\$ 21,965

(1) FHLB advances had a weighted average maturity of 4.1 years at September 30, 2017.

The effective rates above reflect the impact of fair value hedges and debt issuance costs. 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.

During the first quarter of 2017, Branch Bank terminated FHLB advances totaling \$2.9 billion of par value, which resulted in a pre-tax loss on early extinguishment of debt totaling \$392 million.

During October 2017, BB&T issued \$2.3 billion of fixed and floating rate debt with maturities ranging from 2021 to 2024.

Table of Contents

NOTE 9. Shareholders' Equity

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

(Shares in thousands)	Restricted Shares/Units	Wtd. Avg. Grant Date Fair Value
Nonvested at January 1, 2017	13,516	\$29.39
Granted	3,909	42.88
Vested	(3,832)	27.18
Forfeited	(285)	33.01
Nonvested at September 30, 2017	13,308	33.92
Expected to vest at September 30, 2017	12,297	33.92

NOTE 10. AOCI

Activity within AOCI is presented in the following tables:

(Dollars in millions)	Three Months Ended September 30, 2017				
	Unrecognized Net Pension and Postretirement Costs	Unrealized Net Gains (Losses) on Cash and Fixed Income Hedges	Unrealized Net Gains (Losses) on AFS Securities	Other, net	Total
AOCI balance, July 1, 2017	\$(743)	\$ (128)	\$ (187)	\$(15)	\$(1,073)
OCI before reclassifications, net of tax	1	1	19	2	23
Amounts reclassified from AOCI:					
Before tax (1)	11	13	(2)	—	22
Tax effect	4	5	(1)	—	8
Amounts reclassified, net of tax	7	8	(1)	—	14
Net change in AOCI	8	9	18	2	37
AOCI balance, September 30, 2017	\$(735)	\$ (119)	\$ (169)	\$(13)	\$(1,036)

(Dollars in millions)	Three Months Ended September 30, 2016					
	Unrecognized Net Pension and Postretirement Costs	Unrealized Net Gains (Losses) on Cash and Fixed Income Hedges	Unrealized Net Gains (Losses) on AFS Securities	FDIC's Share of Unrealized (Gains) Losses on AFS Securities	Other, net	Total
AOCI balance, July 1, 2016	\$(701)	\$ (247)	\$ 263	\$ (137)	\$(15)	\$(837)
OCI before reclassifications, net of tax	(9)	23	(72)	137	—	79
Amounts reclassified from AOCI:						
Before tax (1)	18	(3)	(2)	—	1	14
Tax effect	7	(1)	(1)	—	1	6
Amounts reclassified, net of tax	11	(2)	(1)	—	—	8
Net change in AOCI	2	21	(73)	137	—	87

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AOCI balance, September 30, 2016	\$ (699)	\$ (226)	\$ 190	\$ —	\$ (15)	\$ (750)
Nine Months Ended September 30, 2017						
	Unrecognized	Realized	Unrealized			
	Net	Net Gains	Net Gains			
	Pension (Losses)	and on Cash	(Losses) on AFS	Other, net	Total	
(Dollars in millions)	Postretirement Costs	and Hedges	Securities			
AOCI balance, January 1, 2017	\$ (764)	\$ (92)	\$ (259)	\$ (17)	\$ (1,132)	
OCI before reclassifications, net of tax	—	(26)	99	4	77	
Amounts reclassified from AOCI:						
Before tax (1)	46	(1)	(15)	—	30	
Tax effect	17	—	(6)	—	11	
Amounts reclassified, net of tax	29	(1)	(9)	—	19	
Net change in AOCI	29	(27)	90	4	96	
AOCI balance, September 30, 2017	\$ (735)	\$ (119)	\$ (169)	\$ (13)	\$ (1,036)	

Table of Contents

(Dollars in millions)	Nine Months Ended September 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
AOCI balance, January 1, 2016	\$(723)	\$(83)	\$(34)	\$(169)	\$(19)	\$(1,028)
OCI before reclassifications, net of tax	(8)	(154)	280	148	3	269
Amounts reclassified from AOCI:						
Before tax (1)	51	18	(90)	33	2	14
Tax effect	19	7	(34)	12	1	5
Amounts reclassified, net of tax	32	11	(56)	21	1	9
Net change in AOCI	24	(143)	224	169	4	278
AOCI balance, September 30, 2016	\$(699)	\$(226)	\$ 190	\$ —	\$(15)	\$(750)

Amounts related to unrecognized net pension and postretirement costs are included in personnel expense, amounts related to unrealized net gains (losses) on cash flow hedges are included in net interest income, amounts related to unrealized net gains (losses) on AFS securities are included in net interest income and securities gains/losses when realized, amounts related to FDIC's share of unrealized gains (losses) on AFS securities are included in FDIC loss share income, net and amounts related to other, net are primarily included in net interest income in the Consolidated Statements of Income.

NOTE 11. Income Taxes

The effective tax rates for the three months ended September 30, 2017 and 2016 were 31.2% and 29.8%, respectively.

The effective tax rates for the nine months ended September 30, 2017 and 2016 were 28.7% and 30.0%, respectively. The effective tax rate for the nine months ended September 30, 2017 was lower than the corresponding period in 2016 primarily due to the excess tax benefits from equity-based compensation plans and the tax benefits associated with using the marginal income tax rate for the loss on the early extinguishment of debt.

NOTE 12. Benefit Plans

(Dollars in millions)	Three Months Ended September 30,			
	Qualified Plans		Nonqualified Plans	
	2017	2016	2017	2016
Service cost	\$45	\$44	\$ 2	\$ 3
Interest cost	43	41	5	5
Estimated return on plan assets	(93)	(82)	—	—
Amortization and other	14	18	4	3
Net periodic benefit cost	\$9	\$21	\$ 11	\$ 11
(Dollars in millions)	Nine Months Ended September 30,			
	Qualified Plans		Nonqualified Plans	
	2017	2016	2017	2016
Service cost	\$143	\$130	\$ 9	\$ 9

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Interest cost	130	122	14	14
Estimated return on plan assets	(278)	(244)	—	—
Amortization and other	47	51	10	9
Net periodic benefit cost	\$42	\$59	\$ 33	\$ 32

BB&T makes contributions to the qualified pension plans in amounts between the minimum required for funding and the maximum deductible for federal income tax purposes. Discretionary contributions totaling \$347 million were made during the nine months ended September 30, 2017. There are no required contributions for the remainder of 2017, though BB&T may elect to make additional discretionary contributions.

Table of Contents

NOTE 13. Commitments and Contingencies

(Dollars in millions)	Sep 30, 2017	Dec 31, 2016
Letters of credit	\$2,658	\$2,786
Carrying amount of the liability for letters of credit	22	27

Investments in affordable housing and historic building rehabilitation projects:

Carrying amount	2,018	1,719
Amount of future funding commitments included in carrying amount	971	738
Lending exposure	547	495
Tax credits subject to recapture	450	413

Private equity investments	426	362
Future funding commitments to private equity investments	136	197

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, and is more than nominal, 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.

(Dollars in millions)	Sep 30, 2017	Dec 31, 2016
Pledged securities	\$14,457	\$15,549
Pledged loans	74,411	75,015

Table of Contents

NOTE 14. Fair Value Disclosures

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

(Dollars in millions)	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Trading securities	\$1,089	\$346	\$743	\$—
AFS securities:				
U.S. Treasury	2,111	—	2,111	—
GSE	182	—	182	—
Agency MBS	18,676	—	18,676	—
States and political subdivisions	1,599	—	1,599	—
Non-agency MBS	608	—	151	457
Other	8	5	3	—
Total AFS securities	23,184	5	22,722	457
LHFS	1,217	—	1,217	—
MSRs	1,044	—	—	1,044
Derivative assets:				
Interest rate contracts	523	—	515	8
Foreign exchange contracts	5	—	5	—
Total derivative assets	528	—	520	8
Private equity investments	413	—	—	413
Total assets	\$27,475	\$351	\$25,202	\$1,922
Liabilities:				
Derivative liabilities:				
Interest rate contracts	\$725	\$1	\$721	\$3
Foreign exchange contracts	6	—	6	—
Total derivative liabilities	731	1	727	3
Securities sold short	82	—	82	—
Total liabilities	\$813	\$1	\$809	\$3
December 31, 2016				
(Dollars in millions)	Total	Level 1	Level 2	Level 3
Assets:				
Trading securities	\$748	\$324	\$424	\$—
AFS securities:				
U.S. Treasury	2,587	—	2,587	—
GSE	180	—	180	—
Agency MBS	21,264	—	21,264	—
States and political subdivisions	2,205	—	2,205	—
Non-agency MBS	679	—	172	507
Other	11	8	3	—
Total AFS securities	26,926	8	26,411	507
LHFS	1,716	—	1,716	—
MSRs	1,052	—	—	1,052
Derivative assets:				
Interest rate contracts	814	—	807	7

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Foreign exchange contracts	8	—	8	—
Total derivative assets	822	—	815	7
Private equity investments	362	—	—	362
Total assets	\$31,626	\$332	\$29,366	\$1,928
Liabilities:				
Derivative liabilities:				
Interest rate contracts	\$998	\$—	\$978	\$20
Foreign exchange contracts	5	—	5	—
Total derivative liabilities	1,003	—	983	20
Securities sold short	137	—	137	—
Total liabilities	\$1,140	\$—	\$1,120	\$20

Table of Contents

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. The following discussion focuses on the valuation techniques and significant inputs for Level 2 and Level 3 assets and liabilities.

A third-party pricing service is generally utilized in determining the fair value of the securities portfolio. Management independently evaluates the fair values provided by the pricing service through comparisons to other external pricing sources, review of additional information provided by the pricing service and other third party sources for selected securities and back-testing to compare the price realized on any security sales to the daily pricing information received from the pricing service. 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 include various types of debt and equity securities, primarily consisting 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.

U.S. Treasury securities: Treasury securities are valued using quoted prices in active over-the-counter markets.

GSE securities and agency MBS: GSE pass-through securities are valued using market-based pricing matrices that reference 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 reference observable inputs including MSRB reported trades, issuer spreads, material event notices and benchmark yield curves.

Non-agency MBS: 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. Non-agency MBS also include investments in Re-REMIC trusts that primarily hold non-agency MBS, which are valued based on broker pricing models that use baseline securities yields and tranche-level yield adjustments to discount cash flows modeled using market convention prepayment speed and default assumptions.

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.

LHFS: Certain mortgage loans are originated 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.

MSRs: Residential MSRs are valued using an OAS valuation model to project cash flows over multiple interest rate scenarios, which are discounted at risk-adjusted rates. The 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. Commercial MSRs are valued using a cash flow valuation model that calculates the present value of estimated future net servicing cash flows. BB&T considers actual and expected loan prepayment rates, discount rates, servicing costs and other economic factors that are determined based on current market conditions.

Derivative assets and liabilities: The fair values of derivatives are determined based on quoted market prices and internal pricing models that use 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 are not expected to fund and include the value attributable to the net servicing fees.

Table of Contents

Private equity investments: 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.

Securities sold short: Securities sold short represent debt securities sold short that are entered into as a hedging strategy for the purposes of supporting institutional and retail client trading activities.

The following tables summarize activity for Level 3 assets and liabilities:

(Dollars in millions)	Three Months Ended September 30, 2017			
	Non-agency MBS	MSRs	Net Derivatives	Private Equity Investments
Balance at July 1, 2017	\$474	\$1,052	\$ 3	\$ 394
Total realized and unrealized gains (losses):				
Included in earnings (1)	8	4	11	21
Included in unrealized net holding gains (losses) in OCI	(7)	—	—	—
Purchases	—	—	—	9
Issuances	—	30	15	—
Sales	—	—	—	(11)
Settlements	(18)	(42)	(24)	—
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Balance at September 30, 2017	\$457	\$1,044	\$ 5	\$ 413
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at September 30, 2017	\$9	\$4	\$ 5	\$ 16
(Dollars in millions)	Three Months Ended September 30, 2016			
	Non-agency MBS	MSRs	Net Derivatives	Private Equity Investments
Balance at July 1, 2016	\$559	\$785	\$ 33	\$ 353
Total realized and unrealized gains (losses):				
Included in earnings (1)	6	42	45	3
Included in unrealized net holding gains (losses) in OCI	(5)	—	—	—
Purchases	—	—	—	15
Issuances	—	44	22	—
Sales	—	—	—	(29)
Settlements	(21)	(43)	(80)	(2)
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Balance at September 30, 2016	\$539	\$828	\$ 20	\$ 340
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at September 30, 2016	\$6	\$42	\$ 20	\$ 1

Table of Contents

	Nine Months Ended September 30, 2017			
(Dollars in millions)	Non-agency MBS	MSRs	Net Derivatives	Private Equity Investments
Balance at January 1, 2017	\$507	1,052	\$ (13)	\$ 362
Total realized and unrealized gains (losses):				
Included in earnings (1)	31	24	30	26
Included in unrealized net holding gains (losses) in OCI	(27)	—	—	—
Purchases	—	—	—	84
Issuances	—	93	39	—
Sales	—	—	—	(41)
Settlements	(54)	(125)	(51)	(5)
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	(13)
Balance at September 30, 2017	\$457	\$1,044	\$ 5	\$ 413
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at September 30, 2017	\$31	\$24	\$ 5	\$ 16
	Nine Months Ended September 30, 2016			
(Dollars in millions)	Non-agency MBS	MSRs	Net Derivatives	Private Equity Investments
Balance at January 1, 2016	\$626	\$880	\$ 4	\$ 289
Total realized and unrealized gains (losses):				
Included in earnings (1)	38	(154)	101	6
Included in unrealized net holding gains (losses) in OCI	(50)	—	—	—
Purchases	—	—	—	89
Issuances	—	100	85	—
Sales	—	—	—	(37)
Settlements	(75)	(121)	(170)	(7)
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Adoption of fair value option for commercial MSRs	—	123	—	—
Balance at September 30, 2016	\$539	\$828	\$ 20	\$ 340
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at September 30, 2016	\$38	\$(154)	\$ 20	\$ 1

Amounts related to non-agency MBS are included in interest income, amounts related to MSRs and net derivatives (1) are primarily included in mortgage banking income and amounts related to private equity investments are included in other income in the Consolidated Statements of Income.

BB&T's policy is to recognize transfers between levels as of the end of a reporting period.

The non-agency MBS categorized as Level 3 represent ownership interest in various tranches of Re-REMIC trusts. These securities are valued at a discount, which is unobservable in the market, to the fair value of the underlying securities owned by the trusts. The Re-REMIC tranches do not have an active market and therefore are categorized as

Level 3. At September 30, 2017, the fair value of Re-REMIC non-agency MBS represented a discount of 18.5% to the fair value of the underlying securities owned by the Re-REMIC trusts.

The majority of private equity 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 VIE 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 2026, 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 September 30, 2017, 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. These investments are spread over numerous privately-held middle market companies, and thus the sensitivity to a change in fair value for any single investment is limited. The significant unobservable inputs for these investments are EBITDA multiples that ranged from 5x to 12x, with a weighted average of 8x, at September 30, 2017.

Table of Contents

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

(Dollars in millions)	September 30, 2017			December 31, 2016		
	Fair Value	Aggregate UPB	Difference	Fair Value	Aggregate UPB	Difference
LHFS reported at fair value	\$1,217	\$1,197	\$ 20	\$1,716	\$1,736	\$ (20)

Excluding government guaranteed, LHFS that were in nonaccrual status or 90 days or more past due and still accruing interest were not material at September 30, 2017.

The following table provides information about certain assets measured at fair value on a nonrecurring basis, which are primarily collateral dependent and may be subject to liquidity adjustments. The carrying values represent end of period values, which approximate the fair value measurements that occurred on the various measurement dates throughout the period. The valuation adjustments represent the amounts recorded during the period regardless of whether the asset is still held at period end. These assets are considered to be Level 3 assets (excludes PCI).

(Dollars in millions)	September 30, 2017			September 30, 2016		
	Valuation			Valuation		
	Adjustments			Adjustments		
	Three Nine			Three Nine		
	Carrying Value	Month Ended	Months Ended	Carrying Value	Month Ended	Months Ended
Impaired loans	\$198	\$(4)	\$(18)	\$314	\$(22)	\$(76)
Foreclosed real estate	46	(66)	(192)	58	(59)	(160)

For financial instruments not recorded at fair value, estimates of fair value are based on relevant market data and information about the instrument. Values obtained relate to 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 instruments.

An active market does not exist for certain 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 assumptions were used to estimate the fair value of these financial instruments.

Cash and cash equivalents and restricted cash: 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.

Deposit liabilities: The fair values for demand deposits are 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. BB&T has developed long-term relationships with its deposit customers, commonly referred to as CDIs, that have not been considered in the determination of the deposit liabilities' fair value.

Short-term borrowings: The carrying amounts of short-term borrowings, excluding securities sold short, approximate their fair values.

Long-term 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.

Table of Contents

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. 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 are categorized within Level 3 of the fair value hierarchy. Retail lending commitments are assigned no fair value as BB&T typically has the ability to cancel such commitments by providing notice to the borrower.

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

September 30, 2017				
(Dollars in millions)	Carrying Amount	Total Fair Value	Level 2	Level 3
Financial assets:				
HTM securities	\$23,447	\$23,392	\$23,392	\$ —
Loans and leases HFI, net of ALLL	141,316	141,258	—	141,258
Financial liabilities:				
Deposits	156,135	156,234	156,234	—
Long-term debt	20,863	21,117	21,117	—
December 31, 2016				
(Dollars in millions)	Carrying Amount	Total Fair Value	Level 2	Level 3
Financial assets:				
HTM securities	\$16,680	\$16,546	\$16,546	\$ —
Loans and leases HFI, net of ALLL	141,833	142,044	—	142,044
Financial liabilities:				
Deposits	160,234	160,403	160,403	—
Long-term debt	21,965	22,423	22,423	—

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

(Dollars in millions)	September 30, 2017		December 31, 2016	
	Notional/Contract Amount	Fair Value	Notional/Contract Amount	Fair Value
Commitments to extend, originate or purchase credit	\$ 67,529	\$ 274	\$ 64,395	\$ 250
Residential mortgage loans sold with recourse	514	6	578	7
Other loans sold with recourse	4,307	6	4,240	7
Letters of credit	2,658	22	2,786	27

Table of Contents

NOTE 15. Derivative Financial Instruments

The following table presents the notional amount and estimated fair value of derivative instruments:

(Dollars in millions)	Hedged Item or Transaction	September 30, 2017			December 31, 2016		
		Notional Fair Value			Notional Fair Value		
		Amount	Gain	Loss	Amount	Gain	Loss
Cash flow hedges:							
Interest rate contracts:							
Pay fixed swaps	3 mo. LIBOR funding	\$6,500	\$—	\$(200)	\$7,050	\$—	\$(187)
Fair value hedges:							
Interest rate contracts:							
Receive fixed swaps	Long-term debt	12,827	157	(93)	12,099	202	(100)
Options	Long-term debt	5,337	—	(1)	2,790	—	(1)
Pay fixed swaps	Commercial loans	374	3	(1)	346	4	(2)
Pay fixed swaps	Municipal securities	231	—	(81)	231	—	(83)
Total		18,769	160	(176)	15,466	206	(186)
Not designated as hedges:							
Client-related and other risk management:							
Interest rate contracts:							
Receive fixed swaps		10,800	195	(37)	9,989	235	(44)
Pay fixed swaps		10,930	35	(212)	10,263	43	(252)
Other swaps		1,025	2	(3)	1,086	2	(5)
Other		792	2	(2)	709	2	(2)
Forward commitments		6,138	8	(5)	5,972	29	(28)
Foreign exchange contracts		533	5	(6)	669	8	(5)
Total		30,218	247	(265)	28,688	319	(336)
Mortgage banking:							
Interest rate contracts:							
Interest rate lock commitments		1,528	8	(3)	2,219	7	(20)
When issued securities, forward rate agreements and forward commitments		3,434	8	(3)	6,683	51	(14)
Other		193	2	—	449	2	(1)
Total		5,155	18	(6)	9,351	60	(35)
MSRs:							
Interest rate contracts:							
Receive fixed swaps		4,026	48	(40)	5,034	18	(236)
Pay fixed swaps		3,080	6	(38)	3,768	56	(7)
Options		2,930	48	(1)	5,710	160	(8)
When issued securities, forward rate agreements and forward commitments		1,776	1	(5)	3,210	3	(8)
Other		30	—	—	—	—	—
Total		11,842	103	(84)	17,722	237	(259)
Total derivatives not designated as hedges		47,215	368	(355)	55,761	616	(630)
Total derivatives		\$72,484	528	(731)	\$78,277	822	(1,003)

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Gross amounts not offset in the Consolidated Balance Sheets:

Amounts subject to master netting arrangements not offset due to policy election	(306) 306	(443) 443
Cash collateral (received) posted	(40) 375	(119) 450
Net amount	\$182 \$(50)	\$260 \$(110)

31

Table of Contents

The fair values of derivatives in a gain or loss position are presented on a gross basis in other assets or other liabilities, respectively, in the Consolidated Balance Sheets. 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 net derivative values with a defaulting party against 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 derivatives designated as hedges has been excluded from effectiveness testing. The ineffective portion was immaterial for all periods presented. The following tables present the effective portion of hedging derivative instruments on the consolidated statements of income:

(Dollars in millions)	Three Months Ended September 30,		Location of Amounts Reclassified from AOCI into Income	Pre-tax Gain (Loss) Reclassified from AOCI into Income	
	2017	2016		2017	2016
Cash flow hedges:					
Interest rate contracts	\$ 1	\$ 38	Total interest expense	\$(13)	\$ 3

(Dollars in millions)	Three Months Ended September 30,		Location of Amounts Reclassified from AOCI into Income	Pre-tax Gain (Loss) Reclassified from AOCI into Income	
	2017	2016		2017	2016
Fair value hedges:					
Interest rate contracts			Total interest income	\$(3)	\$(5)
Interest rate contracts			Total interest expense	30	58
Total				\$27	\$53

Not designated as hedges:
Client-related and other risk management:

Interest rate contracts	Other noninterest income	\$ 11	\$ 15
Foreign exchange contracts	Other noninterest income	5	(1)
Mortgage banking:			
Interest rate contracts	Mortgage banking income	(3)	17
MSRs:			
Interest rate contracts	Mortgage banking income	10	3
Total		\$23	\$34

(Dollars in millions)	Nine Months Ended September 30,		Location of Amounts Reclassified from AOCI into Income	Pre-tax Gain (Loss) Reclassified from AOCI into Income	
	2017	2016		2017	2016
Cash Flow Hedges:					
Interest rate contracts	\$ (42)	\$ (245)	Total interest expense	\$ 1	\$ (18)

	Location of Amounts Recognized in Income	Pre-tax Gain (Loss) Recognized in Income	
		2017	2016
Fair Value Hedges:			
Interest rate contracts	Total interest income	\$ (12)	\$ (13)
Interest rate contracts	Total interest expense	118	177
Total		\$ 106	\$ 164
Not Designated as Hedges:			
Client-related and other risk management:			
Interest rate contracts	Other noninterest income	\$ 38	\$ 23
Foreign exchange contracts	Other noninterest income	—	4
Mortgage Banking:			
Interest rate contracts	Mortgage banking income	(8)	(2)
MSRs:			
Interest rate contracts	Mortgage banking income	13	232
Total		\$ 43	\$ 257

Table of Contents

The following table provides a summary of 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 and various LIBOR funding instruments.	Changes 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 AOCI 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 AOCI 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
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 AOCI is reported in earnings immediately.	Not applicable	Not applicable

The following table presents information about BB&T's cash flow and fair value hedges:
(Dollars in millions)

	Sep 30, 2017	Dec 31, 2016
Cash flow hedges:		
Net unrecognized after-tax loss on active hedges recorded in AOCI	\$(125)	\$(118)
Net unrecognized after-tax gain on terminated hedges recorded in AOCI (to be recognized in earnings through 2022)	6	26
Estimated portion of net after-tax gain (loss) on active and terminated hedges to be reclassified from AOCI into earnings during the next 12 months	(34)	(4)
Maximum time period over which BB&T has hedged a portion of the variability in future cash flows for forecasted transactions excluding those transactions relating to the payment of variable interest on existing instruments	5 years	6 years
Fair value hedges:		
Unrecognized pre-tax net gain on terminated hedges (to be recognized as interest primarily through 2019)	\$142	\$169
Portion of pre-tax net gain on terminated hedges to be recognized as a change in interest during the next 12 months	50	56

Table of Contents

Derivatives Credit Risk – Dealer Counterparties

Credit risk related to derivatives arises when amounts receivable from a counterparty exceed those payable to the same counterparty. The risk of loss is addressed 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 minimal limits.

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 with strong credit standings.

Derivatives Credit Risk – Central Clearing Parties

Certain derivatives are cleared through central clearing parties that require initial margin collateral, as well as 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. The central clearing party used for TBA transactions does not post variation margin to the bank. The following table summarizes collateral positions with counterparties:

		Sep 30, Dec 31,	
(Dollars in millions)		2017	2016
Dealer Counterparties:			
Cash collateral received from dealer counterparties		\$ 41	\$ 123
Derivatives in a net gain position secured by that collateral		42	123
Unsecured positions in a net gain with dealer counterparties after collateral postings		2	4
Cash collateral posted to dealer counterparties		163	138
Derivatives in a net loss position secured by that collateral		163	144
Additional collateral that would have been posted had BB&T's credit ratings dropped below investment grade		1	8
Central Clearing Parties:			
Cash collateral, including initial margin, posted to central clearing parties		222	313
Derivatives in a net loss position secured by that collateral		213	318
Securities pledged to central clearing parties		100	119

NOTE 16. Computation of EPS

Basic and diluted EPS calculations are presented in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions, except per share data, shares in thousands)	2017	2016	2017	2016
Net income available to common shareholders	\$ 597	\$ 599	\$ 1,606	\$ 1,667
Weighted average number of common shares	794,558	812,521	804,424	802,694

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Effect of dilutive outstanding equity-based awards	11,566	10,585	11,605	9,713
Weighted average number of diluted common shares	806,124	823,106	816,029	812,407
Basic EPS	\$ 0.75	\$ 0.74	\$ 2.00	\$ 2.08
Diluted EPS	\$ 0.74	\$ 0.73	\$ 1.97	\$ 2.05
Anti-dilutive awards	184	5,416	222	6,088

Table of Contents

NOTE 17. Operating Segments

The financial information related to National Penn's operations was included in the Other, Treasury & Corporate segment from the date of acquisition until the systems conversion, which occurred during July 2016. The majority of National Penn's operations are now included in Community Banking.

During the second quarter of 2017, a change was made in the method for allocation of capital to the operating segments impacting both the allocated balances and funding credit, resulting primarily in an increase to net interest income in the Residential Mortgage segment, offset by the Other, Treasury & Corporate segment. Results for prior periods have been revised to reflect the changes in allocation methodology, which are not considered significant to other segments.

Segment Realignment

Effective January 2017, several business activities were realigned within the segments. First, certain client relationships with \$218 million of loans and \$2.0 billion of deposits were no longer included in Financial Services and are only reported in Community Banking as the result of client re-segmentation. Second, the Mortgage Warehouse Lending and Domestic Factoring businesses within Specialized Lending were moved to Residential Mortgage Banking and Other, Treasury & Corporate, respectively, to align with changes in the internal management structure. Third, the International division was restructured with components integrated into Community Banking and Financial Services from Other, Treasury & Corporate also to align with changes in the internal management structure. The segment information presented herein reflects the impact of the realignment.

Community Banking

Community Banking serves individual and business clients by offering a variety of loan and deposit products and other financial services. Community Banking is primarily responsible for serving client relationships and, therefore, is credited with certain revenue from Residential Mortgage Banking, Financial Services, Insurance Holdings and Specialized Lending, which is reflected in net referral fees.

Residential Mortgage Banking

Residential Mortgage Banking retains and services mortgage loans originated by BB&T as well as those purchased from various correspondent originators. Mortgage loan products include fixed and adjustable rate government and conventional loans for the purpose of constructing, purchasing or refinancing residential properties. Substantially all of the properties are owner occupied. BB&T generally retains the servicing rights to loans sold. Residential Mortgage Banking earns interest on loans held in the warehouse and portfolio, earns fee income from the origination and servicing of mortgage loans and recognizes gains or losses from the sale of mortgage loans. Residential Mortgage Banking also includes Mortgage Warehouse Lending which provides short-term lending solutions to finance first-lien residential mortgage LHFS by independent mortgage companies.

Dealer Financial Services

Dealer Financial Services originates loans to consumers on a prime and nonprime basis for the purchase of automobiles. Such loans are originated on an indirect basis through approved franchised and independent automobile dealers throughout the BB&T market area and nationally through Regional Acceptance Corporation. This segment also originates loans for the purchase of boats and recreational vehicles originated through dealers in BB&T's market area. In addition, financing and servicing to dealers for their inventories is provided through a joint relationship between Dealer Financial Services and Community Banking.

Specialized Lending

Specialized Lending consists of BUs and subsidiaries that provide specialty finance products to consumers and businesses. The BUs include Sheffield Financial and Governmental Finance. Sheffield Financial is a dealer-based financier of small ticket equipment for both businesses and consumers. Governmental Finance provides tax-exempt financing to meet the capital project needs of local governments. Operating subsidiaries include BB&T Equipment Finance and BB&T Commercial Equipment Capital, which provide equipment leasing for large and small-to-middle market clients primarily within BB&T's banking footprint; Prime Rate Premium Finance Corporation, which includes AFCO and CAFO, insurance premium finance subsidiaries that provide funding to businesses in the United States and Canada and to consumers in certain markets within BB&T's banking footprint; and Grandbridge, a full-service commercial mortgage banking lender providing loans on a national basis. Branch Bank clients as well as nonbank clients within and outside BB&T's primary geographic market area are served by these subsidiaries and BUs. The Community Banking and Financial Services segments receive credit for referrals to these BUs with the corresponding charge retained as part of Other, Treasury & Corporate in the accompanying tables.

Table of Contents

Insurance Holdings

BB&T's insurance agency / brokerage network is the fifth largest in the world. Insurance Holdings provides property and casualty, employee benefits and life insurance to businesses and individuals. It also provides small business and corporate services, such as workers compensation and professional liability, as well as surety coverage and title insurance. Community Banking and Financial Services receive credit for insurance commissions on referred accounts, with the corresponding charge retained as part of Other, Treasury & Corporate in the accompanying tables.

Financial Services

Financial Services provides personal trust administration, estate planning, investment counseling, wealth management, asset management, corporate retirement services, corporate banking and corporate trust services. Financial Services also offers clients investment alternatives, including discount brokerage services, equities, fixed-rate and variable-rate annuities, mutual funds and governmental and municipal bonds through BB&T Investment Services, Inc.

Financial Services includes BB&T Securities, a full-service brokerage and investment banking firm that provides services in retail brokerage, equity and debt underwriting and investment advice and facilitates the origination, trading and distribution of fixed-income securities and equity products in both the public and private capital markets. BB&T Securities also has a public finance department that provides investment banking services, financial advisory services and municipal bond financing to a variety of regional taxable and tax-exempt issuers.

Financial Services includes a group of consolidated SBIC private equity and mezzanine investment funds that invest in privately owned middle-market operating companies to facilitate growth or ownership transition. Financial Services also includes the Corporate Banking Division that originates and services large corporate relationships, syndicated lending relationships and client derivatives. Community Banking receives an interoffice credit for referral fees, with the corresponding charge retained as part of Other, Treasury & Corporate in the accompanying tables. Also captured within the net intersegment interest income for Financial Services is the NIM for the loans and deposits associated with client relationships assigned to the Wealth Division that are housed in the Community Bank.

Other, Treasury & Corporate

Other, Treasury & Corporate is the combination of the Other segment that represents operating entities that do not meet the quantitative or qualitative thresholds for disclosure; BB&T's Treasury function, which is responsible for the management of the securities portfolios, overall balance sheet funding and liquidity, and overall management of interest rate risk; the corporate support functions that have not been allocated to the business segments; certain merger-related charges or credits that are incurred as part of the acquisition and conversion of acquired entities; certain charges that are considered to be unusual in nature and not reflective of the normal operations of the segments; and intercompany eliminations including intersegment net referral fees and net intersegment interest income (expense).

The investment balances and results related to affordable housing investments are included in the Other, Treasury & Corporate segment. PCI loans from the Colonial acquisition and related net interest income are also included in this segment. Performance results of bank acquisitions prior to system conversion are typically reported in this segment and on a post-conversion date are reported in the Community Banking segment and other segments as applicable.

Table of Contents

	Three Months Ended September 30,							
	Community Banking		Residential Mortgage Banking		Dealer Financial Services		Specialized Lending	
(Dollars in millions)	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income (expense)	\$647	\$570	\$332	\$359	\$242	\$229	\$189	\$177
Net intersegment interest income (expense)	409	411	(209)	(215)	(46)	(39)	(81)	(68)
Segment net interest income	1,056	981	123	144	196	190	108	109
Allocated provision for credit losses	23	(3)	2	9	78	76	15	18
Segment net interest income after provision	1,033	984	121	135	118	114	93	91
Noninterest income	373	360	86	117	—	1	71	80
Noninterest expense	789	803	100	40	57	50	94	92
Income (loss) before income taxes	617	541	107	212	61	65	70	79
Provision (benefit) for income taxes	221	197	40	80	23	25	16	19
Segment net income (loss)	\$396	\$344	\$67	\$132	\$38	\$40	\$54	\$60
Identifiable assets (period end)	\$74,493	\$73,125	\$33,213	\$36,652	\$15,239	\$15,090	\$18,854	\$17,823
	Insurance Holdings		Financial Services		Other, Treasury & Corporate (1)		Total BB&T Corporation	
	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income (expense)	\$1	\$1	\$81	\$65	\$155	\$209	\$1,647	\$1,610
Net intersegment interest income (expense)	—	(1)	80	91	(153)	(179)	—	—
Segment net interest income	1	—	161	156	2	30	1,647	1,610
Allocated provision for credit losses	—	—	7	32	1	16	126	148
Segment net interest income after provision	1	—	154	124	1	14	1,521	1,462
Noninterest income	399	412	251	235	(14)	(41)	1,166	1,164
Noninterest expense	378	375	237	230	90	121	1,745	1,711
Income (loss) before income taxes	22	37	168	129	(103)	(148)	942	915
Provision (benefit) for income taxes	9	16	62	48	(77)	(112)	294	273
Segment net income (loss)	\$13	\$21	\$106	\$81	\$(26)	\$(36)	\$648	\$642
Identifiable assets (period end)	\$3,360	\$3,342	\$18,774	\$17,570	\$56,407	\$59,020	\$220,340	\$222,622
	Nine Months Ended September 30,							
	Community Banking		Residential Mortgage Banking		Dealer Financial Services		Specialized Lending	
(Dollars in millions)	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income (expense)	\$1,852	\$1,631	\$996	\$1,045	\$727	\$684	\$545	\$517
Net intersegment interest income (expense)	1,236	1,210	(633)	(646)	(137)	(118)	(230)	(201)

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Segment net interest income	3,088	2,841	363	399	590	566	315	316
Allocated provision for credit losses	111	10	17	31	254	210	43	51
Segment net interest income after provision	2,977	2,831	346	368	336	356	272	265
Noninterest income	1,104	1,027	234	272	—	2	210	212
Noninterest expense	2,398	2,356	314	259	169	143	278	259
Income (loss) before income taxes	1,683	1,502	266	381	167	215	204	218
Provision (benefit) for income taxes	602	547	99	144	62	82	45	50
Segment net income (loss)	\$1,081	\$955	\$167	\$237	\$105	\$133	\$159	\$168
Identifiable assets (period end)	\$74,493	\$73,125	\$33,213	\$36,652	\$15,239	\$15,090	\$18,854	\$17,823
	Insurance Holdings		Financial Services		Other, Treasury & Corporate (1)		Total BB&T Corporation	
	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income (expense)	\$2	\$2	\$222	\$196	\$547	\$681	\$4,891	\$4,756
Net intersegment interest income (expense)	1	(4)	) 263	256	(500)	(497)) —	—
Segment net interest income	3	(2)	) 485	452	47	184	4,891	4,756
Allocated provision for credit losses	—	—	(9)	) 128	(7)	) 13	409	443
Segment net interest income after provision	3	(2)	) 494	324	54	171	4,482	4,313
Noninterest income	1,344	1,298	711	654	(46)	(155)	) 3,557	3,310
Noninterest expense	1,163	1,109	709	677	558	250	5,589	5,053
Income (loss) before income taxes	184	187	496	301	(550)	(234)	) 2,450	2,570
Provision (benefit) for income taxes	70	72	183	113	(359)	(237)	) 702	771
Segment net income (loss)	\$114	\$115	\$313	\$188	\$(191)	) \$3	\$1,748	\$1,799
Identifiable assets (period end)	\$3,360	\$3,342	\$18,774	\$17,570	\$56,407	\$59,020	\$220,340	\$222,622

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

Table of Contents

ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF 2. OPERATIONS

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 expressions are 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 national or global financial markets, including the impact of a downgrade of U.S. government obligations by one of the credit ratings agencies, the economic instability and recessionary conditions in Europe, the potential exit of the United Kingdom from the European Union and the economic slowdown in China;
- changes in the interest rate environment, including interest rate changes made by the FRB, as well as 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 or develop products that enable them to compete more successfully than BB&T and may be subject to different regulatory standards than BB&T;
- cybersecurity risks, including "denial of service," "hacking" and "identity theft," could adversely affect BB&T's business and financial performance or reputation, and BB&T could be liable for financial losses incurred by third parties due to breaches of data shared between financial institutions;
- natural or other disasters, including acts of terrorism, 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 customers to access the services BB&T offers;
- costs related to the integration of the businesses of BB&T and its merger partners may be greater than expected;
- failure to execute on strategic or operational plans, including the ability to successfully complete and/or integrate mergers and acquisitions or fully achieve expected cost savings or revenue growth associated with mergers and acquisitions within the expected time frames could adversely impact financial condition and results of operations;
- significant litigation and regulatory proceedings could have a material adverse effect on BB&T;
- unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries could result in negative publicity, protests, fines, penalties, restrictions on BB&T's operations or ability to expand its business and other negative consequences, all of which could cause reputational damage and adversely impact BB&T's financial conditions and results of operations;
- risks resulting from the extensive use of models;
- risk management measures may not be fully effective;
- deposit attrition, customer loss and/or revenue loss following completed mergers/acquisitions may exceed expectations;

higher than expected costs related to information technology infrastructure or a failure to successfully implement future system enhancements could adversely impact BB&T's financial condition and results of operations and could result in significant additional costs to BB&T; and
widespread system outages, caused by the failure of critical internal systems or critical services provided by third parties, could adversely impact BB&T's financial condition and results of operations.

These and other risk factors are more fully described in this report and in BB&T's Annual Report on Form 10-K for the year ended December 31, 2016 under the sections 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. 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. Readers should, however, consult any further disclosures of a forward-looking nature BB&T may make in any subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q or Current Reports on Form 8-K.

Table of Contents

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.

Regulatory Considerations

The extensive regulatory framework applicable to financial institutions is intended primarily for the protection of depositors, the DIF and the stability of the financial system, rather than for the protection of shareholders and creditors. In addition to banking laws, regulations and regulatory agencies, BB&T is subject to various other laws, regulations, supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of BB&T and its ability to make distributions to shareholders. Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2016 for additional disclosures with respect to significant laws and regulations affecting BB&T.

The current administration and members of Congress have publicly disclosed proposals to change certain laws and regulations (e.g., DOL fiduciary rule). Proposals to change the laws and regulations are frequently introduced at both the federal and state levels. The likelihood and timing of any such changes and the impact such changes may have on BB&T is impossible to determine with any certainty. The following summarizes changes to significant proposed or final rules that were published since the filing of BB&T's Annual Report on Form 10-K for the year ended December 31, 2016.

DOL Fiduciary Rule

During April 2016, the DOL issued a final rule related to fiduciary standards in regards to the investing of clients' retirement assets. The final rule expands the definition of a fiduciary under the Employee Retirement Income Security Act of 1974. Those who provide investment advice to plans, plan sponsors, fiduciaries, plan participants, beneficiaries and IRAs and IRA owners must either avoid payments that create conflicts of interest or comply with the protective terms of an exemption issued by the DOL. Under new exemptions adopted with the rule, financial institutions will be obligated to acknowledge their status and the status of their individual advisers as "fiduciaries." Firms and advisers will be required to make prudent investment recommendations without regard to their own interests, or the interests of those other than the customer; charge only reasonable compensation; and make no misrepresentations to their customers regarding recommended investments. Additionally, the new rule requires certain disclosures to be made to the investor, and ongoing compliance must be monitored and documented.

In early April 2017, the DOL issued a 60 day extension on implementation of certain aspects of the final rule to allow additional time to evaluate the impacts of the rule in accordance with an executive order issued by the President of the United States. Thus, the requirements under the rule will be phased in from June 9, 2017 to January 1, 2018. The estimated impact for 2017 is not significant.

Executive Summary

Consolidated net income available to common shareholders for the third quarter of 2017 was \$597 million. On a diluted per common share basis, earnings for the third quarter of 2017 were \$0.74, an increase of \$0.01 compared to the third quarter of 2016. Earnings for the current quarter include pre-tax merger-related and restructuring charges of \$47 million (\$29 million after tax). Earnings for the earlier quarter include pre-tax merger-related and restructuring charges of \$43 million (\$27 million after-tax).

BB&T's results of operations for the third quarter of 2017 produced an annualized return on average assets of 1.16%, an annualized return on average risk-weighted assets of 1.45% and an annualized return on average common shareholders' equity of 8.82%, compared to ratios for the same quarter of the prior year of 1.15%, 1.45% and 8.87%, respectively.

Total revenues on a TE basis were \$2.9 billion for the third quarter of 2017, an increase of \$40 million compared to the same period in 2016. This reflects an increase of \$38 million in taxable-equivalent net interest income. Net interest margin was 3.48%, compared to 3.39% for the third quarter of 2016.

The provision for credit losses was \$126 million compared to \$148 million in the third quarter of 2016. Net charge-offs for the third quarter of 2017 totaled \$127 million compared to \$130 million for the earlier quarter. Asset quality continues to improve, as NPAs were down compared to the second quarter of 2017.

Noninterest income was essentially flat compared to the third quarter of 2016. Noninterest expense was \$1.7 billion for the third quarter of 2017, up \$34 million compared to the earlier quarter. This increase was driven by higher personnel expense and other expense, partially offset by lower outside IT services.

The provision for income taxes was \$294 million for the third quarter of 2017, compared to \$273 million for the earlier quarter. This produced an effective tax rate for the third quarter of 2017 of 31.2%, compared to 29.8% for the third quarter of 2016.

Table of Contents

BB&T's common equity Tier 1 capital ratio was 10.1% at September 30, 2017. BB&T declared common dividends of \$0.33 per share during the third quarter of 2017, a ten percent increase, which resulted in a dividend payout ratio of 43.8%. BB&T completed \$920 million of share repurchases during the third quarter of 2017. The total payout ratio for the third quarter of 2017 was 198.0%.

Analysis of Results of Operations

Net Interest Income and NIM

Third Quarter 2017 compared to Third Quarter 2016

Net interest income on a TE basis was \$1.7 billion for the third quarter of 2017, an increase of \$38 million compared to the same period in 2016. Interest income increased \$83 million, which primarily reflects higher rates. Interest expense increased \$45 million due to higher funding costs reflecting the impact of rate increases.

Net interest margin was 3.48%, compared to 3.39% for the third quarter of 2016. Average earning assets decreased \$836 million, or 0.4%, while average interest-bearing liabilities decreased \$3.1 billion, or 2.3%. Noninterest-bearing deposits increased \$2.9 billion due to organic growth. The annualized TE yield on the total loan portfolio for the third quarter was 4.47%, up 17 basis points compared to the earlier quarter. The annualized TE yield on the average securities portfolio for the third quarter was 2.47%, up 15 basis points compared to the earlier quarter.

The average annualized cost of interest-bearing deposits was 0.35%, up 12 basis points compared to the third quarter of 2016. The average annualized rate on short-term borrowings was 1.03%, up 69 basis points. The average annualized rate on long-term debt was 2.29%, up 24 basis points. The higher rates on funding liabilities primarily reflect the impact of rate increases.

Nine Months of 2017 compared to Nine Months of 2016

Net interest income on a TE basis was \$5.0 billion for the nine months ended September 30, 2017, an increase of \$137 million compared to the same period in 2016. This increase reflects a \$157 million increase in TE interest income, partially offset by a \$20 million increase in funding costs. The increase in interest income was driven by an increase in average earning assets of \$2.2 billion compared to the same period of 2016 and higher overall yields. The increase in funding costs was driven by higher costs for deposits and short-term borrowings due to increases in interest rates, partially offset by lower long-term debt costs.

The NIM was 3.47% for the nine months ended September 30, 2017, compared to 3.41% for the same period of 2016. The annualized TE yield on the average securities portfolio for the nine months ended September 30, 2017 was 2.46%, up six basis points compared to the annualized yield earned during the same period of 2016. The annualized TE yield for the total loan portfolio for the nine months ended September 30, 2017 was 4.38%, up six basis points compared to the corresponding period of 2016.

The average annualized cost of interest-bearing deposits for the nine months ended September 30, 2017 was 0.30%, up six basis points compared to the same period in the prior year. The average annualized rate on short-term borrowings was 0.83% for the nine months ended September 30, 2017, up 48 basis points compared to the same period of 2016. The increases in costs for deposits and short-term borrowings were driven by rate increases. The average annualized rate on long-term debt for the nine months ended September 30, 2017 was 2.01%, compared to 2.12% for the same period in 2016. This decrease is primarily due to the early extinguishment of higher cost FHLB advances.

The following tables set forth the major components of net interest income and the related annualized yields and rates 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.

40

Table of Contents

Table 1-1

TE Net Interest Income and Rate / Volume Analysis (1)

Three Months Ended September 30, 2017 and 2016

	Average Balances (6)		Annualized Yield/Rate		Income/Expense		Increase	Change due to	
(Dollars in millions)	2017	2016	2017	2016	2017	2016	(Decrease)	Rate	Volume
Assets									
Total securities, at amortized cost (2)									
U.S. Treasury	\$3,794	\$3,460	1.68 %	1.63 %	\$ 16	\$ 14	\$ 2	\$—	\$ 2
GSE	2,385	2,786	2.22	2.18	13	16	(3)	—	(3)
Agency MBS	37,734	37,987	2.29	2.05	216	195	21	22	(1)
States and political subdivisions	1,596	2,356	5.07	5.16	20	30	(10)	(1)	(9)
Non-agency MBS	405	502	18.58	14.81	19	19	—	4	(4)
Other	54	61	2.26	1.67	1	—	1	1	—
Total securities	45,968	47,152	2.47	2.32	285	274	11	26	(15)
Other earning assets (3)	2,924	3,068	1.42	1.17	11	9	2	2	—
Loans and leases, net of unearned income (4)(5)									
Commercial:									
Commercial and industrial	51,605	51,508	3.59	3.37	466	436	30	29	1
CRE-income producing properties	15,099	14,667	4.37	3.75	167	138	29	25	4
CRE-construction and development	4,181	3,802	4.19	3.74	44	36	8	4	4
Dealer floor plan	1,574	1,268	2.76	2.09	11	7	4	2	2
Direct retail lending	11,960	11,994	4.73	4.30	143	130	13	13	—
Sales finance	9,780	9,339	3.23	3.04	79	71	8	5	3
Revolving credit	2,668	2,537	8.92	8.80	60	56	4	1	3
Residential mortgage	28,924	30,357	4.04	4.06	292	308	(16)	(2)	(14)
Other lending subsidiaries	16,158	14,742	7.72	8.05	315	298	17	(12)	29
PCI	742	1,052	17.15	19.68	32	52	(20)	(6)	(14)
Total loans and leases HFI	142,691	141,266	4.48	4.32	1,609	1,532	77	59	18
LHFS	1,490	2,423	3.70	3.25	13	20	(7)	2	(9)
Total loans and leases	144,181	143,689	4.47	4.30	1,622	1,552	70	61	9
Total earning assets	193,073	193,909	3.95	3.77	1,918	1,835	83	89	(6)
Nonearning assets	27,659	28,156							
Total assets	\$220,732	\$222,065							

Liabilities and
Shareholders' Equity

Interest-bearing deposits:									
Interest-checking	\$27,000	\$27,754	0.29	0.15	20	10	10	10	—
Money market and savings	61,450	64,335	0.32	0.19	49	31	18	19	(1)
Time deposits	13,794	15,818	0.51	0.50	17	20	(3)	—	(3)
Foreign deposits - interest-bearing	1,681	1,037	1.14	0.38	5	1	4	3	1
Total interest-bearing deposits	103,925	108,944	0.35	0.23	91	62	29	32	(3)
Short-term borrowings	5,983	2,128	1.03	0.34	15	2	13	7	6
Long-term debt	21,459	23,428	2.29	2.05	124	121	3	14	(11)
Total interest-bearing liabilities	131,367	134,500	0.70	0.55	230	185	45	53	(8)
Noninterest-bearing deposits	53,489	50,559							
Other liabilities	5,928	7,090							
Shareholders' equity	29,948	29,916							
Total liabilities and shareholders' equity	\$220,732	\$222,065							
Average interest-rate spread			3.25 %	3.22 %					
NIM/net interest income			3.48 %	3.39 %	\$1,688	\$1,650	\$ 38	\$36	\$ 2
Taxable-equivalent adjustment					\$41	\$40			

Yields are stated on a TE basis utilizing the marginal income tax rates for the periods presented. The change in (1) interest not solely due to changes in yield/rate or volume has been allocated on a pro-rata basis based on the absolute dollar amount of each.

(2) Total securities include AFS 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, are included for rate calculation purposes.

(5) NPLs are included in the average balances.

(6) Excludes basis adjustments for fair value hedges.

Table of Contents

Table 1-2

TE Net Interest Income and Rate / Volume Analysis (1)
 Nine Months Ended September 30, 2017 and 2016

	Average Balances (6)		Annualized Yield/Rate		Income/Expense		Increase	Change due to	
(Dollars in millions)	2017	2016	2017	2016	2017	2016	(Decrease)	Rate	Volume
Assets									
Total securities, at amortized cost (2)									
U.S. Treasury	\$4,425	\$2,832	1.71 %	1.69 %	\$57	\$36	\$ 21	\$—	\$ 21
GSE	2,386	4,012	2.22	2.11	40	64	(24)	3	(27)
Agency MBS	36,194	36,895	2.22	2.04	603	565	38	49	(11)
States and political subdivisions	1,854	2,392	5.17	5.25	72	94	(22)	(1)	(21)
Non-agency MBS	417	555	20.53	19.57	64	81	(17)	4	(21)
Other	57	63	2.12	1.72	1	1	—	—	—
Total securities	45,333	46,749	2.46	2.40	837	841	(4)	55	(59)
Other earning assets (3)	3,606	3,229	1.42	1.78	38	43	(5)	(10)	5
Loans and leases, net of unearned income (4)(5)									
Commercial:									
Commercial and industrial	51,543	50,393	3.51	3.34	1,355	1,261	94	65	29
CRE-income producing properties	14,857	14,316	3.99	3.77	443	404	39	23	16
CRE-construction and development	3,978	3,697	3.91	3.75	116	104	12	5	7
Dealer floor plan	1,498	1,270	2.55	2.05	29	20	9	5	4
Direct retail lending	11,991	11,712	4.54	4.29	407	375	32	23	9
Sales finance	10,371	9,685	3.20	3.03	248	220	28	13	15
Revolving credit	2,629	2,492	8.83	8.79	174	164	10	1	9
Residential mortgage	29,337	30,231	4.02	4.08	884	925	(41)	(13)	(28)
Other lending subsidiaries	15,575	14,050	7.85	8.32	915	876	39	(51)	90
PCI	816	1,093	18.34	19.40	112	159	(47)	(8)	(39)
Total loans and leases HFI	142,595	138,939	4.39	4.33	4,683	4,508	175	63	112
LHFS	1,475	1,876	3.61	3.42	39	48	(9)	3	(12)
Total loans and leases	144,070	140,815	4.38	4.32	4,722	4,556	166	66	100
Total earning assets	193,009	190,793	3.87	3.81	5,597	5,440	157	111	46
Nonearning assets	27,564	27,742							
Total assets	\$220,573	\$218,535							

Liabilities and
 Shareholders' Equity

Interest-bearing deposits:									
Interest-checking	\$28,465	\$27,246	0.22	0.14	48	29	19	18	1
Money market and savings	63,521	62,658	0.28	0.20	133	92	41	40	1
Time deposits	14,265	16,931	0.49	0.52	51	66	(15)	(4)	(11)
Foreign deposits - interest-bearing	1,026	1,217	0.98	0.37	8	3	5	6	(1)
Total interest-bearing deposits	107,277	108,052	0.30	0.24	240	190	50	60	(10)
Short-term borrowings	3,626	2,615	0.83	0.35	22	7	15	12	3
Long-term debt	21,330	23,203	2.01	2.12	323	368	(45)	(17)	(28)
Total interest-bearing liabilities	132,233	133,870	0.59	0.56	585	565	20	55	(35)
Noninterest-bearing deposits	52,395	48,528							
Other liabilities	5,894	7,017							
Shareholders' equity	30,051	29,120							
Total liabilities and shareholders' equity	\$220,573	\$218,535							
Average interest-rate spread			3.28	%	3.25	%			
NIM/net interest income			3.47	%	3.41	%	\$5,012	\$4,875	\$137
Taxable-equivalent adjustment					\$121	\$119			

Yields are stated on a TE basis utilizing the marginal income tax rates for the periods presented. The change in (1) interest not solely due to changes in yield/rate or volume has been allocated on a pro-rata basis based on the absolute dollar amount of each.

(2) Total securities include AFS 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, are included for rate calculation purposes.

(5) NPLs are included in the average balances.

(6) Excludes basis adjustments for fair value hedges.

Table of Contents

Provision for Credit Losses

Third Quarter 2017 compared to Third Quarter 2016

The provision for credit losses totaled \$126 million for the third quarter of 2017, compared to \$148 million for the same period of the prior year.

Net charge-offs were \$127 million for the third quarter of 2017 and \$130 million for the third quarter of 2016. Net charge-offs were 0.35% of average loans and leases on an annualized basis for the third quarter of 2017, compared to 0.37% of average loans and leases for the same period in 2016.

Nine Months of 2017 compared to Nine Months of 2016

The provision for credit losses totaled \$409 million for the nine months ended September 30, 2017, compared to \$443 million for the same period of 2016.

Net charge-offs for the nine months ended September 30, 2017 were \$407 million, compared to \$381 million for the nine months ended September 30, 2016. Net charge-offs in the other lending subsidiaries portfolio increased \$29 million, primarily due to an increase in loss severity associated with used car values. Commercial and industrial net charge-offs decreased \$36 million, primarily due to \$30 million of net charge-offs recorded during the first quarter of 2016 related to the energy lending portfolio.

Net charge-offs were 0.38% of average loans and leases on an annualized basis for the nine months ended September 30, 2017, compared to 0.37% of average loans and leases for the same period in 2016.

Noninterest Income

Third Quarter 2017 compared to Third Quarter 2016

Noninterest income for the third quarter of 2017 was essentially flat compared to the earlier quarter.

FDIC loss share income improved \$18 million due to the termination of loss share agreements in the third quarter of 2016.

Insurance income decreased \$13 million, primarily due to lower performance-based commissions.

Mortgage banking income decreased \$40 million primarily resulting from lower gains on the net MSR valuation during the current quarter. In addition, commercial mortgage production revenues were lower in the current period.

Other income increased \$20 million primarily due to income from SBIC private equity investments.

Nine Months of 2017 compared to Nine Months of 2016

Noninterest income for the nine months ended September 30, 2017 totaled \$3.6 billion, compared to \$3.3 billion for the same period in 2016, an increase of \$247 million. This change was primarily driven by higher insurance income, service charges on deposits, bankcard fees and merchant discounts, FDIC loss share income and other income. These increases were partially offset by decreases in mortgage banking income and securities gains.

Insurance income was \$1.3 billion, up \$42 million compared to the corresponding period of 2016. This increase was largely due to the acquisition of Swett & Crawford in 2016.

Service charges on deposits were \$523 million for the nine months ended September 30, 2017, compared to \$492 million for the same period of the prior year. This increase reflects organic growth and the impact of the acquisition of National Penn in 2016.

Mortgage banking income was \$311 million for the nine months ended September 30, 2017, compared to \$356 million for the same period of 2016. This decrease is primarily from lower gains on the net MSR valuation during the current year. In addition, commercial mortgage production revenues were lower in the current period.

Bankcard fees and merchant discounts was \$204 million, up \$27 million primarily due to an increase in volumes and the rates earned, as well as a reduction in the accrual for rewards.

Table of Contents

FDIC loss share income improved \$142 million due to the termination of loss share agreements in the third quarter of 2016.

Other income for the nine months ended September 30, 2017 was \$321 million, an increase of \$75 million compared to the same period of the prior year, which includes an increase of \$34 million in income related to assets for certain post-employment benefits, which is largely offset in personnel expense. Partnership income increased \$19 million primarily from SBIC private equity investments. In addition, income from derivatives activities increased \$13 million compared to the prior period.

There were no net securities gains for the nine months ended September 30, 2017, compared to net securities gains of \$45 million for the nine months ended September 30, 2016.

Noninterest Expense

Third Quarter 2017 compared to Third Quarter 2016

Noninterest expense for the third quarter of 2017 was up \$34 million compared to the earlier quarter. This increase was driven by higher personnel expense and other expense, partially offset by lower outside IT services.

Personnel expense increased \$18 million compared to the earlier quarter primarily due to higher incentive compensation and lower capitalized loan origination costs.

Outside IT services decreased \$17 million compared to the earlier quarter due to lower project-related expenses.

Other expense increased \$41 million compared to the earlier quarter. The earlier quarter included a \$73 million net benefit related to the settlement of certain legacy mortgage matters and a \$50 million charitable contribution. The remaining increase is due to sundry items.

Merger-related and restructuring charges were up slightly due to current quarter restructuring costs. These costs were partially offset by lower merger-related charges as a result of mergers in 2016.

Nine Months of 2017 compared to Nine Months of 2016

Noninterest expense totaled \$5.6 billion for the nine months ended September 30, 2017, an increase of \$536 million, or 10.6%, over the same period of the prior year. This increase was driven by the loss on early extinguishment of debt, higher personnel and other expenses, partially offset by lower merger-related and restructuring charges.

Personnel expense was \$3.1 billion for the nine months ended September 30, 2017, an increase of \$117 million compared to the nine months ended September 30, 2016. Salary and incentives expense was \$96 million higher as a result of acquisitions and higher equity compensation expense. Employee benefits expense increased \$21 million, which includes \$23 million of expense related to certain post-employment benefits expense, which is largely offset in other income.

Merger-related and restructuring charges decreased \$65 million. This reflects a decrease of \$104 million in merger-related charges primarily due to expenses for National Penn and Susquehanna in the earlier period, partially offset by an increase of \$39 million in restructuring charges primarily related to facilities charges in connection with various branch closures and severance in the current period.

The current year included a loss on early extinguishment of debt of \$392 million related to the termination of higher-cost FHLB advances totaling \$2.9 billion.

Other expense increased \$77 million primarily due to higher operating charge-offs, advertising expenses related to the new brand campaign and sundry other expenses. The earlier period included a \$73 million net benefit related to the settlement of certain legacy mortgage matters and a \$50 million charitable contribution.

Provision for Income Taxes

Third Quarter 2017 compared to Third Quarter 2016

The provision for income taxes was \$294 million for the third quarter of 2017, compared to \$273 million for the earlier quarter. This produced an effective tax rate for the third quarter of 2017 of 31.2%, compared to 29.8% for the earlier quarter.

Table of Contents

Nine Months of 2017 compared to Nine Months of 2016

The provision for income taxes was \$702 million for the nine months ended September 30, 2017, compared to \$771 million for the same period of the prior year. BB&T's effective income tax rate for the nine months ended September 30, 2017 was 28.7%, compared to 30.0% for the same period of the prior year. The current year-to-date period includes excess tax benefits from equity-based compensation plans and the tax benefits associated with using the marginal income tax rate for the loss on early extinguishment of debt. The prior year included a \$13 million tax benefit related to specific tax-advantaged assets.

Segment Results

See the "Operating Segments" Note 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, 2016, for additional disclosures related to BB&T's reportable business segments. Fluctuations in noninterest income and noninterest expense incurred directly by the segments are more fully discussed in the "Noninterest Income" and "Noninterest Expense" sections above.

The financial information related to National Penn's operations was included in the Other, Treasury & Corporate segment from the date of acquisition until the systems conversion, which occurred during July 2016. Post-conversion, the majority of National Penn's operations are included in Community Banking.

Table 2

Net Income by Reportable Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2017	2016	2017	2016
Community Banking	\$ 396	\$ 344	\$ 1,081	\$ 955
Residential Mortgage Banking	67	132	167	237
Dealer Financial Services	38	40	105	133
Specialized Lending	54	60	159	168
Insurance Holdings	13	21	114	115
Financial Services	106	81	313	188
Other, Treasury & Corporate	(26)	(36)	(191)	3
BB&T Corporation	\$ 648	\$ 642	\$ 1,748	\$ 1,799

During the second quarter of 2017, a change was made in the method for allocation of capital to the operating segments impacting both the allocated balances and funding credit. Results for prior periods have been revised to reflect the new allocations. During the fourth quarter of 2017, BB&T anticipates the Specialized Lending and Dealer Financial Services segments will be combined to reflect how the Company will manage its businesses. The segment information presented herein does not reflect the impact of this realignment.

Third Quarter 2017 compared to Third Quarter 2016

Community Banking

Community Banking net income was \$396 million for the third quarter of 2017, an increase of \$52 million compared to the earlier quarter. Segment net interest income increased \$75 million driven by higher funding spreads on deposits as well as average loan and deposit growth, partially offset by a reduction in credit spreads on loans. Noninterest income increased \$13 million due to higher bankcard fees and merchant discounts and service charges on deposits.

The allocated provision for credit losses increased \$26 million primarily due to a decrease in loss estimates in the earlier quarter for commercial and industrial loans and a current quarter increase in net charge-offs. Noninterest expense decreased \$14 million driven by a decline in personnel expense primarily due to a change in the approach to capitalized loan origination costs, partially offset by an increase in operating charge-offs.

Residential Mortgage Banking

Residential Mortgage Banking net income was \$67 million for the third quarter of 2017, a decrease of \$65 million compared to the earlier quarter. Noninterest income decreased \$31 million primarily due to lower gains on the net MSR valuation during the current quarter. Segment net interest income decreased \$21 million primarily due to a decline in average loans. Noninterest expense increased \$60 million due to a \$73 million net benefit, in the earlier quarter, for the settlement of certain legacy mortgage matters involving the origination of mortgage loans insured by the FHA, partially offset by declines in personnel expense and loan processing expense.

Table of Contents

Dealer Financial Services

Dealer Financial Services net income was \$38 million for the third quarter of 2017, essentially flat compared to the earlier quarter. Segment net interest income increased slightly and was offset by an increase in noninterest expense due to higher allocated corporate expenses and increased loan processing expense.

Specialized Lending

Specialized Lending net income was \$54 million for the third quarter of 2017, a decrease of \$6 million compared to the earlier quarter. Noninterest income fell due to a decline in commercial mortgage banking income.

Specialized Lending average loans increased \$1.4 billion, or 8.6 percent, primarily due to higher equipment finance, insurance premium finance and commercial mortgage loans.

Insurance Holdings

Insurance Holdings net income was \$13 million for the third quarter of 2017, a decrease of \$8 million compared to the earlier quarter. Noninterest income decreased \$13 million primarily due to lower performance-based commissions.

Financial Services

Financial Services net income was \$106 million for the third quarter of 2017, an increase of \$25 million compared to the earlier quarter. Noninterest income increased \$16 million due to higher income from SBIC private equity investments. The allocated provision for credit losses decreased \$25 million due to a decline in loss estimates related to commercial and industrial loans and lower net charge-offs.

Other, Treasury & Corporate

Other, Treasury & Corporate generated a net loss of \$26 million in the third quarter of 2017 compared to a net loss of \$36 million for the earlier quarter. Noninterest income increased \$27 million primarily due to an improvement in FDIC loss share income as a result of terminating the loss share agreements in the third quarter of 2016. Segment net interest income decreased \$28 million due to higher rates for long-term debt as well as an increase in average balances for short-term borrowings. Noninterest expense decreased \$31 million due to a \$50 million charitable contribution made in the earlier quarter, a decline in outside IT services and an increase in corporate expenses allocated to other operating segments, partially offset by increased personnel expense largely due to the previously mentioned change in approach for capitalized loan origination costs. The allocated provision for credit losses decreased \$15 million primarily due to a decline in the provision for unfunded lending commitments.

Nine Months of 2017 compared to Nine Months of 2016

Community Banking

Community Banking net income was \$1.1 billion for the nine months ended September 30, 2017, an increase of \$126 million compared to the same period of the prior year. Segment net interest income increased \$247 million driven by higher funding spreads on deposits as well as loan and deposit growth, primarily from the acquisition of National Penn. Noninterest income increased \$77 million due to higher service charges on deposits, bankcard fees and merchant discounts and checkcard fees, primarily driven by the National Penn acquisition. The allocated provision for credit losses increased \$101 million due to a moderation in the improvement of loss estimates for commercial loans, higher net charge-offs and loan growth. Noninterest expense increased \$42 million, driven by higher allocated

corporate expenses and occupancy and equipment expense which were primarily due to the National Penn acquisition as well as an increase in operating charge-offs.

Residential Mortgage Banking

Residential Mortgage Banking net income was \$167 million for the nine months ended September 30, 2017, a decrease of \$70 million compared to the same period of the prior year. Noninterest income decreased \$38 million due to lower gains on the net MSR valuation. Segment net interest income decreased \$36 million primarily due to a decline in average loan balances. Noninterest expense increased \$55 million due to a \$73 million net benefit in the prior year for the settlement of certain legacy mortgage matters involving the origination of mortgage loans insured by the FHA. Also, noninterest expense increased due to higher allocated corporate expenses, partially offset by a decline in loan processing expense and personnel expense. The allocated provision for credit losses decreased \$14 million primarily due to a decline in the allowance for loan and lease losses resulting from an improvement in loan mix and lower TDRs due to loan sales in the current period.

Table of Contents

Dealer Financial Services

Dealer Financial Services net income was \$105 million for the nine months ended September 30, 2017, a decrease of \$28 million compared to the same period of the prior year. Segment net interest income increased \$24 million due to higher average loan balances, partially offset by a decline in credit spreads on loans. The allocated provision for credit losses increased \$44 million primarily due to higher net charge-offs and an increase in the allowance for loan and lease losses, both due to increased loss severity. Noninterest expense increased \$26 million primarily due to higher loan processing expense, allocated corporate expenses and personnel expense.

Specialized Lending

Specialized Lending net income was \$159 million for the nine months ended September 30, 2017, a decrease of \$9 million compared to the same period of the prior year. Noninterest expense rose \$19 million due to increased depreciation on property held under operating leases related to growth in the Equipment Finance's lease portfolio, higher allocated corporate expenses and increased personnel expense.

Insurance Holdings

Insurance Holdings net income was \$114 million for the nine months ended September 30, 2017, essentially flat compared to the same period of the prior year. Noninterest income increased \$46 million, which primarily reflects the addition of Swett & Crawford in April 2016. Noninterest expense increased \$54 million driven by higher personnel expense, allocated corporate expenses and amortization of intangibles, which were primarily due to Swett & Crawford.

Financial Services

Financial Services net income was \$313 million for the nine months ended September 30, 2017, an increase of \$125 million compared to the same period of the prior year. Noninterest income increased \$57 million, primarily due to higher income from SBIC private equity investments, trust and investment advisory fees and hedge and client derivative income. Segment net interest income increased \$33 million, primarily driven by loan and deposit growth and higher funding spreads on deposits, partially offset by lower credit spreads on loans. The allocated provision for credit losses decreased \$137 million due to increased reserves in the earlier period related to energy lending exposures, a decline in loss estimates related to commercial and industrial loans and lower net charge-offs. Noninterest expense increased \$32 million primarily driven by higher allocated corporate expenses due to increased investments in business initiatives and additional support area costs.

Other, Treasury & Corporate

Other, Treasury & Corporate generated a net loss of \$191 million for the nine months ended September 30, 2017, compared to net income of \$3 million for the same period of the prior year. Segment net interest income decreased \$137 million primarily due to the inclusion of National Penn results in the earlier period and a decline in PCI loans. Noninterest income increased \$109 million, primarily driven by a \$142 million improvement in FDIC loss share income as a result of terminating the loss share agreements in the third quarter of 2016. Also, there was an increase in income related to assets for certain post-employment benefits, partially offset by securities gains recognized in the earlier period. Noninterest expense increased \$308 million due to the first quarter 2017 loss of \$392 million on the early extinguishment of higher-cost FHLB advances as well as higher personnel expense, including expense related to assets for certain post-employment benefits. These increases were partially offset by a \$50 million charitable contribution made in the earlier period, lower merger-related and restructuring charges due to the inclusion of National Penn in the earlier period, and an increase in allocated corporate expenses. The allocated provision for credit

losses decreased \$20 million primarily due to a provision benefit recorded in the current period for PCI loans.

Analysis of Financial Condition

Investment Activities

The total securities portfolio was \$46.6 billion at September 30, 2017, compared to \$43.6 billion at December 31, 2016. As of September 30, 2017, the securities portfolio included \$23.2 billion of AFS securities (at fair value) and \$23.4 billion of HTM securities (at amortized cost).

The effective duration of the securities portfolio was 4.6 years at September 30, 2017, compared to 4.8 years at December 31, 2016. The duration of the securities portfolio excludes certain non-agency residential MBS that were acquired in the Colonial acquisition and an immaterial amount of other securities without a stated maturity at September 30, 2017.

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

Table of Contents

Lending Activities

Loans HFI totaled \$142.8 billion at September 30, 2017, compared to \$143.3 billion at December 31, 2016. Management continuously evaluates the composition of the loan portfolio taking into consideration the current and expected market conditions, interest rate environment and risk profiles to optimize profitability. Based upon this evaluation, management may decide to focus efforts on growing or decreasing exposures in certain portfolios through both organic changes and portfolio acquisitions or sales.

Other lending subsidiaries loans increased \$1.4 billion due to seasonality and strong growth in Regional Acceptance, Sheffield and Equipment Finance. The growth in other lending subsidiaries loans also includes a portfolio purchase of \$244 million in the first quarter of 2017.

CRE-construction and development increased \$682 million primarily due to utilization as projects progressed. CRE-income producing properties increased \$362 million, which was primarily the result of a reclassification of approximately \$500 million from commercial and industrial loans that was made at the time of our new commercial loan system implementation at the beginning of the third quarter. Commercial and industrial loans increased \$258 million primarily due to growth from the Financial Services and Community Banking segments and was also impacted by the reclassification.

Sales finance loans decreased \$1.8 billion due to the strategic decision to optimize the size of the portfolio and direct investments towards higher-yielding assets and the continued runoff of the auto loan and lease portfolio obtained in connection with the Susquehanna acquisition. Residential mortgage loans decreased \$1.3 billion due to continued targeted run-off of the portfolio.

During the second quarter, the Company completed the sale of residential mortgage loans with a carrying value before allowance for loan losses of \$300 million. The sale included \$40 million of nonaccrual loans and \$199 million of performing TDRs.

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

Table 3

Composition of Average Loans and Leases

	For the Three Months Ended				
(Dollars in millions)	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Commercial and industrial	\$51,605	\$51,900	\$51,119	\$51,306	\$51,508
CRE-income producing properties	15,099	14,864	14,602	14,566	14,667
CRE-construction and development	4,181	3,905	3,844	3,874	3,802
Dealer floor plan	1,574	1,490	1,427	1,367	1,268
Direct retail lending	11,960	12,000	12,014	12,046	11,994
Sales finance	9,780	10,450	10,896	10,599	9,339
Revolving credit	2,668	2,612	2,607	2,608	2,537
Residential mortgage	28,924	29,392	29,701	30,044	30,357
Other lending subsidiaries	16,158	15,636	14,919	14,955	14,742
PCI	742	825	883	974	1,052
Total average loans and leases HFI	\$142,691	\$143,074	\$142,012	\$142,339	\$141,266

Average loans held for investment for the third quarter of 2017 were \$142.7 billion, down \$383 million compared to the second quarter of 2017.

Excluding planned runoff from sales finance loans, residential mortgage loans and PCI loans, average loans held for investment increased \$838 million, or an annualized 3.2% annualized compared to the prior quarter.

Average commercial and industrial loans decreased \$295 million, while average CRE-income producing properties increased \$235 million. The changes were impacted by the reclassification of approximately \$500 million in loans from commercial and industrial to CRE-income producing properties as previously discussed. Average CRE-construction and development increased \$276 million primarily due to utilization as projects progressed. Average other lending subsidiaries loans increased \$522 million, which includes an increase due to strong growth in small ticket consumer finance, premium finance and equipment finance.

Average sales finance loans decreased \$670 million, primarily due to strategic optimization and directing investments towards higher-yielding assets. In addition, average residential mortgage loans decreased \$468 million as all conforming loans continue to be sold in the secondary market.

Table of Contents

Asset Quality

NPAs totaled \$680 million at September 30, 2017, compared to \$813 million at December 31, 2016. The decrease was driven by an \$82 million decline in nonperforming commercial and industrial loans, primarily due to payoffs, sales and write-downs and a \$31 million decline in nonperforming residential mortgage loans due to the previously mentioned loan sale. NPLs represented 0.42% of loans and leases held for investment, an improvement of nine basis points.

The following table presents activity related to NPAs. Foreclosed real estate acquired from the FDIC is excluded for periods prior to the loss share termination:

Table 4

Rollforward of NPAs

	Nine Months Ended September 30,	
(Dollars in millions)	2017	2016
Beginning balance	\$ 813	\$ 686
New NPAs	976	1,311
Advances and principal increases	215	186
Disposals of foreclosed assets (1)	(386)	(382)
Disposals of NPLs (2)	(168)	(172)
Charge-offs and losses	(185)	(220)
Payments	(461)	(475)
Transfers to performing status	(120)	(111)
Foreclosed real estate, included as a result of loss share termination	—	17
Other, net	(4)	3
Ending balance	\$ 680	\$ 843

(1) Includes charge-offs and losses recorded upon sale of \$177 million and \$151 million for the nine months ended September 30, 2017 and 2016, respectively.

(2) Includes charge-offs and losses recorded upon sale of \$29 million and \$16 million for the nine months ended September 30, 2017 and 2016, respectively.

Table of Contents

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

Table 5

Asset Quality

(Dollars in millions)	Three Months Ended				
	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
NPAs (1)					
NPLs:					
Commercial and industrial	\$281	\$ 295	\$ 344	\$ 363	\$ 413
CRE-income producing properties	31	35	43	40	38
CRE-construction and development	10	15	17	17	12
Dealer floor plan	—	—	7	—	—
Direct retail lending	64	65	66	63	55
Sales finance	5	5	6	6	6
Residential mortgage-nonguaranteed	136	125	167	172	167
Residential mortgage-government guaranteed	5	6	5	—	—
Other lending subsidiaries	74	66	68	75	66
Total nonaccrual loans and leases HFI (1)(2)	606	612	723	736	757
Foreclosed real estate	46	48	49	50	58
Other foreclosed property	28	30	29	27	28
Total nonperforming assets (1)(2)	\$680	\$ 690	\$ 801	\$ 813	\$ 843
Performing TDRs (3):					
Commercial and industrial	\$60	\$ 48	\$ 48	\$ 55	\$ 46
CRE-income producing properties	13	15	14	16	14
CRE-construction and development	9	9	11	9	8
Direct retail lending	63	63	65	67	69
Sales finance	13	14	15	16	16
Revolving credit	29	29	29	29	30
Residential mortgage-nonguaranteed	229	207	347	336	292
Residential mortgage-government guaranteed	380	396	424	433	413
Other lending subsidiaries	256	232	232	226	209
Total performing TDRs (3)(4)	\$1,052	\$ 1,013	\$ 1,185	\$ 1,187	\$ 1,097
Loans 90 days or more past due and still accruing:					
Direct retail lending	\$9	\$ 7	\$ 7	\$ 6	\$ 7
Sales finance	6	4	5	6	4
Revolving credit	11	10	10	12	9
Residential mortgage-nonguaranteed	43	51	64	79	66
Residential mortgage-government guaranteed (5)	366	350	374	443	414
PCI	70	71	82	90	92
Total loans 90 days or more past due and still accruing (5)	\$505	\$ 493	\$ 542	\$ 636	\$ 592
Loans 30-89 days past due:					
Commercial and industrial	\$30	\$ 18	\$ 22	\$ 27	\$ 34
CRE-income producing properties	7	1	11	6	3
CRE-construction and development	1	2	1	2	2
Direct retail lending	55	54	55	60	62
Sales finance	66	57	51	76	60

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Revolving credit	22	20	20	23	20
Residential mortgage-nonguaranteed	320	265	272	393	354
Residential mortgage-government guaranteed (6)	135	128	129	132	112
Other lending subsidiaries	310	300	215	322	288
PCI	41	29	29	36	45
Total loans 30-89 days past due (6)	\$987	\$ 874	\$ 805	\$ 1,077	\$ 980

50

Table of Contents

Excludes loans held for sale.

(1) PCI loans are accounted for using the accretion method.

Sales of nonperforming loans totaled approximately \$19 million, \$75 million, \$74 million, \$130 million and \$63

(2) million for the quarter ended September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016, respectively.

Excludes TDRs that are nonperforming totaling \$203 million, \$214 million, \$218 million, \$184 million and \$138

(3) million at September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016, respectively. These amounts are included in total NPAs.

Sales of performing TDRs, which were primarily residential mortgage loans, totaled \$49 million, \$203 million, \$48

(4) million, \$36 million and \$30 million for the quarter ended September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016, respectively.

(5) Includes government guaranteed GNMA mortgage loans that BB&T has the right but not the obligation to repurchase that are 90 days or more past due totaling \$45 million, \$32 million, \$29 million, \$48 million and \$46 million at September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016, respectively.

(6) Includes government guaranteed GNMA mortgage loans that BB&T has the right but not the obligation to repurchase that are past due 30-89 days totaling \$2 million, \$2 million, \$2 million, \$3 million and \$2 million at September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016, respectively.

Table 6
Asset Quality Ratios

	As of / For the Three Months Ended									
	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016					
Asset Quality Ratios:										
Loans 30-89 days past due and still accruing as a percentage of loans and leases HFI	0.69	%	0.61	%	0.56	%	0.75	%	0.69	%
Loans 90 days or more past due and still accruing as a percentage of loans and leases HFI	0.35		0.34		0.38		0.44		0.42	
NPLs as a percentage of loans and leases HFI	0.42		0.43		0.51		0.51		0.53	
NPAs as a percentage of:										
Total assets	0.31		0.31		0.36		0.37		0.38	
Loans and leases HFI plus foreclosed property	0.48		0.48		0.56		0.57		0.59	
Net charge-offs as a percentage of average loans and leases HFI	0.35		0.37		0.42		0.42		0.37	
ALLL as a percentage of loans and leases HFI	1.04		1.03		1.04		1.04		1.06	
Ratio of ALLL to:										
Net charge-offs	2.93x		2.80x		2.49x		2.47x		2.91x	
NPLs	2.44x		2.43x		2.05x		2.03x		2.00x	

Asset Quality Ratios (Excluding Government Guaranteed and PCI): (1)

Loans 90 days or more past due and still accruing as a percentage of loans and leases HFI	0.05	%	0.05	%	0.06	%	0.07	%	0.06	%
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Applicable ratios are annualized.

(1) This asset quality ratio has been adjusted to remove the impact of government guaranteed mortgage loans and PCI.

Appropriate adjustments to the numerator and denominator have been reflected in the calculation of these ratios.

Management believes the inclusion of such assets in this asset quality ratio results in distortion of this ratio such that it might not be reflective of asset collectibility or might not be comparable to other periods presented or to

other portfolios that do not have government guarantees or were not impacted by purchase accounting.

Loans 30-89 days past due and still accruing totaled \$987 million at September 30, 2017, up \$113 million compared to the prior quarter. This increase was primarily due to an increase in residential mortgage loans, which was largely due to expected seasonality and the impact of the hurricanes.

Loans 90 days or more past due and still accruing totaled \$505 million at September 30, 2017, up \$12 million compared to the prior quarter, primarily due to an increase in government guaranteed residential mortgage loans. The ratio of loans 90 days or more past due and still accruing as a percentage of loans and leases was 0.35% at September 30, 2017, compared to 0.34% for the prior quarter. Excluding government guaranteed and PCI loans, the ratio of loans 90 days or more past due and still accruing as a percentage of loans and leases was 0.05% at September 30, 2017, flat compared to the prior quarter.

Table of Contents

Problem loans include loans on nonaccrual status or loans that are 90 days or more past due and still accruing as disclosed in Table 5. In addition, for the commercial portfolio segment, loans that are rated special mention or substandard performing are closely monitored by management as potential problem loans. Refer to the "Loans and ACL" Note in the "Notes to Consolidated Financial Statements" herein for additional disclosures related to these potential problem loans.

Certain residential mortgage loans have an initial period where the borrower is only required to pay the periodic interest. After the interest-only period, the loan will require the payment of both interest and principal over the remaining term. At September 30, 2017, approximately 2.4% of the outstanding balances of residential mortgage loans were in the interest-only phase, compared to 2.6% at December 31, 2016. Approximately 98.1% of the interest-only balances will begin amortizing within the next three years. Approximately 0.8% of interest-only loans are 30 days or more past due and still accruing and 1.1% are on nonaccrual status.

Home equity lines, which are a component of the direct retail portfolio, generally require interest-only payments 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 September 30, 2017, the direct retail lending portfolio includes \$8.5 billion of variable rate home equity lines and \$1.0 billion of variable rate other lines of credit. Approximately \$6.4 billion of the variable rate home equity lines is currently in the interest-only phase and approximately 5.9% of these balances will begin amortizing within the next three years. Approximately \$877 million of the outstanding balance of variable rate other lines of credit is in the interest-only phase and 15.8% of these balances will begin amortizing within the next three years. Variable rate home equity lines and other lines of credit typically reset on a monthly basis.

TDRs occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and a concession has been granted to the borrower. As a result, BB&T will work with the borrower to prevent further difficulties and ultimately 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 the "Summary of Significant Accounting Policies" Note in the "Notes to Consolidated Financial Statements" in the Annual Report on Form 10-K for the year ended December 31, 2016 for additional policy information regarding TDRs. During the third quarter of 2017, the following disclosures began including trial modifications. Previous amounts have been revised to conform to the current presentation.

Performing TDRs totaled \$1.1 billion at September 30, 2017, a decrease of \$135 million compared to December 31, 2016. This decrease was primarily due to the previously mentioned residential mortgage loan sale, which included \$199 million in performing TDRs.

The following table provides a summary of performing TDR activity:

Table 7

Rollforward of Performing TDRs

	Nine Months Ended September 30,		
(Dollars in millions)	2017	2016	
Beginning balance	\$1,187	\$982	
Inflows	501	464	
Payments and payoffs	(182)	(139))
Charge-offs	(41)	(29))
Transfers to nonperforming TDRs, net	(65)	(51))

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Removal due to the passage of time	(46)	(52)
Non-concessionary re-modifications	(2)	—
Sold and transferred to LHFS	(300)	(78)
Ending balance	\$1,052	\$1,097

Table of Contents

The following table provides further details regarding the payment status of TDRs outstanding at September 30, 2017:

Table 8

Payment Status of TDRs

(Dollars in millions)	September 30, 2017							
	Current Status		Past Due 30-89 Days		Past Due 90 Days Or More		Total	
Performing TDRs (1):								
Commercial and industrial	\$60	100.0%	\$—	— %	\$—	— %	\$60	
CRE—income producing properties	13	100.0	—	—	—	—	13	
CRE—construction and development	9	100.0	—	—	—	—	9	
Direct retail lending	60	95.2	3	4.8	—	—	63	
Sales finance	12	92.3	1	7.7	—	—	13	
Revolving credit	24	82.7	4	13.8	1	3.5	29	
Residential mortgage—nonguaranteed	181	79.0	33	14.4	15	6.6	229	
Residential mortgage—government guaranteed	43	37.6	71	18.7	166	43.7	380	
Other lending subsidiaries	216	84.4	40	15.6	—	—	256	
Total performing TDRs	718	68.3	152	14.4	182	17.3	1,052	
Nonperforming TDRs (2)	107	52.7	18	8.9	78	38.4	203	
Total TDRs	\$825	65.8	\$170	13.5	\$260	20.7	\$1,255	

(1) Past due performing TDRs are included in past due disclosures.

(2) Nonperforming TDRs are included in NPL disclosures.

Allowance for Credit Losses

The ACL, which consists of the ALLL and the RUFC, totaled \$1.6 billion at September 30, 2017, essentially flat compared to December 31, 2016.

The ALLL, excluding PCI, was \$1.5 billion, up \$6 million compared to December 31, 2016. At September 30, 2017, the ALLL includes \$35 million for the estimated impact of potential hurricane-related losses. The allowance for PCI loans was \$27 million, down \$17 million compared to December 31, 2016. As of September 30, 2017, the total allowance for loan and lease losses was 1.04% of loans and leases held for investment, compared to 1.04% at December 31, 2016. These amounts include acquired loans, which were marked to fair value and did not receive an ALLL at the acquisition date.

The ALLL was 2.44 times NPLs held for investment, compared to 2.03 times at December 31, 2016. At September 30, 2017, the ALLL was 2.93 times annualized quarterly net charge-offs, compared to 2.47 times at December 31, 2016.

Net charge-offs during the third quarter of 2017 totaled \$127 million, or 0.35% of average loans and leases, compared to \$130 million, or 0.37% of average loans and leases for the third quarter of 2016.

Refer to the "Loans and ACL" Note in the "Notes to Consolidated Financial Statements" for additional disclosures.

Table of Contents

The following table presents an allocation of the ALLL at September 30, 2017 and December 31, 2016. This allocation of the ALLL 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 9

Allocation of ALLL by Category

(Dollars in millions)	September 30, 2017			December 31, 2016		
	Amount	% Loans in each category		Amount	% Loans in each category	
Commercial and industrial	\$ 479	36.4	%	\$ 500	36.1	%
CRE-income producing properties	139	10.4		117	10.1	
CRE-construction and development	22	3.2		25	2.7	
Dealer floor plan	13	1.1		11	1.0	
Direct retail lending	101	8.4		103	8.4	
Sales finance	37	6.6		38	7.9	
Revolving credit	101	1.9		106	1.9	
Residential mortgage-nonguaranteed	172	19.4		186	20.2	
Residential mortgage-government guaranteed	35	0.6		41	0.6	
Other lending subsidiaries	352	11.5		318	10.5	
PCI	27	0.5		44	0.6	
Total ALLL	1,478	100.0	%	1,489	100.0	%
RUFC	123			110		
Total ACL	\$ 1,601			\$ 1,599		

Table of Contents

Activity related to the ACL is presented in the following tables:

Table 10-1

Activity in ACL - Quarterly

(Dollars in millions)	Three Months Ended				
	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Beginning balance	\$1,602	\$1,599	\$1,599	\$1,621	\$1,603
Provision for credit losses (excluding PCI loans)	128	151	146	133	150
Provision (benefit) for PCI loans	(2)	(16)	2	(4)	(2)
Charge-offs:					
Commercial and industrial	(10)	(21)	(29)	(23)	(23)
CRE-income producing properties	(2)	(3)	(1)	(1)	(5)
CRE-construction and development	(2)	—	—	—	(1)
Dealer floor plan	—	(1)	—	—	—
Direct retail lending	(16)	(16)	(14)	(16)	(12)
Sales finance	(8)	(6)	(9)	(8)	(7)
Revolving credit	(17)	(19)	(21)	(16)	(18)
Residential mortgage-nonguaranteed	(6)	(19)	(11)	(9)	(11)
Residential mortgage-government guaranteed	(1)	(1)	(1)	(1)	(2)
Other lending subsidiaries	(100)	(87)	(103)	(102)	(91)
PCI	(1)	—	—	(15)	—
Total charge-offs	(163)	(173)	(189)	(191)	(170)
Recoveries:					
Commercial and industrial	7	8	6	10	6
CRE-income producing properties	1	—	4	1	3
CRE-construction and development	2	3	2	2	3
Direct retail lending	6	7	6	6	7
Sales finance	3	3	4	3	3
Revolving credit	4	5	5	5	5
Residential mortgage-nonguaranteed	—	1	—	—	1
Other lending subsidiaries	13	14	14	13	12
Total recoveries	36	41	41	40	40
Net charge-offs	(127)	(132)	(148)	(151)	(130)
Ending balance	\$1,601	\$1,602	\$1,599	\$1,599	\$1,621
ALLL (excluding PCI loans)	\$1,451	\$1,455	\$1,441	\$1,445	\$1,448
ALLL for PCI loans	27	30	46	44	63
RUFC	123	117	112	110	110
Total ACL	\$1,601	\$1,602	\$1,599	\$1,599	\$1,621

Table of Contents

Table 10-2

Activity in ACL - Year-to-Date

	Nine Months Ended September 30,	
(Dollars in millions)	2017	2016
Beginning balance	\$1,599	\$1,550
Provision for credit losses (excluding PCI loans)	425	441
Provision (benefit) for PCI loans	(16)	) 2
Charge-offs:		
Commercial and industrial	(60)	) (105)
CRE-income producing properties	(6)	) (7)
CRE-construction and development	(2)	) (1)
Dealer floor plan	(1)) —
Direct retail lending	(46)	) (37)
Sales finance	(23)	) (21)
Revolving credit	(57)	) (53)
Residential mortgage-nonguaranteed	(36)	) (26)
Residential mortgage-government guaranteed	(3)	) (4)
Other lending subsidiaries	(290)	) (256)
PCI	(1)) —
Total charge-offs	(525)	) (510)
Recoveries:		
Commercial and industrial	21	30
CRE-income producing properties	5	7
CRE-construction and development	7	9
Direct retail lending	19	20
Sales finance	10	9
Revolving credit	14	15
Residential mortgage-nonguaranteed	1	3
Other lending subsidiaries	41	36
Total recoveries	118	129
Net charge-offs	(407)	) (381)
Other	—	9
Ending balance	\$1,601	\$1,621

Deposits

Deposits totaled \$156.1 billion at September 30, 2017, a decrease of \$4.1 billion from December 31, 2016. Money market and savings decreased \$4.0 billion and interest checking decreased \$3.7 billion. These decreases were partially offset by a \$3.4 billion increase in noninterest-bearing deposits.

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

Table 11

Composition of Average Deposits

For the Three Months Ended

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(Dollars in millions)	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Noninterest-bearing deposits	\$53,489	\$52,573	\$51,095	\$51,421	\$50,559
Interest checking	27,000	28,849	29,578	28,634	27,754
Money market and savings	61,450	64,294	64,857	63,884	64,335
Time deposits	13,794	14,088	14,924	15,693	15,818
Foreign office deposits - interest-bearing	1,681	459	929	486	1,037
Total average deposits	\$157,414	\$160,263	\$161,383	\$160,118	\$159,503

Average deposits for the third quarter were \$157.4 billion, down \$2.8 billion compared to the prior quarter. Average noninterest-bearing deposits increased \$916 million, primarily due to increases in commercial balances.

Table of Contents

Interest checking decreased \$1.8 billion, primarily due to decreases in commercial balances, public funds and personal balances. Money market and savings decreased \$2.8 billion primarily due to commercial balances. Average time deposits decreased \$294 million due to decreases in personal balances. Average foreign office deposits increased \$1.2 billion due to changes in the overall funding mix.

Noninterest-bearing deposits represented 34.0% of total average deposits for the third quarter, compared to 32.8% for the prior quarter and 31.7% a year ago. The cost of interest-bearing deposits was 0.35% for the third quarter, up five basis points compared to the prior quarter.

Borrowings

At September 30, 2017, short-term borrowings totaled \$7.9 billion, an increase of \$6.5 billion compared to December 31, 2016. Short-term borrowings fluctuate based on the Company's funding needs. Long-term debt totaled \$20.9 billion at September 30, 2017, a decrease of \$1.1 billion compared to December 31, 2016. The decrease reflects the early extinguishment of \$2.9 billion of FHLB advances and other repayments totaling \$3.7 billion. During the first nine months of 2017, BB&T issued \$1.3 billion of senior medium term notes and Branch Bank issued \$2.6 billion of senior bank notes and \$1.5 billion in new FHLB advances. During October 2017, BB&T issued \$2.3 billion of fixed and floating rate debt with maturities ranging from 2021 to 2024.

Shareholders' Equity

Total shareholders' equity was \$29.9 billion at September 30, 2017, down \$73 million from December 31, 2016. Significant additions include net income of \$1.7 billion and \$104 million pursuant to activity in equity-based compensation plans. Significant uses include \$1.2 billion of share repurchases and common and preferred dividends totaling \$877 million. BB&T's book value per common share at September 30, 2017 was \$33.92, compared to \$33.14 at December 31, 2016.

Merger-Related and Restructuring Activities

In conjunction with the consummation of an acquisition or the implementation of a restructuring initiative, BB&T typically accrues certain merger-related and restructuring expenses, which may include estimated severance and other personnel-related costs, costs to terminate lease contracts, costs related to the disposal of duplicate facilities and equipment, costs to terminate data processing contracts and other costs associated with the acquisition or restructuring activity. Merger-related and restructuring accruals are re-evaluated periodically and adjusted as necessary. The remaining accruals at September 30, 2017 are expected to be utilized within one year, unless they relate to specific contracts that expire later. The following table presents a summary of merger-related and restructuring charges and the related accruals:

Table 12

Merger-Related and Restructuring Charges and Related Accruals

(Dollars in millions)	Three Months Ended September 30, 2017				Nine Months Ended September 30, 2017			
	Beginning Accrual	Expense Utilized		Ending Accrual	Beginning Accrual	Expense Utilized		Ending Accrual
Severance and personnel-related	\$20	\$ 15	\$ (10)	\$ 25	\$25	\$ 28	\$ (28)	\$ 25
Occupancy and equipment (1)	15	26	(27)	14	21	35	(42)	14
Professional services	1	—	(1)	—	1	2	(3)	—
Systems conversion and related costs (1)	—	5	(5)	—	1	25	(26)	—
Other adjustments	1	1	(2)	—	1	3	(4)	—

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Total	\$37	\$ 47	\$ (45)	\$ 39	\$49	\$ 93	\$(103)	\$ 39
(1)Includes asset impairment charges.								

57

Table of Contents

Critical Accounting Policies

The accounting and reporting policies of BB&T 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 the consolidated financial position and/or consolidated results of operations and related disclosures. The more critical accounting and reporting policies include accounting for the ACL, determining fair value of financial instruments, intangible assets, costs and benefit obligations associated with pension and postretirement benefit plans, and income taxes. Understanding BB&T's accounting policies is fundamental to understanding the consolidated financial position and consolidated results of operations. Accordingly, the 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, 2016. Significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in detail in the "Basis of Presentation" Note in the "Notes to Consolidated Financial Statements" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2016. Additional disclosures regarding the effects of new accounting pronouncements are included in the "Basis of Presentation" Note included herein. There have been no other changes to the significant accounting policies during 2017.

Risk Management

BB&T has a strong and consistent risk culture, based on established risk values, which promotes predictable and consistent performance within an environment of open communication and effective challenge. The strong culture influences all associates in the organization daily and helps them evaluate whether risks are acceptable or unacceptable while making decisions that balance quality, profitability and growth appropriately. BB&T's effective risk management framework establishes an environment which enables it to achieve superior performance relative to peers, ensures that BB&T is viewed among the safest of banks and assures the operational freedom to act on opportunities.

BB&T ensures that there is an appropriate return for the amount of risk taken, and that the expected return is in line with its strategic objectives and business plan. Risk-taking activities are evaluated and prioritized to identify those that present attractive risk-adjusted returns while preserving asset value. BB&T only undertakes risks that are understood and can be managed effectively. By managing risk well, BB&T ensures sufficient capital is available to maintain and grow core business operations in a safe and sound manner.

Regardless of financial gain or loss to the Company, associates are held accountable if they do not follow the established risk management policies and procedures. Compensation decisions take into account an associate's adherence to, and successful implementation of, BB&T's risk values. The compensation structure supports the Company's core values and sound risk management practices in an effort to promote judicious risk-taking behavior.

BB&T's risk culture encourages transparency and open dialogue between all levels in the performance of organizational functions, such as the development, marketing and implementation of a product or service.

The principal types of inherent risk include compliance, 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, 2016 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 BUs. 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, net income and capital 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.

Table of Contents

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 review and adjustment, and are modified 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 Simulation 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 impacts on earnings and liquidity as a result of fluctuations in interest rates are within acceptable tolerance guidelines.

BB&T uses derivatives primarily to manage economic risk related to securities, commercial loans, MSRs and 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 September 30, 2017, BB&T had derivative financial instruments outstanding with notional amounts totaling \$71.5 billion, with a net fair value loss of \$203 million. See the "Derivative Financial Instruments" Note 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.

Management uses the Simulation to measure the sensitivity of projected earnings to changes in interest rates. The Simulation 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 the Simulation, BB&T uses EVE analysis to focus on projected changes in assets and liabilities 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. The EVE model is a discounted cash flow of the 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 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 interest rate sensitivity that income has in relation to the investment, loan and deposit portfolios.

Table of Contents

Table 13

Interest Sensitivity Simulation Analysis

Interest Rate Scenario	Prime Rate		Annualized Hypothetical Percentage Change in Net Interest Income	
	September 30,		September 30,	
Linear Change in Prime Rate	2017	2016	2017	2016
Up 200 bps	6.25 %	5.50 %	3.86 %	4.62 %
Up 100	5.25	4.50	2.54	3.26
No Change	4.25	3.50	—	—
Down 25	4.00	3.25	(1.14)	(1.89)
Down 100	3.25	N/A	(6.53)	N/A

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 25 basis point change in interest rates each month for 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 25 basis point change in interest rates each month for eight months followed by a flat interest rate scenario for the remaining four month period.

If a parallel rate change of 200 basis points cannot be modeled due to a low level of rates, a proportional limit applies, and 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 the 4% or the proportional limit.

Management has also established a maximum negative impact on net interest income of 4% for an immediate 100 basis points parallel change in rates and 8% for an immediate 200 basis points parallel change in rates. Management currently only models up to a negative 100 basis point decline, and 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 4% or the proportional limit. 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 has temporarily suspended its interest rate exposure limits to declining interest rates. As the Federal Reserve has started to raise rates, competitive pressure on deposit rates has not materialized. As a result, asset repricing in excess of liability repricing is causing the measured exposure to declining rates to increase. Management evaluates its interest rate risk position each month.

Management also considers potential negative interest rate scenarios, which implies that a depositor would pay a premium for a financial institution to hold funds on deposit. In such a scenario, some depositors may choose to withdraw their deposits in lieu of paying an interest rate to BB&T to hold such deposits. As a result, management

considers potential pricing and structure changes, such as the movement to a primarily fee-based deposit system. Negative rates would also diminish the spreads on loans and securities. As a result, management considers interest rate floors or rate index floors in loans to mitigate this risk. BB&T purchases both fixed and variable rate securities. The fixed rate securities would be beneficial in a negative interest rate environment.

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 50% to its non-maturity interest bearing deposit accounts for determining its interest rate sensitivity. Non-maturity interest bearing deposit accounts include interest checking accounts, savings accounts, and money market accounts that do not have a contractual maturity. Due to current market conditions the actual deposit beta on non-maturity interest bearing deposits has been less than 15%; however, BB&T expects the beta to increase as rates continue to rise. BB&T regularly conducts sensitivity on other key variables to determine the impact they could have on the interest rate risk position. This 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.

Table of Contents

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 14

Deposit Mix Sensitivity Analysis

Linear Change in Rates	Base Scenario at September 30, 2017 (1)		Results Assuming a Decrease in Noninterest Bearing Demand Deposits \$1 \$5 Billion Billion	
Up 200 bps	3.86	%	3.65 %	2.81 %
Up 100	2.54		2.41	1.89

(1) The base scenario is equal to the annualized hypothetical percentage change in net interest income at September 30, 2017 as presented in the preceding table.

If rates increased 200 basis points, BB&T could absorb the loss of \$18.3 billion, or 33.8%, of noninterest bearing deposits and replace them with managed rate deposits with a beta of 100% before becoming neutral to interest rate changes.

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.

Table 15

EVE Simulation Analysis

Change in Interest Rates	EVE/Assets September 30, 2017 2016		Hypothetical Percentage Change in EVE September 30, 2017 2016	
Up 200 bps	11.8 %	10.6 %	(2.6) %	6.3 %
Up 100	12.2	10.6	0.4	6.0
No Change	12.1	10.0	—	—
Down 25	12.0	9.7	(1.1)	(3.3)
Down 100	11.0	N/A	(9.0)	N/A

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 BUs. This methodology uses two years 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 September 30, 2017 and 2016, respectively, were each less than \$1 million. Market risk disclosures under Basel II.5 are available in the Additional Disclosures section of the Investor Relations site on BBT.com.

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, 2016 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 the "Commitments and Contingencies" Note, "Fair Value Disclosures" Note and "Derivative Financial Instruments" Note in the "Notes to Consolidated Financial Statements."

Table of Contents

The following table presents activity in residential mortgage indemnification, recourse and repurchase reserves:

Table 16

Mortgage Indemnification, Recourse and Repurchase Reserves

Activity

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2017	2016	2017	2016
Balance, at beginning of period	\$ 39	\$ 80	\$ 40	\$ 79
Payments	—	—	—	(2)
Expense (benefit)	—	(3)	(1)	—
Balance, at end of period	\$ 39	\$ 77	\$ 39	\$ 77

Liquidity

Liquidity represents the 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 the 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 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 national markets 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 and BB&T. To ensure a strong liquidity position, management maintains a liquid asset buffer of cash on hand and highly liquid unpledged securities. BB&T follows the FRB's enhanced prudential standards for purposes of determining the liquid asset buffer. BB&T's policy is to use the greater of either 5% of total assets or a range of projected net cash outflows over a 30 day period. As of September 30, 2017 and December 31, 2016, BB&T's liquid asset buffer was 14.3% and 12.6%, respectively, of total assets.

BB&T is considered to be a "modified LCR" holding company. BB&T would be subject to full LCR requirements if its assets were to increase above \$250 billion or if it were to be considered internationally active. BB&T produces LCR calculations to effectively manage the position of High-Quality Liquid Assets and the balance sheet deposit mix to optimize BB&T's liquidity position. BB&T's LCR was approximately 128% at September 30, 2017, compared to the regulatory minimum for such entities of 100%, which puts BB&T in full compliance with the rule. The LCR can experience volatility due to issues like maturing debt rolling into the 30 day measurement period, or client inflows and outflows. The daily change in BB&T's LCR averaged less than 2% during 2017 with a maximum change of approximately 6%.

On April 27, 2016, the OCC, the FRB and the FDIC released a notice of proposed rulemaking for the US version of the net stable funding ratio. Under the proposal, BB&T will be a "modified NSFR" holding company. BB&T would be subject to full NSFR requirements if it has \$250 billion or more in assets or \$10 billion or more in total on-balance sheet foreign exposure. BB&T is evaluating the information in the release but does not currently expect a material impact on its results of operations or financial condition. The proposed rule would become effective January 1, 2018.

Parent Company

The purpose of the Parent Company is to serve as the primary source of capital for the operating subsidiaries, with assets primarily consisting 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 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 payments 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 cash outflows which includes unfunded external commitments, debt service, common and 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 cash outflows. In determining the buffer, BB&T considers cash requirements for common and preferred dividends, unfunded commitments to affiliates, being a source of strength to its banking subsidiary and being able to withstand sustained market disruptions that could limit access to the capital markets. At September 30, 2017 and December 31, 2016, the Parent Company had 27 months and 25 months, respectively, of cash on hand to satisfy projected contractual cash outflows, and 20 months and 19 months, respectively, taking into account common stock dividends.

Table of Contents

Branch Bank

BB&T carefully manages liquidity risk at Branch Bank. Branch Bank's primary source of funding is customer deposits. Continued access to customer deposits is highly dependent on the confidence the public has in the stability of the bank and its ability to return funds to the client when requested. BB&T maintains a strong focus on its reputation in the market to ensure continued access to client deposits. BB&T integrates its risk appetite into its overall risk management framework to ensure the bank does not exceed its risk tolerance through its lending and other risk taking functions and thus risk becoming undercapitalized. BB&T believes that sufficient capital is paramount to maintaining the confidence of its depositors and other funds providers. BB&T has extensive capital management processes in place to ensure it maintains sufficient capital to absorb losses and maintain a highly capitalized position that will instill confidence in the bank and allow continued access to deposits and other funding sources. Branch Bank monitors many liquidity metrics including funding concentrations, diversification, maturity distribution, contingent funding needs and ability to meet liquidity requirements under times of stress.

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. At September 30, 2017, Branch Bank has approximately \$78.8 billion of secured borrowing capacity, which represents approximately 6.6 times the amount of one year wholesale funding maturities.

Capital

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. Risk-based capital ratios, which include CET1 capital, Tier 1 capital and Total capital are calculated based on regulatory guidance related to the measurement of capital and risk-weighted assets.

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 capital targets, which are above the regulatory "well capitalized" levels. Management has implemented stressed capital ratio minimum targets to evaluate whether capital ratios calculated with planned capital actions are likely to remain above minimums specified by the FRB for the annual CCAR. Breaches of stressed minimum targets prompt a review of the planned capital actions included in BB&T's capital plan.

Table 17

Capital Under Basel III

	Minimum Capital		Well-Capitalized		Minimum Capital Plus Capital Conservation Buffer			BB&T Targets			
					2017	2018	2019 (1)	Operating	Stressed		
CET1 capital to risk-weighted assets	4.5	%	6.5	%	5.750	% 6.375	% 7.000	% 8.5	% 6.0	%	%
Tier 1 capital to risk-weighted assets	6.0		8.0		7.250	7.875	8.500	10.0	7.5		
Total capital to risk-weighted assets	8.0		10.0		9.250	9.875	10.500	12.0	9.5		

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Leverage ratio	4.0	5.0	N/A	N/A	N/A	8.0	5.5
(1)	BB&T's goal is to maintain capital levels above the 2019 requirements.						

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 a return above the minimums is forecast to occur within a reasonable time period.

Table of ContentsTable 18
Capital Ratios (1)

(Dollars in millions, except per share data, shares in thousands)	Sep 30, 2017	Dec 31, 2016
Risk-based:		
CET1 capital to risk-weighted assets	10.1	% 10.2 %
Tier 1 capital to risk-weighted assets	11.8	12.0
Total capital to risk-weighted assets	13.9	14.1
Leverage ratio	9.9	10.0
Non-GAAP capital measure (2):		
Tangible common equity per common share	\$20.78	\$20.18
Calculation of tangible common equity (2):		
Total shareholders' equity	\$29,853	\$29,926
Less:		
Preferred stock	3,053	3,053
Noncontrolling interests	43	45
Intangible assets	10,363	10,492
Tangible common equity	\$16,394	\$16,336
Risk-weighted assets	\$176,810	\$176,138
Common shares outstanding at end of period	788,921	809,475

(1) Current quarter regulatory capital information is preliminary.

Tangible common equity and related measures are non-GAAP measures that exclude the impact of intangible assets and their related amortization. These measures are useful for evaluating the performance of a business consistently, whether acquired or developed internally. BB&T's management uses these measures to assess the quality of capital and returns relative to balance sheet risk and believes investors may find them useful in their analysis of the Corporation. These capital measures are not necessarily comparable to similar capital measures that may be presented by other companies.

Capital levels remained strong at September 30, 2017. BB&T declared total common dividends of \$0.33 per share during the third quarter of 2017, which resulted in a dividend payout ratio of 43.8%. The Company also completed \$920 million of share repurchases during the third quarter of 2017, which resulted in a total payout ratio of 198.0%. The dividend and total payout ratios were 46.5% and 123.7%, respectively, for the year-to-date period ended September 30, 2017.

Share Repurchase Activity

The 2017 Repurchase Plan, announced on June 28, 2017, authorizes up to \$1.88 billion of share repurchases over a one-year period beginning with the third quarter of 2017. The 2017 Repurchase Plan superseded the 2015 Repurchase Plan, announced on June 25, 2015, which allowed for the repurchase of up to 50 million shares of the Company's common stock. The unused portion of the 2015 Repurchase Plan, totaling 30.2 million shares, was canceled when the 2017 Repurchase Plan was authorized.

Repurchases may be effected through open market purchases, privately negotiated transactions, trading plans established in accordance with Securities and Exchange Commission rules or other means. The timing and exact amount of repurchases will be consistent with the Company's capital plan and subject to various factors, including the

Company's capital position, liquidity, financial performance, alternative uses of capital, stock trading price and general market conditions, and may be suspended at any time. Shares repurchased pursuant to the repurchase plan constitute authorized but unissued shares of the Company and are therefore available for future issuances.

Table of Contents

Table 19

Share Repurchase Activity

(Dollars in millions, except per share data, shares in thousands)	Total Shares Repurchased	Average Price Paid Per Share (1)	Total Shares Repurchased Pursuant to Publicly-Announced Plan	Maximum Remaining Dollar Value of Shares Available for Repurchase Pursuant to Publicly-Announced Plan
July 2017	15,910	\$ 46.63	15,910	\$ 1,138
August 2017	—	—	—	1,138
September 2017	3,819	46.63	3,819	960
Total	19,729	46.63	19,729	
(1) Excludes commissions.				

Table of Contents

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

During the third quarter of 2017, BB&T implemented a new commercial loan software solution to enhance the commercial lending information and accounting systems. The new software supports operating activities, including loan origination and servicing, as well as accounting activities. Internal controls and processes have been appropriately modified to address changes in key business applications and financial processes as a result of this implementation.

There were no other changes 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 quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to the "Commitments and Contingencies" note in the "Notes to Consolidated Financial Statements."

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in BB&T's Annual Report on Form 10-K for the year ended December 31, 2016. 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

Exhibit No.	Description	Location
12†	<u>Statement re: Computation of Ratios.</u>	Filed herewith.
31.1	<u>Certification of Chief Executive Officer</u> 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	<u>Certification of Chief Financial Officer</u> 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	<u>Certification of Chief Executive Officer and Chief Financial Officer</u> 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.

† Exhibit filed with the Securities and Exchange Commission and available upon request.

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: 10/27/2017 By: /s/ Daryl N. Bible

Daryl N. Bible

Senior Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: 10/27/2017 By: /s/ Cynthia B. Powell

Cynthia B. Powell

Executive Vice President and Corporate Controller
(Principal Accounting Officer)